

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SALEM TELEPHONE COMPANY'S)
PROPOSED EXTENDED LOCAL) CASE NO. 97-419
CALLING SERVICE)

O R D E R

On August 18, 1997, Salem Telephone Company ("Salem") filed revised pages in Section C of its General Subscriber Services tariff. Salem seeks approval for the provision of Extended Local Calling Service. Under the proposal, Salem's local calling area will consist of its existing local calling area plus one-way, local calling for all customers located in the Salem exchange to BellSouth Telecommunications, Inc.'s ("BellSouth") Paducah exchange. The proposal is a non-optional, measured rate plan for all classes of business and residential service.

Salem currently concurs in BellSouth's toll rates. The one-way rates proposed for the specific route to Paducah are as follows: Prime Time calling (8 am - 5 pm) \$.09, Leisure Time calling (5 pm - 11 pm) \$.06, and Quiet Time calling (11 pm - 8 am) \$.035. The Leisure-time calling rate will apply for holidays and weekends. The rates represent approximately 50-70 percent off the current rates. Under the proposal, rates for basic service will not be changed.

In the past, the Commission has approved expanded calling plans when certain conditions are met. First, the plans must encompass a community of interest and there must be adequate customer demand for the service. Second, the pricing of the service

must produce revenue neutrality and not affect the rest of the general subscribership through revenue shortfalls or excessive profits of the utility.¹

Salem provided data demonstrating that communities of interest exist between the affected exchanges. Specifically, 66 percent of all customers placed calls to Paducah. Salem's proposed tariff contains rates that are projected to reduce its revenues by \$17,004. However, the Commission is concerned that customers' calling options are unduly restricted. Salem's EAS proposal differs from other EAS proposals filed with the Commission in that no other aspect of current local calling arrangements are affected. For example, the proposed plan neither offers to extend measured service to other local calling routes nor offers a flat rated option for the entire new expanded local calling area, nor are the other adjacent exchanges that Salem's customers can currently call included in the plan. As a practical matter, Salem's proposed plan simply appropriates what is currently an intraLATA toll route and charges lower measured rates. As this industry moves closer to competition, it is important that calling options not be eliminated.

Thus, the Commission approves Salem's August 18th proposal with the modification that the tariff be provided on an optional basis with an effective date of October 4, 1997. Moreover, the Commission will require Salem to file a report on its actual results for the first 12 months following the date of this Order. Following a review of the report, the proposed

¹ Administrative Case No. 285, An Investigation Into the Economic Feasibility of Providing Local Measured Service Telephone Rates in Kentucky. Order issued October 25, 1990.

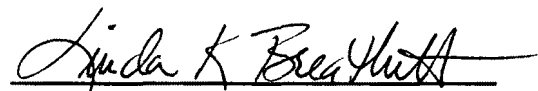
rates may be modified to achieve revenue neutrality. In addition, the Commission finds that Salem should adhere to the guidelines discussed in Case No. 91-250.²

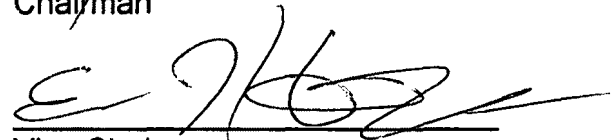
The Commission, having considered Salem's proposed tariff and having been otherwise sufficiently advised, HEREBY ORDERS that:

1. Salem's proposed tariff is approved as modified herein.
2. Within 10 days of the date of this Order, Salem shall refile its modified extended local calling service tariff on an optional basis with an effective date of October 4, 1997.
3. Salem shall gather 12 months of company-specific data as necessary to demonstrate the reasonableness and accuracy of its forecasts for its Optional EAS. Salem shall file this information with the Commission by January 31, 1999. Salem shall submit any proposed changes to the Optional EAS rates to bring the revenue impact into compliance with the Commission objective of revenue neutrality.

Done at Frankfort, Kentucky, this 13th day of October, 1997.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

² Case No. 91-250, South Central Bell Telephone Company's Proposed Area Calling Service Tariff. Order issued April 9, 1992.