

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED TARIFF FILING OF GTE )  
SOUTH INCORPORATED TO ESTABLISH )  
OPERATOR TRANSFER AND INWARD ) CASE NO. 92-396  
OPERATOR ASSISTANCE SERVICES )

O R D E R

On February 11, 1993, an Order was entered in this case approving the tariff filing made by GTE South Incorporated ("GTE South"), as amended. The Order rejected a position argued by AmeriCall Systems, Inc. ("AmeriCall") that the price of Operator Transfer Service should be imputed to the price of operator-assisted toll services provided by local exchange carriers. On March 5, 1993, AmeriCall filed a motion for reconsideration. On March 12, 1993, GTE South filed a response opposing reconsideration, to which AmeriCall filed a reply on March 17, 1993. On March 25, 1993, the Commission granted reconsideration on the imputation issue. In addition, GTE South and South Central Bell Telephone Company ("South Central Bell") were required to provide certain information.<sup>1</sup> Their responses were filed on April 23 and June 23, 1993, respectively. On July 19, 1993, AmeriCall filed a motion seeking more detailed information, arguing that the

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<sup>1</sup> South Central Bell was made a party to this case by the Commission because it already provides Operator Transfer Service, which was approved in Case No. 91-187, South Central Bell Telephone Company's Proposed 0- Operator Transfer Service Tariff Filing. Aside from South Central Bell and GTE South, no other local exchange carrier offers or has proposed to offer Operator Transfer Service.

responses of GTE South and South Central Bell were inadequate. A ruling on this motion has been held in abeyance until now.

A number of comments have been filed in this case by AmeriCall and GTE South.<sup>7</sup> It appears to the Commission that these comments fully present the positions of the parties and provide a sufficient basis for a final decision in this matter.

Operator Transfer Service is an access service provided to interexchange carriers. It allows a local exchange carrier's operator services personnel to transfer a "0-"<sup>8</sup> dialed telephone call to any subscribing interexchange carrier designated by an end-user.

AmeriCall contends that the price of Operator Transfer Service should be imputed to the price of operator assisted toll services provided by local exchange carriers. Although stated in various ways, AmeriCall makes two basic arguments to support its position: lack of imputation could result in anticompetitive behavior and imputation is consistent with requirements established in Administrative Case No. 323<sup>9</sup> relative to message and wide area toll services. On reconsideration, AmeriCall contends that the

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<sup>7</sup> Although made a party to this case, South Central Bell filed no comments and limited its participation to providing information ordered by the Commission.

<sup>8</sup> That is, the dialed digit "0" followed by no other dialed digits.

<sup>9</sup> Administrative Case No. 323, An Inquiry Into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality. LATA is an acronym for Local Access and Transport Area. WATS is an acronym for Wide Area Telecommunications Service.

Commission should not forego imputation based on the size of the revenue stream associated with a particular service.

GTE South's arguments that imputation should not be required revolve around two basic premises. First, Operator Transfer Service is an access service and imputation requirements have not been imposed on access services but rather on toll services. Moreover, the price of Operator Transfer Service is above GTE South's incremental cost to provide the service and makes a contribution to the overall operations of the company. Second, GTE South is not a provider of toll services but instead concurs in South Central Bell's toll tariffs.<sup>9</sup>

The points GTE South makes are generally correct. Operator Transfer Service is an access service available to interexchange carriers that wish to make it available to their customers. Also, Administrative Case No. 323 required local exchange carriers to impute relevant access charges to the price of their message and wide area toll services. It did not require the imputation of access charges to access services, which would be absurd in any event.

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<sup>9</sup> At the time its comments were filed, GTE South had an application pending before the Commission that proposed to change its status; Case No. 93-194, GTE South Incorporated for Authority to Become a Category A Toll Provider in the State of Kentucky. The application has since been granted and GTE South will become a provider of toll services effective March 1, 1994. At least initially, GTE South will mirror South Central Bell's toll services rates. Approval of the application does not change the Commission's conclusions in this case.

All local exchange carriers, except Cincinnati Bell Telephone Company, concur in South Central Bell's toll tariffs. Furthermore, South Central Bell is currently the only Category A local exchange carrier -- i.e., it is the primary carrier for toll traffic generated by local exchange carriers. Generally, when a toll call is originated in one local exchange carrier's service area, it is routed to South Central Bell for transport and termination in its or another local exchange carrier's service area.<sup>6</sup> The other local exchange carriers act as billing and collection agents for South Central Bell and receive compensation in the form of access charges. This arrangement among the local exchange carriers is transparent to end-users.

When an end-user places a 0- call, it is automatically routed to the serving local exchange carrier's operator services center.<sup>7</sup> If the end-user wants to place an intraLATA toll call, operators can route the call to the local exchange carrier network for completion. If the end-user wants to place an interLATA toll call or use another carrier, operators must instruct the customer to dial the other carrier and offer no further assistance. Operator Transfer Service, however, allows operators to transfer a call to

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<sup>6</sup> There are two exceptions to this scenario. One includes cases where companies do not "home" on South Central Bell toll facilities, creating an intermediate step in the call completion process. The other includes cases of intra-company toll switching. Both are limited exceptions.

<sup>7</sup> GTE South and South Central Bell are the only local exchange carriers with operator services centers. The other local exchange carriers are served from these centers under contractual arrangements.

subscribing interexchange carriers for further assistance in call completion.

In its earlier decision, the Commission rejected imputation due to the de minimis nature of the revenues associated with Operator Transfer Service. While this reasoning was sufficient, additional explanation may be helpful at this time.

Unlike access charges involved in providing message and wide area toll services, Operator Transfer Service is an optional service available to interexchange carriers that permits them to enhance their own provision of operator services. Arguably, therefore, Operator Transfer Service can be viewed by them as a cost of providing operator services and imputable to the corresponding retail offerings of the local exchange carriers.

Local exchange carriers charge \$1.50 per operator-assisted station-to-station toll call and \$3.00 per operator-assisted person-to-person toll call. The charge for Operator Transfer Service is \$0.35 per call transferred. In the case of message and wide area toll services, several access elements and other variables unique to each carrier compose the unit cost of a call. Average cost and average revenue per unit of traffic is not readily apparent for any given carrier. For these services, therefore, a detailed imputation analysis is necessary to an evaluation of pricing decisions. In this case, there is one access element imputable to the operator services of the local exchange carriers. A straightforward comparison of the rates charged by local exchange carriers for operator services and the rate charged for Operator

Transfer Service indicates that no further analysis or imputation is necessary to assure fair pricing vis-a-vis competitors.

Accordingly, the Commission finds that AmeriCall's motion for a more definite statement of discovery responses should be denied and this investigation concluded. No useful purpose would be served by requiring GTE South and South Central Bell to provide more detailed information on operator transfer call volumes or further prolonging this investigation.

The Commission views the imputation of access charges to the price of retail services offered by the local exchange carriers as a valuable tool in evaluating pricing decisions. It need not, however, be required in all cases. It may not be necessary when revenues are de minimis, when a pricing analysis can be made from tariffs or other public information, or when services are optional. The Commission will consider the need for imputation on a case-by-case basis.

IT IS THEREFORE ORDERED that:

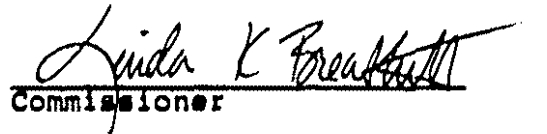
1. The motion of AmeriCall for a more definite statement of discovery responses is denied.
2. This proceeding is concluded.

Done at Frankfort, Kentucky, this 10th day of February, 1994.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director