

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF AT&T)
COMMUNICATIONS OF THE SOUTH) CASE NO. 9889
CENTRAL STATES, INC.)

O R D E R

On February 9, 1988, the Commission issued an Order approving, subject to certain restrictions, a flex rate tariff for AT&T Communications of the South Central States, Inc. ("AT&T"). While affording AT&T the flexibility of changing its rates within a 10 percent band, the tariff requires that no rate reduction cause rates within any band to fall below AT&T's variable cost of service. The tariff defines variable cost as access charges composed of carrier common line, traffic sensitive elements, and billing and collection charges levied by the local exchange carriers.¹

On February 29, 1988, U.S. Sprint Communications Company ("Sprint") filed an application for rehearing on the issue of whether Universal Local Access Services ("ULAS") payments should be included in AT&T's variable costs. Sprint opines that the omission of ULAS charges from the definition of variable cost is unreasonable and provides AT&T with an unfair competitive advantage.

¹ AT&T Application, filed April 10, 1987, Exhibit 2, page 4.

On March 8, 1988, AT&T filed its response to Sprint's application for rehearing. AT&T states that Sprint failed to raise any issues not previously considered by the Commission and that Sprint did not offer to provide any evidence which it could not have provided with reasonable diligence at the hearing. AT&T also states that it has not received any competitive advantage.

COMMENTARY

Sprint contends that the Commission should include ULAS payments in the definition of variable costs, regardless of how such payments are allocated. Sprint also maintains that the Commission's view that ULAS is not a variable cost because it does not change with message volumes is too narrow and restrictive.

AT&T's witness stated that the ULAS charge did not vary as a function of volume and thus should not be included in the definition of variable cost. Through cross-examination of AT&T's witness and in its post-hearing brief, Sprint advanced its position of treating ULAS as a variable cost. In its Order of February 9, 1988, the Commission addressed Sprint's arguments and explained why ULAS should not be considered a variable cost. The Commission also advised all parties that it may reconsider this matter if a usage based allocator were to be adopted in Administrative Case No. 311, Investigation of Intralata Carrier Billed Minutes Of Use As A ULAS Allocator.

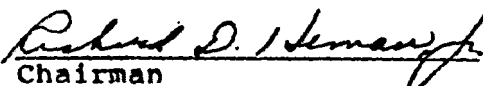
In its application, Sprint did not offer to present new evidence or changes of circumstance to warrant a rehearing. Furthermore, throughout this proceeding Sprint had ample opportunity to offer evidence supporting its position. At this time the Commission sees no need to rehear arguments which have


been sufficiently considered and finds that the application for rehearing should be denied.

IT IS THEREFORE ORDERED that U.S. Sprint's application for rehearing be and it hereby is denied.

Done at Frankfort, Kentucky, this 18th day of March, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director