

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SEPARATION OF COSTS OF REGULATED	)	
TELEPHONE SERVICE FROM COSTS OF	)	ADMINISTRATIVE
NONREGULATED ACTIVITIES	)	CASE NO. 321

O R D E R

In Orders dated August 30, 1989 and September 8, 1989, the Commission established a schedule of informal conferences to discuss the Cost Allocation Manuals ("CAMs") of several telephone utilities<sup>1</sup> under its jurisdiction.

During the conferences, questions arose which were subsequently replied to by the companies. After reviewing the replies, the Commission finds there is need for further clarification and explanation of certain areas of the CAMs.

IT IS THEREFORE ORDERED that the companies designated below shall file an original and 10 copies of the requested information with the Commission, with a copy to all parties of record, within 30 days of the date of this Order.

ALLTEL

The CAMs filed by the TIER I companies with the Federal Communications Commission ("FCC"), and to which the FCC has given

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<sup>1</sup> South Central Bell Telephone Company ("SCB"), Cincinnati Bell Telephone Company ("CBT"), GTE South Incorporated ("GTE"), Contel of Kentucky ("Contel"), Alltel Kentucky, Inc. ("Alltel") and AT&T Communications of the South Central States ("AT&T").

conditional approval, provide that certain expenses be apportioned between regulated and nonregulated activities based on the relative investment reflected in the investment account. It appears that the Alltel CAM apportions the same items in reverse. That is, the investment is apportioned between regulated and non-regulated activities based on the methodology used to apportion the corresponding expense account.

1. Explain why this apportionment scheme is appropriate.
2. Describe the problems that would be encountered if this Commission ordered Alltel to modify its cost allocation methodologies.

#### AT&T

1. Provide all information in public records, including Orders, responses to data requests, minutes of informal conferences, etc., associated with the investigation of AT&T's CAM in any other state jurisdiction.

#### ALL COMPANIES

1. Provide copies of the latest CAM Attestation Audits.
2. Provide copies of investment forecasts including a complete and concise description of the methodology used to develop the forecasts.
3. Describe how the Commission can trace the allocation of costs between regulated and nonregulated activities at the state level. Provide a description of the methodology which would be employed to accomplish this.
4. a. Discuss the sections of the CAMs which illustrate compliance with the FCC's directive that reallocations of central


office equipment and outside plant will take place at "undepreciated base line costs."

b. Provide your interpretation of "undepreciated base line costs" and discuss how it is consistent with the transfer of plant and its associated depreciation reserve to nonregulated activities.

c. Assuming that reallocations were to become necessary, would the allocation of reserve accounts based on the allocations of associated investment defeat this directive? If not, explain. If so, identify whether or not your CAM would have to be modified if reallocations are necessary.

Done at Frankfort, Kentucky, this 27th day of November, 1989.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Executive Director