

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF APPLICATION OF SOUTH)
CENTRAL BELL TELEPHONE COMPANY TO)
MODIFY ESSX SERVICE, FOR)
CONFIDENTIAL TREATMENT OF PROPOSED) CASE NO. 10212
SECTION P12 AND TO PROVIDE RATE)
FLEXIBILITY)

O R D E R

IT IS ORDERED that South Central Bell Telephone Company ("SCB") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible.

The information requested is due no later than June 17, 1988. If the information cannot be provided by this date, a motion for an extension of time must be submitted stating the reason for the delay and the date by which the information can be furnished. The Commission will give due consideration to such motions.

1. Identify examples of features and functions required in today's business environment.

2. Estimate the contribution to the general ratepayer under the existing tariff.

3. Explain the term market base as used in the following:
". . . establishes the market base required to ensure the effective development of Central Office based services in the future."

4. Describe in detail the studies, efficiencies in the local distribution network, and the deployment of additional stored program control capabilities that have changed the cost basis for ESSX service and the associated pricing strategy.

5. Why is this filing essential to the competitive viability of ESSX in this dynamic marketplace?

6. Why is SCB proposing modifications to apply Central Office Line Connection charges to ESSX station lines rather than ESSX Network Access Registers?

7. Why is SCB proposing a confidential tariff rather than using a special contract arrangement to provide ESSX service?

8. Has SCB prepared a 5-year projection of demand for ESSX? If yes, provide the data. If no, why not?

9. Has SCB implemented flexible pricing for ESSX in any other states? If yes, describe the experience. If no, why is Kentucky the first state?

10. Provide the rationale for changing the mileage increments of the main station line exchange circuit?

11. Why have rates for Group B line and system features been consolidated into one rate for each feature for all system sizes? Is this change cost based?

12. Have Electronic Tandem Switching Features been available to subscribers served from DMS central offices in the past?

13. How are rate predictability and rate stability different?

14. In developing its market based pricing strategy, who did SCB determine were the relevant competitors?

15. In developing its market based pricing strategy, what was the range of market prices for products offered by the relevant competition?

16. In setting the price relevant to competition, what is SCB's product strategy/desired results?

17. What is the basis for using a cost of money of 13 percent?

18. Attachment A, page 5 of 6 contains a general discussion of loop costs, and indicates that a study was performed using incremental costs based upon least cost technology. Provide the results of this study, at a level of detail which shows the cost developments for each system size, each type of central office technology (analog and digital), each type of transmission technology (pair gain, fiber, etc.), and each quarter mile increment.

a. List all assumptions such as cost of money, equipment lives, and provide derivations of all factors used.

b. Indicate whether costs were based on embedded or current costs.

c. Provide the details and calculations showing how these results were weighted and blended to arrive at a two-tiered flat loop rate.

d. Define "small," "medium," and "large" systems and explain the rationale behind these selections.

e. Provide the details and calculations showing how the least cost transmission technology was determined by providing analyses of the other transmission costs. Since the selection of least cost technology will be primarily a function of distance and system size, it is only necessary to provide these analyses at the break points. For instance, for a given system, there will be a distance at which fiber will be the least cost technology. If it is accurate to assume that fiber will still be the least cost technology for a larger system, or one that is further from the central office, it is not necessary to show the costs for the other technologies for these situations.

19. Provide an analysis comparing the difference in costs and revenues between the provision of ESSX services and the provision of PBX trunk lines. Some suggestions and specifications for this analysis follows:

a. The focus should be on the effects to the regulated operations of the company. Therefore, PBX switching costs should be ignored. However, trunk hunting or roll-over costs should be considered.

b. Common costs and revenues should be excluded.

c. This comparison should incorporate consistent study and costing methodologies. For instance, if the ESSX cost study is based upon incremental costs and least cost technology, then the provision of PBX trunks should be analyzed on the same basis. However, it is important to recognize that since the provision of PBX trunks would require less outside plant capacity than the provision of ESSX, the choice of least cost technology may differ between the two. For instance, for a given system, fiber may be the least cost technology for an ESSX system; however, the equivalent PBX system will probably not require the same number of derived channels, which may make T-carrier a better choice. In this situation, the analysis for the ESSX system should include fiber costs, while the analysis for the PBX system should include T-carrier costs.

d. The treatment of stranded investments should be carefully considered and explained. These should be clearly identified and disaggregated from other amounts. Sufficient detail should be provided to allow them to be removed from the study, if necessary.

e. Clearly identify and define all elements.

f. If possible, separate analyses should be provided for a small system close to the central office, a small system far from the central office, a large system close to the central office, and a large system far from the central office.

g. The return on investment, as well as contribution, should be calculated for each system analyzed.

Done at Frankfort, Kentucky, this 3rd day of June, 1988.

PUBLIC SERVICE COMMISSION

Carl D. Semmes, Jr.
For the Commission

ATTEST:

Executive Director