

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DETARIFFING THE INSTALLATION)
AND MAINTENANCE OF INSIDE) ADMINISTRATIVE
WIRE) CASE NO. 305

O R D E R

Introduction

On December 24, 1986, the Commission released an Order in this case that required local exchange carriers to file inside wire cost allocation plans, inside wire revenue and expense information, and local exchange service rate reductions. On February 2, 1987, West Kentucky Rural Telephone Cooperative Corporation, Inc., ("WK") filed an inside wire implementation plan and associated tariff changes.

Discussion

WK's inside wire implementation plan indicates that, as a result of detariffing the installation and maintenance of inside wire, local exchange service rates can be reduced in the amount of \$0.44 per access line per month, excluding public paystations. Public paystation access lines are excluded on the basis that public paystations are provided by WK and, therefore, no local service rate is applicable.

Private branch exchange and key system access lines are included in WK's local exchange service rate reduction plan, on the grounds that WK has not yet detariffed customer premises

equipment and has recorded inside wire installation and maintenance revenues and expenses in regulated accounts, at least through December 31, 1986.¹ Therefore, including private branch exchange and key system access lines in WK's local exchange service rate reduction plan is reasonable.

In Common Carrier Docket No. 86-111,² the Federal Communications Commission has considered rules concerning cost allocation between the regulated and unregulated services provided by local exchange carriers, and an Order on cost allocation was released on February 6, 1986. Also, the Commission has indicated in other Orders that it intends to open a cost allocation investigation in the near future. Therefore, in the opinion of the Commission, WK's inside wire implementation plan and associated local exchange service rate reductions should be approved on an interim basis, pending the outcome of the Commission's cost allocation investigation, except insofar as it

¹ WK should have detariffed the installation of complex inside wire on May 2, 1984. However, based on the evidence of record, WK began full expensing of station connections on October 1, 1984, and recorded these expenses and associated revenues in regulated accounts, without distinction as to whether the expense was associated with the installation of regulated simple inside wire or the installation of detariffed complex inside wire. WK is reminded that, based on instructions contained in the Commission's Order of December 24, 1986, revenues and expenses associated with the installation and maintenance of all inside wire should be recorded in nonregulated accounts.

² Separation of Costs of Regulated Telephone Service From Costs of Nonregulated Activities. Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies, to Provide for Nonregulated Activities and to Provide for Transactions Between Telephone Companies and Their Affiliates.

includes a negative option subscription plan for detariffed inside wire maintenance services.

WK's inside wire implementation plan includes a detariffed inside wire maintenance plan charge of \$0.50 per month that WK intends to bill coincident with the local exchange service rate reduction of \$0.44 per month. Customers who do not wish to subscribe to the detariffed inside wire maintenance plan must notify WK during a 30-day advance notice period in order to avoid being billed the charge. The Commission will not take any action on WK's negative option subscription plan and has not taken any action on positive option subscription plans proposed by other local exchange carriers. Since inside wire maintenance services are detariffed, a Commission ruling on inside wire maintenance services subscription plans is not necessary. However, WK is reminded that regulated services may not be disconnected for nonpayment of regulated service charges.

Also, WK proposed to phase-in local exchange service rate reductions on a billing cycle basis, as follows:

<u>Exchange</u>	<u>Effective Date</u>
Fairdealing, Farmington Lynnville, Sedalia, and Wingo	March 5, 1987
Hardin, Kirksey, Lynn Grove, and West Plains	March 11, 1987
Cunningham, Fancy Farm, Folsomdale, Hazel, Lowes, and New Concord	March 20, 1987

WK acknowledges that the Commission contemplated local exchange service rate reductions effective January 1, 1987, in its

Order of December 24, 1986. However, as reason for its proposed effective date, WK indicates that it has provided inside wire maintenance services since January 1, 1987, at no charge to its customers, pending approval of its inside wire implementation plan and associated tariff changes. Moreover, any refund that the Commission might order retroactive to January 1, 1987, would be de minimus and could be outweighed by the costs associated with administering a refund operation. Therefore, in the opinion of the Commission, WK's proposed phase-in of local exchange service rate reductions on a billing cycle basis should be approved.

Findings and Orders

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

1. WK's local exchange service rates should be reduced in the amount of \$0.44 per access line per month, on an interim basis, pending the outcome of the Commission's cost allocation investigation, excluding public paystations.

2. WK's inside wire implementation plan should be approved, on an interim basis, pending the outcome of the Commission's cost allocation investigation, except insofar as it includes a negative option subscription plan for detariffed inside wire maintenance services.

3. WK's proposed phase-in of local exchange service rate reductions on a billing cycle basis should be approved as filed.

IT IS THEREFORE ORDERED that:

1. WK's local exchange service rates be and they hereby are reduced in the amount of \$0.44 per access line per month, on an

interim basis, pending the outcome of the Commission's cost allocation investigation, excluding public paystations.

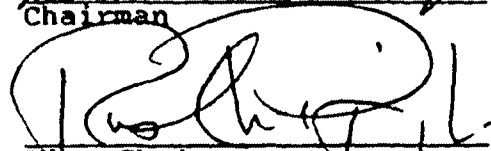
2. WK's inside wire implementation plan be and it hereby is approved, on an interim basis, pending the outcome of the Commission's cost allocation investigation, except insofar as it includes a negative option subscription plan for detariffed inside wire maintenance services.

3. WK's proposed phase-in of local exchange service rate reductions be and it hereby is approved as filed.

Done at Frankfort, Kentucky, this 30th day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director