

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	)	
SOUTH CENTRAL BELL TELEPHONE	)	
COMPANY'S EXPERIMENTAL INCENTIVE	)	CASE NO. 89-076
REGULATION PLAN	)	

O R D E R

Introduction

On September 30, 1988, the Commission entered an Order in Case No. 10105 that approved an incentive regulation plan. On March 22, 1989, the Federal Communications Commission ("FCC") entered an Order in Delegated Action No. 89-337 concerning annual 1989 access tariff filings. Among other things, the FCC disallowed as regulated expenses certain expenses related to trouble determination services.<sup>1</sup> On April 27, 1989, the Commission entered another Order in Case No. 10105 that approved a schedule of rate decreases to implement any earnings sharing that might occur under the incentive regulation plan. The first

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<sup>1</sup> Trouble determination or trouble isolation services refer to functions that are performed to determine the location of a service problem relative to the network demarcation point. A service problem located on the network side is a network problem and repair services are subject to regulation. A service problem located on the customer premises side is either an inside wire or equipment problem and repair services are not subject to regulation.

priority on the schedule involves South Central Bell Telephone Company's ("South Central Bell") trouble determination charges.

#### Discussion

In Orders in Common Carrier Docket Nos. 79-105<sup>2</sup> and 82-681,<sup>3</sup> the FCC preempted state jurisdiction and required the detariffing of inside wire installation and maintenance services.<sup>4</sup> These Orders were silent on the regulatory treatment of trouble determination services. The Commission detariffed inside wire installation and maintenance services in Administrative Case No. 305.<sup>5</sup> In its decision, the Commission viewed trouble determination services as regulated services irrespective of the location of a service problem.

During its review of annual 1989 access tariff filings, the FCC detected a number of problems with the methods local exchange carriers use to allocate inside wire maintenance expenses between

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<sup>2</sup> Common Carrier Docket No. 79-105, Detariffing the Installation and Maintenance of Inside Wiring, Order released February 24, 1986.

<sup>3</sup> Common Carrier Docket No. 82-681, Detariffing of Customer Premises Equipment and Customer Provided Cable 1 Wiring, Order released November 2, 1984.

<sup>4</sup> In National Association of Regulatory Utility Commissioners vs. FCC, No. 86-1678 (D.C. Cir. July 7, 1989), the United States Court of Appeals for the District of Columbia remanded the FCC's decisions preempting state regulation of inside wire installation and maintenance services for further investigation.

<sup>5</sup> Administrative Case No. 305, Detariffing the Installation and Maintenance of Inside Wiring, Order dated December 24, 1986.

regulated and non-regulated operations.<sup>6</sup> In relevant part, the FCC concluded:

Many of the systematic misclassifications relate to customer premises visits during which a field technician isolates a single problem. Such visits are in response to customer trouble reports. We believe it axiomatic that the costs of responding to any such report should be assigned to regulated activities when a network problem is isolated and to nonregulated activities when an inside wiring or customer premises equipment problem is isolated.<sup>7</sup>

South Central Bell's general subscriber services tariff defines trouble determination charges as follows:

A Trouble Determination Charge is the charge which applies for each dispatch required in connection with a customer's service difficulty or trouble report when it is determined that the source of the difficulty or trouble is within the customer's house or place of business. This charge does not include any further isolation work beyond the Company specified demarcation point.<sup>8</sup>

Payment of trouble determination charges is available under two options.<sup>9</sup> Under option 1, customer's pay a monthly recurring charge per exchange access line per premises. Under option 2, customer's pay a nonrecurring charge per premises visit. The monthly recurring charge is targeted in Case No. 10105.

The Commission does not necessarily agree with the FCC's position and may file comments on the issue. Nonetheless, it

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<sup>6</sup> Delegated Action No. 89-337, Annual 1989 Access Tariff Filings, Order released March 22, 1989, discussion at paragraphs 62-86.

<sup>7</sup> Ibid., paragraph 66, footnote omitted.

<sup>8</sup> South Central Bell, General Subscriber Services Tariff, Section A4. Service Charges, page 3.

<sup>9</sup> Ibid., pages 9-9.4.

appears that South Central Bell's application of trouble determination charges is inconsistent with the ruling in Delegated Action No. 89-337, in that associated revenues and expenses are nonregulated under the terms of the ruling. Given this conflict and pending a decision on remand in Common Carrier Docket No. 79-105 to vacate the preemptive effect of the detariffing decision in the case, it is possible that South Central Bell's trouble determination charges may not be regulated charges and a jurisdictional revenue reduction should not be targeted to them. Therefore, it may be necessary to amend Appendix A to the Commission's Order in Case No. 10105 dated April 27, 1989. The Commission will allow interested parties to file written comments and schedule an informal conference to discuss the issues outlined in this Order.

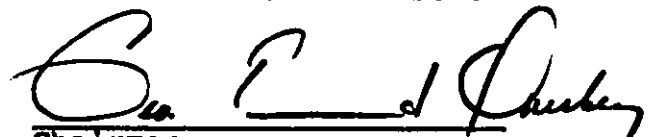
The Commission, having considered the evidence and being sufficiently advised, HEREBY ORDERS:

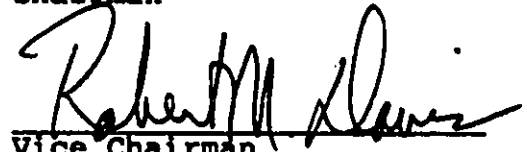
1. Written comments concerning the issues discussed in this Order shall be filed no later than November 10, 1989.

2. An informal conference previously scheduled for November 16, 1989 to discuss the issues outlined in this Order shall be and it hereby is rescheduled to November 13, 1989, at 10:30 p.m., EST, in the Commission's offices at Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 7th day of November, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

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Commissioner

ATTEST:

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Executive Director