

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF INTERLATA CARRIER) ADMINISTRATIVE
BILLED MINUTES OF USE AS A ULAS) CASE NO. 311
ALLOCATOR)

O R D E R

Background

On September 29, 1988, the Commission released an Order in this investigation. On October 19, 1988, AT&T Communications of the South Central States, Inc. ("AT&T"), filed a Petition for Rehearing on the following issues: (1) the adoption of a surrogate measure of private line usage in the ULAS¹ allocation plan; (2) the exclusion of resellers of access services from the ULAS allocation plan; (3) the retention of a discount on non-premium minutes of use in the ULAS allocation plan; and (4) ULAS billing frequency. On October 27, 1988, the Attorney General, by and through his Utility and Rate Intervention Division ("Attorney General"), filed a response to AT&T's Petition for Rehearing. The Attorney General opposes rehearing, without stating specific reasons on the issues raised in AT&T's petition. On October 31, 1988, US Sprint Communications Company ("US Sprint") filed a response to AT&T's Petition for Rehearing.

¹ Universal Local Access Service.

Discussion

The Private Line Surrogate

In the Order of September 29, 1988, the Commission included private line services in the ULAS allocation plan and adopted a surrogate measure of private line usage.² The decision was intended to minimize any incentive that interLATA³ carriers might have to migrate customers from switched to private line services. At the same time, the decision was intended to minimize any stranded investment that might result from such customer migration. Finally, the decision recognized that private line services can cause non-traffic sensitive cost to the extent that such services are terminated in customer premises equipment capable of leaking traffic into the local switched network.

First, among its arguments for rehearing on this issue, AT&T contends that adoption of the private line surrogate is inconsistent with the Joint Motion of AT&T and MCI

² Administrative Case No. 311, Order dated September 29, 1988, pages 20-26, especially page 24.

³ Local Access and Transport Area.

Telecommunications Corporation ("MCI").⁴ AT&T represents that the Joint Motion was "based on the assumption that no surrogates would be included in the ULAS allocator"⁵ and that "inclusion of surrogates materially changes the underlying basis for the Joint Motion."⁶

Second, AT&T contends that including the private line surrogate in the ULAS allocation plan will perpetuate administrative problems experienced with the channel count allocation plan. Therefore, AT&T recommends that on rehearing:

The Commission eliminate the proposed private line surrogate in the ULAS allocator because such a proposal undermines the administrative ease and simplicity of a

⁴ On August 12, 1988, AT&T and MCI filed a Joint Motion asking the Commission to adopt a written Settlement Agreement. Among other things, the Settlement Agreement stipulated that the Commission should adopt terminating switched access minutes of use as the ULAS allocator, effective December 3, 1987. Also, MCI agreed to withdraw its request for a ULAS audit in Administrative Case No. 316, An Audit of Universal Local Access Service Channel Reports, and withdraw civil actions pending in Franklin Circuit Court, MCI Telecommunications Corporation v. Public Service Commission, No. 87-CI-0351, and MCI Telecommunications Corporation v. Public Service Commission, et al., No. 87-CI-0634. The Commission adopted the terms of the Settlement Agreement. Administrative Case No. 311, Order dated September 29, 1988, pages 36-37. It should be noted that the Joint Motion and written Settlement Agreement are silent regarding a number of issues discussed in the Order of September 29, 1988, including the appropriate treatment of private line services in the ULAS allocation plan. Also, it should be noted that MCI has not contended that adoption of the private line surrogate is inconsistent with the Joint Motion.

⁵ AT&T Petition for Rehearing, page 2.

⁶ Ibid.

ULAS allocator based on terminating switched access minutes which only requires information gathered by the local exchange companies in the normal course of business.

Third, AT&T contends that the reasoning underlying adoption of the private line surrogate is flawed.⁸ Specifically, AT&T contends that the Commission's concern about bypass of the local exchange network is exaggerated, there is no empirical evidence to support the Commission's concern about stranded investment, and surcharges that already apply to private line services are a sufficient deterrent to substituting private line services for switched access services. As a solution to the bypass problem, "AT&T recommends that the Commission eliminate the originating carrier common line charge and/or allow the entire non-traffic sensitive revenue requirement to be collected through the ULAS tariff."⁹

US Sprint did not take a position on the private line surrogate issue in its response to AT&T's Petition for Rehearing.

The Commission will grant rehearing on the issue of including private line services in the ULAS allocation plan and the adoption of a surrogate measure of private line usage. This issue was among the most contested in this investigation and should receive a thorough examination. However, in addition to their own individual concerns, the Commission anticipates that during the

⁷ Ibid., page 3.

⁸ Ibid., pages 4-6.

⁹ Ibid., page 5.

rehearing process the parties will address AT&T's contentions and suggestions. Specifically, the Commission anticipates prefiled testimony on: (1) whether adoption of the private line surrogate is inconsistent with the Joint Motion of AT&T and MCI; (2) whether adoption of the private line surrogate will perpetuate administrative problems associated with the channel count allocation plan; (3) whether either elimination of the originating carrier common line charge or assignment of all non-traffic sensitive revenue requirement to ULAS will allay the Commission's concern about bypass of the local exchange network; (4) whether any analytical or empirical evidence exists to support the Commission's concern about stranded investment in the local exchange network; and (5) whether existing private line services surcharges are sufficient to deter substitution of private line services for switched access services.

Application of ULAS to Resellers

In the Order of September 29, 1988, the Commission deferred the matter of whether WATS¹⁰ resellers should be included in the ULAS allocation plan to another investigation or possible rehearing in this investigation.¹¹ The decision to defer action was based on the fact that some WATS resellers were not notified of this investigation and none participated.

¹⁰ Wide Area Telecommunications Service.

¹¹ Administrative Case No. 311, Order dated September 29, 1988, page 32.

AT&T contends that all purchasers of terminating switched access services should be included in the ULAS allocation plan, stating: "In fairness and consistent with the original intent of the ULAS tariff, the Commission should include those resellers who directly use access services".¹²

US Sprint supports AT&T's Petition for Rehearing on including WATS resellers or resellers of access services in the ULAS allocation plan.¹³

The Commission will grant rehearing on this issue and notify all utilities providing long-distance service that are not currently on the service list. The issues on rehearing will be: (1) whether WATS resellers should be included in the ULAS allocation plan; (2) whether resellers of access services should be included in the ULAS allocation plan; and (3) whether special conditions should apply to WATS resellers or resellers of access services under the ULAS allocation plan.

The ULAS Discount

In the Order of September 29, 1988, the Commission retained a discount on non-premium access.¹⁴ The decision was based on the conclusion that conditions material to a discount on non-premium

¹² Ibid., page 7-8.

¹³ US Sprint Response to AT&T's Petition for Rehearing, pages 1-2. AT&T distinguishes between WATS resellers and resellers of access services.

¹⁴ Administrative Case No. 311, Order dated September 29, 1988, pages 26-29, especially pages 27-28.

access minutes of use have not substantially changed since its adoption.

AT&T contends that "a discount is no longer necessary due to the equal access conversion by a sufficient number of local exchange carriers which eliminates technical difficulties experienced on terminating calls using non-premium access."¹⁵ Also, AT&T contends that retention of the non-premium discount makes the ULAS tariff unnecessarily complex and cumbersome.

US Sprint opposes AT&T's Petition for Rehearing on the non-premium discount issue.¹⁶

The Commission will deny rehearing on the non-premium discount. The Commission has received testimony on the issue on several occasions and addressed it in various Orders.¹⁷ AT&T has not presented new evidence or a compelling reason to persuade the Commission to reconsider the issue.

ULAS Billing Frequency

AT&T contends that ULAS charges should be billed on a monthly basis. This issue has not been addressed in the existing record of this investigation. Nonetheless, the Commission will grant

¹⁵ AT&T Petition for Rehearing, page 8.

¹⁶ US Sprint Response to AT&T's Petition for Rehearing, page 1.

¹⁷ For example, in addition to the Order of September 29, 1988, in this case, Orders in Case No. 8838, An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities Pursuant to Changes to be Effective January 1, 1984, Phase I dated November 20, 1984, and Phase II dated January 22, 1987.

hearing on the issue, as there may be good reason to order modifications in ULAS billing procedures. The parties are invited to address the issue in prefiled testimony.

US Sprint did not take a position on the billing frequency issue in its response to AT&T's Petition for Rehearing.

Miscellaneous Matters

In the Order of September 29, 1988, the Commission required South Central Bell Telephone Company ("South Central Bell") to file draft tariff provisions and implementation guidelines that reflect the decisions and technical suggestions contained in the Order, within 45 days from the date of the Order.¹⁸ Since the Commission will grant rehearing on certain issues, the Commission will stay the tariff filing requirement pending an Order on Rehearing.

Finally, the Commission advises the parties that a schedule of procedure will follow the release of this Order and that the formal conference to discuss technical issues will not be scheduled until after release of an Order on Rehearing.

Findings and Orders

The Commission, having considered AT&T's Petition for Rehearing and being advised, is of the opinion and finds that:

1. AT&T's Petition for Rehearing should be granted in part and denied in part, as discussed herein.

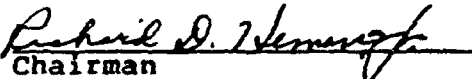
¹⁸ Administrative Case No. 311, Order dated September 29, 1988, page 36.

2. South Central Bell should not file draft tariff provisions and implementation guidelines, pending an Order on Rehearing.

Accordingly, the above findings are HEREBY ORDERED.

Done at Frankfort, Kentucky, this 9th day of November, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director