

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF INTERNATIONAL TELECHARGE, )  
INC., FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO OPERATE AS A ) CASE NO. 10002  
RESELLER OF TELECOMMUNICATION SERVICES )  
WITHIN THE STATE OF KENTUCKY )

O R D E R

On August 17, 1987, International Telecharge, Inc. ("ITI" or "Applicant"), filed a self-styled application for authority to provide certain telecommunications services<sup>1</sup> within the Commonwealth. ITI's application included a description of the proposed service and various exhibits designed to demonstrate ITI's ability to provide the service within Kentucky. A proposed tariff accompanied the filing.

Several motions for intervention were filed and granted. The intervenors in this matter are, South Central Bell Telephone Company ("South Central Bell" or "SCB"), AmeriCall Systems of Louisville ("AmeriCall"), VeriCall Systems, Inc. ("VeriCall"), and American Operator Services, Inc. ("AOSI"). South Central Bell is a local exchange telephone company ("LEC"). AmeriCall is a long distance telephone utility authorized to provide interLATA

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<sup>1</sup> ITI is one of five applicants before the Commission proposing to provide certain long distance services often referred to as "Alternative Operator Services" or "AOS." The AOS label is misleading, for ITI (and its various competitors) often handle traffic, i.e. "0+" calling card calls, that does not involve a request for operator assistance or service.

services within Kentucky, as well as intraLATA service provided via the resale of certain LEC services. VeriCall and AOSI are both applicants before the Commission in other dockets and are competitors of ITI.

Both ITI and SCB submitted written testimony. A hearing was held on February 23, 24, and 26, 1988. Oral testimony was presented by Paul Freels, Executive Vice President of ITI, and James H. Anderson, Assistant Vice President - Rates and Economics, for South Central Bell. Additionally, William H. Davies, an employee of the Kentucky Department for Facilities Management, Division of Telecommunications, presented testimony regarding the experience of the State of Kentucky as an end-user<sup>2</sup> of ITI service. All parties filed briefs. Subsequent to the hearing ITI filed a new proposed tariff. This May 5, 1988 tariff filing has been considered by the Commission in evaluating ITI's proposal. Certain exhibits filed by ITI at the hearing have been accorded confidential treatment.

#### DISCUSSION

ITI is a publicly-held corporation incorporated in the State of Delaware. According to ITI's application, "ITI is a nonfacilities based telecommunications reseller." ITI's services are designed for use by callers in hotels, motels, hospitals, business establishments, temporary housing units, and by callers from

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<sup>2</sup> Throughout this order, end-users are those persons actually using, i.e., placing calls from, facilities serviced by ITI. ITI's end-users are to be distinguished from ITI's customers. An ITI customer generally offers the use of his telephone equipment to the public.

customer-owned pay telephones. Such privately owned payphones are commonly referred to in Kentucky as COCOTs (Customer Owned Coin Operated Telephones). Of course, ITI's service does not involve the use of coins, and may be connected to privately owned non-coin phones, including "credit card" phones. In return for letting ITI provide its service through a customer's telephone facilities, the customer receives a commission on each call handled by ITI. ITI also allows customers to add a surcharge to each call placed from the customer's facility (e.g., hotel, hospital, or COCOT) which ITI collects. ITI's service generally requires the alteration or modification of the customer's equipment so that traffic may be diverted to ITI.

ITI is clearly a reseller. However, ITI's method of resale is atypical of the resale industry as it exists today in Kentucky. Many interexchange carriers ("IXCs") operating in Kentucky resell tariffed interLATA, intrastate services offered by facilities-based carriers such as AT&T. Additionally, several utilities, including Americall, resell intraLATA WATS and Message Telecommunication Service ("MTS") purchased from LECs.<sup>3</sup> The resale of WATS purchased from LECs was approved in Administrative Case No. 261, An Inquiry into the Resale of Wide Area Telecommuni-

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<sup>3</sup> Both SCB and Americall have indicated their concern about ITI's request for intraLATA authority. SCB and Americall correctly point out that the only intraLATA competition with the LECs that the Commission permits is the resale of WATS purchased from the LECs. Transcript, Vol. III, p. 57 (Anderson), SCB brief at 3, Americall brief at 7. ITI's tariff filing of May 5, 1988 contains rates only for interLATA service. ITI proposed tariff, original sheet 35, Section D.1.a. The Commission interprets this new tariff filing as a withdrawal of ITI's request for intraLATA authority.

cations Service. The Commission permits the resale of WATS, purchased from LECs, to complete intraLATA calls. However, facilities-based IXCs may not use their own network facilities to complete intraLATA calls. Only WATS and MTS services purchased from LECs may be used to complete intraLATA calls. Other LEC services are not authorized for resale.<sup>4</sup>

Long distance utilities, whether facilities-based or not, typically order access services from LECs. These access services allow end-users (who are also customers) to reach the long distance carrier they wish to use. Through access charge payments, certain intrastate revenue requirements of the LECs are satisfied. In addition, facilities-based carriers contribute to the Universal Local Access Service ("ULAS") pool, which recovers non-traffic sensitive costs of providing access.<sup>5</sup>

ITI's network configuration is highly unusual. Through the use of a device known as a "DTS dialer," ITI has avoided the need to purchase access services in Kentucky. ITI's agents co-locate DTS dialers on the premises, or in the COCOTs, of ITI customers. The DTS dialer "intercepts" certain calls that begin with a dialed "0".<sup>6</sup> When an end-user begins to dial, the dialed digits are

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<sup>4</sup> See e.g. SCB K.P.S.C. Tariff 2A, A2.2.1.B, which is a general tariff restriction relating to the resale of SCB's services.

<sup>5</sup> Access revenue is generated only through the sale of access services, and through ULAS payments. At the hearing, there was significant discussion of these methods of supporting access revenue requirements. E.g., Transcript, Vol. III, pp. 119-122. (Anderson)

<sup>6</sup> Sometimes the dialing sequence used may be "8" + "0" or "9" + "0", if the caller is using a phone in a hotel, hospital, or dormitory.

stored. In a manner relatively transparent to the calling party, the DTS dialer dials a local Feature Group B ("FGB") access number for the underlying IXC serving ITI. In some cases, an "800" access number is dialed. ITI's underlying carrier for the origination of traffic from Kentucky is United States Transmission Systems ("USTS"), a subsidiary of ITT. The DTS dialer gets dial tone from USTS' switch, after dialing the local FGB access number, then dials a telephone number necessary to reach ITI. The DTS dialer apparently enters an authorization code necessary for USTS to bill ITI. USTS then transports the call to an ITI switch in Atlanta, Georgia. Again, this series of steps is relatively transparent to the calling party. When the ITI switch recognizes the inbound call, a "drop-link" is used to provide a loop for operator handling. This loop is bridged on between Dallas, Texas, and Atlanta. After billing information is secured, the "drop-link" is removed and an ITI facility in Atlanta places an interstate call from Atlanta to the called number. A call on ITI's "network" actually consists of two calls bridged together at ITI's Atlanta point-of-presence.<sup>7</sup> This configuration is highly significant. To USTS, the carrier on the originating "leg" of the call, it appears that an interstate call has occurred between Kentucky and Georgia.<sup>8</sup> Accordingly, USTS pays interstate access charges to a Kentucky LEC and a Georgia LEC. No intrastate access

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<sup>7</sup> Transcript, Vol. II, p. 50 (Freels).

<sup>8</sup> Id.

revenue accrues in Kentucky. Similarly, no intrastate access charges are paid on the second "leg" of the call, between Atlanta and Kentucky. This is true whether or not USTS carries the return segment to Kentucky.

At the hearing, during cross-examination by counsel for Americall, Mr. Freels acknowledged that calls handled by ITI consist of two interstate calls carried by separate IXCs. Mr. Freels admitted that the IXCs involved in this carriage perceive that they are handling separate, interstate calls.<sup>9</sup>

This point was also emphasized by SCB's witness at the hearing.<sup>10</sup> The Commission is concerned for two reasons. ITI's call completion scenario results in a misallocation of access revenue. The reporting of ITI's intrastate minutes to USTS will not solve the problem. USTS should report its percent of intrastate use according to the origination and termination of its traffic, not ITI's. Additionally, utilities that configure their networks in more typical ways pay intrastate access charges for intrastate traffic. These charges are recovered through the access tariffs that ITI has totally bypassed. For any intrastate call completed by ITI, whether intraLATA or interLATA, no

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<sup>9</sup> Id.

<sup>10</sup> Transcript, Vol. II, pp. 80-81 (Anderson).

intrastate access charges are paid by ITI, and no intrastate access charges are paid by ITI's underlying carrier or carriers.<sup>11</sup>

Since ITI does not market its services directly to the public, it must literally "capture" market share.<sup>12</sup> This is done in the manner described above. For example, a caller from a COCOT attempting to make an "0+" calling card call, according to the instructions supplied by the issuer of the card, may encounter an ITI operator if his "0+" call is captured by a COCOT altered by ITI. Although Mr. Freels claimed that ITI operators identify themselves--and we have no reason to believe that they do not--such disclosure may be meaningless to a caller who has never heard of ITI. The spoken letters "ITI" impart no meaning to the typical caller, and might possibly be misunderstood as "ITT" or "AT&T". Regardless of ITI's rates, an end-user should be able to make an informed choice. Based upon the testimony of Mr. Davies

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<sup>11</sup> In its brief, Americall argues persuasively that to permit ITI to use interstate services to complete intrastate calls places resellers like Americall at a competitive disadvantage. Americall points out correctly that intrastate access charges paid by authorized interLATA carriers are higher than the interstate access charges paid indirectly by ITI through its underlying carriers. Americall Brief at 11.

<sup>12</sup> ITI's 1987 Annual Report describes ITI's strategic decision to "capture a significant portion of the \$7 to \$8 billion U.S. operator-assisted long distance market . . ." The report further explains that "At the beginning of 1987, ITI moved aggressively into selected segments of this market." Annual Report at p. 1.

at the hearing, it is clear that some end-users have been confused.<sup>13</sup> ITI's practice of not advertising its services to end-users aggravates the problem.

Since ITI's primary relationship is with its customer, and not with end-users, billing is accomplished in one of two ways. End-users may charge ITI calls to major credit cards (e.g. Mastercard, Visa, Discover) or they may be billed through the LEC that provides their local service. ITI does no direct billing. Billing to a major credit card may be of value to some end-users,<sup>14</sup> but it produces a bill with no call detail record, a significant problem for callers who need to generate such records. This may account for the popularity of calling cards, such as

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<sup>13</sup> The appearance of ITI charges on the state of Kentucky's telephone bill so alarmed Mr. Davies that he issued a memo to state employees warning them to avoid the use of ITI. At the time the memo was written, Mr. Davies had never heard of ITI. He testified that the first ITI charges that appeared on the state telephone bill were calling card calls, which was "surprising." Transcript Vol. III, p. 10. Mr. Davies testified that at the time the memo was written, he had never seen advertising by ITI, did not understand how the service was being provided, and was concerned that the rates charged by ITI appeared to average over \$1 per minute. *Id.* at pp. 13-18. The memo issued by Davies made reference to a local call for which ITI charged \$8.05.

<sup>14</sup> A review of records furnished by ITI shows that of the thousands of calls processed by ITI in Kentucky during 1987, only 0.35 percent were billed to major credit cards. Although credit card billing appears to be viable and cost-effective, ITI has not convinced the Commission that this billing option is currently in great demand.



those issued by SCB or AT&T.<sup>15</sup> When a SCB or AT&T customer places a "0+" call that is intercepted by ITI, ITI bills its charges<sup>16</sup> to the telephone number associated with the calling card. This is apparently true even if the calling card does not reflect a specific telephone number. This "third number billing" of calling card calls has led to some customer confusion. ITI apparently has the technical ability to process "0+" calling card calls without an operator intercept. This practice may tend to further confuse calling card users accustomed to using AT&T. This practice seems common within the AOS industry, and has led to numerous complaints in other states.<sup>17</sup>

An additional concern relating to telephone calling cards is the fact that ITI presently lacks the ability to validate the calling cards issued by any Kentucky LEC. Billing these calling card calls exposes ITI to a significant risk of fraud. ITI has

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<sup>15</sup> Of course, IXCs other than AT&T issue telephone credit cards. See MCI Telecommunications Corporation K.P.S.C. Tariff No. 1, 3rd Revised Page No. 27, Section C3.03 (credit card); US Sprint K.P.S.C. Tariff No. 1 3rd Revised Page 25 Section 4.1 (FONCARD). In some cases, these IXCs provide their own billing and collection services. Since ITI presently serves only the "transient" public, who have no primary relationship with ITI, ITI does not issue its own credit card, and has no way to provide billing and collection services for itself.

<sup>16</sup> The total charge includes the measured price of the call, plus any customer surcharge, and a service charge which varies depending upon the call type. The Commission notes that ITI has substantially modified its proposed tariff, and its service charge for intrastate calling card calls now mirrors that of SCB and AT&T.

<sup>17</sup> The Tennessee Public Service Commission has opined that the practice may even be fraudulent. See Re South Central Bell Telephone Co., 91 PUR4th 172, 174 (Tenn. P.S.C., 1988).

acknowledged this both before the Commission<sup>18</sup> and in pleadings filed in the divestiture docket before the U.S. District Court for the D.C. Circuit.<sup>19</sup> To the extent that fraudulent calls are billed to calling cards that ITI cannot verify, the risk of fraud may be imposed on ratepayers on whose telephone bills the calls appear. The Commission is concerned about unverified billing to calling cards not only by ITI, but by any AOS company or IXC that engages in the practice.<sup>20</sup> Were ITI's inability to validate calling cards to become widely known, there could be a precipitous amount of fraudulent calls billed to working telephone numbers and restricted numbers. If ITI cannot validate calling cards, ITI should avoid giving the impression that it accepts such calling cards. Apparently, ITI has created such an impression judging by the number of calls billed to non-line specific calling cards

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<sup>18</sup> Freels' testimony, Transcript, Vol. II, p. 117.

<sup>19</sup> E.g., Memorandum in Support of the Motion of International Telecharge, Inc. for Leave to File Supplemental Reply in Support of Motion of the United States of an Enforcement Order Relating to BOC Calling Card Practices, dated June 7, 1988, Civil Action No. 82-0192 HHG, at p. 2 ("In the absence of essential database information, which is currently in the hands of the BOCs, ITI cannot safeguard against fraudulent use of BOC-provided calling cards, nor can it safeguard against improper third party billing to public, government and other restricted telephone numbers.").

<sup>20</sup> A recent tariff proposal by US Sprint to provide billing to LEC provided calling cards has been suspended, due to our concern about validation issues. Order, Case No. 10326, An Investigation of Operator Service as Proposed By US Sprint Communications Company, July 29, 1988.

carried by state employees.<sup>21</sup> Finally, it appears that in some cases, ITI's service has the effect of replacing the automated calling card service of AT&T, which has validation, with a more cumbersome, vulnerable service. When ITI service replaces AT&T service at a payphone, AT&T customers accustomed to using an AT&T calling card have their call attempts intercepted by ITI.<sup>22</sup> Mr. Davies testified that calling card users, i.e. state employees, have no need for operator assistance when using a calling card.<sup>23</sup>

Utilities operating within Kentucky are required to furnish adequate, efficient, and reasonable service. KRS 278.030(2). In evaluating ITI's application, we are mindful of this requirement. ITI's service appears to offer little to the ratepayers of

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<sup>21</sup> Mr. Davies testified that he was surprised to see approximately \$600 in ITI charges billed as credit card calls to the state account in September 1987. Transcript Vol. III, pp. 10-12. Apparently, some of these calls were recorded as "third number billed" with the non-line specific calling card listed as the third number. Transcript Vol. III, pp. 29-30.

<sup>22</sup> In some cases, upon specific request to use AT&T, or the LEC operator, ITI may "splash-back" the call to its point of origin, thereby permitting the end-user to access AT&T directly. This ability is largely dependent upon the technical sophistication of the payphone being served. Mr. Freels testified during direct-examination that "splash-back" is "not by any means foolproof." Transcript, Vol. I, p. 13. Mr. Freels also indicated that the "splash-back" capability is at the option of the payphone owner, not ITI. *Id.* If a payphone cannot or will not accept a "splash-back", the end-user may be forced to use ITI, or locate another phone. Obviously, in some parts of Kentucky, another payphone may not be available.

<sup>23</sup> Transcript Vol. III, pp. 6-7.

Kentucky. ITI's customers may have their objectivity clouded by the promise of high commissions and the ability to collect unlimited surcharges. Only these financial considerations could account for the sudden, widespread appearance of ITI service within Kentucky. ITI's growth is certainly not fueled by the demands of end-users, to whom ITI is basically unknown. In our opinion, ITI's business practices, taken as a whole, seem less than reasonable. ITI's unusual use of the services of other carriers seems to be an inefficient use of the network. More importantly, ITI is not paying for its access to the local network to complete intrastate calls. ITI's use of the billing and collection services of local exchange companies to collect customer determined surcharges is unreasonable and could lead to the blatant abuse of such billing services. For these reasons, ITI's application must be denied. Although the denial of an application to provide interexchange services is unusual for this Commission, it is not unprecedented as applied to ITI. We observe that the Alabama Public Service Commission has recently denied the application of ITI for a certificate of public convenience and necessity to provide operator assisted services in Alabama. Re International Telecharge, Inc., 92 PUR4th 211, (Ala. P.S.C., March 24, 1988). Generally, the concerns expressed by the Alabama Commission reflect those of this Commission. Several states, including Iowa, Ohio, Oregon, and South Carolina, have either

accepted ITI's tariffs, granted certification, or granted interim authority to ITI.<sup>24</sup>

The Commission fully recognizes that AT&T's many competitors, in seeking to compete for the full range of services offered by AT&T, are likely to seek expansion into the offering of "0+" and operator assisted services.<sup>25</sup> Such competition may ultimately be beneficial to ratepayers. However, any competition in the IXC market approved by this Commission should benefit the users of those services. The Commission will take all necessary steps to ensure that end-users in Kentucky, whether transient or not, may continue to have confidence in the quality and fair pricing of the many long distance services available in the Commonwealth. The claim that ITI's proposal offers benefits for Kentucky ratepayers is generally unsupported by the record in this proceeding. Should ITI develop a method of operating that is more responsible, it may certainly seek approval of such a plan.

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<sup>24</sup> In re: International Telecharge, Inc., Docket No. TF-88-140, (Iowa Utilities Board, May 20, 1988), (approving tariff, ex parte); Application of International Telecharge, Inc., Case No. 87-592-TP-ACE, (Ohio P.U.C., August 2, 1988) (Interim authority, Commissioner Brown dissenting); Application of International Telecharge, Inc., Order No. 88-619, (Or. P.U.C., June 10, 1988) (granting certificate); Application of International Telecharge, Inc., Docket No. 87-535-C, (S.C. P.S.C., June 22, 1988) (granting certificate). ITI has filed copies of orders from these states with this Commission. Inasmuch as none of these decisions reflect consideration of the issues brought to the attention of the Kentucky Commission, these orders have not been particularly helpful.

<sup>25</sup> See footnote 20, supra.

UNAUTHORIZED OPERATION

During the pendency of this case, the Commission discovered that ITI had begun providing intrastate service within Kentucky. An Order to Cease and Desist was issued to ITI on January 22, 1988. ITI's motion to suspend the Cease and Desist Order was denied on March 23, 1988. The Commission has no reason to believe that ITI is presently processing calls within Kentucky. Upon review of the confidential exhibits filed by ITI at the hearing, the Commission was disturbed to note that ITI began offering service "even before its application was filed. This practice is not condoned by the Commission. The preparation required to place telephone instruments on ITI's "network" must have taken planning and deliberation. Judging from the call records furnished by ITI, it seems clear that ITI was marketing its service and making preparations for "cut over" well in advance of its filing. Mr. Freels testified that ITI filed for authority after intrastate traffic began developing in July, 1987.<sup>26</sup> Mr. Freels compared ITI's practice of operating prior to certification with the activities of facilities-based IXCs such as MCI and US Sprint.<sup>27</sup> The comparison is disingenuous.

The Commission has been aware in the past of certain interstate carriers that completed some intrastate calls in Kentucky prior to receiving authority from the Commission. In the

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<sup>26</sup> Transcript Vol. I, p. 28.

<sup>27</sup> Id.

past, when carriers other than AT&T originated traffic primarily over Feature Group A or "800" services, it was often impossible for such carriers to determine the originating location of individual calls. Therefore, screening out unauthorized intrastate traffic was virtually impossible. In addition, end-users placed such calls deliberately, perhaps to take advantage of lower rates.

ITI's situation is quite different. ITI determines the origin of each call as soon as the call reaches ITI's operator center. This ability is essential for ITI's emergency call handling service, which was demonstrated through a video presentation at the hearing. ITI has the ability to block unauthorized traffic, but did not use this ability until it was ordered to do so by the Commission. Finally, no end-user deliberately chooses ITI. ITI's excessive and often unconscionable rates did not attract end-users to ITI. ITI alone bears the responsibility for operating illegally within Kentucky.

During the months before the Cease and Desist Order was issued, ITI processed thousands of calls within Kentucky. ITI service was installed in hundreds of Kentucky locations.<sup>28</sup> A

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<sup>28</sup> Before ITI may receive traffic originating from any specific location, the telephone equipment at that location must be programmed to access ITI. Each location is assigned an access number, which is transmitted to ITI each time a connection is established between the calling phone and ITI. Under cross-examination, Mr. Freels indicated that from the outset of ITI's operation, it was recognized that the widespread distribution of access numbers could lead to the possibility of ITI providing service in states where ITI was not authorized to provide such service. Transcript, Vol. II, pp. 71-72. Mr. Freels indicated that ITI would route and attempt to collect for such traffic. Id. at pp. 73-74.

significant portion of these calls were billed to customers of at least four LECs providing service within Kentucky.<sup>29</sup> Apparently, ITI applied 3-minute minimums to these calls. Calls of less than 3 minutes in duration were billed as 3 minute calls. Surcharges may have been added to some of these calls. Unapproved operator handling charges were apparently applied to all calls. ITI's practice of operating prior to certification may be a factor in the precipitous growth of its revenue. ITI grossed \$10,000,000 nationwide in December, 1987,<sup>30</sup> and \$32,783,290 in the first quarter of 1988.<sup>31</sup> ITI's present weekly compounded growth rate is 6 percent.<sup>32</sup>

Pursuant to KRS 278.160, utilities are required to file tariffs with the Commission. Such tariffs become effective when approved by the Commission. ITI has no tariff filed and approved. ITI has collected rates that are unlawful and unreasonable. The Commission will not ratify this illegal and unjustifiable

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<sup>29</sup> When the Commission's staff inquired about ITI's practice of carrying and billing for unauthorized traffic, counsel for ITI indicated that it would continue attempting to collect for such traffic prior to receiving Commission approval. See letter from Eddie M. Pope to Douglas F. Brent, dated January 13, 1988, p. 3 ("ITI more than likely will be handling some intrastate traffic prior to certification"). Mr. Pope also indicated that due to ITI's need to recover the costs incurred by ITI for traffic reaching ITI, the company would attempt to collect for such calls. ("Therefore, if we terminate a call, we cannot give it away, and must collect for such a call.")

<sup>30</sup> Transcript, Vol. I, pp. 22-23 (Freels).

<sup>31</sup> ITI, SEC Form 10-Q for the quarter ended March 31, 1988, p. 5.

<sup>32</sup> Transcript, Vol. I, pp. 22-23 (Freels).



behavior. Therefore, ITI must refund the revenues illegally collected in Kentucky. Of course, ITI has refunded some money already, in response to complaints. Also, some end-users have refused to pay ITI. Many ratepayers did not complain, possibly assuming that the rates charged were lawful. The fact that billing and collection services were performed by LECs may have reinforced such a belief. Such possibilities are immaterial, however. ITI's rates were never approved by the Commission, and should never have been billed.

The Commission FINDS that:

1. ITI's business practices relating to its provision of operator assisted long distance service have caused customer confusion and dissatisfaction in Kentucky.

2. ITI's practice of using interstate services to provide intrastate service results in underpayment and misclassification of access charge revenue paid to LECs within Kentucky.

3. ITI's practice of accepting telephone calling cards without the ability to validate the use of such cards is unreasonable.

4. ITI's practice of allowing customers to add a surcharge to the price of a call carried by ITI is unreasonable.

5. ITI lacks the ability to ensure that its customers provide notice to end-users that traffic originating from the customer's telephones may be intercepted by ITI.

6. ITI lacks the technical ability to ensure the uniform return of traffic intercepted by ITI to its point of origin upon a request by an end-user who wishes to use a different carrier.

7. ITI's operation in Kentucky since August 1987 has been in violation of the tariffing requirements of KRS 278.160.

8. ITI has the technical ability to avoid processing calls within Kentucky, but did not avail itself of that ability until ordered to by the Commission.

9. ITI lacks the ability to provide adequate, efficient, and reasonable service, as required by KRS 278.030(2).

IT IS THEREFORE ORDERED that:

1. ITI's application for authority to provide telecommunication services within Kentucky be and it hereby is denied.

2. Within 30 days from the date of this Order, ITI submit a proposal to the Commission for the refunding of all charges collected by ITI in Kentucky for calls that originated and terminated within Kentucky. Such proposal may take into account the fact that certain end-users billed by ITI through Kentucky LECs may no longer be customers of such LECs and may, therefore, be impossible to locate for the purpose of issuing a refund. Such proposal may also account for the fact that certain refunds and adjustments have been made previously.

3. The prior Cease and Desist Orders issued to ITI on January 22, 1988 and March 23, 1988 remain in full force and effect.

4. This Order be served on all LECs and IXCs operating within Kentucky, and all applicants currently proposing to offer long distance services within Kentucky.

Done at Frankfort, Kentucky, this 24th day of August, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Wrenn, Jr.  
Chairman

Robert M. Davis  
Vice Chairman

James H. Williams  
Commissioner

ATTEST:

Executive Director