

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF THE KENTUCKY)
INTRASTATE RATES OF SOUTH CENTRAL) CASE NO. 10105
BELL TELEPHONE COMPANY, INC.)

O R D E R

On July 28, 1988, MCI Telecommunications Corporation ("MCI") filed a Motion to Reconsider Order of July 14, 1988 and a Motion to Require SCB to File Additional Information on Directory Publishing Revenues with Commission and Attorney General. In its first motion, MCI requested the Commission reconsider its Order denying MCI's motion to compel South Central Bell Telephone Company ("SCB") to provide information concerning affiliated transactions, budgets, and directory advertising. MCI argued that the Commission should compel SCB to provide it the information pursuant to an appropriate protective agreement. Thus, MCI requested information concerning directory revenues and the information which the Commission ordered SCB to file concerning budgets and affiliated transactions.

In support of this motion, MCI states that it is entitled to conduct reasonable discovery as a ratepayer and intervenor in this proceeding. MCI sought to focus on the transactions between SCB and Bell South Advertising and Publishing Company ("BAPCO") to determine whether the revenues derived from directory publishing are contributing to the fullest extent toward local rates and universal service.

In support of its motion for additional discovery on directory publishing revenues, MCI asserted that significant revenues which should be contributing to local rates may be diverted to BellSouth through the vertical integration of subsidiary companies. MCI also stated that without the responses to the data request in the record the Commission may not have sufficient information by which to determine whether such revenues are being inappropriately diverted from local service rates.

On August 1, 1988, SCB filed responses to MCI's motions. In its response to MCI's motion to reconsider, SCB stated that MCI does not explain where the Commission erred in denying its motion to compel nor does MCI cite authority for its claim to a right of discovery in this proceeding. In addition, SCB asserted that MCI is a competitor in some markets.

In its response to MCI's motion for additional discovery, SCB stated that the requests are untimely and redundant. Further, SCB asserted that its contract with BAPCO provides for SCB to receive a percentage of BAPCO's gross revenues and that the expenses BAPCO pays to affiliated and non-affiliated suppliers have no impact on its payment to SCB.

Also on August 1, 1988, SCB filed a Motion to Strike MCI's Third Data Request reiterating comments made in the responses to MCI's motions. SCB contended the propounded data request is untimely as it was not filed in compliance with the Commission's procedure Order of July 20, 1988 and that the data request did not comport with the intent of the Commission for a short period of discovery. Finally, SCB stated that the data request is an

attempt to relitigate issues which the Commission had considered in its July 14, 1988 Order, denying MCI's motion to compel answers to questions concerning directory advertising, budgets, and affiliated transactions.

On August 10, 1988, MCI filed its response to SCB's motion to strike in which MCI contended that the revenue flow chart for yellow pages presented with its third data request is based upon sworn testimony of a SCB witness in a proceeding before the Louisiana Public Service Commission. MCI stated that the questions which it seeks to have answered are relevant because SCB is not receiving its share of profitability from the yellow pages production. MCI contended that the Commission's failure to require SCB to produce the yellow pages data effectively withholds from a party to the proceeding information upon which a decision should be made. Finally, MCI asserted that the Constitution requires that the procedural requirement of a fair and open hearing not be compromised by expediency or a desire to be rid of harassing delay.

After much deliberation of these motions and the responses and being advised, the Commission, is of the opinion and finds that:

1. MCI's Motion to Reconsider Order of July 14, 1988 should be denied. MCI has failed to substantiate its claim that it should be granted access to the proprietary information filed by SCB for the purposes of this proceeding.

2. MCI's Motion to Require SCB to File Additional Information on Directory Publishing Revenues with Commission and

Attorney General should be denied, except to the extent set forth below because the requests are irrelevant and immaterial to this proceeding. However, SCB should file with the Commission a full description of how the capital, net investment, revenues and expenses of BellSouth Information Systems, Inc., Stevens Graphics, and Techsouth are reflected in the accounts of SCB or in the calculation of the BAPCO adjustment on pages 92 and 93 of SCB's initial response to the Commission's Order in this cases filed January 20, 1988. The description should also explain the relationship of BellSouth Information Systems, Inc., Stevens Graphics, and Techsouth to BellSouth Corporation and BAPCO.

3. SCB's Motion to Strike should be granted, except to the extent stated in paragraph 2 above.


4. SCB should file the information requested in paragraph 2 above no later than August 17, 1988.

5. Should MCI be of the opinion that SCB's affiliated interests require formal investigation, MCI should file a complaint pursuant to KRS 278.260. Such a complaint would be considered on its merits by the Commission.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 11th day of August, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director