

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF AT&T COMMUNICATIONS)
OF THE SOUTH CENTRAL STATES, INC. FOR)
A CERTIFICATE OF PUBLIC CONVENIENCE) CASE NO. 8935
AND NECESSITY TO PROVIDE TELEPHONE)
COMMON CARRIER SERVICE)

O R D E R

On November 16, 1983, AT&T Communications of the South Central States, Inc., ("ATTCOM") filed with the Commission its application for a certificate of public convenience and necessity to provide interexchange telecommunications services within Kentucky. South Central Bell Telephone Company ("Bell"), currently a part of American Telephone and Telegraph Company ("AT&T"), provides intrastate interlata and intralata telecommunications services to the citizens of Kentucky. The Modification of Final Judgment ("MFJ") orders the reorganization of the Bell system under which Bell is forbidden from providing telecommunication between any of Kentucky's three local access transport areas ("LATAs"), according to AT&T's Plan of Reorganization ("POR"). The POR describes the procedures necessary to implement the MFJ. Among other things, the POR provides for the creation by Bell of a wholly-owned interexchange subsidiary. On January 1, 1984, the interlata facilities and associated property of Bell will be transferred to AT&T.

General Telephone Company of Kentucky, the Attorney General's Consumer Protection Division and Bell filed motions to intervene in this proceeding. Said motions were granted and no other parties formally intervened.

ATTCOM has been created as the court-mandated subsidiary to receive Bell's interlata facilities in Kentucky. ATTCOM has its business office at 1200 Peachtree Street, N.E., Atlanta, Georgia, 30357. ATTCOM's principal Kentucky office will be located at Suburban Office Park, Building E, Frankfort, Kentucky, 40602.

ATTCOM proposes to provide intrastate, interexchange telecommunications to all subscribers in Kentucky. On January 1, 1984, it will own the necessary facilities to provide all subscribers in Kentucky with interlata telecommunications, but must lease or construct facilities if it is to provide intralata interexchange services.

ATTCOM's intrastate network includes transmission facilities and switching equipment. As of January 1, 1984, it will own a switching machine in Louisville, Kentucky. Its transmission facilities will include 3,612 intrastate trunks and approximately 155,526 private line circuit miles. Points of presence, to be located in Louisville, Frankfort, Danville, Winchester, Paintsville, Bowling Green, Owensboro, Madisonville and Paducah, will be connected by various media including wire, radio, and fiber optics transmission systems. Local access to customers will be achieved through the local exchange carriers. ATTCOM will have approximately 660 employees in Kentucky.

ATTCOM has proposed to adopt Bell's intrastate toll rates for its Kentucky intrastate interlata service rendered. During the interim period from January 1, 1984, through April 3, 1984, ATTCOM will be charged pursuant to the access rates set out in the Commission's Interim Order entered December 29, 1983, in Case No. 8838, An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities Pursuant to Changes to be Effective January 1, 1984. Based on ATTCOM's proposed Kentucky intrastate interlata toll rates and its forecasted level of operations for 1984, ATTCOM should earn an annualized return of approximately 17.5 percent on its net investment.

ATTCOM, a new utility, has no historical operating experience and, thus, its predicted operations and earnings are subject to uncertainty inherent in all forecasts. The uncertainty of ATTCOM's operations is further compounded by the fact that under the POR, AT&T and the operating companies must, within 1 year from the date of divestiture, "true-up" both their respective employee forces and recorded asset assignments previously estimated or incorrectly recorded and assigned during the divestiture process.¹ Moreover, since access charges constitute approximately 70 to 90 percent of ATTCOM's expenses, still more uncertainty is added to ATTCOM's predicted operating results because final rates have not been set in Case No. 8838.

¹POR, dated December 16, 1982, pages 278 and 234.

ATTCOM did not propose in testimony or at the hearing a rate of return on net investment it considered fair, just and reasonable for its service rendered. Larry Webber, Vice President, External Affairs of ATTCOM, did state at the hearing that he considered Bell's return authorized by this Commission for Kentucky intrastate service to be appropriate for ATTCOM, but that this was merely his opinion and not binding on the company. Although Mr. Webber's statement is generally true in a situation involving the transfer of utility property, the Commission is of the opinion that given the present circumstances it is neither reasonable nor in the public interest to determine an appropriate return for ATTCOM at this time. The Commission will, however, monitor ATTCOM's operations and may institute a proceeding under KRS 278.190 to investigate the reasonableness of ATTCOM's rates and charges approved herein, subsequently.

At the hearing held December 16, 1983, several issues were raised which Bell and ATTCOM were asked to brief: whether the Commission could grant ATTCOM a certificate of public convenience and necessity without in some manner infringing upon the current certificate held by Bell and the impact on Wide Area Telecommunication Service ("WATS") and 800 service should the Commission grant ATTCOM less than a statewide certificate. The memoranda relative to these issues were filed with the Commission on December 27, 1983.

Having considered memoranda, applicable case law and the public convenience and necessity involved, the Commission has determined that Bell will have neither the facilities nor be

legally permitted under the MFJ to offer interlata service within Kentucky as of January 1, 1984. As a result, there is an imminent danger that interlata telephone service will become inadequate on that date. ATTCOM will be vested with sufficient facilities and personnel to avoid a disruption of this service as of January 1, 1984. ATTCOM has demonstrated that it will be ready, willing and able to provide service. Therefore, the Commission will grant ATTCOM a certificate of public convenience and necessity to provide interlata service in Kentucky beginning January 1, 1984.

The issue of whether to permit interlata and/or intralata competition will be addressed subsequently in a separate case. Judgment on that issue and all other issues not specifically ruled upon herein is, accordingly, reserved for future decision.

With respect to the WATS and 800 service issue, the Commission notes the December 22, 1983, Order issued by Judge Greene in U.S. v. Western Electric, C.A. No. 82-0192, which grants a temporary waiver of the consent decree and which should resolve the problem of continued availability of WATS and 800 service. Thus, a statewide certificate for ATTCOM is not necessary to continue the provision of these services. Should any problems arise which the parties cannot resolve with the benefit of Judge Greene's recent Order, motions may be filed with the Commission explicitly describing the problem and required relief.

Finally, on December 29, 1983, ATTCOM filed a motion seeking a deviation from 807 KAR 5:011, Section 3(4)(d), which requires the officer issuing tariffs to file signed tariffs. For

good cause shown, the ATTCOM motion is sustained insofar as this proceeding is concerned.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds, in addition to the above-described findings, that:

The proposed tariffs filed by ATTCOM, and those specified in Appendix A, reflect its proposal to adopt the rates presently on file with the Commission and being charged by Bell for like services. These are the fair, just and reasonable rates to be charged by ATTCOM for interlata service at the present time and the tariffs should be accepted as filed.

ATTCOM is ready, willing and able to provide interlata telephone service.

IT IS THEREFORE ORDERED that ATTCOM be and it hereby is granted a certificate of public convenience and necessity authorizing it to provide interlata telephone service only, commencing January 1, 1984.

IT IS FURTHER ORDERED that ATTCOM's request for a state-wide certificate be and it hereby is denied.

IT IS FURTHER ORDERED that the tariffs filed by ATTCOM be and they hereby are accepted effective for services rendered on and after January 1, 1984.

IT IS FURTHER ORDERED that, in addition to the above authorized rates as filed by ATTCOM, the rates and charges for WATS in Appendix A be and they hereby are fair, just and reasonable

and are approved for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that ATTCOM's request for a deviation from 807 KAR 5:11, Section 3(4)(d), be and it hereby is granted for purposes of this proceeding.

IT IS FURTHER ORDERED that ATTCOM shall be required to file its report of gross earnings for assessment purposes beginning with the reporting year 1984, pursuant to KRS 278.130 and 278.140.

IT IS FURTHER ORDERED that ATTCOM shall adopt and use the Federal Communications Commission's ("FCC's") Uniform System of Accounts for Class A Telephone Utilities as prescribed by this Commission.

IT IS FURTHER ORDERED that ATTCOM shall file an annual report beginning with the reporting year 1984 with this Commission for its Kentucky operations consistent with the Form M filed with the FCC.

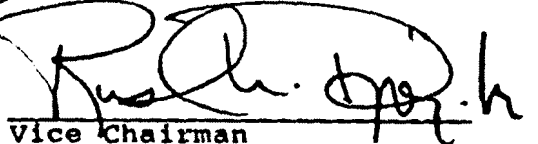
IT IS FURTHER ORDERED that ATTCOM shall be required to file monthly reports of its Kentucky intrastate operations. Until a specific monthly reporting form is adopted, ATTCOM shall file on the monthly report form filed with this Commission by Bell.

IT IS FURTHER ORDERED that ATTCOM shall file with this Commission, within 30 days from the date of this Order, the tariffs approved in Appendix A.

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

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

Appendix to an Order of the Kentucky Public
Service Commission in Case No. 8935 dated December 29, 1983

The following rates and charges are prescribed for the customers in the area served by AT&T Communications of the South Central States, Inc.:

WIDE AREA TELECOMMUNICATIONS SERVICE
RATES AND CHARGES

MONTHLY USAGE CHARGES

Hourly Rates

The following hourly rates apply to the average use of each access line in a service group:

Average Hours of Use Per Line:	<u>0-15</u>	<u>15.1-40</u>	<u>40.1-80</u>	<u>80.1-140</u>	<u>140.1-200</u>	<u>Over 200</u>
Hourly Rates:						
Outward WATS	\$19.20	\$17.60	\$16.00	\$14.40	\$12.80	\$10.70
800 Service	22.40	19.40	17.60	16.00	14.40	12.30

DEDICATED ACCESS LINE CHARGE

The following rates apply for each access line per month (in addition to the monthly usage charges):

	<u>Monthly Rate</u>
Outward WATS	\$50.00
800 Service	40.00

NONRECURRING CHARGES

A. Installation Charges

The following charges apply for the installation of each WATS access line:

	<u>Installation Charge</u>
Outward WATS	\$130.00
800 Service	105.00

B. Nonrecurring charges specified in Section A4 of AT&T Communications of the South Central States, Inc. (Kentucky) tariff apply for WATS.

MINIMUM SERVICE PERIOD

The minimum service period for WATS is one day.