

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

O R D E R

Introduction

On May 31, 1985, the Commission issued Orders in this case concerning access service tariffs applicable to the interLATA market and interLATA compensation. Interim access service tariffs were replaced with revised access service tariffs pending before the Commission and compensation levels were established, effective June 1, 1985. Essentially, these Orders concluded the Commission's investigation into interLATA market structure in this case, except in the area of billing and collection services.

Since May 31, 1985, several local exchange carriers have made inquiries into the status of the Commission's investigation into the intraLATA market structure in this case. Therefore, on its own motion, the Commission will issue this Order to advise all parties to this case of the status of its investigation into the intraLATA market structure in this case.

Discussion

On December 29, 1983, the Commission issued an Order in this case approving interim access service tariffs applicable to

the interLATA market and establishing an interim intraLATA compensation plan. As indicated, the Orders of May 31, 1985, supercede the Order of December 29, 1983, insofar as it relates to the interLATA market, i.e., revised access service tariffs and revised compensation levels were approved effective June 1, 1985. However, the Order of December 29, 1983, remains in effect as it relates to the intraLATA market, i.e., the intraLATA pool remains subject to administration under the terms of the Commission's Order of December 29, 1983.

Furthermore, upon review of its Order of November 20, 1984, which discussed the interLATA and intraLATA market structures and compensation plans that the Commission intended to implement through subsequent Orders, the Commission is of the opinion that at least two conflicting interpretations of the Order can be made as it relates to intraLATA pool settlements.

First, the Order may be interpreted to imply implementation of business as usual pool settlements based on pre-1984 settlement methodology rather than pool settlements based on actual minutes of use patterns. Implementation of this interpretation would require (1) implementation of pre-1984 settlements methodology to determine pool compensation, (2) discontinuation of residual and "make-whole" settlements, and (3) implementation of intraLATA CCLC-type charges designed to achieve pre-1984 revenue relationships among local exchange carriers. Such a plan could be funded through either an adjustment of 1984 and future pool settlements among local exchange carriers to achieve settlement levels representative of pre-1984 relationships--for example, a shift of

settlements away from General Telephone and other local exchange carriers to South Central Bell,--or an increase in intraLATA toll rates in order to avoid any local exchange carrier receiving less revenue in the future than was received in 1984.

Second, the Order may be interpreted to imply implementation of pool settlements based on actual usage patterns, with a minimum revenue guarantee to previously average schedule settlement local exchange carrier. This interpretation would not require any adjustments to pool settlements. Neither would it require any change in toll rates. However, it would require (1) discontinuation of future "make-whole" payments, and (2) implementation of intraLATA CCLC-type charges designed to distribute residual funds on a minutes of use basis, rather than on an access line basis, as is now the case, and also designed to recover network expenses on a minutes of use basis.

The Commission is of the opinion that these interpretations are sufficiently divergent and that further investigation and hearing is necessary to clarify the record in this case and evaluate the implications of each interpretation.

Findings and Orders

Therefore, the Commission is of the opinion and finds that:

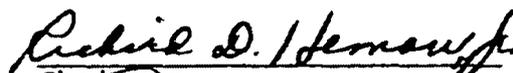
1. The Commission's Order of December 29, 1983, should remain in effect as it relates to the intraLATA market.
2. Further investigation and hearing is necessary on the matter of intraLATA pool compensation.

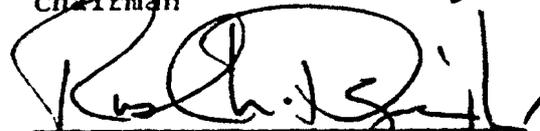
IT IS THEREFORE ORDERED that the Commission's Order of December 29, 1983, shall remain in effect as it relates to the intraLATA market, pending further Order(s) of the Commission.

IT IS FURTHER ORDERED that all parties shall file testimony on the issues discussed in this Order no later than August 15, 1985.

Done at Frankfort, Kentucky, this 26th day of July, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary