

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF MOUNTAIN)
RURAL TELEPHONE COOPERATIVE)
CORPORATION, INC. FOR TARIFF) CASE NO. 9463
REVISIONS INVOLVING NONRECURRING)
SERVICE CHARGES)

O R D E R

On November 19, 1985, Mountain Rural Telephone Cooperative Corporation, Inc., ("Mountain") filed an application with the Commission for authority to adjust its miscellaneous and nonrecurring charges outside a general rate case pursuant to 807 KAR 5:011, Section 10. This adjustment, if granted, would produce an increase in revenues of \$11,000.

DISCUSSION

Prior to approving an increase in miscellaneous and nonrecurring charges pursuant to 807 KAR 5:011, Section 10, the Commission must examine the financial condition of a utility to determine whether it can absorb any of the increased cost. If there is potential for absorption, the Commission may deny the request for the increase in charges.

807 KAR 5:011 Section 10(2) reads:

If the additional revenue to be generated from the proposed tariff revisions exceeds by five (5) percent the total revenues provided by all miscellaneous and non-recurring charges for a recent twelve (12) month period, the utility must file, in addition to the information set out in subsection (1)(a) of this section, the following: An absorption test showing that the additional net income generated

by the tariff filing will not result in an increase in the rate of return (or other applicable valuation methods) to a level greater than that which was allowed in the most recent rate case. Any general rate increases received during the twelve (12) month period must be annualized. Any significant cost changes may be included but must be documented as part of the filing.

The test year miscellaneous revenues of Mountain are \$88,844. The \$11,000 requested increase in revenues is in excess of 5 percent of total revenues provided by all miscellaneous and nonrecurring charges for the test period.

The proposed increase by Mountain is for rising labor cost associated with the nonrecurring charges. For the test period, Mountain had total revenues of \$3,259,305 and net operating income of \$1,284,459, producing a rate of return of 8.2 percent.¹ The net increase of \$10² for each of the 1,100 customers will produce total revenues of \$3,270,305 and net operating income of \$1,295,459, providing a rate of return of 8.27 percent using the calendar year 1984 as proposed by Mountain for the test period.³ An absorption test reveals that the rate of return will be in excess of that granted in Case No. 7960 (the most recent rate

1 \$1,284,459 + \$15,669,186 = 8.2%

2 \$25 proposed rate
 15 present rate
 \$10 increase

3 \$1,295,459 + 15,669,186 = 8.27%

case) of 6.53 percent.⁴ The Commission therefore denies the request of Mountain for an increase in its rates.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The rates as proposed by Mountain are unfair, unjust and unreasonable and should be denied.

IT IS THEREFORE ORDERED that:

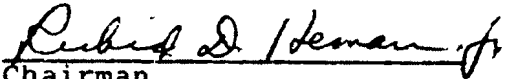
1. The rates proposed by Mountain be and they are hereby denied.


2. The current rates on file and previously approved by the Commission are the fair, just, and reasonable rates to be charged by Mountain.

⁴ The Application of Mountain Rural Telephone Cooperative Corporation, Inc. for An Upward Adjustment in Rates and Charges for Telephone Service, February 20, 1981.

Done at Frankfort, Kentucky, this 30th day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary