

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF APPLICATION OF GENERAL)
TELEPHONE COMPANY OF THE SOUTH FOR) CASE NO. 9590
A SPECIAL SERVICE ARRANGEMENT)

O R D E R

Introduction

On May 14, 1986, General Telephone Company of the South ("General") filed a tariff with the Commission establishing special access arrangements for the University of Kentucky ("UK").¹ On May 27, 1986, the tariff filing was suspended for investigation and possible hearing. On July 11, 1986, the Commission approved the tariff filing on an interim basis, effective July 18, 1986, pending the outcome of this investigation.

Discussion

At the present time, UK is served by General under the terms of a special contract on file with the Commission. The special contract includes consolidated payments for the lease of customer premises equipment ("CPE") and local access ("Level A"), and separate payments for the maintenance of CPE ("Level B").

¹ General Customer Services Tariff, P.S.C. Ky. No. 4, Section 55, second revised page 9 and original page 10.

On June 13, 1986, subsequent to General's tariff filing on May 14, 1986, and the Commission's suspension Order on May 27, 1986, General advised the Commission that approval of the tariff filing was necessary to coincide with UK's purchase of CPE, which was to be effective July 18, 1986,² and requested an expedited review of the tariff filing. On the basis of General's correspondence and in the absence of any objection from any party the Commission, on its own motion, approved the tariff filing on July 11, 1986, on an interim basis, effective July 18, 1986, pending the outcome of this investigation.

UK's purchase of CPE requires that General disaggregate special contract Level A CPE lease and local access charges. The rate structure contained in the tariff filing was designed to equate as near as possible UK's local access charges under tariff with its local access charges under the special contract.

In general, special contracts are filed with the Commission in situations where averaged general subscriber rates and charges in tariffs are inappropriate. For example, water, gas, and electric utilities often file special contracts involving bulk or wholesale sales, and telephone utilities often file special contracts in cases where extraordinary costs are involved or in

² Although transfer of ownership was to occur on July 18, 1986, technical delays have been experienced and the exact date of transfer is not known to the Commission

cases where economies of scale can be obtained. General's special contract with UK met the latter criterion for approval at the time of its filing. However, General's tariff does not limit itself to the unique circumstances of UK's local access needs and related costs. Instead, it contains general provisions that would permit extension of rates and charges uniquely applicable to UK to other customers on a selective case-by-case basis, without specific consideration of related costs.

In the opinion of the Commission, approval of General's tariff filing would establish an unacceptable precedent. Therefore, the tariff filing should be denied and this case should be dismissed. As alternatives to approval of the tariff filing, the Commission suggests that General and UK either (1) review the special contract with a view toward amending it to delete Level A CPE lease charges, which would be consistent with the continuation of Level B maintenance of CPE charges under the special contract, or (2) file a separate special contract concerning UK local access.

Findings and Orders

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

1. General's tariff filing should be denied.
2. This case should be dismissed.

IT IS THEREFORE ORDERED That:

1. General's tariff filing be and it hereby is denied.
2. This case be and it hereby is dismissed.

