

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADOPTION OF A STANDARD)
METHODOLOGY FOR ESTABLISHING RATES) ADMINISTRATIVE
FOR CONDUIT USAGE) CASE NO. 304

O R D E R

On May 26, 1987, South Central Bell Telephone Company ("SCB") by counsel filed an application for hearing, if necessary, and for modification of the May 4, 1987, Order. Also, SCB requested that if a hearing is necessary, the May 4, 1987, Order should be suspended until the Order on Rehearing is issued.

On June 4, 1987, Storer Communications of Jefferson County, Inc. ("Storer") filed an opposition to SCB's May 26, 1987, application.

Discussion

SCB argues that there is a marketplace for conduit and that the market rate is \$6.00, based on its license agreement for conduit occupancy with AT&T Communications, Inc. ("ATTCOM").¹ In contrast, Storer argues the rate agreed to by ATTCOM is simply a monopoly rate set by SCB in jurisdictions where conduit rates are unregulated. Storer further argues that ATTCOM's acceptance of a conduit price is essentially meaningless if it intends to vacate

¹ License Agreement For Pole Attachments and/or Conduit Occupancy between South Central Bell and AT&T Communication filed July 25, 1986.

the leased conduit. Finally, Storer contends that the percentage of unused SCB conduit is increasing and will continue to do so if rates are not lowered to a reasonable level.

SCB does have a license agreement with ATTCOM; however, that agreement does not extend to Kentucky or to Mississippi where tariffs are in effect. The agreement calls for ATTCOM to lease conduit and poles in Alabama, Louisiana, and Tennessee for the sole purpose of transporting telecommunications traffic subject to access charges. The rate in the agreement for conduit usage is an annual fee of \$6.00 per duct foot in each state except Louisiana. The rate in downtown New Orleans is \$11.00 per duct foot while the rate for the rest of Louisiana is \$5.29 per duct foot.²

SCB's license agreement with ATTCOM does not support the existence of a marketplace for conduit in Kentucky nor does it support that the \$6.00 rate is the appropriate market rate. In information filed during this proceeding, it appears that ATTCOM is the only customer of SCB paying the \$6.00 rate.³ Therefore, SCB's request that the May 4, 1987, Order be modified to reflect the marketplace should be denied.

SCB's second argument was that the methodology adopted by the Commission provides no contribution to basic service rates and further argues that since the proposed \$6.00 market rate will

² Ibid.

³ Response by SCB to data request from Storer dated October 6, 1986.

provide a contribution, the Commission should include a contribution factor in its adopted methodology.

In contrast, Storer argues that conduit users should only pay the embedded cost of conduit they occupy, plus a reasonable return to SCB. Storer further contends that conduit users will pay more than residential subscribers would pay under the latter's residually priced rates.

The Commission concurs with Storer, that conduit users should pay SCB only the embedded cost of the conduit they lease, including a reasonable return. The methodology adopted in the May 4, 1987, Order does in fact provide some contribution to basic service rates, but not at the level proposed by SCB. Therefore, SCB's request that the Commission allow additional contribution to basic rates through the proposed \$6.00 rate should be denied.


Summary

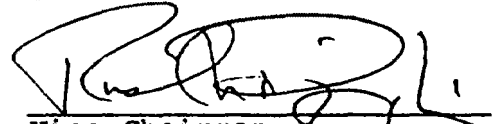
The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and HEREBY ORDERS that:

1. SCB's application for hearing if necessary and for modification of the May 4, 1987, Order is hereby denied.

Done at Frankfort, Kentucky, this 15th day of June, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director