

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A REVIEW OF THE RATES AND CHARGES)
AND INCENTIVE REGULATION PLAN OF) CASE NO. 90-256
SOUTH CENTRAL BELL TELEPHONE COMPANY)

O R D E R

The Commission, having reviewed the November 4, 1992 South Central Bell Telephone Company ("South Central Bell") filing of Schedules for the August 31, 1992 point-of-test pursuant to South Central Bell's Incentive Plan ("Incentive Plan") approved by the Commission in its Order entered April 3, 1991, finds that South Central Bell's filing complies with the provisions of the Incentive Plan and that an adjustment to decrease revenues by \$4,457,000 is required.

South Central Bell's Schedule 1 income for the August 31, 1992 point-of-test was \$90,345,000. This earnings level is based upon actual results for the 9-month period ending August 31, 1992, and estimated results for the 3-month period ending November 30, 1992. Based upon average total capital of \$746,015,000, South Central Bell's current point-of-test return on capital ("ROC") is 12.11 percent. The Incentive Plan provides that earnings greater than 11.61 percent ROC but less than 13.11 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 \$4,457,000 as a result of the August 31, 1992 point-of-test.

South Central Bell proposed rate reductions to intrastate long distance and access charges in a ratio of .14:1, which is consistent with Commission instructions. Thus, of the funds available for rate decreases, reductions of \$547,000 are applied to long distance and \$3,910,000 are applied to access charges. To effect these reductions, South Central Bell proposes to introduce WatsSaver options for 250 and 500 hours of usage and reduce rates for the existing WatsSaver option for 100 hours of usage. In addition, South Central Bell proposes to reduce rates for MegaLink interoffice channels to maintain parity between private line and special access rates. The total reduction in these areas is \$592,000.

South Central Bell also proposed to reduce access charges through mirroring its current interstate access services tariff. This results in rate reductions of \$819,000. South Central Bell proposes to apply the \$3,091,000 balance of funds applicable to access charges to non-traffic sensitive revenue requirements.

This point-of-test results in total rate reductions of \$4,502,000, or \$45,000 more than required by strict application of the incentive regulation plan rules. South Central Bell proposes to forego recovery of the difference.

The Commission finds that the rate reductions proposed by South Central Bell are reasonable and consistent with rate reductions priorities that have been established.

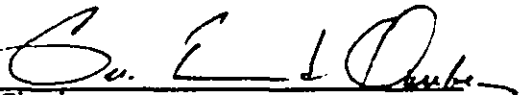
The Commission, in connection with its financial monitoring of the Incentive Plan, will review the financial records supporting

South Central Bell's November 4, 1992 filing. Any errors in actual results or major discrepancies in forecasting will require adjustments to South Central Bell's filing for the August 31, 1992 point-of-test.

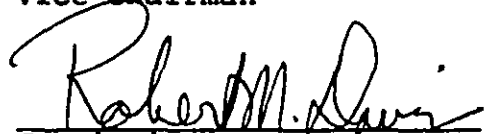
The Commission, being otherwise sufficiently advised, HEREBY ORDERS that the proposed rates are approved effective December 1, 1992.

Done at Frankfort, Kentucky, this 1st day of December, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director