

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED RESTRUCTURE AND REPRICING)
OF AT&T'S CHANNEL SERVICES TARIFF) CASE NO. 89-168

O R D E R

IT IS ORDERED that AT&T Communications of the South Central States, Inc. ("AT&T") shall file the original and 10 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 ensure that it is legible.

The information requested is due no later than December 28, 1989. 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. Such motion will be considered by the Commission.

1. Please reference Tariff Section G2.5.12, entitled "Maximum Rates." This section states "Upon 14 days filing notice, AT&T may decrease its local channel rates, or increase local channel rates to reflect increases in LEC access rates. AT&T may

change interoffice service rates upon 14 days notice, provided that the aggregate annual revenue increase from all interoffice service rate changes during a consecutive 12-month period, when applied to average in-service quantities for the period, does not exceed 10%."

a. Is this tariff provision currently in effect?

b. Other than including this section in the new tariff, has AT&T sought specific Commission approval for this rate flexibility?

c. Is it correct that this language allows increases to interoffice channel rates provided that total annual revenue increases do not exceed 10 percent, while unlimited decreases would be permitted?

d. Is it contemplated that the rate changes mentioned in this paragraph would be subject to Commission approval?

e. Does this paragraph allow rate changes to be accomplished using regulatory procedures that are different than existing procedures? If not, please describe the purpose of this tariff section.

2. Please reference Second Revised Exhibit 5, filed on October 16, 1989. Provide units and rates used in calculating proposed and current access costs. Disaggregate carrier common line minutes of use into originating and terminating minutes.

3. From local exchange carriers' perspectives, estimate the effects of the repression of foreign exchange services on access revenues. For example, if foreign exchange services are repressed, will this cause repression in Feature Group A usage and

special access services? Will substitute services possibly increase Feature Groups C and D usage?

4. Please reference Second Revised Exhibit 5, filed on October 16, 1989. Provide units and rates used in calculating proposed and current billing and collections costs.

5. Estimate the effects of the Feature Group A billing change on local exchange carriers, both with and without repression of foreign exchange services. If unable to provide estimates because of lack of knowledge of local exchange carrier billing and collections costs, provide appropriate units.

6. Please reference the page entitled "Kentucky Private Line Flow-Through, Consumer Communications Service" filed on October 16, 1989.

a. Provide the calculations used in determining current and proposed average rates per minute for Message Telecommunications Services, Reach Out, and Kentucky Pro WATS. Identify all assumptions.

b. Why would stimulation occur as a result of rate reductions in Message Telecommunications Services rates, but no stimulation is estimated as a result of reductions in Reach Out and Kentucky Pro WATS rates?

c. Provide the calculations used in determining additional access costs due to stimulation. For example, identify the units and rates of the access components, such as originating and terminating carrier common line, local transport, local switching, line termination, etc.

d. Since billed minutes, conversation minutes, and billed access minutes are not the same, identify the type(s) of minutes of use reflected on this page. Since billed MTS minutes would not ordinarily be identical to billed access minutes, as reflected here, it is assumed that translations have occurred in rates and costs averages. Clarify or show how these translations were made in the requests for disaggregation of average rates and costs.

e. Is the number of billed messages an actual figure or was it calculated as being a function of minutes of use? If the latter, provide the calculations.

7. Please reference the page entitled "Average Five Minute Call" filed on October 16, 1989.

a. Disaggregate access costs into components, such as the rates and units of carrier common line, local transport, local switching, line termination, etc., and show any additional calculations used in deriving the average access costs shown on this page. Identify all assumptions.

b. Explain why access costs would change as a function of time-of-day.

8. Please reference the page entitled "Kentucky PL Flow-Thru, Business Services" filed on October 16, 1989.

a. Why would rate reductions stimulate demand for Megacom WATS, but would not stimulate demand for Software Defined Network, AT&T 800, Megacom 800, and 800 Readyline?

b. Provide the calculations used to derive the average rates shown on this page. Identify all assumptions.

c. Provide the calculations used to derive access and billing costs by disaggregating into components, and showing appropriate rates and units. Identify all assumptions.

9. Reference the page entitled "Business Communications Services, Impact, Private Line Restructure" filed on October 16, 1989.

a. Provide the calculations used to derive average rates per minute. Identify all assumptions.

b. Provide the calculations used to obtain access and billing costs. For example, identify all the units and rates of the access components, such as originating and terminating carrier common line, local transport, local switching, line terminations, etc. Identify all assumptions.

c. Provide an incremental cost-of-service study for each service identified on this page. Omit, or identify, all access and billing costs that are recognized on this page. A study is preferred that recognizes long run investment-related costs and current annual operating costs; however if AT&T has already performed cost studies that use a different model, copies of these studies would be acceptable at this time. Identify all assumptions.

10. Provide a few examples showing specifically how the private line tariff restructuring will effect customers using a few representative customer service configurations. For example, using both the current and proposed tariffs, show how an average foreign exchange customer's bill would be calculated.

11. Provide all workpapers showing calculations and identifying all assumptions used in developing the estimate of Proposed Revenue (Without Repression) identified on page 1 of the Second Revised Exhibit 5 filed on October 16, 1989. Describe all economic variables that were used in developing this estimate. Provide assumptions and sources for all projections used in developing this estimate.

12. Provide all workpapers showing calculations and identifying all assumptions used in developing the estimate of Proposed Revenue (With Repression) identified on page 1 of the Second Revised Exhibit 5 filed on October 16, 1989. Describe all economic variables that were used in developing this estimate. Provide assumptions and sources for all projections used in developing this estimate.

13. Provide all workpapers showing calculations and identifying all assumptions used in developing the estimate of 1990 Forecasted Minutes based on Current ARPMminutes for all Consumer Communications Services (by service) identified on the Second Revised Exhibit 5 filed on October 16, 1989.

14. Provide all workpapers showing calculations and identifying all assumptions used in developing the estimate of 1990 Forecasted Minutes based on Proposed ARPMminutes for all Consumer Communications Services (by service) identified on the Second Revised Exhibit 5 filed on October 16, 1989.

15. Provide all workpapers showing calculations and identifying all assumptions used in developing the estimate of 1990 Forecasted Volumes for all Business Services (by individual

service) based on current rates identified on the Second Revised Exhibit 5 filed on October 16, 1989.

16. Provide all workpapers showing calculations and identifying all assumptions used in developing the estimate of 1990 Forecasted Volumes for all Business Services (by individual service) based on the proposed rates identified on the Second Revised Exhibit 5 filed on October 16, 1989.

17. Provide the reasons for the continual revisions to Exhibit 5.

Done at Frankfort, Kentucky, this 11th day of December, 1989.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:

Executive Director