

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO INTRALATA TOLL	)	
COMPETITION, AN APPROPRIATE	)	ADMINISTRATIVE
COMPENSATION SCHEME FOR COMPLETION	)	CASE NO. 323
OF INTRALATA CALLS BY INTEREXCHANGE	)	PHASE III
CARRIERS, AND WATS JURISDICTIONALITY)	)	

O R D E R

On August 22, 1990, the Commission received a motion from AT&T Communications of the South Central States, Inc. ("AT&T") requesting an order authorizing the provision of Universal WATS access lines and dismissing Phase III of this proceeding. On September 6, 1990, the Commission received a response in opposition from South Central Bell Telephone Company ("South Central Bell"). On September 17, 1990, the Commission received a response in support from US Sprint Communications Company Limited Partnership ("US Sprint"), and on September 21, 1990, the Commission received a response in support from MCI Telecommunications, Inc. ("MCI").

PROCEDURAL BACKGROUND

In its October 6, 1988 Order initiating this proceeding, the Commission, on its own motion, incorporated into the investigation the issue of jurisdictionally dedicated WATS access lines which

had been pending in Case No. 8838.<sup>1</sup> By Order dated June 1, 1987 in Case No. 8838 Phase IV, the Commission announced its policy concerning a jurisdictionally dedicated WATS access line. Rehearing was granted by Order dated July 2, 1987. These Orders were incorporated by reference into this proceeding.

The October 6, 1988 Order stated that the issue was whether the Commission should require intrastate WATS access lines to be restricted to intrastate usage or, in the alternative, to allow mixed intrastate and interstate usage on WATS access lines.

This WATS jurisdictionality issue has been designated Phase III of this proceeding and by Order dated October 11, 1989 has been held in abeyance until further notice.

#### DISCUSSION

In support of its motion for authorization of Universal WATS access lines, AT&T argues that customer demand for multi-jurisdictional access line services and competitive pressures warrant review of the Commission's existing WATS access line policy at this time. Further, AT&T states that the Commission should allow the provision of Universal WATS access lines at this time and that Kentucky is the only jurisdiction that does not already allow, or has not ordered, the provision of

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<sup>1</sup> Case No. 8838, An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities Pursuant to Changes to be Effective January 1, 1984.

Universal WATS access lines by the local exchange companies. AT&T contends that to the extent that the provision of Universal WATS access lines by South Central Bell creates an identifiable financial impact on South Central Bell, this concern should be addressed in the Commission's review of South Central Bell's Incentive Regulation Plan.<sup>2</sup>

US Sprint's response in support states that it is in favor of the availability of buying jurisdictional WATS access lines and that the provisioning of Universal WATS access lines is in the public interest. US Sprint contends that Universal WATS access lines are more cost effective and more convenient for customers, that they enable small business customers to subscribe to WATS service who otherwise could not afford the service, that their availability will mitigate the customer demand for service bypass of the public switched network, and will promote the most efficient use of the telephone network and stimulate WATS usage.

Concerning the issue of the negative financial impact on local exchange carriers, US Sprint states that the intrastate access charges will be recovered for all intrastate calling over Universal WATS access lines. While revenues attributable to line charges would be assigned to the interstate jurisdiction, the related costs would also be assigned to the interstate jurisdiction.

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<sup>2</sup> Case No. 90-256, A Review of the Rates and Charges and Incentive Regulation Plan of South Central Bell Telephone Company.

MCI's response in support states that the ability to use a single WATS access line allows customers to purchase only those facilities that are needed for the service and that there are compelling reasons for allowing Universal WATS access line service. The opportunity to resolve any financial impact on South Central Bell exists through Case No. 90-256. According to MCI, no valid purpose exists for delaying resolution of Phase III.

In opposition to the authorization of Universal WATS access lines, South Central Bell contends that the Commission, by Order dated December 12, 1988, established a procedure which divided this proceeding into three phases. Thus, according to South Central Bell, the Commission should not now deviate from its decision to consider this docket in three, consecutive phases.

#### ORDERS

The Commission, having reviewed the motion and responses and having been otherwise sufficiently advised, HEREBY ORDERS that Phase III concerning WATS jurisdictionality shall no longer be held in abeyance and that all interested parties shall file comments on AT&T's motion and file responses to the items from the October 6, 1988 Order concerning jurisdictionally dedicated WATS access lines which are as follows:

1. Should the Commission require jurisdictionally dedicated WATS access lines and what factors should be considered in arriving at a determination?

2. What advantages and disadvantages are related to jurisdictionally dedicated WATS access lines?

3. Is there an economic basis for jurisdictionally dedicated WATS access lines or do jurisdictionally dedicated WATS access lines impose uneconomic costs on WATS-users? Provide estimates of any uneconomic costs.

4. Would non-jurisdictionally dedicated or mixed-use WATS access lines result in jurisdictional revenue erosion? Provide estimates of any jurisdictional revenue erosion.

5. Would non-jurisdictionally dedicated or mixed-use WATS access lines result in jurisdictional stranded investment? Provide estimates of any jurisdictional stranded investment.

6. Would non-jurisdictionally dedicated or mixed-use WATS access lines result in jurisdictional revenue requirement shifts from WATS-users to users of other telecommunications services? Provide estimates of any jurisdictional revenue requirement shifts and impact on basic local exchange service rates.

7. Describe jurisdictional usage reporting procedures for non-jurisdictionally dedicated or mixed-use WATS access lines.

8. Should the concept of jurisdictionally dedicated WATS access lines be extended to include WATS-like services?

9. What is the policy status concerning the issue of jurisdictionally dedicated WATS access lines in your service areas which are within other state jurisdictions? Provide copies of any relevant decisions.

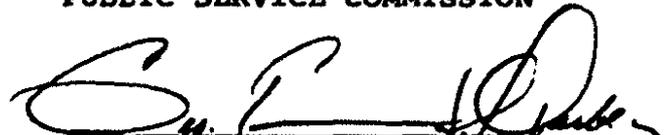
10. List all local and IXC services leased or otherwise sold to WATS resellers.

11. List all services which WATS resellers provide to end-users that do not involve the exclusive resale of WATS.

Comments and responses are due within 45 days of the date of this Order.

Done at Frankfort, Kentucky, this 7th day of January, 1991.

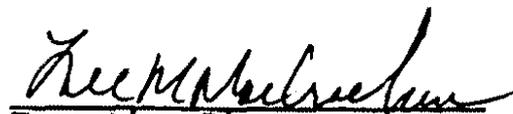
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