

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO INTRALATA TOLL)	
COMPETITION, AN APPROPRIATE COM-)	ADMINISTRATIVE
PENSATION SCHEME FOR COMPLETION)	CASE NO. 323
OF INTRALATA CALLS BY INTEREXCHANGE)	PHASE I
CARRIERS, AND WATS JURISDICTIONALITY)	

O R D E R

On March 29, 1990, the Commission issued an Interim Order concerning intraLATA toll competition which comprises Phase I of this three-phase proceeding. Therein, the Commission determined that a prima facie case exists that intraLATA toll competition is in the public interest; that such competition should extend to equal access on a presubscribed basis, intraLATA interexchange private-line service, intraLATA interexchange message-toll services, and intraLATA interexchange operator services; and that the next portion of Phase I (implementation) should proceed.

To initiate the next stage of Phase I, in which the Commission will evaluate the Joint Motion, any future industry proposals filed, and implementation issues, the Commission HEREBY ORDERS the parties to file testimony on the following:

1. Is there a need to phase-in intraLATA competition? If so, what goals should be accomplished in a phase-in period?
2. If intraLATA competition should be phased-in, how should it be phased-in? Should it be on a type-of-service basis, such as MTS, operator services, private line, or on a type-of-access basis, such as Feature Group A, B, 10XXX, 1+, special access. Are there other options? If so, what are they?

3. What are the technical difficulties with implementing intra-LATA equal access?
4. What are the technical difficulties in allowing customers to be able to select any carrier subscribing to Feature Group D access in that end office as opposed to limiting their choices to their local exchange carrier (or the local exchange carrier presently providing their intraLATA toll services) or their interLATA/interstate carrier?
5. What conditions should the Commission consider before requiring the local exchange carriers to provide intraLATA equal access? Examples are cost of conversion, demand for the service, or routinely adding intraLATA equal access capabilities to existing plans for equal access conversions.
6. How should cost recovery for intraLATA equal access conversions be achieved?
7. What are the additional costs for converting end offices with interLATA and interstate equal access to also providing intraLATA equal access? What are the incremental costs of providing intraLATA equal access capabilities to these offices if major software updates are required for other reasons, such as adding new features or adding a remote to a host office?
8. What are the costs for providing equal access, including intraLATA equal access, to stored program controlled offices that presently do not offer any equal access capabilities?
9. What are the incremental costs for adding intraLATA equal access capabilities to electromechanical-type end offices that are presently scheduled for digital conversion, assuming that interLATA and interstate equal access capabilities are planned for those offices?
10. Are there any good reasons for having separate intraLATA and interLATA access tariffs? If so, what are they? If there is to be a unified access tariff, what modifications, if any, would be required to the existing access tariff prior to implementing competition?
11. What modifications to other existing tariffs would be required as a result of implementing intraLATA competition? For example, do separate intraLATA private line and special access tariffs provide such a serious impediment to competition as to warrant delaying implementation of competition in these areas until a unified tariff could be achieved, or should the Commission permit competition to occur in these areas if they can do so under the existing conditions?
12. How shall local calling area and interexchange service be defined? At the present time, a local calling area is

generally defined as an area within which a subscriber can place a call from one station to other stations without incurring toll charges. Interexchange service is generally defined as service between exchanges. However the calling scope of a local calling area may include more than one exchange. Therefore, the Commission invites testimony on whether it should adopt "an exchange is an exchange" approach to intraLATA competition or adopt an alternative approach that would limit competition between exchanges in extended area service complexes and/or between exchanges where optional calling plans have been implemented. Optional calling plans mean local exchange carrier offered measured or bulk rates alternatives to their normal toll schedule.

13. What should be the distinction between intraLATA toll services and local services? For example, what factors should determine if a transmission facility should be classified as being a local facility or an intraLATA toll facility? Should this be based on the geographic locations of the circuit terminations, the originating and final terminating locations of the traffic carried over the facility, or some other method?
14. What methods should the Commission use to encourage competition generally and equal access competition particularly in rural and small urban market areas; e.g., (a) creation of equal access "islands" consolidating groups of exchanges or local exchange companies, (b) deployment of a tandem switch or switches to which interexchange carriers can connect and gain equal access to groups of exchanges or local exchange companies, (c) a requirement that interexchange carriers serve a fixed number of the total number of exchanges on an equal access basis at discrete points in time through a phase-in timetable, (d) flat rate local transport charges on a non-mileage sensitive basis by access services tariff on a "bill and keep" basis, and (e) flat rate local transport charges on a non-mileage sensitive basis across all local exchange carriers and create a local transport settlement pool. These suggestions are not intended to be mutually exclusive or exhaustive and the Commission invites other alternatives.
15. What criteria should designation of dominant and non-dominant carrier be based on in the intraLATA market?
16. What criteria should be used to determine market power intra-LATA? Provide specific recommendations on differences in regulatory requirements for intraLATA dominant and non-dominant carriers.
17. Should the Commission permit deaveraging of toll charges and/or limited geographic serving areas? Is the answer the same for dominant and non-dominant carriers? Should there be a carrier of last resort in all areas, and if so, who should it be and why?

18. Are there services, such as operator services, where reasonableness of rates to end-users may not be controlled by competition? Identify and provide recommendations for implementation to assure and maximize consumer protection for such services.

Parties may, at their discretion, address any additional issues.

To the extent that any of the above issues have already been addressed in this case the parties are directed not to duplicate any previous filings. However to the extent that clarifications or additional information on any of these topics are needed as a result of the Commission's Interim Order dated March 29, 1990, parties are encouraged to supplement their earlier filings.

In responding to questions, the Commission encourages the parties to use timelines and other appropriate tools to define and predict the implementation stages of intraLATA competition.

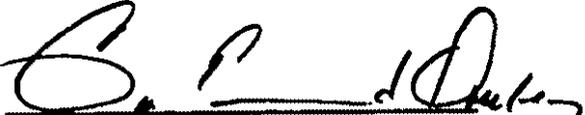
Given the number of parties involved and the difficulty in coordinating witnesses' schedules with the Commission's schedule, the Commission will establish a full procedural schedule at this time. For these reasons the Commission discourages requests for extensions of time or changes in the hearing date by the parties.

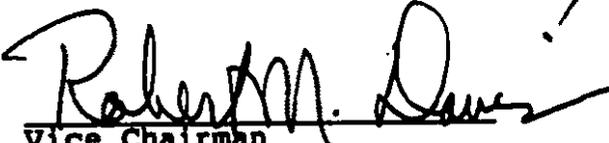
The Commission FURTHER ORDERS the following procedural schedule:

Prefiled Testimony of all parties due	July 13, 1990
Data Requests to all parties due	August 10, 1990
Responses to Data Requests due	August 31, 1990
Hearing in the Commission's offices in Frankfort, Kentucky, at 10:00 a.m., EST, beginning	October 29, 1990

Done at Frankfort, Kentucky, this 24th day of May, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director