

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DETARIFFING BILLING AND
COLLECTION SERVICES

) ADMINISTRATIVE
) CASE NO. 306

O R D E R

On October 29, 1986, the Commission held a public hearing in this case, at which the Commission staff had questions for William Magruder, witness for the Independent Telephone Group, who had prefiled testimony, but who was unavailable for cross-examination. In addition, the Commission staff had questions concerning the information responses and comments of certain telephone companies that had not sponsored prefiled testimony. The Commission staff proposed to address interrogatories to Mr. Magruder and certain telephone companies, and no party objected.

The staff's questions are directed as follows:

William Magruder, Prefiled Testimony on Behalf of the Independent Telephone Group

1. Mr. Magruder states in his prefiled testimony that billing and collection services should be "detriffed but not deregulated."

A. Is it Mr. Magruder's position that there should be no rate regulation of billing and collection services?

B. Is it Mr. Magruder's position that billing and collection services investment, revenues, and expenses should remain in regulated accounts, and be considered in rate cases?

2. If billing and collection services were detariffed but not deregulated, what would prevent local exchange carriers from underpricing billing and collection services and flowing any losses to local ratepayers, particularly in the case of cooperative corporations?

3. Would Mr. Magruder's opinion on detariffing billing and collection services be different if he became aware that any interexchange carrier could not do its own toll billing? If no, what would prevent local exchange carrier monopoly pricing in such a case?

4. Would Mr. Magruder's opinion on detariffing the recording function be different if he became aware that any interexchange carrier could not do its own recording? If no, what would prevent local exchange carrier monopoly pricing in such a case?

5. Do members of the Independent Telephone Group have the ability to block unauthorized toll calls in electronic and digital central offices? If yes, do members of the Independent Telephone Group block unauthorized intraLATA traffic where blocking capability exists? Also, if yes, what is the difference between blocking unauthorized intraLATA traffic and interLATA or interstate traffic without disconnecting local service for the nonpayment of toll bills?

6. Are members of the Independent Telephone Group able to provide jurisdictionally separated interexchange access service revenue requirement at this time?

7. Are members of the Independent Telephone Group able to provide intrastate market separated interexchange access service revenue requirement at this time?

8. Are members of the Independent Telephone Group able to identify their net book investment in billing and collection services? If yes, why did no member file requested net book investment information?

9. Are members of the Independent Telephone Group able to determine their operating expenses associated with billing and collection services? If yes, why did no member file requested expense information?

10. If members of the Independent Telephone Group are not able to identify their net book investment and/or operating expenses associated with billing and collection services, how would Mr. Magruder propose to allocate net book investment and operating expenses if the Commission ordered below-the-line accounting?

11. Are the Independent Telephone Group's members billing and collection services rates compensatory? If yes, what is the level of contribution?

12. Please explain how members of the Independent Telephone Group calculated access service revenue requirement in this case.

Ballard Rural Telephone Cooperative Corporation, Inc., Duo County Telephone Cooperative Corporation, Inc., Foothills Rural Telephone Cooperative Corporation, Inc., Harold Telephone Company, Inc., Highland Telephone Cooperative, Inc., Logan Telephone Cooperative, Inc., Mountain Rural Telephone Cooperative Corporation, Inc., Peoples Rural Telephone Cooperative Corporation, Inc., Salem Telephone Company, South Central Rural Telephone Cooperative Corporation, Inc., Thacker-Grigsby Telephone Company, Inc., and West Kentucky Rural Telephone Cooperative Corporation, Inc.

1. Is the company an average schedule company?
2. Has the company conducted a jurisdictional separations study?
3. In the absence of a jurisdictional separations study, please explain how the company developed jurisdictional revenue requirement information for the Commission?
4. In your estimate of intrastate access revenue requirement:
 - A. Is column 1 interLATA access charges revenue?
 - B. Is column 2 intraLATA pool settlements?
 - C. Is column 4 interstate access charges revenue?
5. In the company's estimate of non-access revenue:
 - A. Does the total estimate represent total company revenue?
 - B. Does the toll service revenue category include interLATA access charges revenue?
6. How does the company plan to account for the detariffing of interstate billing and collection services effective January 1, 1987? (Please describe in detail.)

7. How would the company propose to account for the detariffing of intrastate billing and collection services, assuming that the Commission orders detariffing? (Please describe in detail).

8. Does the rate of return filed by the company represent (A) return on investment, (B) TIER, or (C) return on equity?

Brandenburg Telephone Company, Inc., (Brandenburg*) and North Central Telephone Cooperative, Inc.

1. The company states in its comments that billing and collection services should be detariffed. Would the company's opinion be different if it became aware that any interexchange carrier could not do its own toll billing? If no, what would prevent local exchange carrier monopoly pricing in such a case?

2. The company states in its comments that the message recording function should also be detariffed. Would the company's opinion change if it became aware that any interexchange carrier could not do its own recording? If no, what would prevent local exchange carrier monopoly pricing in such a case?

3. How does the company plan to account for the detariffing of interstate billing and collection services effective January 1, 1987? (Please describe in detail).

4. How would the company propose to account for the detariffing of intrastate billing and collection services, assuming that the Commission orders detariffing? (Please explain in detail).

5. Does the rate of return filed by the company represent (A) return on investment, (B) TIER, or (C) return on equity?

6. In the case of Brandenburg only, is Brandenburg an average schedule company?

7. In the case of Brandenburg only, has Brandenburg conducted a jurisdictional separations study?

8. In the case of Brandenburg only, in the absence of a jurisdictional separations study, please explain how Brandenburg developed jurisdictional revenue requirement information for the Commission?

In addition to the responses of Mr. Magruder on behalf of the Independent Telephone Group, an appropriate official of each telephone company identified in this Order should respond to each question posed in this Order within 10 days from the date of this Order, in sufficient detail as to fully explain each company's position.

The information requested herein is due no later than 10 days from the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

IT IS THEREFORE ORDERED that Mr. Magruder and the telephone companies identified in this Order shall respond to the questions posed in this Order within 10 days from the date of this Order.

Done at Frankfort, Kentucky, this 2nd day of December, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director