COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOGAN TELEPHONE COOPERATIVE S PROPOSED OPTIONAL EXPANDED EXTENDED AREA CALLING SERVICE	)))	CASE NO. 97-405

O R D E R

On April 12, 1999, Logan Telephone Cooperative Corporation, Inc. (Logan) filed a new page in its General Subscriber Services Tariff. The purpose of the filing is to modify its current Optional Extended Area Calling Service Plan (Optional EACS).

The Commission approved Logan s Optional EACS on October 6, 1997. Logan has filed the required information and wishes to modify the calling plan based on the information. Logan had predicted that the calling plan would reduce Logan s annual revenues by $49,745. Due to greater response than anticipated and changes in the access billing process, Logan experienced only a $11,583 reduction in revenues. The response to the Optional EACS for business customers was greater than expected, however, it is still very slight. Logan proposes to reduce the rate paid by business customers to eliminate a disparity between the Optional EACS business rate and the business local exchange access rate and to stimulate growth in this segment. Currently business customers pay an additional rate of $45.20 for the Optional EACS. Logan proposes to lower this rate to $23.50. The reduction in the rate is expected to generate additional revenues of approximately $11,412 annually by increasing penetration of this service into the business market. Due to changes in the carrier meet point and Logan s entrance into the long-distance reseller market, Logan is unable at this time to forecast changes in other revenues or expenses.

In the past, the Commission has approved expanded calling plans of this nature when certain conditions are met. First, the plans must encompass a community of interest and there must be an adequate customer demand for the service. Second, the pricing of the service must be such that it is revenue neutral and does not affect the rest of the general subscribership through revenue shortfalls or excessive profits to the utility.[1]

Logan states that the expanded calling area in the affected exchanges reflects the communities of interest and that there is significant demand from those customers. Logan s proposed tariff for the Optional EACS contains rates that are projected to maintain its annual revenues at their current level.

The Commission encourages the implementation of expanded area calling plans and will continue to enforce the requirements of Administrative Case No. 285. However, where a company s financial position indicates that it can absorb revenue decreases as the result of implementing these plans, the company will not be required to accumulate company-specific financial information to substantiate its estimate of revenue reductions. Also, revenue reductions resulting from expanded area calling plans will not be considered in a rate-making proceeding.

[1] Administrative Case No. 285, An Investigation Into the Economic Feasibility of Providing Local Measured Service Telephone Rates in Kentucky, Order issued October 25, 1990.

Thus, the Commission approves Logan s April 12, 1999 proposal with an effective date of May 30, 1999. In addition, the Commission finds that Logan should adhere to the guidelines discussed in Case No. 91-250.[2]

IT IS THEREFORE ORDERED that:

1. Logan s proposed tariff is approved.

2. Based on a review of the financial impact to Logan, the company will not be required to gather 12 months of company-specific data as necessary to demonstrate the reasonableness and accuracy of its forecasts for its Optional EACS.

Done at Frankfort, Kentucky, this 3rd day of June, 1999.

By the Commission

ATTEST:

Executive Director

[2] Case No. 91-250, South Central Bell Telephone Company s Proposed Area Calling Service Tariff, Order issued April 9, 1992.