

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF APPLICATION OF CONTINENTAL)
TELEPHONE COMPANY OF KENTUCKY FOR THE)
ELIMINATION OF EXCHANGE LINE MILEAGE) CASE NO. 9444
CHARGES IN EXCHANGES HANDLED BY THE)
LONDON DIGITAL ISLAND)

ORDER

Continental Telephone Company ("Continental") has proposed to eliminate its extra exchange line mileage charges in the London Digital Island to encourage subscribers to migrate to one-party service. Continental contends that the upgrade service will be a step toward increased utilization of its digital facilities and will provide customers a better grade of service. In support of its petition Continental has estimated that the revenue effect over the entire conversion process will be negligible to slightly positive and would not generate a rate increase. In developing the revenue estimate Continental has depended on a voluntary customer response to a questionnaire included in customer phone bills in the affected area. Though 53 percent of its customers responded, the questionnaire did not contain the information necessary to statistically compare the demographic characteristics of the respondents with the overall customer population within the island. Thus, Continental is unable to demonstrate that the survey response is statistically unbiased.

Accordingly, statistical inferences cannot be made concerning the remaining 47 percent of the population. Furthermore, the questionnaire was restricted to telephone users which would be in the first phase of the program and did not survey customers that would be included in latter phases of the project.

The Commission is deeply concerned that adoption of Continental's proposed tariff changes could result in a revenue deficiency and ultimately a rate case. According to the calculations provided by Continental in this proceeding approximately 83 percent of its R-4 and B-4 telephone customers will have to migrate to R-1 and B-1 phone service in order to achieve neutral revenue effects. The high penetration requirement and the lack of a statistically acceptable study estimating consumer demand prevents the Commission from concluding that the proposed tariff changes will be revenue neutral. Therefore the Commission will require Continental to conduct a new consumer survey including residential customers in all of the exchanges in the digital island as a part of the study sample. In addition the Commission will require a sample of sufficient size to provide customer penetration estimates with an accuracy of plus or minus 5 percent at the 95 percent confidence level. Other requirements of the study will be worked out in an informal conference between Continental and the Commission staff.

IT IS THEREFORE ORDERED that Continental shall prepare and file as described above a consumer survey to statistically estimate potential migration from R-4 and B-4 services to R-1 and

B-1 services resulting from the elimination of extra exchange mileage charges in the London Digital Island.

IT IS FURTHER ORDERED that the results of this survey shall be filed with the Commission Secretary on or before February 28, 1986.

Done at Frankfort, Kentucky, this 15th day of January, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary