

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE TARIFF APPLICATION OF SOUTH )  
CENTRAL BELL TELEPHONE TO OFFER ) CASE NO. 9496  
DIGITAL ESSX SERVICE AND )  
RESTRUCTURE ANALOG ESSX SERVICE )

O R D E R

On December 18, 1985, South Central Bell Telephone ("SCB") filed a tariff with the Commission proposing Digital ESSX Service and restructuring its analog ESSX offering.

Digital ESSX service provides a digital switching service for intercommunication purposes between stations of a subscriber and for connection through the local and long distance telephone network to other subscribers on a dial basis without intermediate handling by an attendant. Digital ESSX Service is very similar to the proposed restructured ESSX Service offering. The major difference is that all switching is performed in digital format. In addition, the digital central office is modular in concept, intending to allow more timely feature additions or changes than the existing ESSX serving central offices.

The ESSX service as proposed is competitive and not a strict monopoly offering and thereby could create some incentive to be underpriced at the expense of the monopoly ratepayers.

The Commission must evaluate SCB's pricing and cost methodologies and assumptions in the determination of reasonable rates.

The Commission's evaluation of a complicated service offering such as the proposed tariff can be lengthy and time consuming and could prevent SCB from competing during the period of investigation. This delay may in turn harm SCB and the monopoly ratepayers.

Since these concerns appear to be directly opposite, the Commission has for some time sought resolution of them. In this filing SCB has proposed a solution to this problem.

SCB has requested that the rates be placed into effect on an interim basis while the Commission proceeds to fully investigate the reasonableness of the proposed rates. When the Commission has made its determination as to their reasonableness and should the interim rates fall below those found reasonable, the Commission will impute the difference as an adjustment to regulated revenues, thus placing the burden of the shortfall on the stockholders. This process will continue throughout the length of all contracts negotiated during the period in which the interim rates are in effect.

The Commission has evaluated SCB's proposal and is of the opinion that it does provide a reasonable solution to the above mentioned problem and should be approved in this case. While, the Commission does not endorse the plan for all future "competitive service offerings," it will consider the same or similar proposals on a case by case basis.

The Commission does not expect this plan, in any way, to lessen the degree of effectiveness of its analysis of the cost studies and other information regarding the appropriate pricing in this tariff. SCB should not interpret the Commission's endorsement of the "interim" plan to lessen the need for a full and complete investigation.

SCB should immediately begin to log all new ESSX installations provided under this interim tariff and should further provide all information requested at the conference held in the Commission's offices on January 17, 1986, and not previously submitted.

Further Orders and requests for information concerning the pricing issues shall follow.

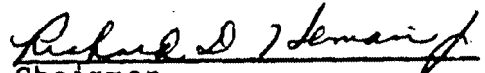
IT IS THEREFORE ORDERED that:


1. Interim approval of SCB's tariff filing restructuring analog ESSX and introducing Digital ESSX service be and it hereby is granted.
2. During such interim approval SCB shall log all new ESSX installations provided under this tariff.
3. If, at the time the Commission rules on the tariff proposal, the rates or services allowed are different than those proposed, SCB shall calculate the difference in revenue for those customers provided service under the new tariff.

4. Any revenue deficiency experienced during this time period shall be borne by the shareholders of SCB and not the general ratepayers.

Done at Frankfort, Kentucky, this 19th day of February, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary