

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE BILLING ) ADMINISTRATIVE  
PRACTICES FOR FOREIGN EXCHANGE SERVICE ) CASE NO. 335

O R D E R

The Commission has information indicating that changes in billing practices for foreign exchange service may have resulted in unauthorized rate increases to customers of these services. This investigation is established in order to determine if the alleged, unauthorized change in billing practices did occur, and if so, to consider requiring the responsible carriers to show cause why they should not be fined pursuant to KRS 278.990 and to provide refunds.

Foreign exchange service is a type of telecommunications service which allows customers located in one exchange to receive dial tone and a telephone number from a different, usually distant exchange. Although expensive relative to normal local exchange service, foreign exchange service can be useful to businesses as it allows customers in the foreign exchange to call them by dialing a local telephone number, rather than a long distance number. Foreign exchange service is provided through the combined efforts of the local exchange carriers in both exchanges, as well as a long distance carrier to transport calls between the two exchanges.

On March 15, 1990, the Commission received an inquiry from Mr. Larry L. Kinder, president of Combined Communications, concerning the rates for foreign exchange services, which was subsequently followed-up by letter dated April 10, 1990, attached hereto and incorporated herein as Exhibit 1. Mr. Kinder alleges that since May 1983, he has paid a flat monthly rate but beginning in February 1990, began receiving a bill for usage in addition to a flat-rated bill.

The Commission is unaware of any authorized rate changes occurring during this time period; however, on July 21, 1989, AT&T Communications of the South Central States, Inc. ("AT&T") filed a proposed tariff change to reprice and restructure its channel services tariff, which was subsequently suspended in Case No. 89-168.<sup>1</sup> AT&T's foreign exchange service was one of the services affected by these proposed changes. Until recently, AT&T obtained and paid the charges for the access services received from the local carriers, and submitted a single bill to its customers. AT&T's charges were based solely on the mileage between the two exchanges and was independent of actual usage, although AT&T was paying Feature Group A usage charges for switched access services on what is commonly referred to as the "open end" of foreign exchange services. One of the proposed tariff changes was a requirement for customers to directly pay the local exchange carriers for Feature Group A usage charges. On March 19, 1990, the Commission issued an Order approving the

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<sup>1</sup> Case No. 89-168, Proposed Restructure and Repricing of AT&T's Channel Services Tariff.

proposed changes; however, the effective date was delayed until June 1, 1990, to give AT&T sufficient time to alter its billing system. The effective date was also conditional upon the simultaneous implementation of rate reductions for other services to offset the increases in channel services rates. As a result of the Feature Group A billing changes, it is estimated that AT&T will save approximately \$618,000 annually, which is to be reflected in AT&T's rate reductions.

The complaint from Mr. Kinder suggests that AT&T's foreign exchange customers are allegedly already being billed for Feature Group A usage, which is a change from the usual billing practices for these services. AT&T's existing foreign exchange tariff<sup>2</sup> is ambiguous on these billing practices; however, these practices have been well documented before the Commission, such as by the record in Case No. 89-168 and by the direct testimony of Wayne Ellison, manager of AT&T's Marketing Plans Implementation for the Southern Region, in Case No. 9703.<sup>3</sup> It is clear from Mr. Ellison's testimony that it was AT&T's practice to pay the local exchange carriers for Feature Group A usage, rather than the customer. If rate changes have occurred as a result of an unauthorized change in billing practice, this would be in violation of KRS 278.180, as KRS 278.010(10) defines "rate" as:

[A]ny individual or joint fare, toll, charge, rental or other compensation for service rendered or to be

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<sup>2</sup> General Services Tariff, Section A8, Foreign Exchange Service Capability, Original Page 2, effective January 1, 1984.

<sup>3</sup> Case No. 9703, AT&T Communications of the South Central States, Inc. vs. Independent Telephone Company, Inc., Transcript of Evidence, Volume I, page 71.

rendered by any utility, and any rule, regulation, practice, act, requirement or privilege in any way relating to such fare, toll, charge, rental or other compensation, and any schedule or tariff or part of a schedule or tariff thereof.

However, even if it is established that an unauthorized rate change has occurred, considering that foreign exchange service is jointly provided and billed, it would also be necessary to determine which carriers are responsible for the statute violation prior to assessing fines and requiring refunds. Therefore, the Commission will require all the local exchange carriers<sup>4</sup> and AT&T to file information and comments concerning these issues.

IT IS THEREFORE ORDERED that all local exchange carriers and AT&T shall file within 30 days of the date of this Order, information and comments describing the billing practices for access services associated with the open end of interLATA foreign exchange service since January 1984 to the present, a detailed explanation of any changes that have occurred in this period, and if applicable, a proposed customer refund plan.

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<sup>4</sup> Alltel Kentucky, Inc.; Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company, Inc.; Cincinnati Bell Telephone Company; Contel of Kentucky, Inc.; Duo County Telephone Cooperative Corporation, Inc.; Foothills Rural Telephone Cooperative Corporation, Inc.; GTE South Incorporated; Harold Telephone Company, Inc.; Highland Telephone Cooperative, Inc.; Leslie County Telephone Company, Inc.; Lewisport Telephone Company, Inc.; Logan Telephone Cooperative, Inc.; Mountain Rural Telephone Cooperative Corporation; North Central Telephone Cooperative, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; Salem Telephone Company; South Central Bell Telephone Company; South Central Rural Telephone Cooperative Corporation, Inc.; Thacker-Grigsby Telephone Company, Inc.; and West Kentucky Rural Telephone Cooperative Corporation, Inc.

Done at Frankfort Kentucky, this 21st day of May, 1990.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

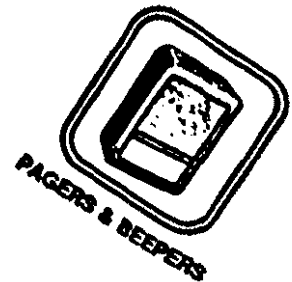
  
Commissioner

ATTEST:

  
Executive Director



**COMBINED  
COMMUNICATIONS**  
1101 Chestnut Street  
Bowling Green, KY 42102-1416  
(502) 782-4000



April 10, 1990

Mr. Lee M. MacCracken  
Executive Director  
Public Service Commission  
730 Schenkel Lane  
Frankfort, KY 40602

**RECEIVED**

APR 11 1990

PUBLIC SERVICE  
COMMISSION

Re: Foreign Exchange Telephone Service

Dear Mr. MacCracken,

Since May 1983 I have paid South Central Rural Telephone Cooperative a flat monthly rate for Foreign Exchange Service. The monthly rate for (502) 678-6565 has been approximately \$300.00. Beginning in February without notice, other than the phone bill the rate and billing method drastically changed.

Instead of paying SCRTC the flat monthly fee, I am now paying SCRTC a usage fee in excess of \$200.00 and AT&T a flat monthly rate of \$137.60 for mileage.

I reported this matter to your representative at the PSC consumer hot line and requested the current tariffs. She informed me that she would look into the matter. I have since been contacted verbally by AT&T and informed that the monthly mileage charge is not only correct but increasing in June 1990, from \$137.60 to \$265.95. This is an increase of .93% for the mileage portion alone. I find it hard to believe the Public Service Commission would allow an increase of this magnitude.

I also question the usage charge by SCRTC on this number. I have not seen any tariffs that allows SCRTC to charge a usage fee instead of a flat monthly rate.

Your help and assistance in this matter would be appreciated.

Sincerely,

*Larry L. Kinder*

Larry L. Kinder, Pres.