

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE TARIFF APPLICATION OF SOUTH)
CENTRAL BELL TELEPHONE COMPANY)
TO REFLECT CHANGES IN RATES AND) CASE NO. 9272
TEXT FOR CONDUIT OCCUPANCY)
ACCOMMODATIONS FOR INTERLATA)
CARRIERS AND CATV FIRMS)

O R D E R

Procedural Background

On February 4, 1985, South Central Bell Telephone Company ("SCB") filed an application and tariff with the Commission proposing to increase its rate for conduit occupancy and to include interLATA carriers as customers subject to the tariff. SCB also proposed to institute a new methodology for pricing conduit occupancy, and asked that the Commission dismiss the complaint in Case No. 8973¹ with respect to all matters concerning conduit occupancy. On February 26, 1985, AT&T Communications of the South Central States, Inc., ("ATTCOM") filed with the Commission for full intervention, and on March 1, 1985, Kentucky Cable Television Association, Inc., ("KCTA") followed by filing for full intervention. Both parties were granted intervention. In an Order dated March 1, 1985, the Commission suspended SCB's

¹ Kentucky Cable Television Association, Inc., Complainant vs. South Central Bell Telephone Company, Inc., Defendant.

proposed tariff. In an Order dated July 26, 1985, the Commission dismissed the conduit portion of Case No. 8973, and transferred that portion concerning conduit occupancy rates to this case.

On October 8, 1985, a hearing was held in the offices of the Commission in Frankfort, Kentucky. During the hearing certain requests for additional information were made by the parties involved and have been filed. On November 7, 1985, KCTA filed a motion for oral argument with the Commission. On November 27, 1985, an oral argument was held in the offices of the Commission.

Discussion

SCB proposed in its tariff a rate of \$6.50 for conduit occupancy. This rate is based on a market-based pricing methodology which SCB describes as the price between what a buyer is willing to pay and at which a seller is willing to sell. However, this methodology does not conform with the Commission's methodology as set out in Administrative Case No. 251;² therefore, SCB's market-based rate of \$6.50 per duct foot is unacceptable as a charge for conduit occupancy.

During the hearing ATTCOM objected to SCB's use of a market-based pricing methodology, and proposed several alternative methodologies which could be employed to develop a conduit occupancy rate. ATTCOM's proposals included an incremental investment analysis and a fully allocated embedded cost analysis that could produce rates that range from \$.37 to

² The Adoption Of A Standard Methodology For Establishing Rates For CATV Pole Attachments.

\$1.29. However, ATTCOM's alternatives do not conform with the methodology set out in Administrative Case No. 251 and, therefore, are unacceptable.

During the hearing KCTA also objected to SCB's market-based pricing strategy. KCTA based its objection on the premise that SCB's use of current cost in the formulation of its conduit occupancy rate is inappropriate. KCTA proposed a fully allocated embedded cost approach, with certain adjustments, which would produce a rate of approximately \$.50. This method does not conform with the methodology set out in Administrative Case No. 251. Therefore, it is also unacceptable as a method for determining conduit occupancy rates.

Several proposed methodologies have been presented by the parties involved, SCB, ATTCOM, and KCTA; however, none of the proposals conform with the methodology set out in Administrative Case No. 251. Therefore, the Commission is of the opinion that the present rate of \$4.85 on file with the Commission in SCB tariff 1F should remain in effect.

As well as an increase in its conduit occupancy rate, SCB proposed that interLATA carriers become subject to tariffed conduit occupancy rates, rules, and regulations. The Commission is of the opinion that this proposal is reasonable. However, SCB did not propose to extend its tariff to other conduit users, who would remain under special contracts. The Commission is of the opinion that this omission is unreasonable, and that all users of conduit should be subject to the provisions of SCB tariff 1H, upon

appropriate notice and expiration of any existing special contracts.

Findings

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The market-based pricing methodology and the conduit occupancy rate proposed by SCB does not conform with the methodology ordered in Administrative Case No. 251 and should be denied.

2. The conduit pricing alternatives proposed by ATTCOM do not conform with the methodology ordered in Administrative Case No. 251 and should be denied.

3. The conduit pricing alternatives proposed by KCTA do not conform with the methodology ordered in Administrative Case No. 251 and should be denied.

4. The conduit occupancy rate on file with the Commission in SCB tariff 1F should remain in effect.

5. Tariff 1H as proposed by SCB should be approved, except as modified to reflect the conduit occupancy rate in tariff 1F and as modified to apply to all conduit users, upon appropriate notice and expiration of any existing special contracts.

Orders

IT IS THEREFORE ORDERED that:

1. The market-based pricing methodology and conduit occupancy rate proposed by SCB shall be and hereby is denied.

2. The conduit pricing alternatives proposed by ATTCOM shall be and hereby are denied.

3. The conduit pricing alternative proposed by KCTA shall be and hereby is denied.

4. The conduit occupancy rate on file with the Commission in SCB tariff 1F shall be and hereby is ordered to remain in effect.

5. Tariff 1H as proposed by SCB shall be and hereby is approved effective December 4, 1985, except as modified to reflect the conduit occupancy rate in SCB tariff 1F and as modified to apply to all conduit users upon appropriate notice and expiration of any existing special contracts.

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

PUBLIC SERVICE COMMISSION

Richard D. Hemery
Chairman

Robert L. [unclear]
Vice Chairman

James M. [unclear]
Commissioner

ATTEST:

Secretary