

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DEREGULATION OF LOCAL EXCHANGE
COMPANIES' PAYPHONE SERVICE

) ADMINISTRATIVE
) CASE NO. 361

O R D E R

On March 6, 1997, the Commission initiated this proceeding by ordering parties to respond to data requests. The information was due March 24, 1997. On April 11, 1997, the Commission issued a second set of data requests with the information due on May 1, 1997. All parties except TDS TELECOM¹ ("TDS") have complied. TDS is hereby compelled to file responses to the March 6, 1997 and April 11, 1997 Orders immediately. Also in the April 11, 1997 Order, the Commission ordered all parties that had filed revised tariffs to deregulate payphone operations to file them prior to April 15, 1997. Harold Telephone Company, Inc. ("Harold") and Highland Telephone Cooperative, Inc. ("Highland") have not filed revised payphone tariffs. Harold and Highland are hereby compelled to file tariffs immediately to deregulate payphone services.

On April 16, 1997, AT&T Communications of the South Central States, Inc. ("AT&T") filed a motion to order BellSouth Telecommunications, Inc. ("BellSouth") to comply with the Commission's March 6, 1997 Order, to reduce the intrastate Carrier Common Line Charge ("CCLC") or other access charges by the amount of the intrastate subsidy provided by payphones. AT&T's motion was based on BellSouth's response to Item 10 of the

¹ TDS TELECOM owns Leslie County Telephone Company, Lewisport Telephone Company and Salem Telephone Company.

Commission's March 6, 1997 Order. AT&T's motion was subsequently supported by MCI Telecommunications Corporation ("MCI").

BellSouth complied with this data request by filing tariffs to reduce the business hunting charges by an amount equal to the intrastate payphone subsidy. BellSouth proposed to reduce the business hunting rates instead of the intrastate CCLC for three reasons: 1) BellSouth was not required to make any reductions to its interstate access rates; 2) the Commission has previously ordered BellSouth to mirror interstate access charges in its intrastate access tariff;² and 3) no intrastate rate specifically includes a subsidy for intrastate payphone service.

Paragraph 186 of the Federal Communications Commission's ("FCC's") Order in CC Docket Nos. 96-128 and 91-35³ states:

We require, pursuant to the mandate of Section 276(b)(1)(B), incumbent Local Exchange Companies to remove from their intrastate rates any charges that recover the costs of payphones. Revised intrastate rates must be effective no later than April 15, 1997. Parties did not submit information regarding the intrastate rate elements that recover payphone costs. **States must determine the intrastate rate elements that must be removed to eliminate any intrastate subsidies within this time frame.** (Emphasis added)

Therefore, the FCC has given the states the authority to determine the rate elements that recover payphone costs. Since payphone costs are not directly attributable to specific intrastate rate elements, the Commission has the latitude to choose any rate element which

² Case No. 94-121, Application of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company to Modify its Method of Regulation, Order dated July 20, 1995, p. 50.

³ Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Released September 20, 1996.

provides a subsidy to a company's overall operations. Although Item 10 of the March 6, 1997 Order does single out the intrastate CCLC or other access charge element for reduction, it was not the intent of the Commission to foreclose the reduction of other intrastate elements including basic exchange elements as allowed by the Telecommunications Act of 1996 ("the Act"). Allowing BellSouth to reduce business hunting charges as opposed to some access charge element will preserve the Commission's requirement under BellSouth's price cap plan to mirror its interstate access charges in its intrastate access tariff.

Therefore, the Commission finds that the removal of the intrastate payphone subsidy from the business hunting charge fulfills BellSouth's obligations under the Act and complies with the Commission's Order of March 6, 1997.

IT IS THEREFORE ORDERED that:

1. The motion of AT&T is denied.
2. Within 10 days of the date of this Order, TDS shall file responses to the March 6, 1997 and April 11, 1997 Orders.
3. Within 10 days of the date of this Order, Harold and Highland shall file tariffs to revise their payphone tariffs as ordered in the Commission's April 11, 1997 Order, ordering paragraph 2.

Done at Frankfort, Kentucky, this 3rd day of July, 1997.

PUBLIC SERVICE COMMISSION

Linda K Breathitt
Chairman

E. H. [Signature]
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

D. Mills
Executive Director