

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO THE CONNECTION)
OF CUSTOMER PROVIDED COIN-ACTIVATED) CASE NO. 8883
TELEPHONES TO THE TELEPHONE NETWORK)

O R D E R

This case was instituted as the result of utility responses to a May 18, 1983, letter from the Commission. The Commission's letter was in reply to a letter from MacDonald L. Wrightsel, who asked whether the use of customer-provided coin-operated telephones was within the jurisdiction of the Commission. The Commission's letter concluded that a person who purchases such a phone and makes it available for a service charge does not constitute a utility.

Both Cincinnati Bell, Inc., ("Cincinnati Bell") and South Central Bell Telephone Company ("South Central") responded to the Commission-Wrightsel correspondence, opposing use of this type of customer-provided equipment.

The Federal Communications Commission ("FCC") has stated that it will not permit coin telephone devices to be registered or connected under Section 68.100 et seq. of the rules, 47 C.F.R. Subsection 68.100 et seq., behind registered protective circuitry ("RPC"). The FCC further has stated that it would not be

inappropriate for a state to permit connection of such a device behind an RPC, because the RPC would protect against harm to the network. This, however, would necessitate deviation from the FCC's telephone device registration program.

On August 18, 1983, this Commission issued an Order setting for hearing the issue of whether the Commission should allow deviation from the FCC's telephone device registration program, thus allowing the connection of customer-provided coin telephones to the telephone network behind RPCs. The hearing was held on September 16, 1983. Intervenors included Cincinnati Bell, General Telephone Company of Kentucky ("General"), South Central, the Consumer Protection Division of the Attorney General's Office ("AG"), Coin-Tel, Inc. ("CoinTel"), Omni Company ("Omni"), and Coin Communications, Inc. ("Coin-Com").

At the hearing, all parties admitted that, from a technical standpoint, there would be no problems associated with customer-provided coin telephones to the switched network behind appropriate RPCs. Therefore, the only issue before the Commission is whether the public interest would be served by allowing these devices to be connected to the public switched network.

The proponents contended that the public would be benefited by more coin-activated telephone locations, that better service would result therefrom, that competition would provide a variety of options in this type of service not offered to the general public presently, that more revenues would result to the utilities because of the increased number of lines required by additional coin-activated phones, and that small businessmen

could thereby offset their other operating costs through more liberal sharing in the revenues of their coin-operated telephones than that presently offered by the telephone utilities.

Cincinnati Bell argued that the public interest would be adversely affected because the current coin telephone service adequately serves the public in its service area; the allowance of such phones would have a detrimental effect on Cincinnati Bell and other regulated carriers; and if the Commission were to permit such devices, then the Commission must be willing to accept either the right of telephone utilities to abandon low-revenue locations or permit subsidization of the remaining coin service by general ratepayers.

South Central, agreeing with Cincinnati Bell, also argued that "service considerations," such as access to directory assistance, operator assistance, access to emergency numbers, access to the handicapped, and the ability to place long distance calls would be hampered and misunderstanding as to source of refunds, and no adequate assurance of proper maintenance would result.

South Central reiterated the fears of the regulated utilities that allowing customer-provided coin telephones only in high volume areas without provision for lower income locations would result in higher revenue requirements from the general ratepayers. Finally South Central addressed the "utility" definition in KRS 278.010(3)(e), asking reconsideration of whether allowing these customer-provided coin telephones requires

regulation of such services as utilities within the meaning of KRS Chapter 278.

The AG opposed the allowance of such devices on the grounds that:

1. It may lead to an increase in local exchange rates, or to an increase in the rates for some public phones;

2. Potential customer confusion could result where consistency and uniformity are needed instead; and

3. There was a potential for non-uniform service standards and unnecessary risk to the users of such phones.

The Commission, having considered the evidence and being advised, finds that:

(a) There was no evidence presented specifying any service deficiencies with existing pay phones;

(b) There was no evidence presented demonstrating any need for additional pay phones;

(c) There would be a decline in utility revenues which could lead to higher basic exchange rates;

(d) No proposal was offered to place these devices in low-volume or "emergency" locations which would accentuate the competitive disadvantage of the telephone utilities. The cost of these unprofitable but necessary installations, if not offset by revenue from high-volume locations, could be borne by the general ratepayer.

(e) A proliferation of pay phones might serve to confuse the public since it would not be necessarily clear whose phone they were using and there would be no standards for adequate

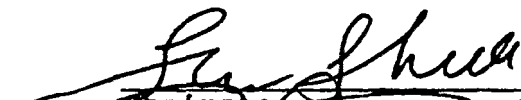
maintenance or no information as to whom customers could look to for a refund.

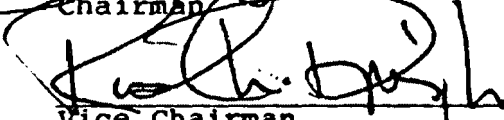
(f) Also, since these phones vary in the services offered, the customer might easily be confused as to the services offered by a particular phone, i.e., access to long distance, information and directory assistance, and emergency services.


IT IS THEREFORE ORDERED that the Commission will not deviate from the FCC's telephone equipment registration rules in this instance, and the applications for the connection of customer-provided coin-activated telephones to the public network be and they hereby are denied.

Done at Frankfort, Kentucky, this 22nd day of December, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary