

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER GRANTING REHEARING

On December 20, 1984, the Commission granted the petitions for rehearing for the limited purpose of allowing further consideration of those petitions. This order addresses certain issues raised in those petitions. Other issues will be dealt with separately in an Order to be released shortly.

BILLING AND COLLECTION TARIFFS ISSUES

Several parties requested rehearing of the Commission's determination to disallow billing and collection tariffs which provided for the disconnection of local exchange service for an end user's nonpayment of interexchange carrier ("IXC") services billed by local exchange carriers ("LECs"). Several parties also sought rehearing on an interrelated decision disallowing the Local Exchange Carriers' proposal to purchase accounts receivable. Finally, several parties seek rehearing regarding the Commission's decision to require that any deposits collected by LECs on behalf of interexchange carriers be transmitted to the IXCs. The evidence provided by the LECs to the Commission on

these issues is insufficient. Because the proper resolution of these matters is important and because serious concerns exist the Commission will grant rehearing.

LECs seeking rehearing and other interested parties should prefile testimony and legal memoranda by February 14, 1985, specifically addressing the concerns stated in the November 20, 1984, Order and the following questions:

1. Does the Commission's statute, regulations or applicable case law permit disconnection by a utility for a bill owed another company?

2. Is it fair and equitable to permit the disconnection by one utility for a bill owed to another company?

3a. What are the fixed and annual variable costs of billing and collection, disaggregated by function, assuming neither disconnection nor purchase of accounts receivable is permitted?

b. What is the expected revenue to each LEC for billing and collection assuming neither purchase of accounts receivable nor disconnection is permitted? Provide supporting priceouts.

4a. What are the fixed and annual variable costs of billing and collection, disaggregated by function, assuming disconnection and purchase of accounts receivable is allowed?

b. What is the expected revenue to each LEC for billing and collection assuming disconnection and purchase of accounts receivable is allowed? Provide supporting priceouts.

5. What has been the LECs' level of uncollectibles on toll in Kentucky for the last 3 years?

6a. What is the expected total annual number of disconnections for each LEC?

b. What is the expected annual number of disconnections for nonpayment of LEC charges?

c. What is the expected annual number of disconnections for nonpayment of IXC charges?

d. What is the typical length of disconnection?

e. What is the expected level of LEC charges per customer per length of typical disconnection, including revenue from local, intraLATA toll and any other sources?

f. Using the responses provided to 6(c), (d), and (e) above, what is the total expected annual amount of foregone revenue due to disconnection because of nonpayment of LXC charges?

SPECIFY ALL ASSUMPTIONS MADE IN RESPONSE TO QUESTIONS 6(a)-6(f).

7a. What is the estimated economic value of the billing and collection services to an IXC (1) with and (2) without the purchase of accounts receivable and disconnection?

b. How much would it cost for an IXC to provide its own billing and collection, including its cost of uncollectibles without disconnection?

8a. Is stranded investment likely to result if IXCs don't take billing and collection services?

b. If so, how much and when?

c. Will offering billing and collection service require the LECs to incur additional investment? If so, when and how much?

9a. What is the length of any billing and collection contracts currently in effect?

b. When do those contracts, if any, expire?

c. How much notice must an LEC be given if an IXC intends to (1) renew or (2) discontinue taking billing and collection service?

10a. If the Commission does not allow disconnection and purchase of accounts receivable, should there be a transition mechanism? Describe, setting forth terms and conditions.

b. If so, for what period?

11. Assuming the Commission does not permit disconnection of local exchange service due to the failure to pay charges for interexchange service, would an exception to such a rule, in areas where there is a technical inability to disconnect interexchange service without also terminating local exchange service, be advisable? (See Continental Petition for Reconsideration filed December 10, 1984, at page 4 and Pennsylvania Public Utility Commission order in Docket No. I-80090338: Standards and Billing Practices for Residential Telephone Service to be effective July 1, 1985.)

12. If the Commission allows purchase of accounts receivable and disconnection, should IXCs which subscribe be required to (a) take the billing and collection services for a minimum period of time and (b) take the billing and collection services for all exchanges within Kentucky served by an IXC?

While South Central Bell Telephone Company ("SCB") did not seek rehearing on the issue of end user deposits, it did request

clarification of pages 75-76 of the November 20, 1984, Order. As SCB perceives, the Commission required SCB to include specified language in its tariff so as to avoid double collection of deposits - one by the LEC and one by an interexchange carrier for the same reason. SCB is also correct in interpreting the decision to require transmittal of deposits collected by LECs to interexchange carriers because LECs were not given permission to purchase accounts receivable, a decision which could be modified on rehearing.

UNAUTHORIZED FILINGS

General Telephone attached an Affidavit and South Central Bell attached verified testimony to their respective petitions for rehearing. KRS 278.400 provides that rehearing applications "shall specify the matters on which rehearing is sought." The statute also provides: "Upon the rehearing any party may offer additional evidence that could not with reasonable diligence have been offered on the former hearing." (Emphasis added.) The Commission construes this statute to mean that until the Commission has decided to grant rehearing the offering of testimony is unauthorized and should be prohibited. There are obvious reasons for this interpretation, including fairness to all the parties. Testimony should not be filed until it is certain that there will even be a rehearing, otherwise the record would potentially include testimony upon which a witness had not been cross-examined.

In this instance the testimony filed with the petitions for rehearing will not be ordered stricken since the Commission has

independently determined that rehearing is appropriate on the issue the testimony addresses and thus, no harm will result. However, in the future the Commission's Secretary will not accept testimony or affidavits such as these for filing and any such documents which are inadvertently accepted for filing and later discovered will be ordered stricken.

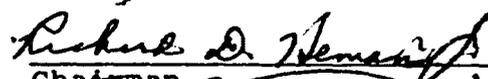
IT IS THEREFORE ORDERED that a Rehearing be held on the Billing and Collection Tariffs issues, as discussed above, on February 22, 1985, at 9:00 A.M., E.S.T., at the Commission's offices.

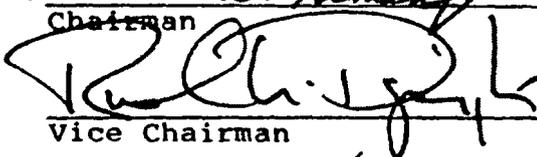
IT IS FURTHER ORDERED that all LECs seeking rehearing on these issues and other interested parties shall prefile their testimony by February 14, 1985.

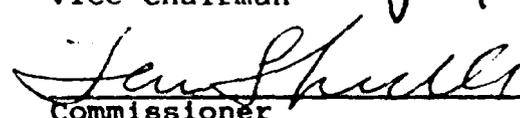
IT IS FURTHER ORDERED that nothing shall prevent the Commission from further considering other issues raised in the petitions for rehearing and taking appropriate action thereon, including affirming the Commission's November 20, 1984, Order.

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

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary