

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE REQUEST OF THE STATE SENATE)
TO INVESTIGATE CALLING WITHIN)
GREENUP COUNTY, KENTUCKY, AND THE) CASE NO. 9112
SOUTH SHORE EXCHANGE IN GREENUP)
COUNTY, KENTUCKY, TO PORTSMOUTH,)
OHIO)

O R D E R

On March 28, 1984, the Kentucky Senate passed a resolution (S.R. 106) which directed the Kentucky Public Service Commission ("Commission") to take certain actions relative to the telephone service in Greenup County, Kentucky. Specifically, S.R. 106 requested the Commission to take the following actions:

1) Direct a study of calling patterns within Greenup County to determine whether more toll calls are made within the county than non-toll calls are made to Portsmouth, Ohio; and

2) Hold hearings no later than October, 1985, and to implement countywide toll-free service in Greenup County, if such action is warranted by the study of calling patterns.

By Order dated August 7, 1984, the Commission directed that the provisions of the Commission's Extended Area Service ("EAS") Guidelines, as adopted in Administrative Case No. 221, by Order dated October 31, 1980, were appropriate for the considerations required by S.R. 106. The Commission further directed that the consideration proceed to Step Three of the EAS Guidelines and that

General Telephone Company of Kentucky ("General"), which serves the exchanges within Greenup County, perform the required studies as specified in Step Three of the EAS Guidelines. General was further directed to determine the non-toll calling volume between the South Shore exchange and Portsmouth, Ohio.

On November 5, 1984, General filed the results of its studies with the Commission, and on January 24, 1985, a public hearing was held in this matter. At that time General testified as to the manner in which the study was conducted, and to the results obtained therefrom. General testified that the study results indicated that the criteria in the Commission's EAS Guidelines were not met.

Senator Nelson Robert Allen, the principal proponent of S.R. 106, and the Interim Joint Committee on Energy of the Kentucky General Assembly were notified of the January 24, 1985, hearing. No appearances were made by any party either supporting or opposing additional EAS calling within Greenup County, but shortly thereafter, Senator Allen requested another hearing, pointing out the inclement weather at the time of the first hearing. A second hearing was conducted on June 6, 1985. At that hearing, Senator Allen and other proponents of the requested EAS provided comment relative to the need and desire for proposed service.

DISCUSSION

There are five exchanges which either partially or totally lie within Greenup County, Kentucky. These are the Ashland, Greenup, Meads, Russell, and South Shore exchanges. Only an

insignificant portion of the Meads exchange lies within Greenup County, and the traffic studies which were conducted did not include Meads exchange toll traffic within Greenup County. Presently there is EAS among the Ashland, Greenup, and Russell exchanges, and among the Ashland, Meads, and Russell exchanges. While South Shore does not have EAS with these four exchanges, it does have EAS calling with Portsmouth, Ohio.

Over the years, the Commission has received numerous requests for EAS in various parts of the Commonwealth. As a result of those requests, the EAS Guidelines utilized in the instant proceeding were adopted by Order of the Commission in Administrative Case No. 221, dated October 31, 1980. The basis for those Guidelines lies in the Kentucky Court of Appeals decision in Marshall County v South Central Bell, Ky., [519SW(2d)(1975)]. In the Commission case which preceded the court decision, the Commission had ruled that Marshall County be granted countywide EAS without any additional increase in base rates to pay for the service. This was appealed, and Kentucky's highest court ruled that a utility cannot be required to give extended service without an increase in rates to pay for such service.

Because there are many cost factors involved with the provision of EAS, including the additional plant and equipment required to provide the service as well as the loss of toll revenues, the net result of the various factors involved with providing EAS is that such service may neither be desirable nor economically feasible in every case where it is requested. Since

telephone rates are affected by the cost of providing the service, it may not be in the public interest to direct that EAS be provided. Therefore, the EAS Guidelines were established to provide assistance to the Commission in determining whether, and how, to proceed when a request for EAS is made.

In accordance with the Guidelines, General was required to conduct a traffic study of the existing toll traffic within the various exchanges in Greenup County. The Guidelines require that certain minimum community of interest factors be met from the traffic study results before proceeding further in the consideration of the requested EAS. These criteria involve the average number of toll messages per subscriber between the exchanges being studied, and the minimum number of subscribers actually making the average, or higher, number of toll calls. The first criterion is used to demonstrate the interest in calling between the exchanges, and the second criterion is used to insure that the results are representative of the entire subscriber body within the exchanges rather than just a few heavy volume users. The minimum requirements as demonstrated by the traffic study are designed to be a valid indicator of whether subscribers are sufficiently interested to be willing to pay for the additional service provided by EAS.

The results of the study in the instant proceeding clearly do not meet the requirements necessary to show a strong community of interest. There was some discussion at the hearing that the study period did not reflect the peak periods of calling activity, and that the period included days when the County Government

offices were closed, particularly Thursdays and Sundays. However, the study period was randomly selected over a period of time and was not designed to have any particular bias relative to calling activity. The Commission notes that even if the measured traffic volumes were doubled, the study routes would still not meet the minimum criteria specified in the Guidelines.

At the hearing on June 6, 1985, the Commission requested that General supply information relative to the time and cost necessary to perform a study of the costs to provide EAS. General responded on June 26, 1985, that such a study would require between 90-120 days and cost at least \$10,000 to conduct. These estimates appear valid when compared with similar studies conducted by utilities in other EAS cases. The traffic study results do not warrant the detailed and costly analysis which would be required if this process were continued.

FINDINGS AND ORDER

The Commission, having considered this matter and being advised, is of the opinion and finds that:

- 1) The traffic studies conducted in the proceeding are reasonably representative of and reflect the community of interest among the Greenup County exchanges;
- 2) The results of the traffic studies do not meet the minimums required to continue the EAS consideration process;
- 3) No evidence has been offered sufficient to support ignoring the traffic study results and continuing the process of consideration; and
- 4) This case should be dismissed.

IT IS THEREFORE ORDERED that this case be and it hereby is
dismissed.

Done at Frankfort, Kentucky, this 28th day of August, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Wemery, Jr.
Chairman

Robert J. ...
Vice Chairman

Susan N. Williams
Commissioner

ATTEST:

Secretary