

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF BELL SOUTH)	
TELECOMMUNICATIONS, INC.'S)	CASE NO. 99-434
PRICE REGULATION PLAN)	

O R D E R

The Commission established this proceeding to review the terms of the price regulation plan of BellSouth Telecommunications, Inc. ("BellSouth") and examine options for modifications to the plan. BellSouth has filed its response to the audit report conducted by Vantage Consulting, Inc. and has filed its productivity analysis and proposed changes to the price regulation plan.

BellSouth should respond to the following requests for information:

1. BellSouth's equity returns have been high over the past few years. The Audit Report discusses the total factor productivity ("TFP") index as being "backward-looking" and states that BellSouth achieved its productivity gains in part by decreasing its workforce.
 - a. Explain why productivity gains are going to diminish over the next two years.
 - b. If BellSouth's earnings remain high, is this a sign that BellSouth is continuing to experience productivity gains in excess of the inflation rate?

c. BellSouth is currently restructuring its labor force in certain categories. Does this counteract some of the productivity losses sustained from hiring additional labor in other categories? Explain.

d. Provide BellSouth's projections for the next 2 calendar years for intrastate regulated revenues, regulated expenses, and taxes by major Part 32 accounts.

e. Explain the current status of the Federal Communication Commission's ("FCC") deliberations regarding the productivity factor applicable to price cap companies.

2. Provide a complete price out of the services currently in each market basket.

3. Provide a complete price out of the services as proposed in each renamed and restructured market basket.

4. Would BellSouth advocate that all incumbent local exchange carriers ("ILECs") in Kentucky eliminate their respective non-traffic sensitive revenue requirement ("NTSRR") in the same manner as it is advocating for itself? Explain.

5. If the Commission eliminates NTSRR, how will the coming changes in the structure of access charges at the federal level be handled in Kentucky? Explain in detail.

6. Provide the cost studies supporting proposed UNE non-recurring charges, as well as all workpapers and explanations.

7. a. Provide the UNE price lists by state for all UNEs, including non-recurring charges, resulting from arbitration proceedings in any BellSouth state.

b. Regarding these other state arbitration proceedings, are there any UNE rates for which a BellSouth cost model was not used? If so, which UNE rates and what cost model were used?

8. Is BellSouth aware of any price cap plan containing market baskets structured similarly to those in its proposal? Explain.

9. Regarding Service Quality Measures, is BellSouth aware of any measures being contemplated at the FCC which would impact those “services” in the proposed “industrial” or “retail” market baskets? If so, list the items and explain.

10. Regarding Service Quality Measures, are there any arbitration proceeding decisions or any ongoing arbitration proceedings in any BellSouth state, containing Service Quality Measurements that would impact any of the proposed market baskets? If so, list by state and explain.

11. For those services in the proposed “industrial” market basket, what competitive pressures will discipline BellSouth to maintain high levels of service quality, especially after it enters the interLATA markets?

12. What does BellSouth see as alternatives if the Commission decides not to raise local rates, as proposed in its filing?

13. If NTSRR is eliminated by rolling it into local rates, then how should further access charge reform at the federal level be treated in Kentucky?

14. a. How does the Coalition for Affordable Local and Long Distance Services (“CALLS”) proposal affect BellSouth’s filing? Explain.

b. Since the CALLS proposal agrees to continue with a 6.5 percent productivity factor, does BellSouth see any conflict with the auditor's reports, which recommends discontinuation of the productivity factor? Explain.

IT IS HEREBY ORDERED that BellSouth and other parties shall comply with the procedure set forth herein.

1. By March 24, 2000, BellSouth shall respond to the items requested herein.
2. By April 7, 2000, parties may submit additional requests to BellSouth.
3. By April 24, 2000, BellSouth shall respond to the additional requested items.
4. By May 8, 2000, direct prefiled testimony of all witnesses shall be submitted.
5. Any party filing testimony shall file an original and 12 copies. The original and at least 3 copies of the testimony shall be filed as follows:
 - a. Together with cover letter listing each person presenting testimony.
 - b. Bound in 3-ring binders or with any other fastener which readily opens and closes to facilitate easy copying.
 - c. Each witness's testimony should be tabbed.
 - d. Every exhibit to each witness's testimony should be appropriately marked.
6. There shall be a public hearing in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky beginning at 9:00 a.m., Eastern Daylight Time, on June 6, 2000. Opening statements, closing statements and direct testimony shall be permitted only upon special leave.

Done at Frankfort, Kentucky, this 10th day of March, 2000.

By the Commission

ATTEST:

Executive Director