

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF AT&T OF THE SOUTH CENTRAL)
STATES, INC. FOR REDUCED REGULATION)
OF INTRASTATE TELECOMMUNICATIONS) CASE NO. 92-297
SERVICES)

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 12 copies of the following information with the Commission no later than October 16, 1992, 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, AT&T 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. Provide data to support the statement on page 1 of AT&T's petition that "the regulatory framework adopted in Administrative Case No. 273 works to the detriment of Kentucky consumers. . . ."

2. How will revision of the Commission's intrastate regulatory framework ensure that all Kentucky ratepayers will enjoy the expanded benefits from the rapid development of competition throughout the Commonwealth?

3. In the first full paragraph on page 5 of AT&T's petition several descriptive numbers are provided. Identify the source of this information and provide a copy of it.

4. Are the services identified on page 7 of AT&T's petition targeted primarily at the residential or the business segment of the market? Provide data on AT&T's market share of the residential segment and of the business segment. Does AT&T have data on its market share for each service or family of services it offers? If yes, provide.

5. Provide the percentage of subscribers who choose AT&T as their "dial one" carrier in the 10 most recent presubscription ballots in Kentucky.

6. On page 9 of AT&T's petition it is stated that "there is sufficient non-AT&T transmission capacity (173 percent of AT&T capacity) available to common carriers within Kentucky, to transport all intrastate interexchange traffic without capacity constraints." Identify the source of this information. Identify

also, whether and what portion of the 173 percent is capacity of common carriers as opposed to private network capacity. For clarification purposes, does this statement mean that there is non-AT&T transmission capacity in place to provide carriage for all intrastate interexchange traffic with a reserve margin? If yes, then identify the growth margin. If no, then identify those areas of the state that could not be adequately served by the available non-AT&T capacity.

7. AT&T should provide data indicating how its market share and the market share of its competitors has changed since divestiture. This information should be segregated by business and residential market segments. AT&T should identify those areas of the state served by AT&T only.

8. AT&T has raised some rates in recent years. Are those who received these increases considered captive customers? With reference to AT&T rate changes since divestiture, provide the following information:

a. Provide the date, PSC case number, service, and amount of change.

b. For each change state whether the increase was to a captive customer.

9. Describe the impact if reduced regulation of only the business segment of AT&T's services is granted.

10. Identify the advantages and disadvantages for AT&T if the Commission established a price cap plan in Kentucky?

11. a. In all exchanges in which AT&T operates, provide a complete comparison in tabular form of each service that AT&T provides demonstrating that at least one other IXC operates in the same exchange and offers a functionally equivalent service.

(1) For the residential market the table(s) shall include all alternative IXCs, services and service prices, as well as AT&T's services and prices.

(2) For the business market the table(s) shall include all alternative IXCs, services and service prices, as well as AT&T's services and prices.

(3) For those exchanges in which AT&T is the sole IXC service provider, explain how these customers are protected from an undue exercise of market power.

(4) For those exchanges in which AT&T is the sole IXC service provider, will these customers be offered the same levels and types of services as any and all other exchanges in Kentucky? If not, then explain why not.

b. In all exchanges in which AT&T operates, demonstrate that there is sufficient alternative transmission capacity if large numbers of customers were to leave AT&T for alternative IXCs.

12. The market for IXC services seems to be more oligopolistic in nature than competitive, considering the number and size of the firms operating in Kentucky. It is fairly evident how AT&T will benefit from reduced regulation, however:

a. For the business market, explain precisely how customers will benefit from granting AT&T's petition.

b. For the residential market, explain precisely how customers will benefit from granting AT&T's petition.

13. In oligopolistic markets it is possible for intense price competition from the larger and stronger firms to force out the smaller, weaker firms from certain markets to the detriment of consumers. Explain why this could or would not happen in Kentucky.

a. In the business market?

b. In the residential market?

14. In oligopolistic markets it is possible for firms to collectively exercise market power, such as implicit price leadership or other forms of tacit collusion, to the detriment of consumers. Explain why this could or would not happen in Kentucky.

a. In the business market?

b. In the residential market?

15. If access charges were ever to be lowered in the future, would AT&T automatically and uniformly pass these savings on to its customers? Explain.

16. With reference to AT&T's earnings in Kentucky since divestiture, for each year, provide schedules showing the following information (show all calculations):

a. Rate of return on rate base.

b. Rate of return on capital.

c. Rate of return on equity.

17. With reference to AT&T's request to be relieved of its requirement to maintain financial records in accordance with the FCC Uniform System of Accounts, provide the following information:

a. Elaborate on why AT&T desires this.

b. Explain why this requirement places AT&T at a competitive disadvantage.

18. With reference to AT&T's request to remove all financial reporting requirements by AT&T and other IXCs, provide the following information:

a. Elaborate on why AT&T desires this.

b. Explain why it would not be advantageous to the Commission to have financial and statistical data relating to IXCs providing service in Kentucky.

19. With reference to AT&T's alternative request that it be permitted to file annual reports similar to those filed by other IXCs:

a. Elaborate on why AT&T desires this.

b. Explain why this requirement places AT&T at a competitive disadvantage.

c. Identify and describe financial record requirements currently prescribed by the FCC.

d. Identify any burden the filing requirement in Kentucky places on AT&T.

e. Is AT&T required by the FCC to maintain its financial records in accordance with the USOA? If not, provide a copy of the FCC Order allowing deviation from the USOA.

f. Does AT&T file tariffs with the FCC?

g. Does AT&T do cost separations for the FCC?

20. Has AT&T ever reduced rates as a result of a situation other than when non-traffic sensitive costs have been transferred from the common carrier line charge to the subscriber line charge? If so, elaborate on these instances.

21. On an intrastate basis has AT&T ever reduced its rates without a corresponding reduction in its cost of providing service? If yes, elaborate on these occurrences.

22. Would you agree that AT&T is a price leader, while other IXC's are price followers? If not, give detailed examples of situations in which AT&T has been a price follower and not a price leader.

23. Do other IXC's have the capability to separate investments and costs on a jurisdictional basis? If yes, describe these capabilities.

24. Does the FCC regulate AT&T based upon rate of return? If no, how is AT&T regulated?

25. Does AT&T provide similar financial reports in other jurisdictions? Is AT&T rate base regulated in other jurisdictions? What jurisdictions do not use rate base to regulate AT&T and what basis of regulation do these jurisdictions use?

26. On page 16 of its petition, AT&T states that "IXC's are not capital intensive." Explain in detail why IXC's are not capital intensive. Do IXC's including AT&T generate 100 percent of their capital requirements internally? If no, how are capital requirements satisfied?

27. In your opinion, if the Kentucky Public Service Commission, through a rate proceeding, lowered AT&T's rates would the remaining IXCs in Kentucky lower their rates to be competitive? If AT&T's rates were increased, would the other IXCs follow suit, in your opinion?

28. Would AT&T agree that reduced regulation should not automatically result in revenues going "below the line" and therefore not be able to be considered as assessable revenues subject to KRS 278.130, 278.140, and 278.150 for support of the Commission's activities? If no, explain.

29. With reference to KRS 278.512(3)(e), describe specifically the safeguards which AT&T considers will assure that regulated services do not subsidize exempted services.

Done at Frankfort, Kentucky, this 2nd day of October, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director