

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF GENERAL) CASE NO.
TELEPHONE COMPANY OF THE SOUTH) 9678

In the Matter of:

THE EFFECTS OF THE FEDERAL TAX REFORM ACT) CASE NO.
OF 1986 ON THE RATES OF GENERAL TELEPHONE) 9800
COMPANY OF THE SOUTH)

ORDER ON REHEARING

On April 16, 1987, the Commission entered an Order granting General Telephone Company of the South ("General") a two-phase rate increase.

On May 6, 1987, General filed a petition for rehearing on the following issues:

- I. The increase in local service revenues for profits derived by GTE Directories Corporation ("GTE Directories").
- II. The disallowance of 50 percent of the adjustment for general office expense.
- III. The disallowance of wage increases occurring subsequent to the test period.
- IV. Rate of return on common equity.

On May 21, 1987, the Attorney General through his Utility and Rate Intervention Division ("AG") filed a response to General's petition.

The Commission after consideration finds that rehearing on the issues presented in General's petition is necessary and should be granted.

On May 12, 1987, the Kentucky Cable Television Association ("KCTA") filed a request for rehearing. The KCTA requests rehearing on the pole attachment rates granted to General on the grounds that the rates were authorized without the Commission "fully considering or addressing the concerns expressed by KCTA in its Opposition to the General Telephone Tariff."¹

The pole attachment rates authorized to General are based on a settlement agreement reached by parties to this case. All parties of record were invited to participate in settlement negotiations on February 9 and 10, 1987. A settlement agreement was tendered to the Commission on February 18, 1987. The KCTA did not participate in the settlement negotiations, as it was not a party of record at that time. The KCTA filed a motion for intervention in this case on March 2, 1987, and was granted intervention on March 25, 1987, subsequent to the settlement negotiations and public hearing on February 18 and 19, 1987.

In its request for rehearing, the KCTA contends that (1) increased pole attachment rates are "apparently caused by extensive replacement of General Telephone poles in connection with a rebuilding and improvement of telephone service to General

¹ KCTA Request for Rehearing, Filed on May 12, 1987, page 1. KCTA Opposition to Adjustment of Pole Attachment Rates of General Telephone Company of the South, Filed on April 10, 1987.

Telephone customers," which "does not improve cable service,"² (2) the Commission's method for calculating pole attachment rates is flawed,³ (3) General's pole attachment rates are "considerably higher than the rates in surrounding states,"⁴ and (4) increased pole attachment rates have a minimal impact on General's revenue,⁵ but a substantial effect on cable subscribers.⁶

The Commission does not agree that cable service does not benefit from pole line improvements. Consumers of cable service benefit from the attachment of cable to a pole in the same way as consumers of telephone service benefit from the attachment of cable to a pole, irrespective of whether the pole is "old" facility in need of replacement or "new" facility. Also, the Commission's method for calculating pole attachment rates is not an issue in this case⁷ and differences in pole attachment rates between jurisdictions is irrelevant, as Kentucky and other jurisdictions use various approaches to calculating pole attachment rates, and the pole attachment rates General proposed were calculated in accordance with the Commission's approved methodology. Finally, General was granted an increase in pole

² Ibid., page 2.

³ Ibid., page 4.

⁴ Ibid.

⁵ Ibid., page 5.

⁶ Ibid., page 5-6.

⁷ The Commission has considered pole attachment rate methodology in Administrative Case No. 251, Adoption of a Standard Methodology for Establishing Rates for Cable Television Pole Attachments.

attachment revenue in the amount of \$29,821. This increase is de minimis both in terms of General's total revenues and in terms of its impact on cable subscribers. Therefore, on these grounds, the Commission will deny KCTA's request for rehearing.

IT IS THEREFORE ORDERED that:

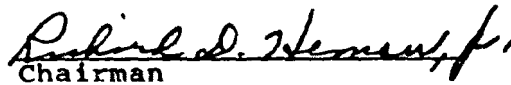
1. The petition for rehearing filed by General be and it hereby is granted.

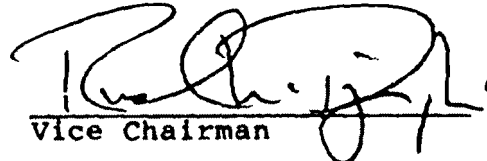
2. The request for rehearing filed by KCTA be and it hereby is denied.

3. Testimony in support of the issues granted herein shall be filed by June 7, 1987.

Done at Frankfort, Kentucky, this 26th day of May, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director