

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF SOUTH CENTRAL)
TELEPHONE COMPANY TO ESTABLISH) CASE NO. 10218
MEGALINK CHANNEL SERVICE)

O R D E R

On March 10, 1988, South Central Bell Telephone Company ("SCB") made a tariff filing to establish MegaLink Channel Service. As part of its tariff filing, SCB also filed a Petition for Confidential Treatment, applicable to cost support documentation. On April 8, 1988, MCI Telecommunications Corporation ("MCI") filed a Motion to Suspend Tariff and for Full Intervention. MCI's Motion was granted and the tariff filing was suspended for further investigation on April 11, 1988. On April 22, 1988, SCB filed an Opposition to MCI's Motion for Intervention and Request for Interim Authority and Expedited Investigation. Subsequently, on April 29, 1988, MCI filed a response to the opposition of SCB.

On the matter of confidential treatment, the Commission is of the opinion and finds that SCB's Petition should be granted, subject to the provisions of 807 KAR 5:001, Section 7 and any agreements among the parties allowing access to the information.

As reason for its opposition to MCI's intervention, SCB states:

Institution of the service will pose no harm to MCI because MegaLink Service is provided only for transmission of digital signals between two points

located within the² same LATA,¹ an area MCI is not authorized to serve.

In response, MCI contends that "SCB's opposition to MCI's Motion to intervene is clearly untimely and, therefore, should not be considered."³

The Commission agrees with MCI that SCB's Motion in opposition to MCI's intervention is untimely. Furthermore, even though MegaLink Channel Service is an intraLATA service offering, the pricing of MegaLink Channel Service and other intraLATA service offerings may impact the pricing of interLATA access services to which MCI subscribes. This pricing relationship was the basis of MCI's Motion to suspend the tariff filing and for intervention.⁴ Therefore, the Commission is of the opinion and finds that SCB's Motion in opposition to MCI's intervention should be denied.

As a reason for interim authority to offer MegaLink Channel Service, SCB states that "the cost support filed with the tariff clearly indicates that the service will cover its costs."⁵ SCB adds that if the Commission determines that safeguards are

¹ Local Access and Transport Area.

² SCB's Opposition to MCI's Motion for Intervention and Request for Interim Authority and Expedited Investigation, page 3.

³ Response of MCI to the Opposition of SCB, page 1.

⁴ MCI's Motion to Suspend Tariff and for Full Intervention, pages 1-2.

⁵ SCB's Opposition to MCI's Motion for Intervention and Request for Interim Authority and Expedited Investigation, page 3.

necessary to protect the public interest, it "will agree to absorb any losses should the tariff be determined to be priced below cost."⁶ Finally, SCB notes that the Commission has approved the absorption concept in another case.⁷

In response:

MCI does not object to SCB's request for authority to offer the MegaLink Channel Service on an interim basis pending the outcome of this proceeding, provided SCB agrees to absorb any losses should the tariff be determined to be priced below cost.

The Commission is of the opinion and finds that SCB's Motion for Interim Authority to offer MegaLink Channel Service should be granted, subject to certain conditions. First, if at the conclusion of this investigation interim rates are found to be priced below cost or below rates that are found to be reasonable, then the Commission will impute the difference as an adjustment to regulated revenues over the life of all service agreements entered into during the period in which the interim rates are in effect. In this way, regulated ratepayers will be protected from funding any subsidy that may exist in the pricing of MegaLink Channel Service. Second, the Commission will require SCB to maintain records concerning all service agreements entered into during the

⁶ Ibid.

⁷ Case No. 9496, The Tariff Application of South Central Bell Telephone Company to Offer Digital ESSX Service and Restructure Analog ESSX Service.

⁸ Response of MCI to the Opposition of SCB, pages 1-2.

period in which the interim rates are in effect. This will facilitate any enforcement action that may be necessary under the terms of the prior condition.

As reason for an expedited investigation, SCB states that there are "no complicated issues with respect to this service"⁹ and, therefore, "this service can be quickly investigated and approved."¹⁰

MCI opposes SCB's Motion to consider MegaLink Channel Service on an expedited basis without giving a specific reason," except a reference to linkage with another case.¹¹

The Commission is of the opinion and finds that SCB's Motion to consider MegaLink Channel Service on an expedited basis should be denied. Moreover, the grant of interim authority renders the Motion moot.

Accordingly, each of the above findings is HEREBY ORDERED.

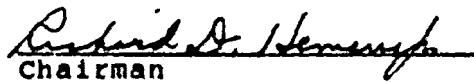
⁹ SCB's opposition to MCI's Motion for Intervention and Request for Interim Authority and Expedited Investigation, page 3.

¹⁰ Ibid.

¹¹ Case No. 10212, The Tariff Application of South Central Bell Telephone Company to Modify ESSX for Confidential Treatment of Proposed Section P12 and to Provide Rate Stability.

Done at Frankfort, Kentucky, this 24th day of May, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director