COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF OF GTE SOUTH INCORPORATED FILED MAY 30, 2000	))	CASE NO. 2000-260

O R D E R

In Case Nos. 97-074, 94-121, 99-434, 2000-069,[1] and 2000-260, the Commission ordered the largest interexchange carriers ("IXCs") to "flow-through" to their end-user customers intrastate access charge reductions made by BellSouth Telecommunications, Inc. ("BellSouth") and Verizon South, Inc., f/k/a GTE South Incorporated ("Verizon"). The IXCs were required to file revised tariffs reducing toll rates by the amount of the access reductions impacting each company. The IXCs were also required to file supporting workpapers showing that the tariff reductions equaled the access charges reductions.

During the course of this proceeding, MCI WorldCom ("WorldCom"), AT&T Communications of the South Central States, Inc. ("AT&T"), and Sprint Communications L.P. ("Sprint"), requested an informal conference to explore alternatives to the direct flow-through method that would adequately demonstrate compliance with flow-through requirements. Subsequent to the informal conference that was held on July 8, 2000,

[1] Case No. 97-074, BellSouth Telecommunications, Inc.'s Application to Restructure Rates; Case No. 94-121, Application of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company to Modify Its Method of Regulation; Case No. 99-434, The Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan; Case No. 2000-069, The Reduction of Intrastate Toll Rates as a Result of the Elimination of the Residual Interconnection Charge of GTE South Incorporated.

comments regarding alternate flow-through methodologies were filed by the companies on August 2, 2000. After reviewing the alternate flow-through proposals, on October 4, 2000, the Commission adopted an alternative flow-through plan called the "Natural Rate Decline" or "Average Rate-Per-Minute" method.

Under this method, the Commission would determine from company-supplied information whether its average revenue-per-minute had decreased for the 12-month period immediately preceding an access charge reduction in an amount commensurate with the access charge reduction. Qwest Communications Corporation ("Qwest") was also required to make this showing along with AT&T, WorldCom and Sprint. All other IXCs were exempted from the filing requirements based upon the assumption that toll rate reductions by these four IXCs would require other utilities to make similar reductions to remain competitive. The Commission also expressed a concern that basic schedule toll customers were purchasing services at substantially higher rates than necessary due to lack of information. Therefore, the Commission required AT&T, WorldCom, Sprint, and Qwest to inform their basic schedule customers of the availability and terms of these low-cost plans by means of an information campaign.

On December 20, 2000, an informal conference was held to discuss the analysis available for review and the type of information campaign to be implemented. WorldCom provided examples of the analysis available to demonstrate that it complied with flow-through requirements as required under the methodology adopted by the Commission. WorldCom also submitted examples of bill messages that it proposed to use to notify basic schedule customers of lower-cost toll plans. AT&T, Sprint, and Qwest agreed that they could furnish similar analysis. After the conference, AT&T

submitted information including literature that is mailed to consumers, copies of pages on its Web site, and other information concerning services advertising.

On January 18, 2001, Sprint submitted advertising information and a motion for a waiver of the Commission's previously ordered advertising campaign or, in the alternative, a finding of compliance. Sprint argues that it should be found in compliance due to the existing information found on its Web site, direct mail and billing inserts it currently provides, media information and news releases, and its affiliation and partnerships with other entities to educate consumers on telecommunications options. Sprint provided samples of each of these materials.

On March 19, 2001, Qwest submitted advertising information and a motion for a waiver of the Commission's previously ordered obligation to provide average rate-per-minute analysis. Qwest also requested an exemption from advertising its calling plans to its basic rate customers or, in the alternative, a finding of compliance. Qwest first argues that because of its size it is not a market leader and should not be included with the other carriers in the requirement to flow-through access charge reductions. Qwest also argues that it already provides information to its customers regarding other rate plans through direct mail and information provided on its Web site. Qwest supplied copies of the information.

CONCLUSIONS

The Commission finds that the analysis proposed by WorldCom is sufficient, at this time, to allow it to verify that access charge reductions are reflected in average revenue-per-minute statistics. However, should it become evident at some later date that changes to the analysis are required, the Commission will order them to be made.

The Commission further finds that Qwest should be required to provide the same average revenue-per-minute documents as those required of AT&T, Sprint, and WorldCom. Although Qwest argues that it is not the size of AT&T, Sprint, or WorldCom, and is not a market leader, Qwest holds a market share of customers in Kentucky similar to that held by Sprint. By including Qwest in the requirement to provide average revenue-per-minute information, the Commission ensures that approximately 85 percent of access charge reductions are being passed on to the citizens of the Commonwealth. Therefore, Qwest's motion for exemption is denied.

With regard to the information campaign, the Commission accepts WorldCom's proposed bill message, except that the message should be changed from "that may benefit you" to "that may be less expensive to you." The bill message will be required to be used one time and a copy of the message should be provided to the Commission. Qwest, AT&T, and Sprint will be required to provide their customers with the identical bill message once and to provide copies of their message to the Commission. These actions will fulfill the Commission's notification requirement. The companies also will be required to provide new customers the same notice as mentioned above on a one-time basis.

The Commission, having been sufficiently advised, HEREBY ORDERS that:

1. The average revenue-per-minute analysis submitted by WorldCom is reasonable and is the format to be used by AT&T, Qwest, and Sprint as well as WorldCom.

2. Qwest's motion for exemption from filing the average revenue-per-minute analysis is denied.

3. WorldCom shall modify its proposed bill message by substituting the words “that may benefit you” for the words “that may be less expensive to you.”

4. AT&T, Sprint, and Qwest shall prepare bill messages similar in form and content to that proposed by WorldCom, except as noted above.

5. WorldCom, AT&T, Sprint, and Qwest shall mail the bill message to all of their customers on a one-time basis.

6. Thereafter, the national information campaigns of each company shall be considered as fulfillment of the Commission’s notification requirement.

7. AT&T, Worldcom, Sprint, and Qwest shall provide notice of low-cost plans on a one-time basis to all new customers.

Done at Frankfort, Kentucky, this 18th day of April, 2001.

By the Commission

ATTEST:

Executive Director