

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:


THE TARIFF APPLICATION OF SOUTH)
CENTRAL BELL TELEPHONE TO OFFER) CASE NO. 9496
DIGITAL ESSX SERVICE AND)
RESTRUCTURE ANALOG ESSX SERVICE)

O R D E R

On November 1, 1985, South Central Bell Telephone Company ("SCB") filed a special contract with the Public Service Commission ("Commission") for the provision of Digital ESSX service to Jefferson County Government ("Jefferson County"), with an effective billing date of September 27, 1985. On November 8, 1985, SCB filed a similar contract for provision of Digital ESSX service to General Services Administration ("GSA"), with an effective billing date of November 1, 1986. By accompanying letters, SCB requested confidential treatment of the entire contents of both filings.

On February 28, 1986, the Commission requested that additional information be filed. The required information was filed on April 8, 1986, along with a formal petition for confidential treatment.

Subsequently, on April 9, 1986, SCB filed a contract proposal for provision of Digital ESSX service which it planned to present to the Toyota Motor Company, but which had not been formally submitted nor accepted by Toyota. A petition for confidential treatment was also filed with the proposed contract.



807 KAR 5:011, Section 13, Special Contracts, provides for the filing of special contracts "entered into" governing utility service, which set out rates, charges or service not included in the general tariff. The proposed contract for service to Toyota has neither been presented to nor accepted by Toyota and does not, therefore, constitute a special contract "entered into" within the meaning of the regulation. The Commission is of the opinion that until such time as the proposed contract is accepted by Toyota, it does not come within the purview of Commission approval or disapproval under 807 KAR 5:011, Section 13.

On February 19, 1986, the Commission entered an Order in this case approving SCB's Digital ESSX tariff on an interim basis pending completion of a full investigation by the Commission with regard to appropriate pricing. The Order imposed specific conditions under which Digital ESSX service could be offered pending final approval of a Digital ESSX tariff.

The special contracts with Jefferson County and GSA were entered into prior to the issuance of the Commission's February 19, 1986, Order and are within the scope of the regulation. The Commission is of the opinion these contracts should be approved subject to the conditions set forth in the February 19, 1986, Order; however, except for the two customers specifically named herein, future provision of Digital ESSX service should be governed by the effective tariff on file with the Commission. Should flexibility in prices be necessary, the Commission advises SCB to provide a range in the Digital ESSX tariff and in any other tariffs where flexibility appears warranted.

The Commission notes that there are variations in the costing methodology used by SCB in connection with these contracts. SCB should develop consistent pricing and cost methodologies and assumptions for purposes of the Commission's further evaluation and determination of reasonable rates for provision of Digital ESSX service.

In its February 19, 1986, Order, the Commission found that Digital ESSX service is of a competitive nature and not a strict monopoly offering. The special contract filings considered herein are customer specific and meet the regulatory criteria for confidential treatment. (807 KAR 5:001, Section 7.) SCB's petitions for confidential treatment should, therefore, be granted.

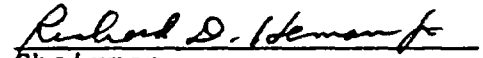
IT IS THEREFORE ORDERED that:

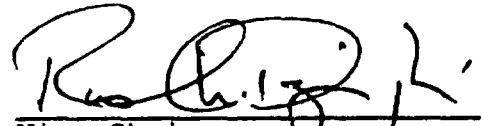
1. The contract proposal for Digital ESSX service to Toyota is hereby rejected and shall not be considered by the Commission until such time as it complies with the regulatory provisions for the filing of special contracts.
2. The special contracts for provision of Digital ESSX service to Jefferson County and GSA be and they hereby are approved.
3. Digital ESSX service, other than that specifically provided for herein, shall be governed by the effective Digital ESSX tariff on file with the Commission.
4. SCB shall develop a consistent pricing and cost methodology appropriate for use in determining the reasonableness of rates for Digital ESSX service.

5. The petitions for confidential treatment be and they hereby are granted pursuant to 807 KAR 5:001, Section 7.

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

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary