

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

AN INQUIRY INTO LOCAL RESALE)
OF EXCHANGE SERVICES BY STS) ADMINISTRATIVE CASE
PROVIDERS AND COCOT PROVIDERS) NO. 293

O R D E R

Beginning in 1983 in Administrative Case No. 261,¹ the Kentucky Public Service Commission has issued a series of Orders dealing with the introduction of competition into the intrastate telecommunications market. These proceedings were the culmination of rapidly developing communication technology, legal decisions (i.e., Modified Final Judgment) and regulatory decisions, each affecting the costs and institutional structure of the telecommunication industry within Kentucky. The Commission in introducing competition to the Kentucky market has attempted to maintain universal service while providing the opportunity for telecommunications consumers to enjoy the benefits of competition. The Commission intends to continue to pursue the same objectives in this proceeding.

On March 7, 1985, Cincinnati Bell Telephone ("Cincinnati Bell") filed a proposed tariff to offer Shared Tenant Services ("STS") in its local exchange area. On March 27, 1985, after a review, the Commission suspended the tariff for 5 months until

¹ An Inquiry into the Resale of Intrastate Wide Area Telecommunications Service.

August 27, 1985, to permit an investigation into its impact on all telecommunications users.

The authorization of STS and the provision of coin operated customer-owned telephones ("COCOT") would result in the resale of local service historically the province of local operating telephone companies. Thus the proposal to tariff STS opens a new and as yet unexamined telecommunications arena to competition within Kentucky. Because of the potential impact on all telephone companies and their customers the Commission is of the opinion that a generic proceeding to examine the issue of resale of local service will provide the appropriate forum for addressing the Commission's concerns and for developing a consistent statewide regulatory policy on local resale. Therefore the Commission will schedule a hearing in this matter on August 13, 1985, at 9:00 a.m., Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky.

The Commission encourages all interested parties to participate in this proceeding. South Central Bell Telephone Company of Kentucky ("SCB"); General Telephone Company of Kentucky ("GTE"); Cincinnati Bell; Continental Telephone of Kentucky ("Continental"); Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company; Alltel, Inc.; Duo County Telephone Cooperative, 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.; Uniontown Telephone Company, Inc.; and West Kentucky Rural Telephone Cooperative Corporation, Inc., will be required to prefile testimony in this proceeding.

To insure that all facets of local resale are covered, the Commission has included a list of specific questions which telephone utilities will be required to address and other participants are encouraged to address. Furthermore all participants are encouraged to offer any additional comments which may have a bearing or should be considered by the Commission as it relates to the resale of local telephone services.

1. Would Commission authorization for STS constitute a violation of local exchange carriers' franchise rights under KRS 278, Commission regulations?

2. How should local service be defined?

3. If the Commission should authorize STS or in the case where COCOT has been authorized would the provider be a "public utility?"

a) If yes, is the STS or COCOT vendor a reseller or common carrier?

b) Are there conditions under which the STS or COCOT provider would not be a public utility? What are the conditions?

- c) What information and/or data should the Commission require from the local exchange carriers and STS providers to determine status as a public utility?
- d) Should the Commission differentiate its treatment of STS providers depending on whether they are for profit or simply shared services?
- e) If differential regulatory treatment is mandated what level of regulation should be placed on for-profit STS providers?

4. If the Commission should permit an entity engaged in STS or providing COCOTS to resell its local services what regulatory conditions should be imposed on STS or COCOT providers?

- a) Should the Commission require a certificate of convenience and necessity?
- b) Should the Commission restrict STS provision to single building, single owner or what limitations?
- c) Should STS be restricted to business usage? Residential usage?
- d) Should the Commission regulate rates for STS and/or COCOT providers?
- e) Should the Commission require each STS provider to permit entry into its building and provision by local exchange carriers as an alternative for services to their customers?
- f) What reporting requirements should be placed on STS or COCOT providers?

g) What, if any, service requirements should the Commission place on STS providers?

5. If the Commission should permit resale of local service through STS or COCOT what would be the impact on local ratepayers? Provide a current estimate of the number of STS providers and COCOT providers, respectively, in your territory.

- a) Explain how STS providers can be factored into the local exchange planning process.
- b) Should STS providers be restricted to reselling local service and prohibited from reselling intra-LATA and/or interLATA services (i.e., resale of WATS, MTS and private line toll services)?
- c) What rate structure should be permitted for STS and/or COCOT providers? What would be the impact of a flat rate structure on telephone company revenues? Of measured rate structure on telephone company revenues?
- d) Would authorization of STS affect the level of local bypass? If yes, how?
- e) Would authorization of STS result in stranded investment? What percentage of plant would reasonably be stranded in your service area where STS providers are likely to locate? What impact would STS or COCOT services have on universal service?
- f) Would the increase in economic development resulting from the introduction of STS offset the loss of revenue due to STS?

g) What assessment have the LECs made of the value of losing direct customer contact under STS arrangements?

6. Should the Commission require all local exchange carriers within Kentucky to provide STS tariffs? Why? If yes, provide a structural outline of the tariff.

7. Should the Commission require all local exchange carriers within Kentucky to provide COCOT tariffs? Why?

IT IS THEREFORE ORDERED that this investigation be instituted and that all local exchange telephone utilities under the Commission's jurisdiction be made parties to this proceeding.

IT IS FURTHER ORDERED that written testimony shall be filed by SCB; GTE; Cincinnati Bell; Continental; Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company; Alltel, Inc.; Duo County Telephone Cooperative, 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.; Uniontown Telephone Company, Inc.; and West Kentucky Rural Telephone Cooperative Corporation, Inc., on or before July 10, 1985.

IT IS FURTHER ORDERED that intervenors shall file written testimony on or before July 19, 1985.

IT IS FURTHER ORDERED that a hearing be and it hereby is scheduled on August 13, 1985, at 9:00 a.m., Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky, for the purpose of cross-examining witnesses of the telephone utilities and intervenors.

Done at Frankfort, Kentucky, this 4th day of June, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary