

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE SALE AND DETARIFFING OF)
EMBEDDED CUSTOMER PREMISES) ADMINISTRATIVE
EQUIPMENT) CASE NO. 269

O R D E R

IT IS ORDERED that General Telephone Company of Kentucky ("GTKY") shall file an original and ten copies of the following information with the Commission with a copy to the Attorney General by November 22, 1985. GTKY shall also furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Provide the dollar amount of related assets (land, buildings, etc.) associated with embedded CPE:
 - a. original cost;
 - b. market value;
 - c. allocation procedures used, if any;
 - d. property tax records showing latest assessed value and statement as to the date the property was last assessed (copy).

2. Provide all working papers used in the net present value study sponsored by Mr. Guilfoile and indicate what assumptions were used in arriving at the values, both implicit and explicit.

3. Provide sensitivity analysis on the net present value study sponsored by Mr. Guilfoile.

4. Did you reflect all adjustments for the amounts included in Exhibit TB-1 for the difference in each company's accounting practices and management decisions, in order to provide a consistent comparison of the independent telephone companies (e.g. retirement policies, etc.)?

5. Provide working papers showing derivation of the 77 percent and 62 percent indicated on page 6 of Tony Brumagen's prefiled testimony regarding in-place sales.

6. Are you currently selling embedded CPE at net book value? Were any key or small PBXs sold below or above net book? How many of the 200 net book cost determinations were actually quoted to CPE customers as prices to buy their CPE? (See Gary Avery's testimony at page 9.)

7. Have adjustments been made to the figures in the exhibits to accurately delete the difference resulting between CPE per books and actual CPE in inventory? If so, provide working papers. What is the dollar amount of this difference?

8. When Arthur Anderson conducted its audit, was the difference between net book value and market value brought to your attention? What actions were initiated by General to correct the deficiency? Provide documentation of those actions.

9. Exhibit TB-III shows the net book cost for the most common CPE single-line equipment. If available, provide the same information for other single-line equipment.

10. Provide a list of the factors that were considered in determining the quantity of purchases for CPE.

11. Provide a revised Exhibit TB-I which includes all relevant investment in Accounts 231 and 234 for General Telephone.

12. Exhibit TV-II shows net book values of \$9.2 million and \$7.1 million for 1989 and 1990 respectively. Page 8 of the Application for Rehearing dated September 30, 1985, indicates these figures to be \$8.0 million and \$4.6 million for 1989 and 1990 respectively. Why are these figures different? Provide working papers.

13. Provide the total dollar amount of investment for each category listed in Exhibit TB-III. Also provide the same data for 12-31-85, 12-31-86, and 12-31-87.

14. What is the amount of deferred taxes and investment credits anticipated to be transferred at 12-31-87? Provide working papers.

15. Provide copies of all advertising/customer contact efforts to sell embedded CPE and new CPE. Include dates, bill inserts, media selected, employee instructions, interviews, etc. Appropriately identify whether these were directed toward new or embedded. Also indicate to whom they were directed, advertising dollars spent, and where these were made/placed.

16. When was Exhibit GA-I developed? What date(s) were the price quotes for the market comparison taken?

17. What percent of embedded CPE is the type on page 8 of Gary Avery's testimony which does not have the specific features to which he refers?

18. Have market studies been conducted to indicate the demand for the basic equipment identified in response to Item 17 above? If so, provide copies.

19. Could the features referred to be added to the equipment which lacks those features?

20. Provide marketing studies to show anticipated sales by quantity, type and dollar amounts that were conducted by GTKY prior to detariffing.

21. Why has General limited its marketing efforts related to in-place CPE to the subscribers indicated in Gary Avery's testimony at pages 6-7? Why were all subscribers not advised of the opportunity to buy in-place CPE?

Done at Frankfort, Kentucky, this 15th day of November, 1985.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary