

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WEST KENTUCKY RURAL)
TELEPHONE COOPERATIVE CORPORATION, INC.)
FOR A CERTIFICATE OF CONVENIENCE AND) CASE NO. 9825
NECESSITY AUTHORIZING IT TO CONSTRUCT)
ADDITIONAL TELEPHONE LINES AND OTHER)
FACILITIES)

O R D E R

IT IS ORDERED that West Kentucky Rural Telephone Cooperative Corporation, Inc. ("WKRTCC"), shall file an original and ten copies of the following information with the Commission. The information requested herein is due no later than May 15, 1987. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Provide the present balances of all plant-in-service and associated depreciation reserve accounts that will change as a result of the proposed construction. These should be separated into subaccounts if different depreciation rates are applicable.

2. For all proposed additions to the plant-in-service accounts, provide the amount, USoA number and planned year of placement. Specify the subaccount number if different depreciation rates are applicable. Provide similar information for all retirements and include expected salvage values.

3. Since the proposed construction will involve a significant change in technology, it is assumed that present maintenance personnel will be relatively unfamiliar with the new equipment. If this assumption is correct, provide a description of transitional maintenance plans, such as retraining expenses, contractual maintenance expenses, etc. If maintenance is to be handled by contract, how will this affect the ability to react in emergencies? Are these expenses included in previously filed information? If so, identify the specific location.

4. Provide an estimate of anticipated increased revenues from new services such as custom calling. Show how this estimate was derived.

5. Provide an estimate of the effect on revenues and/or expenses from any new ability to provide automatic message recording. Show how this estimate was derived.

6. On per exchange basis, provide a table of present central office capacity, in terms of wired lines and terminals or other similar measures, and the installed and maximum number of lines for the replacement central office equipment. Indicate the type of equipment presently in each exchange. Indicate the type of equipment presently in each exchange and its approximate year of placement.

7. According to the application, reasons for central office equipment replacement are: replacement of obsolete facilities, substitution of improved state-of-the-art materials, increasing

maintenance costs, and difficulties in obtaining replacement parts. The following questions or data requests pertain to these stated reasons:

a. Provide examples of subscriber dissatisfaction with service quality that is directly related to obsolete central office equipment.

b. Provide data on historical central office maintenance expenses. The level of detail provided, such as time increments and subaccount distinctions, is discretionary and should be based on WKRTCC's ability to provide this information. However, sufficient data should be supplied to estimate the effect of increasing maintenance expenses.

c. Provide an estimate of potential savings in central office maintenance expenses that would result from switch conversion.

d. Provide specific examples of any difficulties experienced in obtaining replacement parts.

e. Assuming that all switching equipment in the 18 exchanges are not of different manufacture, would the conversion of one or two clusters provide a supply of replacement parts to unconverted offices by reuse of existing equipment?

8. For each central office, indicate the anticipated date when switch replacement will be required for reasons specific to that office such as line, switch, or building exhaust. The specific reason for replacement should be indicated.

9. For each central office, indicate the anticipated date when switch replacement will be required for economic reasons not specific to that office, such as premature conversion of a host office because a planned remote office required conversion at an earlier date.

10. The revised application discusses the desirability of trunking from a remote switch and, except for one manufacturer, the general inability of the industry to supply this feature. The following questions pertain to this discussion.

a. The discussion appears to have been prepared in May, 1985. Have developments in the industry changed any part of it?

b. If so, please provide details. In addition, provide any applicable changes to this construction project.

11. On page 3 of the "Supplemental Loan Proposal; Revised" it is stated "Recent articles in Telephony magazine show a system being installed in Indiana which uses all stand-alone offices and another in Oklahoma using all remotes with a single host. It is apparent from these articles no clear advantage exists for either approach." Provide these articles.

12. Provide a detailed description of the present method of handling toll and EAS traffic.

13. Assuming an all digital system, provide an estimate of the incremental costs of providing intrasystem toll.

14. Provide an analysis of the economic benefits to the cooperative members by providing intrasystem toll.

15. The Folsomdale office detail listing indicates 720 planned trunk terminations. This number appears excessive. Please provide an explanation.

16. At least \$1,026,000 will be invested in microwave equipment. The following questions pertain to this investment:

a. Other than providing transmission links for centralized administration and maintenance functions, what other functions will this equipment perform?

b. Why is it not feasible to lease lines from appropriate connecting carriers to replace this microwave investment?

c. Assuming feasibility, is there an economic reason for not delaying the investment in microwave equipment and temporarily leasing facilities from a connecting carrier?

d. In the absence of microwave equipment, was a trunk route between Lynnville and Lynn Grove ever considered as a possible means of connecting the Sedalia and Hazel clusters? If so, please provide details.

17. The total cost for refurbishing or rebuilding the Mayfield headquarters facility is listed as \$476,808. Provide an explanation for this investment.

18. Provide the source for all costs identified on the "SLP Cost Estimate" on page 129 of the original application.

19. The "SLP Cost Estimates" appear to be based on 1985 data. If this is the case, it is expected that significant price fluctuations will have occurred since that time. Provide any changes.

20. How accurate are these estimates expected to be?

21. Both the New Concord and Fairdealing exchanges have host/remote terminations cost of \$500 per channel, while the remaining exchanges have costs of \$150 per channel. The trunking diagrams indicate the use of subscriber carrier in these exchanges; however subscriber carrier is also used in the Kirksey exchange without an increase in host/remote terminations cost. Provide an explanation for the additional costs in the New Concord and Fairdealing exchanges.

22. For the Hardin-Fairdealing cluster, please provide the specific reasons for selecting Hardin, rather than Fairdealing, as the host site. Based on the cost estimates supplied, even two stand-alone switches at these locations are more economical than the configuration selected. Please explain.

23. Considering the relatively minor difference in cost between a remote switch and a stand-alone switch in the New Concord exchange, possibly caused by the high cost of host/remote terminations, was a stand-alone switch considered for this exchange? Please explain.

24. According to the application, only 66 percent of existing inhabited establishments presently have telephone service. Provide an explanation for this relatively low figure. For instance, is this a result of inadequate facilities, a lack of desire on the part of the residents to obtain service, or an inability to afford service?

25. Does REA recommend a rate increase as a result of the proposed construction project?

26. Is the debt associated with the retired plant going to be retired with a portion of the proposed borrowing?

27. What is WKRTCC's authorized TIER?

28. What is WKRTCC's current TIER?

29. What is the estimated TIER after construction?

Done at Frankfort, Kentucky, this 29th day of April, 1987.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director