

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

THE DIVESTITURE OF SOUTH CENTRAL BELL )  
TELEPHONE COMPANY FROM AMERICAN TELE- ) CASE NO. 8731  
PHONE AND TELEGRAPH COMPANY )

O R D E R

On January 8, 1956, the U.S. Department of Justice ("DOJ"), on behalf of the United States of America, American Telephone and Telegraph Company ("AT&T") and Western Electric Company, Inc., filed a Stipulation and a proposed Modification of Final Judgment ("MFJ") in U.S. District Court for the District of New Jersey in Civil Action No. 17-49 and a Stipulation for Voluntary Dismissal in Civil Action No. 74-1698 in U.S. District Court for the District of Columbia. The parties sought to modify the terms of the 1956 AT&T Consent Decree which barred AT&T from engaging in competitive endeavors and to dismiss the pending DOJ antitrust case against AT&T. Judge Harold Greene followed Tunney Act procedures (15 U.S.C. §16) by requesting public comment, briefing and oral argument before finally accepting an amended MFJ and approving the stipulation for dismissal of Civil Action No. 74-1698 on August 24, 1982.

The MFJ provides for a plan of reorganization of AT&T which would spin off the Bell Operating Companies ("BOCs") not later

than 6 months after August 24, 1982, and implementation of that plan within 18 months after August 24, 1982. The Commission is intensely concerned about the manner in which this separation occurs because of the need to maintain strong and economically viable BOCs and to avoid adverse impacts on the independent telephone companies ("independents") as well. AT&T spokesmen indicate that the proposed plan of reorganization will be filed within the next several weeks. Given the 60-day period following the filing currently allotted to this Commission in which to fully analyze the plan and submit comments to Judge Greene, the Commission is opening this docket on its own motion pursuant to KRS 278.250 to become apprised of the condition of South Central Bell Telephone Company ("South Central") and the independents within Kentucky as the divestiture unfolds. The Commission has filed objections to the proposed Local Access Transport Areas ("LATAs") for Kentucky and has asked Judge Greene to make any LATA order tentative until it is determined what the practical effects of the LATA configurations will be. The configuration of these LATAs will ultimately affect the asset split between AT&T and South Central among other facets of the reorganization, and may potentially impact adversely the independents.

IT IS THEREFORE ORDERED that South Central, Cincinnati Bell and the 20 independent telephone companies in Kentucky be and they hereby are made parties to this proceeding.

IT IS FURTHER ORDERED that South Central shall file an original and seven copies of its responses under oath to the following information requests by December 1, 1982. Where a number of sheets are required for an item, each sheet should be appropriately indexed and tabbed, for example, Item 1(a), sheet 2 of 6.

1. Provide copies of all documents, correspondence, reports and studies prepared between January 8, 1982 and October 20, 1982, by or under the direction of W. V. Catucci, Director-Bell/Independents Relations and Communications, between AT&T and South Central personnel concerning exchange area or LATA configurations insofar as they relate to or impact relationships with independent companies. The subjects of the documents, reports, studies and correspondence sought include, but are not limited to, network design, traffic classification, and compensation arrangements with independents generally and compensation through settlement or access charges specifically. Such materials shall include all illustrations, maps or other data attached to or included in the correspondence reports or studies.

2. Provide copies of all reports, documents, and studies used in defining common economic, social and cultural interests for proposed LATAs in Kentucky. Such material should include all data, computer runs, equations and studies which specify the relationship between these factors used in determining LATA boundaries.

3a. Provide copies of all proposals considered by South Central as a means of defining the LATA boundaries for Kentucky. The response should include all analyses and data pertaining to the various alternative proposals, including projections of the asset/revenue split expected under each proposal.

b. Provide copies of all analyses and data showing the effect of each alternative considered on access charges if the wire center element is contemplated on a "distance sensitive" basis.

4. Provide an explanation of the reason(s) for the rejection of South Central's original LATA configuration(s) for Kentucky. This explanation should include all analyses, data and other considerations which were evaluated by AT&T, the AT&T Study Group or South Central in rejecting the proposal.

5a. Provide an explanation of how and to what extent, if any, the SMSA-Lexington was considered in determining boundaries of the Winchester LATA.

b. Provide all analyses, data and maps which relate to this issue.

6a. Provide the criteria used by South Central to determine whether a LATA was "too small to constitute viable markets for intercity competition."

b. Provide all analyses performed and data utilized in selecting such criteria.

7. Provide copies of detailed LATA maps for Kentucky which show any inclusion and/or exclusion of independent telephone companies within the LATAs drawn thereon.

8a. Provide a list of all optional calling plans, if any, which could be affected by the proposed LATAs.

b. Provide an explanation describing the efforts undertaken by South Central to avoid disrupting these calling plans.

c. Provide a summary of the number of optional calling plan customers who may be affected by the proposed LATAs by individual optional calling plan, whether the plan is offered by South Central or an independent telephone company.

9. Provide population density figures for each of the proposed LATAs.

10. Provide a detailed summary of South Central main and equivalent main stations in service by individual exchange in each LATA for the same point in time used by South Central in preparing its LATA Description and Support Narrative.

11. Provide the "detail work plan" for asset assignment which AT&T provided to South Central.

12a. Assuming no independent telephone companies join LATAs, detail the costs (e.g., loss of revenue, engineering, and social costs) incurred by South Central if it provides intrastate service in Kentucky within a service territory divided into the proposed three LATAs.

b. If costs other than those enumerated in request 12(a) were considered by South Central in choosing three as the appropriate number of LATAs for Kentucky, provide a detailed explanation of those costs.

13. Assuming that the three-LATA proposal for Kentucky is approved by the Court, and assuming statewide toll rates remain uniform, state whether South Central would concur in AT&T toll traffic rates or whether South Central would expect AT&T to concur in South Central's toll rates.

14. Provide an explanation of the revenues and costs that would be foregone under the LATA plan for the calendar year 1981, since South Central would not provide inter-LATA, intrastate toll.

15. Provide an explanation of how South Central will determine the "predominant use" of facilities it will retain, but which are necessary for intra-LATA service as well as inter-LATA service.

16. Provide by year any network changes planned within the next five years in Kentucky.

17a. Provide a Point to Point Calling Summary showing toll volumes within the proposed LATAs.

b. Provide the toll volumes for Kentucky points for any independent exchange not included in the Point to Point Calling Summary requested in Request 17(a).

18a. Provide a copy of any preliminary drafts of the plan of reorganization, or parts thereof, which South Central has in its possession.

b. Provide a copy of the final plan of reorganization as soon as it is made available to South Central.

c. Provide a copy of any reports, documents, studies and correspondence prepared by South Central for use in drafting the plan of reorganization.

d. Provide a copy of any reports, documents, studies and correspondence prepared by AT&T for use in drafting the plan of reorganization which South Central has in its possession.

Done at Frankfort, Kentucky, this 24th day of November, 1982.

PUBLIC SERVICE COMMISSION

  
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For the Commission

ATTEST:

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Secretary