

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF THE KENTUCKY)	
INTRASTATE RATES OF SOUTH CENTRAL)	CASE NO. 10105
BELL TELEPHONE COMPANY)	
SOUTH CENTRAL BELL TELEPHONE)	
COMPANY'S EXPERIMENTAL INCENTIVE)	CASE NO. 89-076
REGULATION PLAN)	

O R D E R

The Commission, having reviewed the November 1, 1989 South Central Bell Telephone Company ("South Central Bell") filing of Schedule 1 for the August 28, 1989 point-of-test pursuant to South Central Bell's Revised Incentive Plan ("Incentive Plan") approved by the Commission in its Order entered September 30, 1988, finds that South Central Bell's filing complies with the provisions of the Incentive Plan and that an adjustment to decrease rates by \$1,825,000 is required.

South Central Bell's Schedule 1 income for the second point-of-test was \$94,114,000. This earnings level is based upon actual results for the 9-month period ending August 31, 1989 and estimated results for the 3-month period ending November 30, 1989. Based upon average total capital of \$761,666,000, South Central Bell's second point-of-test return on capital ("ROC") is 12.36 percent. The Incentive Plan provides that earnings greater than 12.07 percent ROC but less than 13.5 percent will be shared between the ratepayers and the Company on a 50/50 percent basis.

Thus, in accordance with the Incentive Plan, there will be a reduction in rates of \$2,083,000 as a result of the August 31, 1989 point-of-test. The difference between the required reduction of \$1,825,000 and the actual reduction of \$2,083,000 is due to rounding conventions used in the tariff priceout.

On November 1, 1989, South Central Bell filed a reduction in rates for the Trouble Determination Charge to become effective December 1, 1989.

On November 7, 1989, the Commission entered an Order concerning possible changes to the schedule of rate reductions adopted to implement any sharing of earnings under the Incentive Plan. This action was prompted by a recent ruling by the Federal Communications Commission ("FCC") on the regulatory treatment of trouble determination expenses. On November 13 and 17, 1989, informal conferences were held to discuss the matter. On November 20, 1989, South Central Bell filed a motion to retain the existing reduction priorities. Attached was Vice President of Operations, Stanley S. Dickson's, affidavit stating that in the event of FCC preemption, South Central Bell will not increase monthly rates for its Inside Wiring Maintenance Plan and Trouble Determination Charges. This condition was discussed and agreed to through discussions at the informal conferences. Therefore, contingent on the condition that South Central Bell not increase monthly rates for its Inside Wiring Maintenance Plan and Trouble Determination Charges until the conclusion of its next rate case, the Commission finds that the second point-of-test reduction should be applied to reducing Trouble Determination Charges in accordance with existing

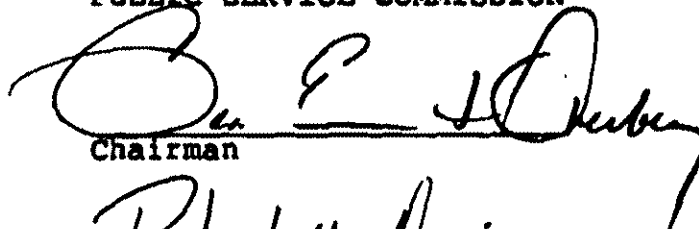
reduction priorities and hereby approves the tariff filed November 1, 1989 to be effective the date of this Order.

The Commission, in connection with its financial monitoring of the Incentive Plan, will review the financial records supporting South Central Bell's November 1, 1989 filing. Should any errors in actual results or major discrepancies in forecasting be found pursuant to this review, the Commission may require adjustments to South Central Bell's filing for the August 31, 1989 point-of-test.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 1st day of December, 1989.

PUBLIC SERVICE COMMISSION

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Chairman

A handwritten signature in black ink, likely belonging to the Vice Chairman, written over a horizontal line.

Vice Chairman

Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NOS. 10105 AND 89-076 DATED December 1, 1989.

The following charge is prescribed for the customers in the area served by South Central Bell Telephone Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

A4. SERVICE CHARGES

A4.2 Application Of Charges

A4.2.9 Trouble Determination Charge

B. Charges¹

Company trouble determination to the network interface or Company specified demarcation point on the customer premises is provided at the following rates and charges.

1. Option I

a. Exchange Access Line

(1) Per premises

	Nonrecurring Charge	Monthly Rate
(a) Residence	\$	\$.60
(b) Business		.60

Note 1: Effective 1-1-87, South Central Bell will no longer provide maintenance and further isolation of wire and set troubles as a tariffed and regulated service in compliance with the FCC order in CC Docket 79-105.