

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE TARIFF APPLICATION OF)
SOUTH CENTRAL BELL TELEPHONE) CASE NO. 8750
COMPANY TO ESTABLISH THE)
CENTREX RATE STABILIZATION PLAN)

O R D E R

Procedural Background

On December 1, 1982, South Central Bell Telephone Company ("Bell") filed a tariff identified as the Centrex Rate Stabilization Plan ("Plan"). The provisions of the plan would freeze Centrex-Co intercommunication, interior station line, extension station line, and optional feature rates for 3 years. The plan would not apply to Centrex-Co exchange access and station equipment rates.

On December 29, 1982, the Commission suspended the tariff from its proposed effective date of January 1, 1983, to June 1, 1983, to allow maximum statutory time for investigation, as specified in KRS 278.190.

On March 8, 1983, Bell was ordered to furnish various information concerning the plan. On March 25, 1983, Bell filed its response.

Opinion and Findings

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. All information pertinent to the case has been filed.
2. The Commission has not received a petition or public comment opposing the plan, and Bell has not filed a motion for a public hearing in the case. Therefore, a hearing is not in the public interest and should not be scheduled.
3. Centrex-Co is the object of intense competition from vendors of customer-provided equipment. To the extent that Centrex-Co service is replaced by customer-provided equipment, the general customer body may bear the burden of supporting unused central office investment through higher rates in other areas of service, at least until such time as the investment can be reused in alternative forms of service. The plan would allow Bell the opportunity to compete more effectively with vendors of customer-provided equipment by offering an incentive to existing customers to retain Centrex-Co service.
4. The plan should be approved. However, Bell should be required to prove in any general rate case during the life of the plan that Centrex-Co rates are compensatory and contribute a rate of return consistent with its authorized rate of return. If Bell is unable to satisfy this burden of proof, any revenue deficiency resulting from the plan should not be considered in determining revenue requirements.

Orders

IT IS THEREFORE ORDERED that Bell's Centrex-Co rate stabilization plan be and it hereby is approved, effective June 1, 1983, and terminating May 31, 1986.

IT IS FURTHER ORDERED that within 30 days from the date of this Order Bell shall file a revised Centrex-Co rate stabilization tariff with the Commission.

IT IS FURTHER ORDERED that Bell shall file proof in any general rate case during the life of the Centrex-Co rate stabilization plan that Centrex-Co rates are compensatory and contribute a rate of return consistent with its authorized rate of return.

Done at Frankfort, Kentucky, this 13th day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary