

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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 released an Order in this case establishing interLATA revenue requirements for local exchange carriers ("LECs"), including Universal Local Access Service ("ULAS") revenue requirements, subject to reconsideration on or before May 31, 1986, based on actual 1985 revenue experience.

On March 28, 1986, the Commission issued an Order in this case initiating a reconsideration of LEC interLATA revenue requirements, due to anticipated changes in interstate access service tariffs. Various motions for extensions of time have been filed and granted, and the originally scheduled hearing date was cancelled.

This Order clarifies the intent of the Commission's Order of March 28, 1986, based on an analysis of revised intrastate access service tariffs filed in response to the Order, requests additional information, based on an analysis of information filed

in response to the Order, and establishes a new schedule of procedure.

DISCUSSION

On or about April 1, 1986, the National Exchange Carrier Association ("NECA") and non-NECA concurring LECs filed revised interstate access service tariffs with the Federal Communications Commission ("FCC") to be effective on June 1, 1986. However, through June 1, 1986, considerable uncertainty existed as to the rates and charges and changes in tariff structure that the FCC would allow to become effective on June 1, 1986. This uncertainty caused delays in the Commission's consideration of corresponding changes at the intrastate level and the revenue requirement implications of such changes.

Revised interstate access service tariffs became effective on June 1, 1986. Thus, all FCC authorized changes to interstate access service rates and charges and tariff structure are now known, with the exception of certain implementation issues concerning the elimination of jurisdictional and directional restrictions on Wide Area Telecommunications Service ("WATS"). In the opinion of the Commission, the still-pending WATS issues are not of a nature to cause further delay in its consideration of revised intrastate access service tariffs. Therefore, with this Order, the Commission will resume its consideration of revised intrastate access service tariffs. However, as indicated in its Order of March 28, 1986, the Commission advises all parties that the matter of intrastate end user charges is not open to consideration in this investigation and, therefore, end user

charges should not be included in any revised intrastate access service tariff filed in this investigation.

In its Order of March 28, 1986, the Commission discussed impending changes in interstate carrier common lines charges ("CCLCs") and end user charges, and changes in the application of access charges to WATS. The Order further required all LECs to file revised intrastate access service tariffs consistent with the mid-year 1986 NECA interstate access service tariff.

The Commission has reviewed the revised intrastate access service tariffs filed in response to its Order of March 28, 1986, and concludes that its discussion of interstate CCLC, end user, and WATS changes either misleads or causes confusion among LECs as to its intent. For example, some LECs filed intrastate replicas of the mid-year 1986 NECA interstate access service tariff, i.e., Continental Telephone Company of Kentucky ("Continental Telephone") and Duo County Telephone Cooperative Corporation ("Duo County Telephone"). Other LECs filed revised intrastate access service tariffs essentially limited to reflecting interstate CCLC and WATS changes, i.e., Cincinnati Bell Telephone Company ("Cincinnati Bell"), General Telephone Company of the South ("General Telephone"), and South Central Bell Telephone Company ("South Central Bell").

For the purposes of this investigation, the intent of the Commission's Order of March 28, 1986, was that each LEC file an intrastate replica of its mid-year 1986 interstate access service tariff. In the cases of Continental Telephone and Duo County Telephone, this means an intrastate replica of the mid-year 1986

NECA interstate access service tariff. In the cases of Cincinnati Bell, General Telephone, and South Central Bell, this means an intrastate replica of their individual mid-year 1986 interstate access service tariff.

In the opinion of the Commission, consideration of revised intrastate access service tariffs based on a mid-year 1986 interstate access service tariff view is reasonable. First, numerous changes have been made to interstate access service tariffs since the Commission's last consideration of intrastate access service tariffs. Also, consideration of revised intrastate access service tariffs restricted to CCLC and WATS changes, and isolated from changes in traffic sensitive and other rates and charges could result in an inappropriate allocation of ULAS revenue requirement to interexchange carriers. Therefore, the Commission will require each LEC under its jurisdiction to file a revised intrastate access service tariff that replicates its mid-year 1986 interstate access service tariff, as effective on June 1, 1986. Furthermore, all tariff changes should be denoted according to the Commission's rules and regulations, and each tariff filing should be accompanied by a section-by-section summary of changes.

In addition to the filing of revised intrastate access service tariffs, the Commission's Order of March 28, 1986, required LECs to file certain usage and revenue priceout information for 1986. The Commission has reviewed the information that has been filed and finds that the character and usability of the information varies between LECs. For example, South Central

Bell filed a 1986 revenue priceout based on 1985 historical usage. Some LECs filed revenue priceouts based on expected usage in 1986. In other cases, it cannot be determined whether revenue priceouts are based on 1985 historical or 1986 expected usage. Therefore, in order to eliminate reporting inconsistency and generate information that is both methodologically comparable and readily verifiable, the Commission will require each LEC under its jurisdiction to file the following information, in formats specified by the Commission:

1. InterLATA compensation for calendar year 1985, as specified in Format A attached to this Order.¹

2. InterLATA compensation for the period January through June 1986, as specified in Format A attached to this Order.²

3. InterLATA minutes of use for calendar year 1985, as specified in Format B attached to this Order.

4. InterLATA minutes of use for the period January through June 1986, as specified in Format B attached to this Order.

¹ In addition to the summarized information requested in Format A, Cincinnati Bell, Continental Telephone, General Telephone, and South Central Bell should file a complete priceout of interLATA access compensation, including each access service rate element and associated billing determinants, for the periods (a) January through June, 1985, and (b) July through December, 1985.

² In addition to the summarized information requested in Format A, Cincinnati Bell, Continental Telephone, General Telephone, and South Central Bell should file a complete priceout of interLATA access compensation, including each access service rate element and associated existing determinants, for the period January through June, 1986.

5. IntraLATA compensation for calendar year 1985, as specified in Format C attached to this Order.

6. IntraLATA compensation for the period January through June 1986, as specified in Format C attached to this Order.

7. Rate of return or times interest earned ratio, as appropriate, for the 12-month period ended December 31, 1985, assuming all relevant adjustments and/or normalizations included in the LEC's most recent rate case Order, and other applicable adjustments, such as interLEC ULAS true-ups and facility lease agreement true-ups.

8. Rate of return or times interest earned ratio, as appropriate, for the 12-month period ended June 30, 1986, assuming all relevant adjustments and/or normalizations included in the LEC's most recent rate case Order, and other applicable adjustments, such as interLEC ULAS true-ups and facility lease agreement true-ups.

In addition to the filing of revised intrastate access service tariffs and information, the Commission's Order of March 27, 1986, invited interested parties to file testimony on matters opened to investigation. Various parties have filed testimony. However, since in this Order the Commission is requiring LECs to refile intrastate access service tariffs and to file additional information, the Commission will allow any party that has filed testimony to file revised or supplemental testimony, as it considers appropriate, based on the additional record created by this Order. Such revised or supplemental testimony should be clearly labeled as to whether the Commission should consider it as

revised or supplemental and include a comment on certain matters that have not yet been in the record of this investigation. Specifically, the Commission seeks at least supplemental testimony on the following issues:

1. The Commission's Order of May 31, 1985, indicated that LEC interLATA revenue requirements would be subject to reconsideration on or before May 31, 1986, "based on 1985 revenue experience, absent a showing of interLATA cost of service by local exchange carriers."³

The Commission's Order of March 28, 1986, was intended to effect reconsideration with an implementation of findings on June 1, 1986. However, due to delays encountered in this investigation, the target implementation date of June 1, 1986, has passed. Therefore, the Commission seeks testimony on the question of whether any changes in LEC interLATA revenue requirements should be based on calendar year 1985 revenue experience, as specified in the Commission's Order of May 31, 1985, or on the more recent 12-month period ended June 30, 1986.

2. The Commission's Order of November 20, 1984, indicated that LEC interLATA revenue requirements would be based on 1984 settlements using 1983 settlement procedures. In effect, 1984 was a transition year from separations and settlements procedures to access charges. The Commission's Order of May 31, 1985, effected the transition and used 1984 revenue experience to determine

³ Order in Case No. 8838, dated May 31, 1985, page 2.

baseline LEC interLATA revenue requirements: "absent a showing of cost of service information by local exchange carriers, interLATA access compensation in 1984 will be used to determine baseline interLATA revenue requirement."⁴

To date no LEC has filed any interLATA cost of service study. Therefore, in the absence of cost of service information, the question arises as to whether LEC interLATA revenue requirements should be frozen at the levels specified in the Commission's Order of May 31, 1985, with the benefits of market growth consequently accruing to interexchange carriers through reduced or lower than otherwise necessary ULAS charges, or should LEC interLATA revenue requirements be changed to reflect 1985 compensation levels, essentially equating market growth with increased cost. The Commission seeks testimony on this question.

3. The Commission is concerned that persistent disparity caused by regulatory lag between interstate and intrastate access charges may cause uneconomic tariff shopping. Therefore, the Commission seeks testimony on whether unnecessary disparity between interstate and intrastate access charges may cause uneconomic tariff shopping and, if so, procedures that the Commission can implement to minimize unnecessary disparity. For example, under current FCC rules, the NECA and non-NECA concurring LECs are scheduled to make annual interstate access service tariff filings in October to be effective the following January 1. Therefore, as a means of minimizing unnecessary disparity between

⁴ Ibid. Certain exceptions to this method were specified.

interstate and intrastate access service tariffs, should the Commission adopt an annual intrastate access service tariff filing schedule, i.e., perhaps a schedule permitting intrastate access service tariff filings in January to be effective the following June 1?

FINDINGS AND ORDERS

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

1. Cincinnati Bell, Duo County Telephone, General Telephone and South Central Bell should file revised intrastate access service tariffs as indicated in this Order no later than September 29, 1986.

2. Each LEC under the jurisdiction of the Commission should file information specified in this Order no later than October 6, 1986.

3. All parties to this investigation may file revised testimony and should file supplemental testimony on at least the items specified in this Order no later than October 15, 1986.

IT IS THEREFORE ORDERED that:

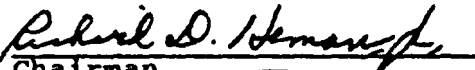
1. Cincinnati Bell, Duo County Telephone, General Telephone and South Central Bell shall file revised intrastate access service tariffs as indicated in this Order no later than September 29, 1986.

2. Each LEC under the jurisdiction of the Commission shall file information specified in this Order no later than October 6, 1986.

3. All parties to this investigation may file revised testimony and shall file supplemental testimony on at least the items specified in this Order no later than October 15, 1986.

Done at Frankfort, Kentucky, this 15th day of September, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

COMPANY NAME

KENTUCKY INTERLATA COMPENSATION

	(1) OCIC Access Service	(2) Switched Access Service	(3) Special Access Service	(4) Billing & Collection Service	(5) Other Access Service(*)	(6) UIAS	(7) Total
January							
February							
March							
April							
May							
June							
July							
August							
September							
October							
November							
December							
Total							

(*) Other access service should include all interLATA compensation not recorded in other columns, including non-tariff compensation from network leases and other contractual agreements. The nature of the items included under other access service should be footnoted.

COMPANY NAME
KENTUCKY INTERLATA MINUTES OF USE

Month	(1) Total Interlata MOUs (**)	(2) CARRIERS' COMMON LINE MINUTES OF USE				(4) Total CCIC MOUs(*)
		Originating CCIC MOUs(**)		Terminating CCIC MOUs		
		Premium	Non-Premium	Premium	Non-Premium	
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
Total						

(*) In most cases, some or all totals may be identical. However, in some cases, totals may differ due to WATS end office serving arrangements.

(**) Originating WATS MOUs included in originating CCIC MOUs = _____.

COMPANY NAME

KENTUCKY INTERLATA MINUTES OF USE

SWITCHED ACCESS MINUTES OF USE

<u>Month</u>	<u>(5) Local Transport</u>		<u>(6) Local Switching</u>		<u>(7) Total Switched Access MOUs</u>
	<u>Premium(\$)</u>	<u>Non-Premium</u>	<u>FG A&B Premium</u>	<u>FG C&D Non-Premium</u>	
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
<u>Total</u>					

(#) NBCA concurring LECs should footnote (a) transport terminating and (b) transport facility MOUs. Other LECs should footnote disaggregated transport MOUs based on relevant tariff structure, i.e., by mileage band, for example.

