

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 II
CARRIERS, AND WATS JURISDICTIONALITY)

O R D E R

Interexchange Carriers ("IXCs") have in recent years proposed a variety of offerings which are capable of intraLATA call completion. Such proposed tariffs have become effective because it was not the Commission's intention to place IXCs at a competitive disadvantage with each other nor to deny customers these offerings. By Order dated October 6, 1988, the Commission established a proceeding to address the issue of an appropriate scheme to compensate Local Exchange Carriers ("LECs") for completion of intraLATA calls by IXCs in addition to a review of intraLATA toll competition.

The compensation issue, designated as Phase II of this proceeding, has been held in abeyance until further notice by Order dated October 11, 1989. On May 6, 1991, the Commission entered an Order in Phase I of this proceeding finding that intraLATA facilities-based toll competition between carriers was in the public interest and therefore authorized.

The Commission, on its own motion and having been otherwise sufficiently advised, HEREBY ORDERS that:

1. Phase II concerning compensation shall no longer be held in abeyance.

2. Parties shall respond within 30 days from the date of this Order to the items enumerated below which are adopted, with modifications, from the October 6, 1988 Order:

a. Should the Commission adopt a plan to compensate LECs for unauthorized intraLATA traffic and what factors should be considered in arriving at a determination?

b. Should the Commission adopt a compensation plan that is generic to all unauthorized intraLATA traffic or design a compensation plan that is "tiered" to recognize different categories of unauthorized intraLATA traffic--e.g., unauthorized traffic that is generated through the use of MTS and MTS-like services, WATS and WATS-like services, and 800 and 800-like services?

c. Make recommendations concerning a compensation plan to include the following items: (1) estimate the compensation rate per minute of use and per average call duration, showing all calculations; (2) estimate the impact of the plan on local and interexchange carrier revenues, also showing all calculations; (3) all technical details necessary for implementation; (4) all necessary data sources; (5) administrative requirements and relative ease of administration; (6) enforcement and relative ease of enforcement; and (7) data verification and relative ease of data verification.

d. Provide access charges paid by each IXC per access minute of use for (1) MTS and MTS-like services, (2) WATS and

WATS-like services, and (3) 800 and 800-like services. (Identify the services populating each category, list access charge components in each category, and show all calculations used.)

e. Provide LEC revenue per conversation minute of use billed to end-users for (1) MTS, (2) WATS, (3) 800 services, and (4) these services combined (on average). (List revenue components in each category and show all calculations used.)

f. Should the Commission adopt a compensation rate generic to all LECs or design compensation rates specific to each LEC?

g. Should compensation for unauthorized intraLATA traffic be accomplished through independent transactions between each LEC and each IXC or accomplished through the intraLATA toll pool?

h. Should any compensation rate that may be adopted be charged on a per minute of use or average call duration basis, and should minutes of use be defined in terms of access minutes or conversation minutes billed to end-users? (Thoroughly discuss the rationale underlying the options selected.)

i. Should access charges associated with unauthorized intraLATA traffic be considered in the development of a compensation rate--i.e., $\text{compensation rate} = x - \text{access charges}$? (If the response is affirmative, identify each access charge that should be considered and its rate value.)

j. With reference to the above item and for the purpose of compensation rate development, should the Commission

adopt an access charge element that is generic to all IXCs or adopt an access charge element that is specific to each IXC?

3. In addition to responding to items enumerated above, parties shall file comments addressing any particular compensation plan recommended to the Commission for adoption, in sufficient detail, that such proposal could be adopted with little or no modification.

4. Data requests to all parties on particular plans that may be recommended and other related issues are due August 29, 1991 with responses to be filed by September 30, 1991.

5. No later than October 18, 1991, parties shall file requests for hearing, if so desired, and shall state with specificity the issues which should be addressed at any hearing. If the Commission receives no requests for hearing, the matters contained in Phase II of this proceeding will be submitted to the Commission for final decision.

Done at Frankfort, Kentucky, this 15th day of July, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director