COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DETARIFFING THE INSTALLATION AND MAINTENANCE OF INSIDE WIRING	)	ADMINISTRATIVE CASE NO. 305

O R D E R

PROCEDURAL BACKGROUND

On June 5, 1986, the Commission established this case to investigate detariffing the installation and maintenance of inside wire,[1] as a result of a Federal Communications Commission ("FCC") Order in Common Carrier Docket No. 79-105,[2] released on February 24, 1986, that preempted state regulatory authority and ordered detariffing effective January 1, 1987.

The Commission's Order of June 5, 1986, requested information, comments, and testimony from all local exchange carriers ("LECs") subject to the Commission's jurisdiction. A

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1 Inside wire consists of telephone plant, including materials and labor, installed on the customer's side of the network interface or demarcation point as set forth in the First Report and Order in Common Carrier Docket No. 81-216, Amendment of Part 68 of the Commission's Rules Concerning Connection of Telephone Equipment, Systems and Protective Apparatus to the Telephone Network and Notice of Inquiry into Standards for Inclusion of One and Two-Line Business and Residential Premises Wiring and Party Line Service in Part 68 of the Commission's Rules, and recorded in Account 232, Station Connections-Inside Wire. The FCC has defined network interface or demarcation point as the point of interconnection between telephone company facilities and terminal equipment, protective apparatus, or wiring at a subscriber's premises.

2 Detariffing the Installation and Maintenance of Inside Wiring.

public hearing was held on October 29, 1986, in order to receive testimony and permit the cross-examination of witnesses. A further Order of the Commission dated November 14, 1986, addressed interrogatories to witnesses who had prefiled testimony, but who were not available for cross-examination at the public hearing, and, also, to certain LECs that had not sponsored prefiled testimony. All information requested by the Commission has been filed, except in the case of certain LECs that failed to respond to oral requests for information at the public hearing concerning Commission access to unregulated books and records, and the impact of the Tax Reform Act of 1986 on detariffing the installation and maintenance of inside wire. In the opinion of the Commission, sufficient responses were filed to form a record concerning Commission access to unregulated books and records and the issue is discussed elsewhere in this Order. Also, since the public hearing, the Commission has initiated other cases to investigate the impact of tax reform on overall LEC operations and, therefore, the information is not essential to decisions concerning detariffing the installation and maintenance of inside wire.

In addition to the LECs, the Attorney General and MCI Telecommunications Corporation were granted status as intervenors in the case.

INTRODUCTION

In its First Report and Order in Common Carrier Docket No. 79-105, released on March 31, 1981, the FCC adopted a plan to expense the inside wire portion of station connections recorded in Account 232 and to amortize embedded inside wire investment recorded in Account 232. The Commission adopted the FCC plan in cases involving each LEC under its jurisdiction. A phase-in approach was implemented with full expensing of the inside wire portion of station connections to have occurred no later than October 1, 1984, and full amortization of embedded inside wire to occur no later than October 1, 1994. Although expensing of station connections was introduced, the installation and maintenance of inside wire continued to be regulated services under tariff, and revenues and expenses associated with the installation and maintenance of inside wire continued to be recorded in regulated accounts.

In a related Order in Common Carrier Docket No. 82-681,[3] released on November 2, 1984, the FCC adopted a plan to detariff the installation of complex inside wire[4] recorded in either Account 232 or Account 234, Large Private Branch Exchanges, effective no later than May 2, 1984. Although the Commission took no specific action concerning this Order, under the FCC's detariffing plan, no further installation of complex inside wire should have been recorded in either Account 232 or Account 234

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3 Detariffing of Customer Premises Equipment and Customer Provided Cable/Wiring.

4 Complex inside wire, also called intrasystem wire, includes all cable and wire and its associated components (e.g., connecting blocks, terminal boxes, and conduit) located on the customer's side of the demarcation point, when this wiring is inside a building located on the same or contiguous property not separated by a public thoroughfare, which connect station components to each other or to the common equipment of a private branch exchange or key system. Simple inside wire is any inside wire other than complex inside wire.

after May 2, 1984. Also, embedded network terminating wire[5] recorded in Account 234 should have been identified and placed under a 5-year amortization schedule. Full amortization of embedded network terminating wire should occur no later than May 2, 1988. As a result of this Order, the installation of complex inside wire became an unregulated activity while the maintenance of complex inside wire remained a regulated activity.

In its Second Report and Order in Common Carrier Docket No. 79-105, released on February 24, 1986, the FCC adopted a plan to detariff the installation and maintenance of simple inside wire and the maintenance of complex inside wire, effective January 1, 1987.

The sum of these FCC and Commission actions is that, effective no later than October 1, 1984, no further simple inside wire investment should have been recorded in Account 232, and effective no later than May 2, 1984, no further complex inside wire investment should have been recorded in either Account 232 or Account 234. Effective January 1, 1987, no revenues or expenses associated with the installation and maintenance of simple inside wire and the maintenance of complex inside wire should be recorded in any regulated accounts.

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5 In a private branch exchange system, network terminating wire is wire that runs the house cable terminal to the demarcation point.

DISCUSSION

Detariffing

The FCC's Second Report and Order in CC Docket No. 79-105, released February 24, 1986, preempted state regulatory authority and ordered the detariffing of the installation and maintenance of inside wire, effective January 1, 1987. While the Commission does not agree that the FCC has preemptive power in this area, the evidence in this case suggests that the installation and maintenance of inside wire should be detariffed, in view of the facts that competition exists in this area and can be expected to increase in the future. This detariffing should not be construed as indicating that this Commission will not challenge or become a party to a challenge of the FCC's preemptive powers in this area. Neither should it be construed as imposing any limitations on the possible reassertion of the Commission's authority in the event that competition in this area proves to be unsuccessful.

Several LECs proposed, in effect, that the Commission forebear from rate regulation, but permit revenues and expenses associated with the installation and maintenance of inside wire to be recorded in regulated accounts. Any revenue requirement effects associated with the installation and maintenance of inside wire would be a matter for rate case consideration under the plan.

The Commission is of the opinion that the LECs' proposal would encourage rather than inhibit cross-subsidization of detariffed installation and maintenance of inside wire services by regulated ratepayers. Therefore, the Commission will require that revenues and expenses associated with the installation and maintenance of inside wire be recorded in unregulated below-the-line accounts.

Structural Separation

In its Order of June 5, 1986, the Commission requested testimony concerning the need for a separate subsidiary to prevent regulated ratepayer subsidization of detariffed installation and maintenance of inside wire services. All parties who filed testimony on the issue were opposed to a separate subsidiary requirement.

In the opinion of the Commission, although a separate subsidiary requirement would minimize potential cross-subsidization, the costs of structural separation may outweigh the benefits and result in wasteful duplication. Therefore, the Commission will not require structural separation. Instead, the Commission will rely on accounting and cost allocation procedures to prevent regulated ratepayer subsidization of detariffed installation and maintenance of inside wire services.

Accounting Requirements

Concurrent with detariffing the installation and maintenance of inside wire, each LEC should record expenses associated with the installation and maintenance of inside wire in Account 106, Nonregulated Investments, effective January 1, 1987. This account should be used in conjunction with Account 317, Unregulated Income, to record revenues associated with the installation and maintenance of inside wire, also effective January 1, 1987. Unamortized costs in Account 232 should remain in regulated accounts.

Since Accounts 106 and 317 reflect only net amounts and do not separate investment, revenues, and expenses, the Commission is very concerned with the proper recognition of joint and common costs. As such, it is essential that cost allocation procedures be established to properly account for detariffed installation and maintenance of inside wire services.

During this proceeding some of the LECs have agreed to allow the Commission access to unregulated books and records. Since the Commission is not requiring structural separation at this time and in view of the fact that detariffed installation and maintenance of inside wire services will be provided by regulated LECs, it is imperative that the Commission be provided access to unregulated books and records when it deems such access to be necessary.

The Commission takes note of the proposal made by South Central Bell Telephone Company ("SCB") and other LECs to postpone decisions concerning the allocation of joint and common costs until the FCC releases an Order in Common Carrier Docket No. 86-111,[6] and, then, that the Commission adopt FCC ordered cost allocation procedures. However, the FCC, in an Order in Common

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6 Separation of Costs of Regulated Telephone Service From Costs of Nonregulated Activities and Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies, to Provide for Nonregulated Activities and to Provide for Transactions Between Telephone Companies and Their Affiliates.

Carrier Docket No. 79-105, released on November 21, 1986, denied petitions to defer detariffing the installation and maintenance of inside wire until cost allocation procedures are adopted in Common Carrier Docket No. 86-111, and stated that LECs could use fully distributed cost methods to allocate the joint and common costs associated with the installation and maintenance of inside wire during the interim. The Commission agrees with the FCC that detariffing the installation and maintenance of inside wire should not be deferred until decisions are reached in Common Carrier Docket No. 86-111. Furthermore, in the opinion of the Commission, cost allocation procedures other than those filed by SCB and other LECs in Common Carrier Docket No. 86-111 should be used in this case, at least on an interim basis, pending further consideration in another proceeding.

Acknowledging pending changes in the Uniform System of Accounts and the importance of the FCC's cost allocation proceeding, the Commission has previously granted a motion for the creation of an accounting and cost allocation task force, which will be actively pursued in the near future. Until the final decisions by the FCC in Common Carrier Dockets No. 86-111 and 86-297[7] are known and fully considered by the Commission, the Commission is of the opinion that currently in-place cost allocation procedures should be implemented by each LEC on an interim basis, in order to recognize accounting changes

7 Amendment of Part 67 of the Commission's Rules and Establishment of a Federal-State Joint Board.

to be effective January 1, 1987. The Commission also finds that revenue and expense information and cost allocation plans previously supplied in this case were not sufficiently specific. Therefore, the Commission will require each LEC to file specific cost allocation procedures and revenue and expense information for the year ending December 31, 1986, in order to reflect the most current information. The required expense information should be presented in complete detail in accordance with proposed cost allocation procedures. In the event that actual studies have not been conducted, the cost allocation procedures should be consistent with previously approved plans in Administrative Cases No. 257[8] and 269.[9] Furthermore, it may be advisable that common resources be used to develop cost allocation procedures, particularly in the case of small LECs. The required revenue information should relate revenues to discrete unbundled installation and maintenance of inside wire rate elements or billing codes.

Revenue Requirements

In all cases except SCB and Brandenburg Telephone Company ("Brandenburg"), expenses associated with the installation and

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8 The Detariffing of Customer Premises Equipment Purchased Subsequent to January 1, 1983, Second Computer Inquiry, FCC Docket 20828.

9 The Sale and Detariffing of Embedded Customer Premises Equpiment.

maintenance of inside wire exceed related revenue -- i.e., installation and maintenance charges are not compensatory in the aggregate. The reason for this discrepancy is that, as a general rule, LECs do not charge for the maintenance of inside wire. Furthermore, as a result of this discrepancy, if the Commission takes no rate action in this case, the LECs would experience improved earnings at the expense of their ratepayers, without a complete Commission review of financial need.

In the opinion of the Commission, LEC retention of savings that result from detariffing the installation and maintenance of inside wire is an improper way to improve LEC earnings. Therefore, the Commission will require each LEC, except SCB and Brandenburg, to file revised local exchange access schedules that equitably distribute any savings that result from detariffing the installation and maintenance of inside wire among rate groups and customer classes, as well as supporting billing analysis information. The Commission contemplates that these rate reductions will be made effective January 1, 1987, subject to Commission review and approval.

In the case of SCB, SCB proposed to disaggregate its existing inside wire trouble isolation and maintenance plan rate of $1.20 per month to record $0.60 per month as regulated revenue and $0.60 per month as unregulated revenue. This proposal results in an increase in regulated revenue requirement and, in the opinion of the Commission, should not be approved. Instead, SCB should file a rate disaggregation plan that has no effect on regulated revenue requirement. Likewise, Brandenburg[10] and any other LEC that may have a contribution from the installation and maintenance of inside wire should file a rate disaggregation plan that has no effect on regulated revenue requirement.

On November 20, 1986, Cincinnati Bell Telephone Company ("CBT") filed a response to certain staff questions at the public hearing held in this case on October 29, 1986. On the issue of local service rate reduction, CBT argues that the Commission should not order a reduction in local service rates as a result of detariffing the installation and maintenance of inside wire, because installation and maintenance costs are not recovered through local service rates. Instead, CBT contends that installation and maintenance costs are recovered through non-recurring and carrier common line charges.

As previously indicated, in most cases, including the case of CBT, installation and maintenance of inside wire charges are not compensatory in the aggregate. Insofar as this is the case, uncompensated inside wire related revenue requirement is residually compensated through other rates and charges at the

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10 The record in this case is unclear as to whether Brandenburg is in fact receiving a contribution from the installation and maintenance of inside wire. Insofar as it is receiving a contribution, based on revenue and expense determination methods discussed in this Order, then it should file a rate disaggregation plan as specified in this Order. Insofar as it is not receiving a contribution, then it should file a local exchange access rate reduction plan.

discretion of the Commission. Therefore, since appropriate carrier common line charges are under consideration in another case,[11] in this case the Commission is of the opinion that any reduction in revenue requirement as a result of detariffing the installation and maintenance of inside wire should accrue to local service ratepayers.

Transition Plans

SCB proposed a transition plan whereby customers subscribing to its existing inside wire trouble isolation and maintenance plan would continue to be covered under the plan during 1987, while SCB conducted a public education program concerning its final plan. By the end of 1987, SCB's customers would be offered the option of subscribing to a tariffed inside wire trouble isolation plan and a detariffed inside wire maintenance plan.

In the opinion of the Commission, transition plans are not necessary to detariffing the installation and maintenance of inside wire and would unnecessarily prolong the detariffing process. Therefore, transition plans will not be allowed.

Transfer of Ownership

In its Second Report and Order in Common Carrier Docket No. 79-105, released on February 24, 1986, the FCC ordered that LECs transfer ownership of inside wire that has been expensed no later than January 1, 1987, and transfer ownership of inside wire that has been capitalized by the end of the amortization period

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11 Case No. 8838, An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities.

associated with embedded inside wire. The issue of to whom ownership should be transferred was left to state regulatory authority and the Commission requested testimony on the issue in its Order of June 5, 1986.

Subsequent to the FCC's Second Report and Order, various parties to the FCC's investigation petitioned for reconsideration on the transfer of ownership issue. In its Memorandum Opinion and Order in Common Carrier Docket 79-105, released on November 21, 1986, the FCC modified its prior decision to delete the mandatory transfer of ownership requirement. In effect, under the terms of the modified decision, a transfer of ownership of inside wire is at the discretion of each LEC. However, in the opinion of the Commission, any LEC subject to its jurisdiction that intends to transfer ownership of inside wire should file a transfer of ownership plan with the Commission and any transfer of ownership plan should be subject to Commission approval.

Furthermore, in the opinion of the Commission, an LEC's claim of ownership of inside wire should not be used to inhibit a customer's obtaining inside wire installation and maintenance from non-LEC sources through claim of ownership restrictions on the removal, replacement, rearrangement, or maintenance of inside wire. Therefore, consistent with the FCC Memorandum Opinion and Order, the Commission will preclude LECs from imposing any such restrictions on inside wire that has been installed or maintained under tariff. Also, the Commission will preclude LECs from requiring that inside wire installed or maintained under tariff be purchased and from imposing any charge for the use of inside wire installed or maintained under tariff, since the cost of such wire has been compensated through the expensing of station connections or will be compensated through the amortization of embedded inside wire. LECs may charge installation and maintenance of inside wire fees on a detariffed basis to any customer opting for LEC installation and maintenance of inside wire services, so long as associated revenues and expenses are recorded in unregulated accounts. Also, any sale of inside wire installed under tariff should be recorded in regulated accounts using prescribed retirement accounting procedures.

Service Charge Unbundling

As a result of detariffing the installation and maintenance of inside wire, the Commission will require that LECs with discrete unbundled installation and maintenance of inside wire charges file revised tariffs to delete such charges from regulated service offerings, effective January 1, 1987. Examples of discrete unbundled installation and maintenance of inside wire charges are inside wire related time and materials and premises work charges.

The Commission will not require the filing of revised tariffs in the case of LECs with non-discrete bundled installation and maintenance of inside wire charges. Examples of non-discrete bundled installation and maintenance of inside wire charges are installation of service charges that recover the cost of multiple functions such as service ordering costs, central office line connection costs, and inside wire costs, if inside wiring is necessary to the installation of service. In the opinion of the

Commission, the cost of studies that would be necessary to unbundle bundled installation of service charges would outweigh the benefits of unbundling. Furthermore, in many cases, installation of service charges are not now compensatory and unbundling would increase the contribution necessary from other service offerings to compensate installation of service costs. Therefore, the Commission will require that bundled installation of service charges continue to be tariffed at rate levels approved by the Commission. Of course, LECs that decide to provide installation and maintenance of inside wire services on a detariffed basis may establish appropriate charges to recover below-the-line installation and maintenance of inside wire costs.

Other Matters

In order to minimize potential customer complaints associated with detariffing the installation and maintenance of inside wire, the Commission is of the opinion that the following requirements should be observed:

1. LECs should not disconnect regulated services for the nonpayment of detariffed installation and maintenance of inside wire charges.

2. LECs billing detariffed installation and maintenance of inside wire charges on combined bills should credit partial payments first to regulated services.

3. In the event of a reported service problem, LECs providing detariffed maintenance of inside wire service should

advise the customer of the possibility of maintenance of inside wire charges and that maintenance of inside wire service can be obtained from non-LEC sources.

4. LECs installing new or replacement devices that separate the regulated network from the customer's premises should do so in such a way as to allow easy access for customer performed trouble isolation.

5. LECs providing detariffed installation and maintenance of inside wire service should not impose service order, record change, or other regulated service charges for services performed in connection with detariffed installation and maintenance of inside wire services.

6. LECs should make every effort to correctly identify a reported service problem as being in the LEC's or customer's portion of the network. If the LEC incorrectly identifies a service problem as being the customer's responsibility, then the LEC should reimburse the customer for any reasonable expenses incurred to further isolate the source of the service problem. "Reasonable" can be defined as the LEC's charge for trouble isolation or premises visit. All customer claims must be in writing and accompanied by a copy of the bill provided by a company that is in the business of offering maintenance of inside wire service to the public.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. The installation and maintenance of inside wire should be detariffed, effective January 1, 1987.

2. Revenues and expenses associated with the detariffed installation and maintenance of inside wire services should be recorded in unregulated below-the-line accounts.

3. A separate subsidiary to provide detariffed installation and maintenance of inside wire services should not be required.

4. SCB's and other LECs' cost allocation plans as filed in Common Carrier Docket No. 86-111 should be denied in this case, pending further consideration in another proceeding.

5. Each LEC should file installation and maintenance of inside wire revenue and expense information for the year ending December 31, 1986, as specified in this Order, no later than January 31, 1987.

6. Each LEC should file installation and maintenance of inside wire cost allocation plans as specified in this Order no later than January 31, 1987.

7. Each LEC, except SCB and Brandenburg, should file revised local exchange access schedules that equitably distribute any savings resulting from detariffing the installation and maintenance of inside wire among rate groups and customer classes, effective January 1, 1987, subject to Commission review and approval, no later than January 31, 1987.

8. Each LEC, except SCB and Brandenburg, should file a local exchange access billing analysis that shows present and

proposed rates and the amount and distribution of rate changes among rate groups and customer classes no later than January 31, 1987.

9. SCB's proposed inside wire trouble isolation and maintenance plan rate disaggregation should be denied.

10. SCB and Brandenburg should file installation and maintenance of inside wire rate disaggregation plans that have no effect on regulated revenue requirement no later than January 31, 1987.

11. SCB's and other proposed transition plans should be denied.

12. The mandatory transfer of ownership of inside wire should not be required and any LEC that intends to transfer ownership of inside wire should file a transfer of ownership plan with the Commission for Commission approval.

13. LECs should not impose any restrictions on the removal, replacement, rearrangement, or maintenance of inside wire that has been installed or maintained under tariff.

14. LECs should not impose any requirement that inside wire installed or maintained under tariff be purchased and should not impose any charge for the use of inside wire installed or maintained under tariff.

15. Sales of inside wire installed or maintained under tariff should be recorded in regulated above-the-line accounts using prescribed retirement accounting procedures.

16. LECs with discrete unbundled installation and maintenance of inside wire charges should file revised tariffs to

delete such charges from regulated service offerings, effective January 1, 1987, no later than January 31, 1987.

17. LECs should not disconnect regulated services for the nonpayment of detariffed installation and maintenance of inside wire charges.

18. LECs billing detariffed installation and maintenance of inside wire charges on combined bills should credit partial payments first to regulated services.

19. In the event of a reported service problem, LECs providing detariffed maintenance of inside wire service should advise the customer of the possibility of maintenance of inside wire charges and that maintenance of inside wire service can be obtained from non-LEC sources.

20. LECs installing new or replacement devices that separate the regulated network from the customer's premises should do so in such a way as to allow easy access for customer performed trouble isolation.

21. LECs providing detariffed installation and maintenance of inside wire service should not impose service order, record change, or other regulated service charges for services performed in connection with detariffed installation and maintenance of inside wire services.

22. LECs should make every effort to correctly identify a reported service problem as being in the LEC's or customer's portion of the network and if the LEC incorrectly identifies a

service problem as being the customer's responsibility, then the LEC should reimburse the customer for any reasonable expenses incurred to further isolate the source of the service problem.

IT IS THEREFORE ORDERED that:

1. The installation and maintenance of inside wire be and it hereby is detariffed, effective January 1, 1987.

2. Revenues and expenses associated with the detariffed installation and maintenance of inside wire services shall be recorded in unregulated below-the-line accounts.

3. A separate subsidiary to provide detariffed installation and maintenance of inside wire services shall not be required.

4. SCB's and other cost allocation plans as filed in Common Carrier Docket No. 86-111 be and they hereby are denied in this case, pending further consideration in another proceeding.

5. Each LEC shall file installation and maintenance of inside wire revenue and expense information for the year ending December 31, 1986, as specified in this Order, no later than January 31, 1987.

6. Each LEC shall file installation and maintenance of inside wire cost allocation plans as specified in this Order no later than January 31, 1987.

7. Each LEC, except SCB and Brandenburg, shall file revised local exchange access schedules that equitably distribute any savings resulting from detariffing the installation and maintenance of inside wire among rate groups and customer classes, effective January 1, 1987, subject to Commission review and approval, no later than January 31, 1987.

8. Each LEC, except SCB and Brandenburg, shall file a local exchange access billing analysis that shows present and proposed rates and the amount and distribution of rate changes among rate groups and customer classes no later than January 31, 1987.

9. SCB's proposed inside wire trouble isolation and maintenance plan rate disaggregation be and it hereby is denied.

10. SCB and Brandenburg shall file installation and maintenance of inside wire rate disaggregation plans that have no effect on regulated revenue requirement no later than January 31, 1987.

11. SCB's and other proposed transition plans be and they hereby are denied.

12. The mandatory transfer of ownership of inside wire shall not be required and any LEC that intends to transfer ownership of inside wire shall file a transfer of ownership plan with the Commission for Commission approval.

13. LECs shall not impose any restrictions on the removal, replacement, rearrangement, or maintenance of inside wire that has been installed or maintained under tariff.

14. LECs shall not impose any requirement that inside wire installed or maintained under tariff be purchased and shall not impose any charge for the use of inside wire installed or maintained under tariff.

15. Sales of inside wire installed or maintained under tariff shall be recorded in regulated above-the-line accounts using prescribed retirement accounting procedures.

16. LECs with discrete unbundled installation and maintenance of inside wire charges shall file revised tariffs to delete such charges from regulated service offerings, effective January 1, 1987, no later than January 31, 1987.

17. LECs shall not disconnect regulated services for the nonpayment of detariffed installation and maintenance of inside wire charges.

18. LECs billing detariffed installation and maintenance of inside wire charges on combined bills shall credit partial payments first to regulated services.

19. In the event of a reported service problem, LECs providing detariffed maintenance of inside wire service shall advise the customer of the possibility of maintenance of inside wire charges and that maintenance of inside wire service can be obtained from non-LEC sources.

20. LECs installing new or replacement devices that separate the regulated network from the customer's premises shall do so in such a way as to allow easy access for customer performed trouble isolation.

21. LECs providing detariffed installation and maintenance of inside wire service shall not impose service order, record change, or other regulated service charges for services performed in connection with detariffed installation and maintenance of inside wire services.

22. LECs shall make every effort to correctly identify a reported service problem as being in the LEC's or customer's portion of the network and if the LEC incorrectly identifies a service problem as being the customer's responsibility, then the LEC should reimburse the customer for any reasonable expenses incurred to further isolate the source of the service problem.

Done at Frankfort, Kentucky, this 24th day of December, 1986.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director