

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN INVESTIGATION OF TOLL AND)
ACCESS CHARGE PRICING AND TOLL)
SETTLEMENT AGREEMENTS FOR TELE-) CASE NO. 8838
PHONE UTILITIES TO BE EFFECTIVE)
JANUARY 1, 1984)

I N T E R I M O R D E R

On October 18, 1983, the Federal Communications Commission ("FCC") issued an Order suspending from January 1, to April 3, 1984, the interstate access charge tariffs filed in Docket No. 78-72. Because of the FCC's original change in policy in Docket No. 78-72 and because of the divestiture of American Telephone and Telegraph, Inc., ("AT&T") between interexchange (ATTCOM) and exchange carriers (South Central Bell Telephone Company ("SCB") and others), the Commission initiated the above-styled case to explore policy considerations and decide among alternatives to select the appropriate pricing methodology exchange carriers in Kentucky should follow for intrastate charges on and after January 1, 1984. Because of the uncertainty surrounding the FCC decision following its delay, this Commission issued an Order which delayed its final decision until after January 1, 1984, required SCB to provide to the Commission and all other Kentucky jurisdictional exchange carriers its proposed plan of settlement, and set a

hearing to explore an acceptable interim compensation arrangement for November 22, 1983. SCB filed comments on October 31, 1983. Comments were also filed by the Independent Telephone Group,¹ Cincinnati Bell, Inc. ("Cincinnati Bell"), Allied Telephone Company of Kentucky, Inc., General Telephone Company of Kentucky ("General Telephone"), Continental Telephone of Kentucky ("Continental Telephone"), Brandenburg Telephone Company, ATTCOM, and the Consumer Protection Division of the Attorney General's Offices ("AG").

The hearing was held as scheduled on November 22, 1983. The above-named parties attended and participated in the hearings. During this hearing, SCB, although maintaining its original position that the access charge tariffs as filed should be implemented, offered an alternative method whereby the end-user portion would be eliminated and the carrier common line charge increased from 4.61 cents per minute of use to 6.5 cents per minute of use, to cover the shortfall which results from deletion of an end-user charge. SCB's suggested alternative also included a "make whole" provision for all independent exchange carriers

¹ Ballard Rural Telephone Cooperative Corporation, Inc., Duo County Telephone Cooperative Corporation, Inc., Foothills Rural Telephone Cooperative Corporation, Inc., 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, Inc., North Central Telephone Cooperative, Inc., Peoples Rural Telephone Cooperative Corporation, Inc., Salem Telephone Company, South Central Rural Telephone Cooperative Corporation, Inc., Thacker-Grigsby Telephone Company, Inc., West Kentucky Rural Telephone Cooperative Corporation, Inc.

currently settling on an average schedule settlement agreement. Unlike the interstate agreement with AT&T and the Bell operating companies, SCB did not propose any reduction of the 12.75 percent rate of return component included in its tariffs for access to its facilities by interexchange carriers. Moreover, SCB's tariffs, by mirroring the original interstate tariffs filed with the FCC, include the "premium" level access charges to ATTCOM. At the hearing, the Independent Telephone Group, Allied Telephone Company, Cincinnati Bell and the AG all expressed concern regarding SCB's proposed alternative plan. The primary concern was the inability of the plan to make the independent companies "whole" under the same settlement arrangement in place today. General Telephone, although not in opposition to the outline of the plan, expressed its desire to maintain its carrier common line charge at 4.61 cents since it had not filed an intrastate end user tariff charge. Cincinnati Bell opposed the plan in principle in favor of the existing settlement arrangement and further stated that its carrier common line charge would need to be increased to approximately 8.4 cents per minute of use to absorb the shortfall from eliminating its intrastate end user charge. ATTCOM opposed the imposition of the premium access charge.

Subsequent to the hearing of November 22, 1983, additional joint comments and the "Interim Annex and Compensation Agreement" were filed on November 30, 1983, by Allied Telephone Company of Kentucky, SCB, General Telephone, Continental Telephone and the Independent Telephone Group. This joint filing and the Interim Annex and Compensation Agreement (as modified and introduced in

the evidence of record in the Commission's hearing in this case held December 20, 1983) in the Commission's opinion provides a reasonable method of compensation to the exchange carriers and a reasonable level of charge to the interexchange carrier(s). The average schedule companies will be made "whole" for both interlata access and intrastate message toll and private line (except intralata private line including intralata foreign exchange service which will remain under the current settlement procedure) carrier access billing, customer toll billing, operator services and directory assistance through the intrastate access pool administered by SCB prior to any residual distribution. The Commission is of the opinion that the "make whole" provision should precede all other distribution of the pool's residual in the event that the residual is not adequate to produce sufficient revenues to cover all costs. The Commission, moreover, accepts the carrier common line charge of 6.5 cents as an appropriate charge in the interim for the parties joining in the filing of the Interim Annex and Compensation Agreement, Brandenburg Telephone Company and Uniontown Telephone Company.² The Commission further requires that General Telephone shall, in the interim period or until this Commission issues another Order in this proceeding, charge a carrier common line charge of 4.61 cents, which reflects General Telephone's own costs that do not include any end-user

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Although Uniontown Telephone Company did not participate in the hearings nor join in the agreement, it must be included in this agreement in order to receive compensation for access provided on and after January 1, 1984.

requirement. This charge was requested by General Telephone and was not opposed by any other party.

In a hearing held on December 20, 1983, the Commission questioned counsel for General Telephone and Continental Telephone regarding the need for a "true-up" procedure to insure that the "cost settlement" companies would remain whole under the temporary interim agreement. Neither party requested a true-up and therefore the Commission is of the opinion that a true-up may not be necessary and will not be required at this time. However, the Commission is of the opinion that the parties to the interim settlement should be granted the opportunity to monitor the results of the plan and, if necessary, allowed to audit the results.

On December 7, 1983, Cincinnati Bell agreed to reduce its carrier common line charge requirement in the absence of end user charges to the 6.5 cents per minute of use jointly proposed by the majority of the remaining Kentucky exchange carriers. Cincinnati Bell and SCB have in the past had a unique borderline settlement contract. In its agreement to charge the reduced carrier common line charge Cincinnati Bell requested that the Commission require a true-up procedure to adjust these charges if they prove inadequate. The expected shortfall to Cincinnati Bell under the 6.5 cents carrier common line charge was estimated to be only approximately \$5,000 monthly during the interim period for settlement purposes. The Commission is of the opinion that this request is reasonable and further requires that Cincinnati Bell, SCB and ATTCOM further negotiate this arrangement and report their

joint findings within 30 days from the date of this Order. However, the Commission is of the opinion that a true-up may not be necessary and will not be required at this time.

During the course of these proceedings, The Commission has received two petitions filed December 6 and December 12, 1983, from the Kentucky Association of Radio Common Carriers and from BEEP-ALERT of Kentucky, Inc., and Reo-Cap, Inc., for separate consideration of access charges for radio common carriers. The Commission has obtained the consent of the exchange carriers providing service to the radio common carriers ("RCCs") to temporarily continue the existing interconnection agreements with the RCCs during the interim period. However, separate consideration in the permanent outcome of this case is, in the Commission's opinion, not advisable and should be denied.

The parties to this case have filed the following tariffs with the Commission to be effective January 1, 1984:

1. On September 30, 1983, Cincinnati Bell filed PSCK No. 1, Access Service Tariff.
2. September 30, 1983, General Telephone filed P.S.C. Ky. No. 6, Facilities for Intrastate Access.
3. On October 3, 1983, SCB filed P.S.C. Ky. Tariff G, Access Services Tariff.
4. On October 7, 1983, Continental Telephone filed P.S.C. Ky. No. 3, General Exchange Tariff, Section 20, Access Service.
5. In addition, on October 17, 1983, SCB, on behalf of the Exchange Carrier Association ("ECA"), filed Tariff F.C.C. No. 1, Access Service. Although an interstate tariff, all carriers under

the jurisdiction of the Commission have indicated a desire to mirror the ECA tariff on an intrastate basis in whole or in part. Thus, it is the use of the ECA tariff on an intrastate basis that is the concern of the Commission.

The Commission is of the opinion that additional investigation is necessary to resolve significant rate and tariff design issues in this case, and that such an investigation cannot be completed prior to January 1, 1984. Therefore, pursuant to KRS 278.190, the Commission will suspend the tariffs filed by Cincinnati Bell, General Telephone, SCB, Continental Telephone, and the tariff filed on behalf of ECA, insofar as any exchange carrier might use it as a basis for intrastate access rates and charges, pursuant to KRS 278.190 to allow the Commission additional time in which to complete its investigation. However, the Commission anticipates a final resolution of issues by April 3, 1984.

At the same time that the Commission orders a suspension of the tariffs filed in this case, it is aware that an intrastate system of access rates and charges must be in effect as of January 1, 1984, or the affected utilities will lose significant revenues. Therefore, also pursuant to KRS 278.190, the Commission will allow implementation of the tariffs subject to refund, on an interim basis, pending a final Order in this case and subject to the restrictions outlined in the following ordering paragraphs.

The Commission again stresses to the exchange and interexchange carrier(s) and all other parties to this proceeding that nothing contained herein constitutes tacit approval of either

the method or any facet of the access charges approved as an interim measure herein. The Commission will proceed with a full investigation in this case as originally intended and will not be bound by any provisions accepted on this interim basis. The revised Order of Procedure for this case is being issued concurrently by separate Order.

In accordance with the findings described above, the Commission HEREBY ORDERS that the access service tariffs filed by Cincinnati Bell, General Telephone, SCB, Continental Telephone, and the ECA tariff on an intrastate basis be and they hereby are suspended for 5 months pursuant to KRS 278.190 beginning January 1, 1984.

IT IS FURTHER ORDERED that Cincinnati Bell be and it hereby is authorized to place into interim effect on January 1, 1984, PSCK No. 1, Access Service Tariff, subject to refund, pursuant to KRS 278.190, except Section 4, End-User Access Service, and except its Carrier Common Line Charge, which should be set at 6.5 cents, pending further Orders in this case.

IT IS FURTHER ORDERED that General Telephone be and it hereby is authorized to place into interim effect on January 1, 1984, P.S.C. Ky. No. 6, Facilities For Intrastate Access, subject to refund, pursuant to KRS 278.190, except Section 13, End-User Facilities For Intrastate Access, pending further Orders in this case.

IT IS FURTHER ORDERED that SCB be and it hereby is authorized to place into interim effect on January 1, 1984, P.S.C. Ky. Tariff G, Access Services Tariff, subject to refund, pursuant

to KRS 278.190, except its Carrier Common Line Charge, which shall be 6.5 cents, pending further Orders in this case.

IT IS FURTHER ORDERED that Continental Telephone, Uniontown Telephone Company, Brandenburg Telephone Company and the Independent Telephone Group shall concur with SCB's Access Services Tariff as authorized in the preceding ordering paragraph, subject to refund, pursuant to KRS 278.190, pending further Orders in this case.

IT IS FURTHER ORDERED that the terms of the "Interim Compensation Annex to the Agreement for the Provision of Telecommunications Services and Facilities" between SCB and Allied Telephone Company, General Telephone, Continental Telephone, Brandenburg Telephone Company, Uniontown Telephone Company and the Independent Telephone Group be and they hereby are approved with the additional condition that the "make whole" provision for the average schedule companies precedes all other distribution of the residual from the intralata pool.

IT IS FURTHER ORDERED that Cincinnati Bell, SCB and ATTCOM shall proceed with further negotiations and file their joint findings within 30 days of the date of this Order to insure that Cincinnati Bell's earnings are not unduly impaired during this interim period as a result of the change in settlement procedures.

IT IS FURTHER ORDERED that the exchange carriers providing service to the RCCs have consented to continue the existing interconnection agreements during the interim period and shall continue to offer service under the existing interconnection

agreements between the RCCs and the exchange carriers for the interim period.

IT IS FURTHER ORDERED that the petitions for separate consideration of access charges for RCCs be and they hereby are denied.

IT IS FURTHER ORDERED that SCB should report for each exchange company (including itself, Cincinnati Bell and the cost settlement companies) by month, the actual interlata and intralata results of this temporary plan and a comparison of these results by company with the results that would have occurred for those months of operations under the existing settlement procedures. This report should specifically identify the interlata and intralata minutes use, the amount, if any, of the intralata pool's residual, the funds by individual average schedule company that are required to "make whole", the administrative costs, network expenses, intrastate official toll and the full distribution of the remainder to each company based on the number of access lines. Further, SCB be and it hereby is authorized to secure any information it needs for this report from any of the exchange and interexchange companies under this Commission's jurisdiction.


IT IS FURTHER ORDERED that each carrier under this Commission's jurisdiction shall set up separate accounts for all access charge expenses and revenues. The FCC is currently considering the accounting changes necessary in the Uniform System of Accounts in Docket No. 83-1347, which this Commission shall approve in final form.


IT IS FURTHER ORDERED that Cincinnati Bell, General Telephone and SCB shall file with this Commission within 30 days from the date of this Order the applicable tariffs approved herein.


IT IS FURTHER ORDERED that any company proposing to concur with the SCB tariff shall file with this Commission within 30 days from the date of this Order a tariff setting out such concurrence.

Done at Frankfort, Kentucky, this 29th day of December, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary