

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CINCINNATI)
BELL TELEPHONE COMPANY FOR)
AUTHORITY TO ADJUST ITS RATES)
AND CHARGES AND TO CHANGE) CASE NO. 98-292
REGULATIONS AND PRACTICES)
AFFECTING SAME)

O R D E R

IT IS ORDERED that Cincinnati Bell Telephone Company ("CBT") shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than October 20, 1998. CBT shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. In response to the Commission's first data request, Item 6, you listed five items associated with FASB 71. Please explain in detail what the amounts recorded to Accounts 6622, 6351, and 7360 represent and why they should not be considered non-recurring expenses.

2. With regard to Item 8(a), provide the amount of funds used for construction applicable to the Kentucky jurisdiction.

3. With regard to Item 8(b), provide the amount of concession service provided to CBT employees and the amount allocated or provided to employees of CBT's sister companies. That is, what revenues would have been realized by CBT had

these employees been required to pay for their telephone service, including toll service if applicable.

4. With regard to Item 8(c), the amount of lobbying expenses was reported as \$46.96. In Case No. 94-355, Schedule 44 of the Attorney General's adjustments showed lobbying expenses of \$26,747. Provide lobbying expenses calculated on the same basis as Schedule 44, attached hereto and incorporated herein as Attachment A.

5. With regard to Item 8(e), provide charitable contributions and foundations using the same criteria as Schedule 42, attached hereto and incorporated herein as Attachment B.

6. Provide an analysis of Cincinnati Bell Directory revenues, income before taxes, and invested capital, for the test period in the format shown on Schedule 7, attached hereto and incorporated herein as Attachment C.

7. In response to the Commission's first data request, CBT provided, by month, jurisdictional revenues and expenses for 1997. The expenses totaled \$56,393,000. On Coogan's Exhibit 1, Attachment 3, the total Kentucky jurisdictional expenses were \$56,685,000. Provide an analysis explaining the difference between the two numbers.

8. Provide support for the reasonableness of CBT's capital structure which includes 66.9 percent equity. This support may include comparisons with other telecommunication companies of similar size subject to a similar level of competition or other evidence considered pertinent by CBT.

9. Provide a schedule showing the Kentucky jurisdictional allocation of the \$21,877,000 total company adjustments. The schedule should show the types of

adjustments (for example, 1997 Wages) across the top of the exhibit, and the accounts (for example, Plant Services) down the left side of the exhibit. Each expense category and expense account should be reflected on the schedule.

10. CBT is proposing to "grandfather" Local Area Service ("LAS") in Band 4, generally the southern three counties, until there is a minimum of two thousand customers.

- a. Explain the rationale for this proposal.
- b. Will the "grandfathered" customer then be migrated to the EAS rate?
- c. How does CBT plan to deal with the rate shock of this migration?

11. Explain CBT's rationale for having a difference of nearly \$10 between Band 3 and Band 4, particularly in view of the fact that the difference between Band 1 and Band 3 is \$2.

12. Since the "take rate" for the newly implemented EAS is more than double the forecast, would it not be appropriate to revisit the pricing of the EAS tariff in the lower three counties? Provide workpapers showing the price EAS would have been, using the current "take rate."

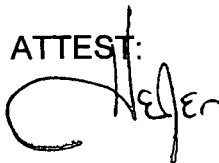
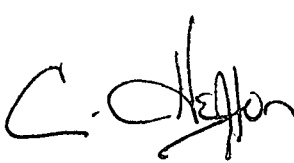
Done at Frankfort, Kentucky, this 6th day of October, 1998.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:

Executive Director

ATTACHMENT A

AN ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 98-292 DATED OCTOBER 6, 1998

Cincinnati Bell Telephone Company
Removal of Lobbying Expense
Test Year Ended July 31, 1994

Docket No. 94-355
Exhibit__(TCD-1)
Schedule 44

Salaries for Registered Lobbyists - Jurisdictional Basis		
- Joseph C. Geraci	9,864	
- Chris Colwell	10,589	
Jurisdictional Lobbying Salaries	<u>20,453</u>	
Percentage of Salaries Capitalized	87.55%	
Jurisdictional Lobbying Salary Expense	<u>17,907</u>	17,907
Expenses for Registered Lobbyists - Jurisdictional Basis		
- Joseph C. Geraci		3,914
- Chris Colwell		4,033
Amount Paid to Non-employee Lobbyists		<u>893</u>
Adjustment to Remove Lobbying Expense		<u>26,747</u>

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Source:

The above information was provided in response to PSCK Request No. 24.

ATTACHMENT B

AN ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 98-292 DATED OCTOBER 6, 1998

Cincinnati Bell Telephone Company
Adjustment to Remove Contributions

Docket No. 94-355
Exhibit_(TCD-1)
Schedule 42

Test Year Ended July 31, 1994

	<u>Kentucky Jurisdictional</u>
Charitable contributions incurred by CBT and charged above the line; Total CBT amount - \$352,411 (AG234a) (1)	
- Kentucky regulated intrastate amount - \$49,945 (AG 234b)	49,945
Charitable contributions incurred by CBI and billed to CBT as part of the Management Fee (AG 122)	496,934
Acct. 6728 Part 64 allocation percentage (2)	88.89%
Acct. 6728 jurisdictional allocation factor (2)	<u>0.1339</u>
CBI contributions billed to CBT - jurisdictional	<u>59,147</u> <u>59,147</u>
Reduction to jurisdictional expense	<u><u>109,092</u></u>

Notes:

CBI Management Fee is charged to CBT Acct. 6728 (See Company Exhibit 29,
page 22 of 22)

(1) In response to AG 167, the Company indicated that the total Company amount
of contributions charged above the line was \$352,411 (same as above), however
the response stated that the Kentucky intrastate amount was \$36,901.

(2) Allocation factors from Company Exhibit 31 Workpapers

ATTACHMENT C

AN ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 98-292 DATED OCTOBER 6, 1998

Cincinnati Bell Telephone Company
Directory Revenues
Test Year Ended July 31, 1994

Case No. 94-355
Exhibit (TCD-1)
Schedule 7

Cincinnati Bell Directory
Results of Operations & Invested Capital
12 Months Ended July 31, 1994

	<u>Revenues</u>	<u>Income Before Taxes</u>	<u>Invested Capital</u>
August, 1993	5,535,859	1,153,862	8,780,425
September, 1993	5,525,102	1,141,765	9,085,425
October, 1993	5,439,937	1,277,475	9,085,425
November, 1993	5,449,271	1,266,205	9,085,425
December, 1993	5,444,179	779,991	6,180,425
January, 1994	5,106,654	1,161,981	6,180,425
February, 1994	5,242,885	1,220,902	6,180,425
March, 1994	5,240,174	1,133,458	6,180,425
April, 1994	5,179,811	1,240,953	6,180,425
May, 1994	5,206,966	1,255,229	6,180,425
June, 1994	5,627,330	1,674,002	6,180,425
July, 1994	5,412,303	1,330,985	6,180,425
	<u>64,410,471</u>	<u>14,636,808</u>	
Income before taxes			14,636,808
Allow reasonable pre tax rate of return - \$6,180,425			<u>927,064</u>
Excess Earnings			13,709,744
Ratio of Kentucky Access Lines to total Access Lines, Schedule 14			<u>19.25%</u>
Additional revenue before tax			<u>2,639,126</u>

Source: Monthly Income Statement and Balance Sheet for Cincinnati Bell Directory,
PSC Order December 16, 1994, Item 41.