

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

INTRODUCTION

On September 29, 1988, the Commission entered its decision in this investigation. On November 9, 1988, the Commission granted rehearing on the following issues:

1. The inclusion of private line<sup>1</sup> services in the ULAS<sup>2</sup> allocation plan and the related adoption of a surrogate measure of private line usage.
2. The participation of WATS<sup>3</sup> resellers in the ULAS allocation plan.
3. ULAS billing frequency.

AmeriCall Systems of Louisville ("AmeriCall"); AT&T Communications of the South Central States, Inc. ("AT&T"); the Attorney General of the Commonwealth of Kentucky, by and through

---

<sup>1</sup> Private line services are services that connect customer designated premises through dedicated serving arrangements. These services do not involve local exchange carrier end office switching. As used in this Order, the term "private line services" refers to interexchange carrier service offerings that use dedicated serving arrangements at both the originating and terminating access points.

<sup>2</sup> Universal Local Access Service.

<sup>3</sup> Wide Area Telecommunications Service.

his Utility and Rate Intervention Division ("Attorney General"); MCI Telecommunications Corporation ("MCI"); South Central Bell Telephone Company ("South Central Bell"); Telcor, Inc. d/b/a TMC of Louisville and LDDS of Indiana, Inc. d/b/a LDDS Communications, formerly TelaMarketing Communications of Evansville, Inc. (collectively "LDDS"); and US Sprint Communications Company, Limited Partnership ("US Sprint") were active participants in this investigation on rehearing.

Prefiled testimony was filed as follows:

1. On behalf of AT&T, the testimony of L.G. Sather, staff manager, marketing plans implementation, filed on January 9, 1989.

2. On behalf of South Central Bell, the testimony of Margaret K. Thompson, operations manager, rates and economics department, filed on January 9, 1989. Subsequently, Ms. Thompson's testimony was adopted by Stephan D. Rausch, staff manager, public affairs department.

3. On behalf of US Sprint, the testimony of Tony H. Key, manager, regulatory affairs, filed on January 9, 1989.

4. On behalf of MCI, the testimony of Loren D. Burnett, senior manager, telco cost management, filed on January 10, 1989. Subsequently, Mr. Burnett's testimony was adopted by Maureen Hedlund, manager, telco cost management.

5. On behalf of AmeriCall, the testimony of Jeffrey M. Zahner, president of Americall, filed on January 31, 1989.

6. On behalf of LDDS, the testimony of Terrence M. Peck, consultant to LDDS, filed on February 7, 1989.

The Attorney General did not prefile any testimony.

On March 23, 1989, the Commission deferred the issue of the participation of WATS resellers in the ULAS allocation plan to Administrative Case No. 328<sup>4</sup> and clarified the scope of the remaining issues. On March 30, 1989, public rehearing was held to permit the presentation of evidence and the cross-examination of witnesses. On April 14, 1989, the Transcript of Evidence was filed.

Post rehearing briefs were filed as follows:

1. Rehearing Brief of the Attorney General, filed on April 28, 1989.
2. Rehearing Brief of AmeriCall, filed on May 2, 1989.
3. Rehearing Brief of AT&T, filed on May 2, 1989.
4. Rehearing Brief of LDDS, filed on May 2, 1989.
5. Rehearing Brief of South Central Bell, filed on May 2, 1989.
6. Rehearing Brief of MCI, filed on May 3, 1989.

US Sprint did not file a post rehearing brief.

Post rehearing reply briefs were filed as follows:

1. Rehearing Reply Brief of AT&T, filed on May 9, 1989.
2. Rehearing Reply Brief of LDDS, filed on May 12, 1989.
3. Rehearing Reply Brief of MCI, filed on May 15, 1989.

AmeriCall, the Attorney General, South Central Bell, and US Sprint did not file post rehearing reply briefs.

---

<sup>4</sup> Administrative Case No. 328, Investigation Into Whether WATS Resellers Should be Included in the ULAS Allocation Process.

All information sought by the Commission and the parties through written interrogatories and oral requests at rehearing has been filed.

### DISCUSSION

#### Private Line Services

In the Order of September 29, 1988, the Commission decided that private line services should be included in the ULAS allocation plan. The Commission reasoned that:

Including private line services in the ULAS allocation process should minimize any incentive to migrate customers from switched to private line services. At the same time, it should minimize any stranded plant investment that might be created as a result of such customer migration. Finally, it recognizes that private line services can contribute to non-traffic sensitive cost to the extent that they terminate in customer premises equipment capable of leaking traffic into the local switched network.<sup>5</sup>

The parties are divided on the decision to include private line services in the ULAS allocation plan and the related adoption of a surrogate measure of private line usage. AmeriCall, the Attorney General, LDDS, and South Central Bell support the decision. These parties generally agree with the Commission's concerns about customer migration, stranded plant investment, and non-traffic sensitive cost. AT&T, MCI, and US Sprint oppose the decision. These parties generally contend that the Commission's concerns are unfounded and that, in any event, the administrative burdens of managing a ULAS allocation plan that includes private line services outweigh the public benefit.

---

<sup>5</sup> Administrative Case No. 311, Order dated September 29, 1988, page 24.

On the issue of customer migration, AmeriCall postulates that private line services tend to be used by large customers. Therefore, under a ULAS plan that does not include private line services, if large customers migrate from switched services to private line services, then small customers will be responsible for the ULAS revenue requirement.<sup>6</sup> Also, AmeriCall observes that under a ULAS allocation plan that does not include private line services, "migration of customers from the switched network to private line will allow carriers to lower their own ULAS bills while raising their competitors' bills."<sup>7</sup> AmeriCall concludes that private line services should be included in the ULAS allocation plan to assure that carriers subject to ULAS charges pay their "fair share" of the ULAS revenue requirement and to assure that "large customers of carriers will not have a free ride on the backs of small customers."<sup>8</sup>

In other areas, AmeriCall indicates that customer migration from switched services to private line services can result in stranded plant investment and argues that "administrative burdens are part of the cost of doing business and are not a sufficient reason to exempt large customers from ULAS."<sup>9</sup>

The Attorney General argues that no studies or other compelling evidence was produced on rehearing to "demonstrate that

---

<sup>6</sup> Rehearing Brief of AmeriCall, page 3. Cf., Transcript of Evidence, pages 42-45 and 61-62.

<sup>7</sup> Rehearing Brief of AmeriCall, page 4.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid., page 5.

the Commission's concern about stranded investment was unfounded."<sup>10</sup> Also, because private line services represent a small proportion of each carrier's total business relative to the resources available to them, the Attorney General contends that the administrative burdens argument "is a sheep in wolf's clothing."<sup>11</sup> Third, the Attorney General cites the testimony of several witnesses to support the conclusion that private line services can contribute to non-traffic sensitive cost.<sup>12</sup> Lastly, the Attorney General argues that:

. . . the primary reason the interexchange carriers want private line uncovered is that by migrating customers off the switched network each carrier could continue to simultaneously reduce its own expense while raising competitor's expense.<sup>13</sup>

LDDS contends that including private line services in the ULAS allocation plan "provides an appropriate method to help minimize customer migration from switched to private line services."<sup>14</sup> Also, including private line services in the ULAS allocation plan will permit the recovery of non-traffic sensitive cost from "leaky" private branch exchanges.<sup>15</sup>

---

<sup>10</sup> Rehearing Brief of the Attorney General, page 3. Cf., Transcript of Evidence, pages 83-84.

<sup>11</sup> Rehearing Brief of the Attorney General, page 4. Cf., Transcript of Evidence, pages 61 and 77.

<sup>12</sup> Rehearing Brief of the Attorney General, page 4. Cf., Transcript of Evidence, pages 72-73, 87, and 130-131.

<sup>13</sup> Rehearing Brief of the Attorney General, pages 5-6.

<sup>14</sup> Prefiled Testimony of Terrence M. Peck, page 12.

<sup>15</sup> Ibid., page 13. Cf., Transcript of Evidence, pages 112-113 and 143 and Rehearing Brief of LDDS, pages 7-9.

In large part, LDDS's argument is based on the concept of network optimization.<sup>16</sup> Essentially, the theory is that telecommunications consumers will design their networks to take advantage of least cost routing and transmission alternatives. Accordingly, LDDS argues that a ULAS allocation plan that does not include private line services will exacerbate price differentials relative to switched services and encourage "networking solutions more and more reliant on private line components."<sup>17</sup>

In prefiled testimony, South Central Bell argued that private line services should be included in the ULAS allocation plan:

. . . assuming that the Commission wishes to continue applying ULAS charges to service bypass facilities. Consistent with the Commission's intent to minimize the incentive for customer migration from switched to private line services (i.e., bypass of the local switched network), it is necessary to include such non-measured services. . . Additionally, such services should be included in the allocator because they contribute to non-traffic sensitive costs as a result of their capability of leaking traffic into the local network. Exclusion of private line services ignores this market segment and could potentially encourage this type of bypass of the local switched network.<sup>18</sup>

At the same time, South Central Bell observed that "the only reason to exclude such services is a conclusion that the administrative burdens outweigh the benefits of inclusion."<sup>19</sup>

Furthermore, and significantly:

---

<sup>16</sup> Transcript of Evidence, pages 96 and 134-135 and Rehearing Brief of LDDS, pages 4-7.

<sup>17</sup> Rehearing Brief of LDDS, page 9.

<sup>18</sup> Prefiled Testimony of Margaret K. Thompson, pages 2-3. Cf., Transcript of Evidence, page 143 and Rehearing Brief of South Central Bell, pages 3-4.

<sup>19</sup> Prefiled Testimony of Margaret K. Thompson, page 3.

. . . South Central Bell has had considerable experience in administering the existing ULAS tariff. It does not disagree with the evidence presented by the interexchange carriers that administrative difficulties are inherent with the use of a surrogate based on private lines. The Commission must consider whether the alleviation of administrative burdens supports a change in the Commission's methodology for the sharing of non-traffic sensitive costs among the interexchange carriers.<sup>20</sup>

In contrast to the positions discussed above, AT&T contends that the Commission's reasons for including private line services in the ULAS allocation plan are unfounded. First, AT&T contends that customer migration from switched services to private line services will not affect ULAS revenue requirement or the amount of revenues paid to the local exchange carriers; no carrier subject to ULAS charges has expressed concern about the possible manipulation of ULAS allocations through a deliberate strategy of customer migration; customer migration results from rational business choices that cannot be externally imposed; and a deliberate strategy of customer migration is unlikely because switched services are more profitable than private line services.<sup>21</sup> Also, AT&T contends that customer migration from switched services to private line services will not cause stranded plant investment because the local loop portion of plant investment can be used to provide either switched services or private line services and the central office portion of plant

---

<sup>20</sup> Rehearing Brief of South Central Bell, page 4. Cf., Transcript of Evidence, pages 11-12, 14-16, 76-77, 128-129, and 135-136.

<sup>21</sup> Rehearing Brief of AT&T, pages 4-6.



investment would be available to accommodate growth in switched services.<sup>22</sup> Third, AT&T contends that existing interstate and intrastate private line surcharges provide a sufficient contribution toward non-traffic sensitive cost recovery.<sup>23</sup> Finally, AT&T contends that including private line services in the ULAS allocation plan will perpetuate administrative burdens associated with the past channel count allocation methodology.<sup>24</sup>

MCI contends that the decision to include private line services in the ULAS allocation plan is not supported by the record of evidence<sup>25</sup> and will perpetuate administrative burdens associated with the past channel count allocation methodology.<sup>26</sup>

US Sprint argues that including private line services in the ULAS allocation plan is not consistent with the intent of ULAS, in that ULAS is intended to recover non-traffic sensitive cost and no non-traffic sensitive cost is associated with private line services.<sup>27</sup> Also, US Sprint argues that it is mathematically unnecessary, in that the ratios of private line usage among the carriers subject to ULAS charges may be constant and, in any

---

<sup>22</sup> Ibid., pages 6-7.

<sup>23</sup> Ibid., pages 7-8.

<sup>24</sup> Ibid., pages 9-11. Cf., Prefiled Testimony of L.G. Sather, pages 4-5 and Transcript of Evidence, pages 11-16.

<sup>25</sup> Rehearing Brief of MCI, pages 3-6.

<sup>26</sup> Ibid., pages 6-8. Cf., Prefiled Testimony of Loren D. Burnett, pages 3-4 and Transcript of Evidence, pages 76-77.

<sup>27</sup> Prefiled Testimony of Tony H. Key, pages 6-7.

event, deviations from the average would lead to improper rewards and punishments in the form of lower than average or higher than average ULAS charges as a result of a carrier's relative mix of private lines vis-a-vis other carriers.<sup>28</sup> Third, US Sprint argues that it is inefficient, in that it distorts rational economic decisions to use private line services.<sup>29</sup> Finally, US Sprint argues that including private line services in the ULAS allocation plan will perpetuate administrative burdens associated with the past channel count allocation methodology.<sup>30</sup>

The Commission's concern that customer migration from switched services to private line services could result from a ULAS allocation plan that does not include private line services has been eased on rehearing. In particular, AT&T's arguments have been persuasive. Mr. Sather summarized AT&T's position as follows:

I submit the requiring of a private line surrogate is not necessary to address the concerns of bypass nor will it impact customer movement. I would like to make three points in this regard. First, terminating minutes of use is, for all practical purposes, if you would, non-bypassable. This is particularly true when you count terminating minutes of use to include originating 800 type traffic as was agreed to in the previous hearing. Second, the terminating minute of use count allocation method will not create any migration of customers to private line services. Private line services are designed to meet specific customer needs. They meet the needs of customers that have demands of large amounts of communications between specific

---

28 Ibid., pages 7-9.

29 Ibid., pages 9-12.

30 Ibid., pages 12-13.

customer locations. Private line services do not give the customer the ability to reach any telephone within the state. Consequently, they are not directly substitutable for switched service and migration would not be the result. Third, it should be noted that the inclusion of private line surrogates does not in any way impact the amount of dollars that will flow to support local service from toll services. It will not impact in any manner the amount of revenue that flows to any individual local exchange company. The dollars that each local exchange company will receive from this process is a fixed amount set by the Commission Order. It is unaffected by the allocation method. If there is any advantage or disadvantage to one allocation method versus another, it would be a problem between the interexchange carriers and how we are impacted versus one another. In this regard it should be noted that those of us who are going to pay the bill feel that the terminating minute of use is a reasonable allocation method and unanimously oppose inclusion of a private line surrogate count.<sup>31</sup>

Also, the Commission's concerns about stranded plant investment and non-traffic sensitive cost have been eased on rehearing. As above, AT&T's arguments have been persuasive. Both concerns were premised on the assumption of customer migration from switched services to private line services. To the extent that customer migration does not occur, stranded plant investment will not occur. Moreover, assuming customer migration, stranded plant investment would not be significant because the local loop portion of plant investment can be used to provide either switched services or private line services and the central office portion of plant investment would be available to accommodate growth in

---

<sup>31</sup> Transcript of Evidence, pages 12-14.

switched services. To the extent that customer migration does not occur, non-traffic sensitive cost will not be affected. Moreover, existing interstate and intrastate surcharges provide a contribution to non-traffic sensitive recovery.

The Commission agrees that switched services and private line services are not pure substitutes for one another. At the same time, switched services and private line services are price cross-elastic. These conditions should mitigate a deliberate strategy of customer migration. The former condition should act as a constraint because customers that require switched services cannot be compelled to use private line services. Neither can customers that require private line services be compelled to use switched services. The latter condition should act as a constraint because switched services are more profitable than private line services, and a carrier's interest in customer migration must be balanced against its desire to maximize profits.

Apart from their other arguments, AT&T, MCI, and US Sprint all agree that including private line services in the ULAS allocation plan would perpetuate administrative burdens associated with the past channel count allocation methodology. Also, South Central Bell, the ULAS tariff administrator, admits that including private line services in the ULAS allocation plan would pose administrative burdens. The Commission wishes to avoid administrative burdens to the maximum extent possible consistent with sound regulatory practice.

On rehearing, the Commission is persuaded that the administrative burdens of including private line services in the

ULAS allocation plan outweigh the public benefit. Therefore, the Commission will exempt private line services. At the same time, the Commission will monitor events to ensure that carriers subject to ULAS charges do not attempt to manipulate the ULAS allocation plan through customer migration from switched services to private line services. Evidence of a deliberate strategy of customer migration shall be taken as cause to reconsider the exemption of private line services.

### Billing Frequency

In the Order of September 29, 1988, the Commission concluded that current ULAS billing procedures should not be modified. Under current procedures ULAS bills are rendered monthly. Carrier ULAS usage reports are filed quarterly and ULAS charges are computed quarterly. Although the record in this investigation generally refers to billing frequency, the issue is whether ULAS charges should be computed on a monthly or quarterly basis.<sup>32</sup>

AT&T and South Central Bell are the only parties that commented on the issue of ULAS billing frequency. AT&T contends that ULAS charges should be computed and billed on a monthly basis. According to AT&T, "Monthly billing will more closely reflect each carrier's proper proportion of ULAS given today's ever changing market."<sup>33</sup> Also, AT&T suggests two alternatives to rating and billing ULAS charges.<sup>34</sup> First, each local exchange

---

<sup>32</sup> Cf., Transcript of Evidence, pages 146-147.

<sup>33</sup> Prefiled Testimony of L.G. Sather, page 9.

<sup>34</sup> Ibid., pages 10-11 and Rehearing Brief of AT&T, pages 11-13.

carrier would determine each interexchange carrier's percentage of total terminating switched access minutes of use billed in its service area during a month, including adjustments for discounted minutes of use, and apply each interexchange carrier's usage percentage to one-twelfth of its authorized ULAS revenue requirement. In outline, this approach is similar to existing procedures, except that channel counts rather than terminating switched access minutes of use are used to compute ULAS charges; each local exchange carrier rather than a pool administrator would compute ULAS charges; and ULAS charges would be computed on a monthly rather than a quarterly basis. Second, based on usage forecasts, each local exchange carrier would develop a per minute of use ULAS rate. The ULAS rate would apply in addition to terminating carrier common line charges and would require periodic true-ups to ensure that authorized ULAS revenue requirements were not over- or under-recovered. This approach is similar to an approach suggested by South Central Bell during the hearing phase of this investigation. The Commission rejected South Central Bell's approach and declined to consider further evidence on the approach on rehearing.

South Central Bell argues that since the Commission declined to treat ULAS charges as a carrier common line rate additive, "the ULAS allocation period should remain on a quarterly basis."<sup>35</sup>

---

<sup>35</sup> Rehearing Brief of South Central Bell, page 4. Cf., Transcript of Evidence, pages 145-147.

The Commission will reject AT&T's recommendations on billing procedures. The former recommendation must be rejected because it is administratively more complex than existing procedures. For example, at worst, it could result in 21 separate ULAS tariffs rather than a uniform statewide tariff. Also, it would require interexchange carriers to interface with and provide market sensitive information to 21 local exchange carriers as opposed to one ULAS pool administrator. The latter recommendation must be rejected because it is not consistent with the Commission's often and clearly stated intent to shift carrier common line revenue requirement to ULAS and recover non-traffic sensitive cost on a flat rate basis.

As indicated above, in the Order of September 29, 1988, the Commission concluded that current ULAS billing procedures should not be modified. The Commission reasoned that computing ULAS charges on a quarterly basis "should be administratively simpler than a monthly billing period and may also reduce the effects of traffic volatility and changes in market share."<sup>36</sup> Neither AT&T nor the other parties have presented any compelling evidence to change this decision at this time. However, at the conclusion of the still pending formal conference in this investigation, the Commission may modify the cycle of carrier ULAS usage reports and ULAS charges determination in order to minimize "real time"

---

<sup>36</sup> Administrative Case No. 311, Order dated September 29, 1988, page 34.

billing lag, provided that the Commission's concerns about traffic volatility and short-term changes in market share can be alleviated. This matter will be considered along with the need for "out-of-period" adjustments to carrier ULAS usage reports.<sup>37</sup>

As a result of the decision on rehearing to exempt private line services from the ULAS allocation plan, the carrier ULAS usage report format must be changed as specified in Appendix A.

Finally, the Commission wishes to clarify a point. On rehearing, various parties evidently thought the Commission intended to reconsider the need for a ULAS pool administrator and the filing of carrier ULAS usage reports.<sup>38</sup> This is not the case. The Commission fully intends that South Central Bell will continue to act as the ULAS pool administrator and that carriers subject to ULAS charges will continue to file usage reports with the pool administrator.

#### Joint Motions<sup>39</sup>

On August 12, 1988, AT&T and MCI filed a joint motion moving the Commission to accept a written Settlement Agreement. The

---

<sup>37</sup> Ibid., pages 34-35. Cf., Prefiled Testimony of L.G. Sather, page 9.

<sup>38</sup> Transcript of Evidence, pages 49-51 and 92.

<sup>39</sup> There was some confusion concerning the joint motions filed in this investigation. See Transcript of Evidence, pages 24-27 and 125-126. Although different in content, the joint motions were generally directed toward the same purpose: i.e., exemption of private line services from the ULAS allocation plan.



Settlement Agreement was contingent on the Commission adopting terminating switched access minutes of use as the basis of the ULAS allocation plan, effective December 3, 1987. Also, MCI agreed to withdraw its request for a ULAS audit and AT&T and MCI agreed to move the Commission to dismiss Administrative Case No. 316.<sup>40</sup> Furthermore, MCI agreed to withdraw civil actions pending in Franklin Circuit Court.<sup>41</sup>

In the Order of September 29, 1988, the Commission granted the joint motion. Terminating switched access minutes of use was adopted as the basis of the ULAS allocation plan, effective December 3, 1987, and South Central Bell was ordered to make necessary ULAS tariff changes. However, on rehearing, AT&T and MCI contended that including private line services in the ULAS allocation plan was inconsistent with the joint motion and Settlement Agreement.<sup>42</sup>

On February 17, 1989, AT&T, MCI, and US Sprint filed a joint motion moving the Commission to enter an Order exempting private line services from the ULAS allocation plan, among other things. On March 23, 1989, the Commission entered an Order granting the joint motion in part and denying it in part, but proceeding to

---

<sup>40</sup> Administrative Case No. 316, An Audit of Universal Local Access Service Channel Reports.

<sup>41</sup> MCI Telecommunications Corporation v. Public Service Commission, Civil Action No. 87-CI-0351 and MCI Telecommunications Corporation v. Public Service Commission, et al., Civil Action No. 87-CI-0634.

<sup>42</sup> Prefiled Testimony of L.G. Sather, pages 3-4; Prefiled Testimony of Loren D. Burnett, pages 2-3; Transcript of Evidence, pages 10-12; Rehearing Brief of AT&T, pages 9-11; and Rehearing Brief of MCI, pages 1-3.

rehearing on the issue of including private line services in the ULAS allocation plan.

Without discussing the merits of whether including private line services in the ULAS allocation plan was inconsistent with the joint motion of August 12, 1988, the Commission's decision on rehearing renders the matter moot, as private line services have been exempted from the ULAS allocation plan.

#### Formal Conference

In the Order of September 29, 1988, the Commission deferred certain technical issues to a formal conference. These issues were:

1. The determination of which private line services should be included in the ULAS allocation plan and which private line services should not be included in the ULAS allocation plan.<sup>43</sup> The Commission's decision on rehearing to exempt private line services from the ULAS allocation plan renders moot any further consideration of this issue.

2. The selection of a surrogate measure of private line usage.<sup>44</sup> As above, the Commission's decision on rehearing to exempt private line services from the ULAS allocation plan renders moot any further consideration of this issue.

---

<sup>43</sup> Administrative Case No. 311, Order dated September 29, 1988, pages 24-25.

<sup>44</sup> Ibid., pages 25-26.

3. The implementation of the non-premium access discount in the ULAS allocation plan.<sup>45</sup>

4. The definition of measurement of terminating switched access minutes of use.<sup>46</sup>

5. ULAS reporting procedures and formats.<sup>47</sup> That is, the need for out-of-period adjustments to carrier ULAS usage reports and the cycle of carrier ULAS usage reports and ULAS charges determination.

In each instance, the Commission provided specific suggestions to be considered at the formal conference. Also, the Commission advised the parties that other issues related to ULAS tariff requirements and implementation guidelines could be added to the formal conference agenda as appropriate. Finally, the Commission advised the parties that it anticipated recommendations consistent with its decisions and suggestions and advised its Staff to file a report on the formal conference, which:

. . . should specifically include the rationale for any deviations from the technical suggestions contained in the Order, all areas of disagreement among the parties that require resolution by the Commission, and recommended decisions as necessary.<sup>48</sup>

---

45 Ibid., page 28.

46 Ibid., pages 30-31.

47 Ibid., pages 34-35. Also, this Order, pages xxx.

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

In order to facilitate discussion at the formal conference, the Commission required South Central Bell to file ULAS tariff changes consistent with its decisions and technical suggestions. However, upon granting motions for rehearing, the Commission stayed the tariff filing requirement, pending a decision on rehearing. Accordingly, the Commission will require South Central Bell to file ULAS tariff changes consistent with this Order and the Order of September 29, 1988. The Commission will schedule a formal conference at a later time.

#### FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being sufficiently advised, is of the opinion and finds that:

1. Private line services should be exempt from the ULAS allocation plan.

2. ULAS billing procedures should not be modified, except for the carrier ULAS usage report as specified in Appendix A, attached hereto and incorporated herein.

3. Within 10 days of the date of this Order, South Central Bell should file ULAS tariff changes consistent with the decisions and technical suggestions contained in this Order and the Order of September 29, 1988.

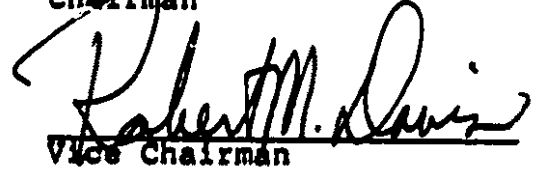
4. As ordered on September 29, 1988, intrastate terminating switched access minutes of use shall be used to allocate ULAS revenue requirement, effective December 3, 1987.

Accordingly, the above findings are HEREBY ORDERED.

Done at Frankfort, Kentucky, this 29th day of August, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN ADMIN. CASE NO. 311 DATED  
August 29, 1989

Each carrier's terminating access minutes will be calculated as follows:

M1 = terminating intrastate premium switched access minutes  
M2 = terminating total KY nonpremium switched access minutes  
M3 = originating intrastate premium switched access minutes  
M4 = originating total KY nonpremium switched access minutes  
M5 = intrastate interLATA customer billed minutes  
M6 = intrastate intraLATA customer billed minutes  
P = percent interstate usage (PIU), fractional form

$A = \frac{M4(1-P)}{M3 + M4(1-P)}$  = ratio of originating intrastate nonpremium switched access minutes to total intrastate switched access minutes

$B = \frac{M5}{M5 + M6}$  = ratio of interLATA customer billed minutes to total intrastate customer billed minutes

$C = (1-P)M2 + M1$  = terminating intrastate switched access minutes

ABC = interLATA terminating minutes eligible for discount

(1-A)BC = interLATA terminating minutes not eligible for discount

(1-B)C = intraLATA terminating minutes

$T = .45ABC + (1-A)BC + (1-B)C$   
 $= (1-.55AB)C$