

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF)
BRANDENBURG TELEPHONE COMPANY) CASE NO. 9859

O R D E R

IT IS ORDERED that Brandenburg Telephone Company shall file an original and 15 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. The information requested is due no later than July 9, 1987. If the information cannot be provided by this date, a motion for an extension of time must be submitted stating the reason for the delay and the date by which the information can be furnished. The Commission will give due consideration to such motions.

1. Does the company have the ability to jurisdictionally separate investments, revenues and expenses?

2. Provide the monthly account balances for the 12-month test period ended March 31, 1987, for all revenue, expense and investment items, including Deferred Taxes and Cash.

3. Provide the dollar amount of employee telephone concession service for the 12 months of the test period.

4. Provide detailed work papers showing calculations supporting all pro forma adjustments used to arrive at projected income and investment levels for 1987 and 1988.

5. Provide actual account balances for the months following the test period as available.

6. Provide a schedule of salaries and wages for the test period showing union and non-union employees separately.

7. Provide a detailed analysis of all charges booked during the test period for advertising expenditures to Account 642 - Advertising and any other advertising expenditures included in other accounts.

8. Provide an analysis of Account 675 - Other Expenses for the test period and provide at a minimum the work papers showing the date, vendor, voucher number, dollar amount and a brief description of each expenditure. Detailed analysis not required for amounts under \$300.

9. Provide a detailed analysis of expenses incurred during the test period for professional services with the same detail and limit shown in question No. 8.

10. Provide the following with regard to uncollectible accounts for the test period and the previous two years:

- a. Reserve account balance at the beginning of the year.
- b. Charges to reserve account (accounts charged off).
- c. Credits to reserve accounts.
- d. Current year provision.

- e. Reserve account balance at the end of the year.
- f. Percent of provision to local service revenue.
- 11. Provide detailed work papers showing how wages and overheads (taxes, pensions, etc.) are charged or cleared to construction.
- 12. Provide documentation and/or union contracts to support the computation of the 10% wage increase for 1987 and 6% increase for 1988.
- 13. Provide detailed work papers showing the calculation of the 3.1% growth rate for Repair Expense in 1987 and 1988.
- 14. Provide work papers supporting the estimated \$10,000 per month expense for professional consultation and advice showing the person and firm receiving the payments and the services provided by such firm or person.
- 15. Provide detailed worksheets supporting the 10% and 5% increases in retirement program and insurance benefits for the years 1987 and 1988, respectively. Also provide an estimate of the impact of FASB 87 "Employers Accounting for Pension Benefits" on pension costs.
- 16. Provide an analysis of the expense incurred in connection with Bell supplied recording, rating and CABS billing with the anticipated costs to be incurred when Brandenburg begins their own billing.
- 17. Explain in detail the reasons for a 36% increase in insurance premiums for 1987 when compared to 1986. Provide a list of companies from whom the policies were purchased and a

comparison of the various types of coverage for the years 1985-1987.

18. Provide a detailed analysis of the computation of the annual expense increase due to the replacement of carbon block protectors.

19. Are any nonregulated revenues, expenses, investments or depreciation reserve included in the exhibits presented by Brandenburg? If so, please disclose the item and associated dollar value and provide an overview of the methodology used to segregate nonregulated and regulated revenues and expenses.

20. In Tab A, Statement of Income, what constitutes the \$25,981 "Interest, Other"?

21. Provide a detailed analysis showing the computation of the 45 days operating expenses in the amount of \$463,730 shown in Tab A, Return on Investment/Return on Equity.

22. In all schedules provided, separate Toll and Access Revenues.

23. Recast the 1987 and 1988 Pro Forma Income Statements to correspond to the formats used in presenting the test period income statements.

24. Please explain the decline of common stock dividends from \$1,000,000 to \$500,000 during the 1985-1988 time frame.

25. Please provide an explanation and/or detailed worksheets in support of the following changes found when comparing Brandenburg's 1986 Annual Report (Form M), the test period income statements and pro forma statements for 1987.

a. Toll and access revenues are \$658,854 less during the test period than during 1986.

b. Local service revenues for the test period are \$433,518 greater than for 1986 but are \$54,679 less for pro forma 1987 (before the \$47,934 adjustment for the Tax Reform Act).

c. Miscellaneous revenues are \$1,012,463 in 1986 and only \$601,120 for the test year 1987 and \$539,024 for pro forma 1987.

d. Traffic expenses for 1986 were \$8,482 and for the test period \$42,658.

e. Other Income for 1986 was \$307,622 and for the test period was <\$168,126>.

26. Provide a bill analysis for basic exchange service for the test period.

27. Provide a copy of the Company's chart of accounts.

28. What dollar impact would the results of a theoretical depreciation reserve study have on test period depreciation expense?

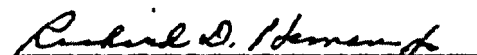
29. Provide a copy of the Federal income tax computation for the test period.

30. With regard to the Form M for the years 1984 and 1985, disaggregate access and toll revenues in the same manner as the 1986 Form M.

Done at Frankfort, Kentucky, this 19th day of June, 1987.

PUBLIC SERVICE COMMISSION

ATTEST:


For the Commission

Executive Director