

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DETARIFFING THE INSTALLATION)
AND MAINTENANCE OF INSIDE) ADMINISTRATIVE
WIRE) CASE NO. 305

O R D E R

Introduction

On December 24, 1986, the Commission released an Order in this case that required local exchange carriers to file inside wire cost allocation plans, inside wire revenue and expense information, and local exchange service rate reductions. On February 3, 1987, Salem Telephone Company, Inc., ("Salem") filed an inside wire implementation plan and associated tariff changes.

Discussion

Salem's inside wire implementation plan indicates that, as a result of detariffing the installation and maintenance of inside wire, local exchange service rates can be reduced in the amount of \$0.44 per access line per month, excluding public paystation access lines. Public paystation access lines are excluded on the basis that public paystations are provided by Salem and, therefore, no local service rate is applicable.

Key system access lines are included in Salem's local exchange service rate reductions. However, in the opinion of the Commission, key system access lines should be excluded on the basis that Salem detariffed the installation and maintenance of

complex inside wire on December 31, 1985, coincident with its detariffing of associated customer premises equipment.¹ Therefore, Salem should file necessary tariff changes to state key system local access rates in the amounts of \$15.00 for single line and \$18.75 for multi-line per month, per its current tariff.²

In Common Carrier Docket No. 86-111,³ the Federal Communications Commission has considered rules concerning cost allocation between the regulated and unregulated services provided by local exchange carriers, and an Order on cost allocation was released on February 6, 1986. Also, the Commission has indicated in other Orders that it intends to open a cost allocation investigation in the near future. Therefore, in the opinion of the Commission, Salem's inside wire implementation plan and

¹ Salem should have detariffed the installation of complex inside wire, effective May 2, 1984, and, evidently, detariffed the maintenance of complex inside wire prior to the Commission's directive in this case, effective on January 1, 1987. Nonetheless, based on the record of this case, the fact remains that Salem has not charged any complex inside wire installation and maintenance expense to regulated accounts since December 31, 1985.

² That is, per Salem's current tariff, monthly key system local access rates that are the same as its business individual line local access rate for single line key systems and 1 1/4 times its business individual line local access rate for multi-line key systems. Also, it is unclear whether private branch exchange access lines are included or excluded. In the case of Salem, private branch exchange access lines should not be included in local exchange service rate reductions for the same reasons as apply to key system access lines.

³ Separation of Costs of Regulated Telephone Service From Costs of Nonregulated Activities. Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies, to Provide for Nonregulated Activities and to Provide for Transactions Between Telephone Companies and Their Affiliates.

associated local exchange service rate reductions should be approved on an interim basis, pending the outcome of the Commission's cost allocation investigation, except insofar as it includes a negative option subscription plan for detariffed inside wire maintenance services.

Salem's inside wire implementation plan includes a detariffed inside wire maintenance plan charge of \$0.44 per month that Salem intends to bill coincident with the local exchange service rate reduction of \$0.44 per month. Customers who do not wish to subscribe to the detariffed inside wire maintenance plan must notify Salem during a 30-day advance notice period in order to avoid being billed the charge. The Commission will not take any action on Salem's negative option subscription plan and has not taken any action on positive option subscription plans proposed by other local exchange carriers. Since inside wire maintenance services are detariffed, a Commission ruling on inside wire services maintenance plans is not necessary. However, Salem is reminded that regulated services may not be disconnected for nonpayment of regulated service charges.

Also, Salem proposed to make its local exchange service rate reductions effective on March 1, 1987, in all exchanges that it serves.

Salem acknowledges that the Commission contemplated local exchange service rate reductions effective January 1, 1987, in its Order of December 24, 1986. However, as reason for its proposed effective date, Salem indicates that it has provided inside wire maintenance services since January 1, 1987, at no charge to its

customers, pending approval of its inside wire implementation plan and associated tariff changes. Moreover, any refund that the Commission might order retroactive to January 1, 1987, would be de minimus and could be outweighed by the costs associated with administering a refund operation. Therefore, in the opinion of the Commission, Salem's proposed effective date of March 1, 1987, should be approved.

Findings and Orders

The Commission, having examined the evidence of record and being advised, is of the opinion and finds that:

1. Private branch exchange and key system access lines should be excluded from Salem's local exchange service rate reductions and Salem should file necessary tariff changes to state key system local access rates in the amounts of \$15.00 for single line and \$18.75 for multi-line per month, per its current tariff.

2. Salem's local exchange service rates should be reduced in the amount of \$0.44 per access line per month, effective on March 1, 1987, on an interim basis, pending the outcome of the Commission's cost allocation investigation, excluding public paystation, private branch exchange, and key system access lines.

3. Salem's inside wire implementation plan should be approved, on an interim basis, pending the outcome of the Commission's cost allocation investigation, except insofar as it includes a negative option subscription plan for detariffed inside wire maintenance services.

IT IS THEREFORE ORDERED that:

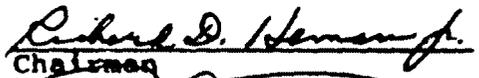
1. Private branch exchange and key system access lines shall be excluded from Salem's local exchange service rate reductions and Salem shall file necessary tariff changes to state key system local access rates in the amounts of \$15.00 for single line and \$18.75 for multi-line, per month, per its current tariff.

2. Salem's local exchange service rates be and they hereby are reduced in the amount of \$0.44 per access line per month, effective on March 1, 1987, on an interim basis, pending the outcome of the Commission's cost allocation investigation, excluding public paystation, private branch exchange, and key system access lines.

3. Salem's inside wire implementation plan be and it hereby is approved, on an interim basis, pending the outcome of the Commission's cost allocation investigation, except insofar as it includes a negative option subscription plan for detariffed inside wire maintenance services.

Done at Frankfort, Kentucky, this 30th day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director