

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

O R D E R

Introduction

On May 31, 1985, the Commission issued an Order in this case establishing local exchange carrier ("LEC") interLATA and Universal Local Access Service ("ULAS") compensation, and interLATA Carrier Common Line Charges ("CCLCs"), subject to change upon review by the Commission. In this Order, the Commission will reopen these matters with the intent of possibly ordering adjustments effective June 1, 1986.

Discussion

On or about April 1, 1986, the National Exchange Carrier Association ("NECA") will file tariffs with the Federal Communications Commission ("FCC") designed to increase interstate Customer Access Line Charges ("CALCs") or end user charges, decrease the interstate CCLC, and restructure the application of access charges to Wide Area Telecommunications Service ("WATS"), effective June 1, 1986. At the present time, the exact rate levels that will be filed by the NECA are unknown, as LECs are

still in the process of furnishing data to the NECA. In general terms, increased CALCs imply a reduced CCLC. However, the changes to WATS may affect the otherwise expected CCLC reduction. Nonetheless, the net effect should be a reduced interstate CCLC.

In past filings in this case, LECs and interexchange carriers under the jurisdiction of the Commission have taken the position that intrastate CCLCs should not exceed the interstate CCLC. In its Orders in this case, the Commission has adopted this position and implemented CCLC parity, except in cases where LECs can justify an intrastate CCLC less than the interstate CCLC.

Since the Commission is aware of an impending NECA access services tariff filing with the FCC that will change the interstate CCLC and the position of LECs and interexchange carriers under its jurisdiction concerning CCLC parity, the Commission can reasonably anticipate intrastate access services tariff filings to mirror interstate changes. Therefore, in the opinion of the Commission, the matters of interLATA and ULAS access compensation, and interLATA CCLCs should be reconsidered at this time, in order to allow reasonable time for consideration of issues prior to June 1, 1986, and in order to avoid unnecessary regulatory lag beyond June 1, 1986. However, the Commission advises all parties that the matter of intrastate end-user charges will not be reconsidered as part of this investigation.

Coincident with the NECA access services tariff filing with the FCC, the Commission will require Cincinnati Bell Telephone Company ("CBT"), Continental Telephone Company of Kentucky ("CTC"), Duo County Telephone Cooperative Corporation ("Duo

County"), General Telephone Company of the South ("General"), and South Central Bell Telephone Company ("SCB") to file intrastate access service tariff revisions. These revisions should be consistent with the NECA proposed changes, except that they should not include intrastate end-user charges, and should be filed no later than April 9, 1986. In addition, the Commission will require SCB to file a copy of the proposed NECA changes no later than April 9, 1986. Also, the Commission will require SCB to file data concerning the revenue impact of interLATA CCLC parity on each LEC providing service in the Commonwealth no later than April 9, 1986.¹ The data should include:

1. Actual calendar year 1985 interLATA and ULAS compensation by access service category and by month.

2. Actual calendar year 1985 intraLATA toll compensation by revenue distribution category and by month.

3. Actual calendar year 1985 interLATA minutes of use by month.

4. Estimated calendar year 1986 interLATA and ULAS compensation by access service category and by month, assuming a changed interLATA CCLC at June 1, 1986, no end-user charges, and no ULAS adjustment. (Actual data for the period January to June 1986 should be used, as available. Also, assumptions concerning

¹ Any LEC may elect to file the required information on its operations independent of SCB's response. LECs that elect to file an interLATA CCLC less than or greater than the interstate CCLC should file separate information.

access service growth rates, etc., for the period June through December 1986 should be stated.)

5. Estimated calendar year 1986 intraLATA toll compensation by revenue distribution category and by month, assuming no changes in intraLATA toll rates or settlement structure. (Actual 1986 data should be used, as available. Also, assumptions concerning message growth rates, etc., for estimated data should be stated.)

6. Estimated calendar year 1986 interLATA minutes of use. (Actual data should be used for months for which it is available and assumptions concerning growth in minutes of use, etc., for estimated data should be stated.)

7. Rate of return or times interest earned ratio, as appropriate, as of December 31, 1985, assuming all relevant adjustments and/or normalizations included in the LECs' most recent rate case Order, and other applicable adjustments, such as interLEC ULAS true-ups and facility lease agreement true-ups.

In addition to intrastate access service tariff revisions and the data discussed above, the Commission will require all interested parties to file testimony or comment on matters opened to investigation in this Order no later than April 16, 1986. A hearing will be held on April 24, 1986.

Findings and Orders

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

1. Only the matters of interLATA and ULAS access compensation, and interLATA CCLCs should be reconsidered.

2. CBT, CTC, Duo County, General, and SCB should file intrastate access service tariff revisions no later than April 9, 1986.

3. SCB should file a copy of the NECA access service tariff changes as filed with the FCC no later than April 9, 1986.

4. SCB should file data concerning the revenue impact of interLATA CCLC parity on each LEC providing service in the Commonwealth no later than April 9, 1986.

5. LECs that elect to file an interLATA CCLC less than or greater than the interstate CCLC should file revenue impact data concerning their operations no later than April 9, 1986.

6. Testimony or comments concerning matters opened to investigation in this Order should be filed no later than April 16, 1986.

7. A hearing should be held on the issues raised by this Order and any testimony that may be filed at the Commission's offices on April 24, 1986, at 9 a.m., E.S.T.

IT IS THEREFORE ORDERED that:

1. The matter of interLATA and ULAS access compensation, and interLATA CCLC shall be reconsidered.

2. CBT, CTC, Duo County, General, and SCB shall file intrastate access service tariff revisions no later than April 9, 1986.

3. SCB shall file a copy of the NECA access service tariff changes as filed with the FCC no later than April 9, 1986.

4. SCB shall file data concerning the revenue impact of interLATA CCLC parity on each LEC providing service in the Commonwealth no later than April 9, 1986.

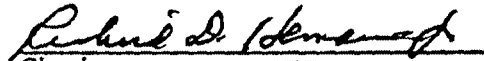
5. LECs that elect to file an interLATA CCLC less than or greater than the interstate CCLC shall file revenue impact data on their operations no later than April 9, 1986.


6. Testimony or comments concerning matters opened to investigation in this Order shall be filed no later than April 16, 1986.

7. A hearing shall be and it is hereby scheduled at the Commission's offices in Frankfort, Kentucky, on April 24, 1986, at 9 a.m., E.S.T., for purposes of developing the issues raised herein and cross-examination on any testimony.

Done at Frankfort, Kentucky, this 28th day of March, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary