

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF LOCAL TELEPHONE) ADMINISTRATIVE
DISCONNECTION POLICIES) CASE NO. 334

O R D E R

The Commission on its own motion is herein establishing this case to investigate whether its current policies on disconnection of local telephone service for nonpayment of portions of a customer's bill should be modified. Currently the Commission allows local exchange companies ("LECs") to disconnect a customer's service for nonpayment of charges for interexchange carriers' (IXCs) interstate telecommunications services, interstate and intrastate cellular telephone messages, and Kentucky intrastate tariffed telecommunications services.

Because of the proliferation of new services arising from technological and marketing changes and the concurrent increase in the number of service providers, the traditional telephone bill has changed significantly. The Commission is concerned that disconnection of the monopoly local service as a consequence of failure to pay for an array of other services may not be fair or reasonable. Moreover, the Commission is concerned that its disconnection policy may result in abuse of the monopoly ratepayer.

On the other hand, the Commission does recognize that without some form of penalty, such as disconnection, nonpaying customers have little incentive to pay their bills and little incentive to curb this practice once started. As a result, uncollectibles may increase and the general body of ratepayers may be forced to pay the higher cost.

The Commission is therefore interested in reviewing comments addressing the appropriateness of its current policy on disconnection and the expected costs associated with any alternative policies. Comments should address the alternative of discontinuing the current policy.

The Commission requires all LECs to provide their recommendations on this topic and to include in these recommendations answers to the following questions. The Commission further encourages other interested parties to file comments.

Questions to be answered by LECs are as follows:

1. What is the expected effect on uncollectibles if disconnection for nonpayment is discontinued? Use 1989 as the base year and make projections for the next 4 years through 1993. Provide all assumptions used in developing the projections and disaggregate the figures among uncollectibles on local, toll, and other regulated service revenues that are lost as a result of disconnection for nonpayment of toll services and non-regulated services.

2. Identify expected difficulties and the associated costs of blocking toll calls after failure to pay. Identify the

expected difference in uncollectibles as a result. Provide all assumptions used, using 1989 as the base year, and projecting these costs for the next 4 years. Again, disaggregate the uncollectibles among local, toll, and other regulated revenues.

3. Do you expect IXCs to cease using your billing and collection services if the current policy is discontinued? Provide any support you have for your response.

4. If the answer to question 3 is yes,

a. Specify the IXCs and the expected dates they would cease using your services.

b. Specify for each customer class the types of services you expect will be lost (i.e., residential, commercial, large businesses).

c. Using 1989 plant in service, quantify expected idle or stranded investment as a result of customer loss.

d. Provide all illustrative uses available for stranded or idle plant including potential leasing and/or sale to outside entities. Quantify expected use in percentages and dollars of investment; if revenue is involved, project expected revenue.

e. Based on above answers, provide projection of expected revenue loss and cost savings due to discontinuance of billing and collection service for each IXC for 4 years after the date you expect them to cease using your billing and collection services. Quantify the types and amounts of expenses which will be avoided should IXCs cease using LEC billing and collection services.

5. Explain in detail the procedure used in allocation of partial payment of telephone bill among the various services.

6. Provide comments on whether permitting termination of service for nonpayment of services for which the LEC does billing and collection gives the LEC an unfair competitive advantage in offering billing and collection services to IXCs.

7. South Central Bell Telephone Company, GTE South Incorporated, and Cincinnati Bell Telephone Company shall provide an incremental cost study for billing and collection services provided to IXCs.

8. What other conditions or situations should the Commission consider in reaching a decision in this case?

Provide all assumptions used.

IT IS THEREFORE ORDERED that:

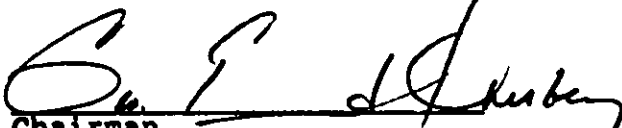
1. All LECs under this Commission's jurisdiction are parties in this investigation.

2. The LECs shall file comments as described above within 45 days of the date of this Order.

3. Any other person or entity wishing to participate in this investigation should file a motion to intervene as well as the comments as described above within 45 days of the date of this Order.

Done at Frankfort, Kentucky, this 30th day of April, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director