

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED RESTRUCTURING AND )  
REPRICING OF SOUTH CENTRAL BELL )  
TELEPHONE COMPANY'S PRIVATE LINE ) CASE NO. 10477  
SERVICES TARIFF AND ACCESS SERVICES )  
TARIFF )

O R D E R

On February 24, 1989, the Commission entered a request for information in this case to South Central Bell Telephone Company ("South Central Bell"). On March 10, 1989, South Central Bell filed its response. The response, however, did not include a response to Item 1 of the request, which was a request for a jurisdictional separations study. On May 10, 1989, the Commission compelled a response to Item 1. On May 22, 1989, South Central Bell filed a response to Item 1 in the form of a summary. Upon review of the response to Item 1 and certain other items, the Commission finds that additional discovery is necessary.

Accordingly, IT IS ORDERED that South Central Bell shall file the original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions

relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

The information requested is due no later than August 7, 1989. If the information cannot be provided by this date, a motion for an extension of time must be submitted stating the reason for the delay and the date by which the information can be furnished. The Commission will give due consideration to such motions.

1. Please reference the response to Item 2 of the Commission's February 24, 1989 data request, in which it is stated that the "proposed tariff changes would not be expected to create a shift between interLATA and intraLATA revenues." Exhibit 3 of the application filed December 15, 1988 shows an increase in private line revenues of \$1,258,552.88 and an increase in special access revenues of \$722,582.00. This combined increase is balanced by a reduction in carrier common line revenues of \$1,986,928.00 according to the price-out contained in the cost support filed with the application. As the combined effect of these changes is to reduce interLATA access revenues by approximately \$1.26 million and to increase intraLATA private line revenues by a corresponding amount, explain why this is not considered to be a shift between interLATA and intraLATA revenues.

2. Please reference the response to Item 6c of the Commission's February 24, 1989 data request, which provides break-downs of carrier common line minutes-of-use ("MOUs").

a. The amounts listed for November 1987 through October 1988 do not total to the amounts shown in the carrier

common line price-out contained in the cost support filed with the application. Reconcile these amounts.

b. Provide detailed calculations showing how the November 1987 through January 1988 data was adjusted to show the effects of the January 1988 tariff restructuring, principally the MOUs associated with the closed ends of WATS (originating OUTWATS and terminating 800), the shift of originating 800 MOUs to terminating MOUs, and the shift from flat rate MOUs to terminating MOUs.

3. Please reference the response to Item 1 of the Commission's February 24, 1989 data request, which is a summary of a jurisdictional separations study for the year ended December 31, 1988.

a. Is the study based on actual or projected information? If projected, explain why actuals were not used.

b. Describe the assumptions that were made to adapt interstate separation procedures for separating intrastate costs.

c. Was actual intrastate separations information available, such as MOUs, loops, conversation minutes, terminations, and mileages, or was it necessary to use estimates? If estimates were used, describe how these estimates were obtained.

d. Explain what is meant by "(t)he results summarized on the attachment represent Kentucky Accounting data on an FCC Part 32 basis (as opposed to a Part 32 basis with Kentucky

adjustments)." Does this statement mean the same as the final paragraph of the narrative, that is, that the summary does not reflect certain other intrastate accounting adjustments?

e. Was a transitional or frozen subscriber plant factor used to separate interstate from intrastate costs, and then a calculated subscriber plant factor used to separate intrastate costs into its various components? If not, explain.

f. Explain why both FCC Part 36 and Part 69 separations procedures were used. Was the study based on Part 69 with adjustments for the Part 36 changes?

g. Does the study reflect recent changes to separations procedures, such as the change effective April 1, 1989 in Central Office Equipment, Category 4?

h. Were non-regulated amounts determined in accordance with procedures adopted in CC 86-111? If not, explain.

i. Explain column C "Contract Amounts."

j. For "Book Costs," "Depreciation & Amortization Expense," and "Depreciation & Amortization Reserves," provide Category, and Subcategory if applicable, detail using the same column format as the summary.

k. Explain how the row entitled "Actual Revenues, Net" was calculated.

4. Is it correct that the private line price-out is based on annualized units from the month of September 1988 for recurring rate elements, whereas non-recurring rate elements are based on the 12 month period ending September 30, 1988? If not, clarify.

5. Is it correct that the special access price-out is based on the 12 month period ending September 30, 1988 for both recurring and non-recurring rate elements? If not, clarify.

6. If the private line and special access price-outs for recurring rate elements are not based on the same time period, explain.

7. The response to Item 4b of AT&T's First Data Request indicates that the revenue totals included in the filing package reflect only the rate elements to be repriced in this filing. Provide a price-out of all special access and private line revenues by tariff section for the identical time period used in the filing package.

8. Provide a narrative describing Synchronet service and its applications, particularly the advantages over possible alternatives such as B1 access with a modem, analog private line-type services with a modem, or higher bit-rate services such as MegaLink.

9. Provide a general, technical description of Synchronet service, such as the type of transmission facilities and channel terminating equipment required.

10. Provide the assumptions used in developing the cost support for Synchronet Digital Local Channels and Interoffice Channels, such as assumed mileage or facility distributions.

11. AT&T's recommendation, as described in its testimony filed May 5, 1989, is to reject the proposed tariff filing and to require South Central Bell to file a unified tariff to include all

existing service arrangements which may be used for access. Provide an estimated revenue impact of this recommendation.

12. Contained in AT&T's testimony are examples of how private line services are being used as substitutes for interLATA special access services. To South Central Bell's knowledge, are the private line services described in these examples being used to provide interLATA access in violation of the tariffs?

a. If so, describe any corrective actions taken or intended.

b. If not, does South Central Bell plan to investigate any of these alleged tariff violations?

c. Describe South Central Bell's ability to enforce its tariff provisions.

13. Provide diagrammatic examples of permissible and impermissible uses, as defined by the proposed tariffs, of private line services.

14. Does the proposed tariff prohibit the connection of private line services to interLATA facilities that are owned by the end-user?

15. With reference to SCB's response to the Commission's data request Item 1, Summary of Separated Costs for the Year Ended December 31, 1988, provide the following information:

a. SCB emphasizes that the separations analysis is generated by a system designed for interstate purposes and that the analysis "can only be used as a complement for an Intrastate Revenue Requirements Analysis." In view of this statement, does SCB believe that a reasonable approximation of 1988 returns may be

derived from this analysis? If not, explain why and state the specific factors that would cause a material distortion.

b. Does SCB agree that the analysis may be used to provide a reasonable comparison of relative rates of return?

c. State and explain what the line item amounts in the "adjustments" section represent. Also, explain how these amounts should be used in calculating net operating income.

16. Provide SCB's calculation of the 1988 rates of return on investment for private line, special access, and switched access. Provide the basis and support for these rates of return.

17. If available, provide a copy of SCB's Kentucky 1988 Embedded Direct Analysis.

18. Please reference the response to Item 1 of the Commission's February 24, 1989 request for information, which is a summary of jurisdictionally separated costs. Verify that column "0" represents local exchange services and disaggregate the local private line company line component of column "0."

Done at Frankfort, Kentucky, this 24th day of July, 1989.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Executive Director