

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF AT&T)
COMMUNICATIONS OF THE SOUTH) CASE NO. 9889
CENTRAL STATES, INC.)

O R D E R

On May 14, 1987, U.S. Sprint Communication Company ("Sprint") responded to the Public Service Commission's ("Commission's") request for comments on AT&T Communications' ("ATTCOM") request for an adjustment in its rates. Sprint did not object to ATTCOM's proposed rate schedule; however, Sprint did object to the implementation of ATTCOM's proposed MTS rate flexibility and requested that it remain under suspension pending further investigation. Sprint contended that ATTCOM's request for lessened regulation was contrary to the Commission findings in Administrative Case No. 273¹ and questions exist on whether the proposal was appropriate in the present developmental stage of toll competition in the Commonwealth. Finally, Sprint requested an informal conference to attempt to narrow the factual and policy issues in dispute concerning regulation of ATTCOM in Kentucky.

On May 26, 1987, an informal conference was held concerning the rate flexibility proposal of ATTCOM. The Commission staff,

¹ An Inquiry into INTER- and INTRALATA Intrastate Competition in Toll and Related Services Markets in Kentucky.

Office of the Attorney General, Utility and Rate Intervention Division, Kentucky Long Distance Savers, MCI Telecommunications Corporation, and ATTCOM attended the conference. The parties were unable to agree on either the factual or the policy issues concerning implementation of ATTCOM's flexibility proposal. However, all parties requested the opportunity to file comments concerning the proposal in order, if possible, to avert public hearings into the matter. Therefore, the Commission will require all parties in the case to respond to the following issues on or before June 22, 1987.

1. Does ATTCOM's proposed rate flexibility tariff conflict with the Commission's findings and Orders in Administrative Case No. 273? (Explain).

a. If yes, should the Commission open a new administrative case to determine if rate flexibility will harm or prevent the development of competition within the interexchange telephone market?

b. What information should be developed prior to the Commission opening a new administrative case?

c. Are there any limitations or restrictions which could be incorporated into ATTCOM's proposed tariff which would permit it to comply with Administrative Case No. 273?

2. In the event the Commission determines that ATTCOM's proposed rate flexibility tariff does not conflict with its Order in Administrative Case No. 273, respond to the following questions:

a. What cost elements should be considered in determining the variable cost floor of the proposed rate band?

b. Should the Commission restrict ATTCOM's use of the rate flexibility to when it is overearning?

c. What other restrictions and/or limitations should be considered prior to implementation of ATTCOM's proposed flexible rate structure?

IT IS THEREFORE ORDERED that all parties file their comments addressing the Commission's concerns as discussed above on or before June 22, 1987.

Done at Frankfort, Kentucky, this 8th day of June, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Herman
For the Commission

ATTEST:

Executive Director