

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SOUTH CENTRAL BELL TELEPHONE COMPANY'S	)	
SPECIAL SERVICE CONTRACT ARRANGEMENT FOR	)	CASE NO.
DIGITAL ESSX SERVICE WITH ALLIANT HEALTH	)	90-140
SYSTEM	)	

O R D E R

IT IS ORDERED that South Central Bell Telephone Company ("SCB") shall file the original and 12 copies of the following information with the Commission within 20 days from the date of this Order, 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. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If the information cannot be provided by the stated date, SCB should

submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information will be furnished. Such a motion will be considered by the Commission.

1. For all services provided under the proposed special contract and for which a Kentucky tariff exists for substantially the same service, provide a price-out using the tariffed rates. The response should include detail such as applicable USOCs, description of service, quantity provided, and the tariffed rates. Totals should be provided. Exchange circuits, or any other outside plant, should be included. If a tariffed service is not provided under the General Subscriber Services Tariff, Section A12, the appropriate tariff section should also be identified.

2. List and describe all regulated services provided under the proposed special contract for which a Kentucky tariff currently does not exist for substantially the same service. Provide cost information for these services, or if already provided, identify the specific page(s) on which this information is located.

3. Provide a detailed description of the features identified as "SMDI, Per Link" and "Stutter Dial Tone" listed in Attachment 2 of the contract.

a. Are these features currently tariffed in Kentucky? If not, does SCB plan to file a tariff, and if so, when?

b. Assuming these features relate to Simplified Message Desk Interface services, will they be used by Alliant to provide voice messaging services or to receive such services? If Alliant is to receive such services:

(1) Identify the enhanced service provider.

(2) Is it usual for the customer of voice messaging services to directly pay the regulated utility for SMDI links and stutter dial tone charges, or are these charges normally recovered through the charges assessed by the enhanced service provider?

4. List and describe all unregulated services, if any, provided under the proposed special contract.

5. Reference the cost support, Tab C and Tab E, related to Outside Plant Circuits.

a. A narrative contained in Tab C, dated March 23, 1990 from Bill Yeatman, Cost Analyst, states: "It was determined that the cables serving Alliant would be stranded except for the PBX trunks required (sic) at the main hospital location. The cost study is based on this assumption and all existing cables (sic) pairs were shown stranded except for 205 to 200 East Chestnut." Provide a complete explanation of why it is expected that outside plant would be stranded in downtown Louisville.

b. Is 205 East Chestnut the central office location? If so, contrary to the narrative, the cost study reflects that 600 cable pairs between these locations would be stranded. Explain, if the response to the next question does not clarify this.

c. The diagram in Tab C shows 900 cable pairs to 200 East Chestnut and 400 pairs to 315 East Chestnut as existing cables which would be stranded, a total of 1300 pairs, whereas only 600 existing pairs are shown from the central office to these locations. The cost detail provided in Tab E shows investment,

both existing and new, at 200 East Chestnut that is not reflected in the diagram. These facts suggest that some outside plant has been omitted from the diagram or that circuit equipment, such as pair gain equipment, is being used. Provide a clarification or a correction of the diagram showing all outside plant, including circuit equipment, serving Alliant.

d. Does the cost study reflect the costs for existing plant that could be used for the PBX trunks? If so, explain how these costs were reflected.

e. Explain why Tab E shows 350 lines to 224 East Broadway, whereas the map provided shows a total of 900 lines. Of these 900 lines, the cost information suggests that 300 would be stranded if ESSX is not provided and 600 are listed as new. If there are other uses intended for the extra 550 lines, such as to accommodate future growth in the area, why would the existing 300 pair cable be stranded if ESSX were not provided?

f. Reference Tab E. Does "% Nonreusable" mean the same as "percent stranded"?

g. Provide a break-down of all the annual charge factors reflected in this analysis.

h. Does the "Non Annual Charge Factor" for "Existing OSP" reflect items such as maintenance costs but omit investment related costs? If not, explain.

i. Why is all of the "New OSP" listed as 100 percent "nonreusable" and why is this annual charge factor greater than the "reusable" factor? Is this to reflect the fact that these

costs are to be recovered over the life of the contract rather than the life of the plant?

6. Reference Tab D, Intercom and Features Cost.

a. Provide a complete list, a brief description of the purpose or services provided, and associated cost of each investment item included in "Intercom" costs.

b. A cost summary entitled "Cost at Maximum" contains a column labelled as "Right to Use Cost." Are these software costs only? If so, are the underlying hardware costs included in the intercom costs?

7. Reference Tab I, "Market Price, Customer Willingness to Pay."

a. The page entitled "Cost of New System" indicates that "Leased SCB Internal Wiring" was included at no charge in the SCB proposals but charges were assessed for this wiring under the AT&T proposal. Explain.

b. Is this wiring currently being leased to Alliant under regulated, frozen inside wiring charges or are they being leased on an unregulated basis? If leased on a regulated basis, identify the current amount of regulated revenues and explain how these lost revenues are reflected in the cost study or are included in the charges to Alliant.

c. If this wiring was previously leased on a regulated basis, but is no longer regulated, identify when this wiring was installed and when full amortization was achieved.

d. The page entitled "Benefits of New Architecture" shows that trunking costs for ESSX are much less than the PBX

alternatives. As ESSX generally involves much more outside plant than comparable PBX systems, explain why the ESSX trunking costs are less expensive in this situation.

8. Reference Tab J, "Future Contribution Analysis."

a. Part of this analysis assumes that if Alliant takes ESSX, intraLATA toll can be diverted to SCB's network. Presumably, this analysis was developed prior to the Commission's recent decision in Administrative Case No. 323.<sup>1</sup> Is this still a reasonable assumption?

b. The analysis shows that SCB's intraLATA WATS rates are slightly higher than MTS rates. Is this correct? Provide the analysis used to derive these average rates.

c. The analysis assumes that the difference in contribution is the difference between toll rates and access rates, with a footnote that this was from the IntraLATA Toll Contribution Study in Administrative Case No. 323. Considering that the contribution study shows a difference in costs between toll and access, is it valid to only consider revenues?

9. Reference Tab K, "Summary of Projected Revenue."

a. Provide an explanation for the negative intrastate contribution.

b. Explain how the interstate revenue deficiency, resulting from not assessing interstate subscriber line charges to

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<sup>1</sup> Administrative Case No. 323, An Inquiry Into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality. Order dated March 29, 1990.

ESSX lines, is recovered. For example, why should recovery of this revenue deficiency from intrastate services not be considered an "intrastate subscriber line charge" assessed to non-ESSX customers? For clarification, the "interstate revenue deficiency" is defined to be the amount of the negative intrastate contribution.

c. Explain how Kentucky ratepayers are benefitted by the positive interstate contribution?

d. Provide an analysis showing the intrastate contribution if the contract was priced at tariffed rates.

e. Provide an analysis of the difference in total annual contribution between the PBX Cross-Elastic Contribution and the Intrastate Contribution for each year that the contract would be in effect. It should be noted that some of the contribution elements were converted to a "per line" amount; however, contribution may not necessarily increase as the number of lines increase. An example is the contribution elements contained in Tab J. This could apply to costs as well as revenues.

f. The development of the "Network Rate" reflects charges for Network Access Limiters. Attachment 2 of the proposed contract indicates that these are part of the basic system rate. Which is correct?

10. In Case No. 9496,<sup>2</sup> the Commission stated that "future

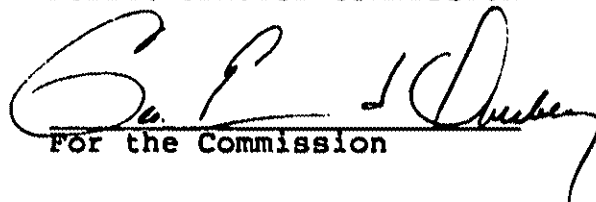
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<sup>2</sup> Case No. 9496, The Tariff Application of South Central Bell Telephone to Offer Digital ESSX Service and Restructure Analog ESSX Service. Order dated May 2, 1986.

provision of Digital ESSX service should be governed by the effective tariff on file with the Commission. Should flexibility in prices be necessary, the Commission advises SCB to provide a range in the Digital ESSX tariff and in any other tariffs where flexibility appears warranted." Explain how the special service contract arrangement with Alliant is consistent with this requirement.

Done at Frankfort, Kentucky, this 16th day of July, 1990.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Lee M. Craven  
Executive Director