

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO UNIVERSAL) ADMINISTRATIVE
SERVICE AND FUNDING ISSUES) CASE NO. 360

O R D E R

On August 14, 1997, the Commission directed the filing of testimony on the portion of Universal Service Fund hearing related to the presentation of cost models to determine high cost area support and Kentucky-specific costs. By the same Order the Commission convened an informal conference on August 21, 1997. At the informal conference, parties requested that two portions of the Commission's August 14, 1997 Order be clarified.

The Commission had required that parties submitting cost models focus their models on a single urban and a single rural wire center in BellSouth Telecommunications, Inc. ("BellSouth") and GTE South Incorporated ("GTE") respective territories. By this Order the Commission clarifies that only BellSouth and the competitive local exchange carriers must focus their models on BellSouth's selected urban and rural wire centers. Likewise, GTE and Cincinnati Bell Telephone Company ("Cincinnati Bell") should focus their models on their respective selected urban and rural wire centers. It is unnecessarily burdensome for the incumbent local exchange carriers ("ILEC") to analyze local service costs outside their service areas.¹

¹ August 14, 1997 Order at 3.

The Commission will also clarify its August 14, 1997 Order regarding the estimation of the Commonwealth's entire high cost portion of the fund using each model provided to the Commission.² Each party need only utilize that model which it proposes the Commission adopt in its determination of the estimate of Kentucky's high cost fund. Moreover, each utility must only estimate the portion of the high cost fund for its service area.

On September 25, 1997, MCI Telecommunications Corporation ("MCI") filed a motion to take discovery regarding cost models and for an extension of time to file rebuttal testimony. MCI contends that written discovery is necessary for it to properly analyze the ILECs' models. The Attorney General has filed a motion to join in MCI's motion. On September 26, 1997, BellSouth responded to MCI's motion and requested an extension of time to file its direct testimony. BellSouth argues that MCI is familiar with BellSouth's bench mark costs proxy model ("BCPM") and thus written discovery is unnecessary.

The Commission agrees that written discovery is unnecessary, but does believe that a formal conference transcribed by a court reporter would be helpful. Accordingly, each utility sponsoring a cost model should present the model to the parties and respond to detailed questions. A detailed comparison of the Hatfield and BCPM models should also be presented. AT&T Communications of the South Central States ("AT&T") and MCI should present the Hatfield model, BellSouth should present the BCPM model, GTE

² Id.

should present the model it proposes to use, and Cincinnati Bell should present its cost studies.

The Commission, having been advised of the informal conference and the motions, HEREBY ORDERS that:

1. The August 14, 1997 Order is clarified as described herein.
2. BellSouth's motion for an extension of time is hereby granted.
3. MCI's motion to take discovery regarding cost models is hereby denied, but its motion for an extension of time is hereby granted.

4. The following procedural schedule is reasonable and shall be followed:

All cost models shall be filed no later than September 30, 1997

Direct testimony of all parties is due
no later than October 10, 1997

Rebuttal testimony, if any, is due
no later than October 24, 1997

A formal conference shall be convened
in the Commission's offices at 730
Schenkel Lane at 9:00 a.m., Eastern
Standard Time, for the presentation
of cost models and cost studies on October 28 and 29, 1997

A public hearing is to begin at 10:00 a.m.,
Eastern Standard Time, in Hearing Room 1
of the Commission's offices at 730 Schenkel
Lane, Frankfort, Kentucky, on November 10, 1997

Done at Frankfort, Kentucky, this 30th day of September, 1997.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Director



For the Commission