

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF GTE SOUTH INCORPORATED)
AND CONTEL OF KENTUCKY, INC., d/b/a) CASE NO.
GTE KENTUCKY FOR EXEMPTION OF ITS) 92-358
TELEMESSAGING SERVICES FROM REGULATION)

O R D E R

IT IS ORDERED that GTE South Incorporated and Contel of Kentucky, Inc., d/b/a GTE Kentucky ("GTE") shall file with the Commission the original and 12 copies of its response to the following supplemental information request with a copy to all parties of record no later than 30 days from the date of this Order. GTE shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. Provide a sample copy of a telephone bill which illustrates how Personal Secretary, Message Manager and ContraNet Voice Messaging are billed to customers. Is there a separate listing for any tariffed services which are included in the service package?

2. Explain how GTE's cost allocation procedures ("CAMs") ensure that no cross subsidization occurs between the regulated and nonregulated services.

3. Do GTE's CAMs have any effect on the process of setting the prices (tariffs) of GTE's regulated network services? Explain.

4. When GTE is setting the price (tariffing) of a regulated network service, is the current demand or demand growth for the regulated network service considered by GTE? Explain.

5. Provide documentation of any instances where GTE has increased the price of a tariffed network service when the demand for that network service has increased.

6. GTE has indicated that its enhanced services will stimulate usage of the regulated tariffed network services. Provide copies of all studies supporting this contention.

7. To the extent that enhanced services use tariffed network services, those network services can be viewed as inputs into the provision of enhanced services. Do you agree or disagree with this view? Provide any documentation which supports your position.

8. If increasing demand for the provision of enhanced services causes the demand for those tariffed network services which serve as inputs to rise, then the price of those tariffed network services should also rise in a competitive market.

a. Fully discuss your views and provide any supporting documentation.

b. Would GTE ever review the prices of its tariffed network services in the face of increased demand for those services? If so, explain the methodology that would be employed and the frequency of price reviews.

9. For new capital investments to the network (driven in part by competition, technology and the threat of network bypass) for which initially only regulated services share investment

expenses (via the CAMs), the full amount of new investment will be allocated to the regulated network services. Only when new enhanced services are marketed will they be allocated a share of those investment expenses on an ongoing basis. However, the upgraded regulated network services have been priced or tariffed to reflect the full allocation of the new investment. Should the prices of the regulated network services be lowered when nonregulated enhanced services are brought to market and a portion of investment expenses is allocated to them?

Done at Frankfort, Kentucky, this 14th day of April, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director