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 TELEPHONE UTILITIES PURSUANT TO CHANGES TO BE EFFECTIVE JANUARY 1, 1984	)	CASE NO. 8838

O R D E R

On May 31, 1984, the testimony and exhibits of the telephone companies with regard to their proposed access charges were offered and cross-examination thereon was conducted. In an effort to expedite the proceeding and to avoid requiring a second day of cross-examination, a number of questions were omitted on the basis that they would be requested in written form at a later date.

IT IS THEREFORE ORDERED that telephone companies having toll settlements based on costs[1] shall file an original and 15 copies of the following information with the Commission not later than 10 days after the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example Item 1 (a),

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1 South Central Bell Telephone Company
Continental Telephone Company of Kentucky
General Telephone Company
Cincinnati Bell Telephone Company

Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible.

IT IS FURTHER ORDERED that any company not able to respond to the questions in the allotted time shall file a Motion for an extension of time and an explanation with the Commission prior to the due date. Since further cross-examination is to commence July 31, 1984, any extensions of time will of necessity be limited.

1. a. Has the Company conducted any studies to determine the precise relationship between interstate costs of access and intrastate costs of access? If not, what is needed to make these determinations?

b. Has the Company conducted any studies to determine the precise relationship between intrastate interlata costs of access and intralata costs of access? If not, again describe what is necessary to make this determination.

c. If jurisdictional cost separations result in a greater per unit cost being assigned to the interstate jurisdiction than to the intrastate, won't a rate based upon parity, overstate intrastate costs?

d. Is it your belief that rates must equal costs to discourage bypass?

e. If parity with interstate access charges results in rates exceeding intrastate costs, and thus, bypass would not be expected to be discouraged thereby, how then does the company benefit?

2. a. Is the company aware of how much of its intrastate NTS costs are being recovered in its intrastate traffic sensitive access charge rates? Please provide the figure if it is available.

b. How long does your company anticipate it will take to adopt the parity concept? Does the company envision a change in its end user charge each year along with the FCC changes?

c. Would you file a miscellaneous tariff or a rate case to implement those changes?

d. What support would be provided with such a filing?

e. How would you propose the revenue effect of such a change be handled?

f. Does the company anticipate independent development of intrastate access charges or is the company currently in the process of developing such charges? If in the process, provide study plan. If no, what timeframe is anticipated before such a study can be conducted?

3. a. Is it the company's proposal to mirror all aspects of its interstate access charge rate structure?

b. To the extent there are deviations from that proposal please indicate the nature and amount of those differences.

4. a. Has your company conducted studies to determine whether the intrastate and interstate traffic sensitive costs of switching and transport are identical?

b. Is it true that your company has its own company specific charges for traffic sensitive costs?

c. In its access charges proceedings the Florida Commission required a statewide uniform traffic sensitive and non traffic sensitive access charges and an overall pooling arrangement with all exchange companies receiving approximately the same level of revenue as they would have received under the former separations and settlements agreement. Florida's rationale for this was to avoid the short-run revenue dislocations associated with deaveraging costs and ultimately, toll rates, with a slower movement toward these effects over a transition period. In your opinion should the Kentucky Commission adopt a similar course of action? Explain?

d. SCB should calculate and provide what the 1984 intrastate access charge revenue would be under a) statewide uniformity, b) NECA uniformity versus the revenue level using company specific traffic sensitive access tariffs (based on cost) and c) NECA uniformity versus the anticipated 1984 intrastate access revenue under the prior intrastate settlement arrangements?

e. What percent of your intrastate access charge revenue is traffic sensitive? What percent is billing and collection? What percent is non traffic sensitive? What percent is leasing of interexchange facilities by interexchange carriers? What is the expected (forecasted) 1984 total access charge revenue and how much contribution over and above cost does this provide.

5. Do you have any specific objections to statewide average toll schedules in the foreseeable (2-3 years) future?

6. a. How will the change in private line and FX service rates to access charges affect the document "Estimated 1984 Kentucky MTS/WATS SETTLEMENTS" filed earlier in this case? SCB should refile this exhibit with the changes in private line and FX services reflected.

b. The recent Order entered in Administration Case No. 273 allowed the current introduction of interlata toll competition but didn't currently authorize intralata toll competition. Therefore, since no real change (except WATS resellers) is occurring in the intralata toll market, in your opinion would it be feasible and practical to return to an intralata settlement process the same as that effective prior to 1984? Describe the reasons for your answer.

7. SCB should provide the following schedules using 1984 as the test year showing on a per company basis the effect of returning to the settlement arrangement for the intralata market while keeping the interlata on the access charge method:

a. Using the 6.5¢ carrier common line (4.61¢ Gen Tel) under the interim plan with a make-whole provision for the average schedule companies. Show separately the administrative costs associated with the intralata settlement.

b. Using the same parameters as "a" above without any make-whole provision (bill and keep on interlata).

c. Using the new proposed tariffs with the reduction in the carrier common line for interlata access and the inclusion of the end-user multi-line end-user access charge elements with a make-whole provision for the average schedule companies. (Any other changes in the access charges should be reflected.)

d. The same as "c" without the make-whole provision (i.e., bill and keep).

All of the above should use the same demand quantities as provided in the estimated 1984 Kentucky MTS/WATS SETTLEMENTS SCHEDULE, provided earlier in this case. If changes in the estimated demand quantities have been made, the original schedule and the 4 additional schedules should be submitted and any changes shall be separately identified.

8. a. If the Commission should adopt a complete "bill and keep system", does your company favor a high cost factor similar to the FCC's plan to compensate high-cost companies?

b. Do you have any other alternate recommendations (besides the FCC's) in lieu of the high-cost fund?

c. Has the company any plans to earmark the revenue collected through the high cost and USF component collected to be used to preserve universal service? Describe these plans.

d. Who in your opinion should administer this fund? (SCB, a special KECA, or other)

e. Should an intrastate high cost or USF fund be collected through charges to the interexchange carriers as it is with the FCC plan or by other means? (Describe).

f. Does your company have any plans or studies underway regarding a lifeline subsidy if and when intrastate residential end user charges are implemented?

g. Does the company anticipate that it will ever propose access rates which recover all of the costs of access (NTS) on the end users? If yes, over what transition period does the company currently expect this to occur?

9. In your tariffs you are proposing (by mirroring) a premium access charge on ATTCOM. Has your company any plans to earmark the revenue collected from the premium access charge to be used for the preservation of universal service? Can this be identified by company?

Done at Frankfort, Kentucky, this 13th day of July, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Hemenway

For the Commission

ATTEST:

Secretary