

CASE

NUMBER:

99-434

BellSouth Telecommunications, Inc.
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Louisville, KY 40203

Dorothy.Chambers@BellSouth.com

Dorothy J. Chambers
General Counsel/Kentucky

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October 14, 2003

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RECORDED

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PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

Pursuant to the Commission's letter of September 24, 2003, denying BellSouth's petition to protect as confidential certain information contained in Exhibit 4 to a letter to Thomas M. Dorman regarding BellSouth's Price Regulation Plan, the purpose of this letter is to respectfully withdraw Exhibit 4 to BellSouth's filing of August 1, 2003, in the above-referenced docket.


Exhibit 4 shows names of specific Competitive Local Exchange Carriers ("CLECs") operating in BellSouth's Kentucky territory and estimates of their access lines. These CLECs are wholesale customers of BellSouth, and information about the types of telecommunications services they obtain from BellSouth, including the quantity of such services, is Customer Proprietary Network Information ("CPNI"). BellSouth filed this information with the Commission with a request that an order be issued to protect the confidentiality of this information and because BellSouth believed the information would be helpful to the Commission in considering the issues before it in the Price Regulation docket.

This Commission has been particularly sensitive to the need to maintain proprietary information as confidential. Access to the information provided in Exhibit 4 is strictly limited within BellSouth and is not made public on a CLEC-specific basis and under Section 222 of the 1996 Telecommunications Act (the Act) should not be made public without customer consent. Public disclosure of this information would not only be contrary to our customers' privacy expectations, but could provide competitors with an unfair competitive advantage.

Mr. Thomas M. Dorman
October 14, 2003
Page 2

Accordingly, in order to fulfill its obligation to its customers under the Act, BellSouth is withdrawing Exhibit 4 from its August 1, 2003 filing. Should the Commission later determine that this information would aid it in its determinations in this proceeding, BellSouth will refile the information and seek confidential protection of the information.

Sincerely,


for Dorothy J. Chambers

cc: Parties of Record

508623



Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

September 24, 2003

Dorothy J. Chambers
601 W. Chestnut Street, Room 407
P.O. Box 32410
Louisville, KY 40232

Re: Request for Confidentiality
Case No. 99-434

Dear Ms. Chambers:

The Commission has received your petition filed August 1, 2003, to protect as confidential certain information contained in Exhibit 4 to a letter to Thomas M. Dorman regarding BellSouth's Price Regulation Plan. Review of the information for which confidential treatment is sought demonstrates that it is too general in nature to furnish BellSouth's competitors with an "unfair competitive advantage" pursuant to KRS 61.878(1)(c)1. Accordingly, your petition is denied.

The information shall be withheld from public inspection for 20 days from the date of this letter to allow you to seek any further remedy available to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a long horizontal flourish extending to the right.

Thomas M. Dorman
Executive Director

cc: Parties of Record



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KPSC 99-434

**Review of BellSouth Telecommunications,
Inc.'s Price Regulation Plan**

RECEIVED

AUG 01 2003

**PUBLIC SERVICE
COMMISSION**

**BellSouth Telecommunications, Inc.'s
Response to the Commission's August 3, 2000,
Order**

Filed: August 1, 2003

EDITED

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
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Louisville, KY 40203

Dorothy.Chambers@BellSouth.com

Dorothy J. Chambers
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

August 1, 2003

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

RECEIVED

AUG 01 2003

PUBLIC SERVICE
COMMISSION

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

Pursuant to the Commission's August 3, 2000, Order in the above-captioned case, enclosed for filing is information from BellSouth regarding the three year review of BellSouth's Transition Regulation Plan.

Exhibit 4 to the letter from Joan Coleman to Thomas M. Dorman dated August 1, 2003, contains confidential, commercial, or proprietary information and, pursuant to 807 KAR 5:001, Section 7, enclosed is BellSouth's Confidentiality Petition.

One proprietary and ten edited copies of the information are provided to the Commission. An edited copy is provided to parties of record. If any party to this case desires a proprietary copy of this filing, they should contact my office.

Sincerely,



Dorothy J. Chambers

Enclosures

cc: Parties of Record

500196

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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AUG 01 2003

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

REVIEW OF BELL SOUTH)
TELECOMMUNICATIONS, INC.'S)
PRICE REGULATION PLAN)

CASE NO. 99-434

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001 SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth"), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to KRS 61.878 and 807 KAR 5:001, §7, to classify as confidential the highlighted information contained in Exhibit 4 to the letter to Thomas M. Dorman, Executive Director – Kentucky Public Service Commission. The Exhibit shows names of specific Competitive Local Exchange Carriers ("CLEC") operating in BellSouth's Kentucky territory and estimates of their access lines. These CLECs are wholesale customers of BellSouth.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878(1)(c)1. To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors and the parties seeking confidentiality if openly discussed. KRS 61.878(1)(c)1; 807 KAR 5:001 § 7. The Commission has taken the position that the statute and rules require the party to demonstrate actual competition and the likelihood of competitive injury if the information is disclosed.

This information is customer specific information to which those customers have an expectation of privacy. Information provided to the Commission concerning specific customers also may be Customer Proprietary Network Information ("CPNI") and should not be publicly disclosed without the approval of the individual customers.

The material for which BellSouth seeks confidential treatment in the portion of the Exhibit identified above also contains commercially valuable information. All of the information identified herein has potential value to other participants in the local exchange market, such as incumbent local exchange carriers (ILECs), competitive access providers (CAPs), facilities-based competitive local exchange carriers (CLECs), cable companies who have developed or are contemplating the development of wholesale or retail network products, and wireless providers.

Public disclosure of the identified information would provide competitors with an unfair competitive advantage. The Commission should also grant confidential treatment to the information for the following reasons:

- (1) The information for which BellSouth is requesting confidential treatment is not known outside of BellSouth.
- (2) The information is not disseminated within BellSouth and is known only by those of BellSouth's employees who have a legitimate business need to know and act upon the information;
- (3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices; and

(4) By granting BellSouth's petition, there would be no damage to any public interest.

For the reasons stated herein, the Commission should grant BellSouth's request for confidential treatment of the identified information.

Respectfully submitted,



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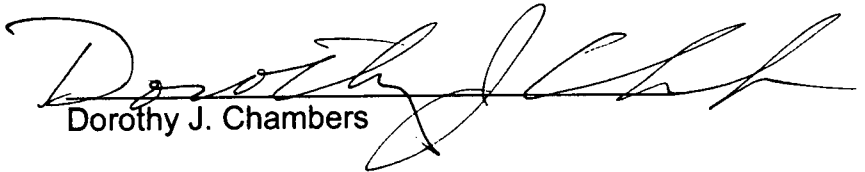
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COUNSEL FOR BELLSOUTH
TELECOMMUNICATIONS, INC.

500179

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 1st day of August 2003.


Dorothy J. Chambers

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Joan A. Coleman
Vice President
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August 1, 2003

RECEIVED

AUG 01 2003

**PUBLIC SERVICE
COMMISSION**

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Re: Case No. 99-434, Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan

Dear Mr. Dorman:

In its August 3, 2000 order in this case (Transition Regulation Plan - TRP order), the Commission approved BellSouth's proposed TRP for a three-year pilot period. In that order, the Commission directed BellSouth to file information with the Commission within three years that proposed the method of regulation the Company recommended at the conclusion of the pilot program (see TRP order, page 18). In response to this Commission request, BellSouth proposes the current TRP continue since the current TRP plan can provide the flexible framework that is necessary to respond to changes in the Kentucky telecommunications market. A tariff revision reflecting the proposed change is being filed with this letter. The TRP has met or exceeded the Objectives of the Plan, and it has provided the framework for the Commission to allow the Company to respond to competition, and, therefore, respond to customer needs. Additional pricing flexibility will likely be required as we move along the continuum towards increased competition and deregulation.

Executive Summary

The innovative Transition Regulation Plan (the TRP) approved by the Kentucky Public Service Commission has succeeded beyond its original objectives during the three-year pilot. BellSouth's customers have benefited under the TRP, and Kentucky's consumers have seen their competitive choices for telecommunications services increase dramatically.

One of the TRP objectives was to ensure reasonable rates and good service for customers as competition drove changes in the marketplace, including the need to eliminate rate subsidization. Under "rate rebalancing" provisions of the plan, rates for basic telephone service have remained very affordable with small increases for residential customers and decreases for many business customers.

At the same time, BellSouth's Kentucky customers have experienced excellent service by any measure. Tough internal and Commission measurements demonstrate consistently good service. And customers recognized BellSouth with the top ranking in the J.D. Power and Associates study of customer satisfaction.

Increased flexibility and efficiency in meeting customers' needs was another objective of the TRP. Within the framework of the TRP, BellSouth has been able to price optional services at market rates, while providing a significant number of promotional offers to customers. In addition, streamlined filing procedures and requirements have enabled the company to be more responsive to customers.

The TRP also benefited customers in more rural areas of the state by providing them with access to high-speed communications services. The TRP, which included incentives to deploy broadband services through much of BellSouth's rural Kentucky service area, exceeded its objectives. Now customers in 97 communities have access to broadband access services provided by BellSouth.

Competition has flourished under the Transition Regulation Plan. There are now more than 80 CLECs operating in Kentucky. Kentucky consumers' choices for their telecommunications services have expanded in every part of the state, including the smaller, rural communities. In fact, in all of the territory served by BellSouth in Kentucky, there are no fewer than six, and sometimes more than 50, CLECs now providing competitive telecommunications services.

More consumers also are moving away from traditional telephone service providers and choosing competitive alternatives, such as cellular phones and services provided by cable companies. Clearly more demanding consumers, increased competition in the marketplace and new technologies will push our industry into uncharted waters.

Overall, the Transition Regulation Plan achieved and even exceeded its objectives over the past three years. Continuing the TRP will provide the regulatory framework needed to tackle the tough issues arising from the swift and dramatic increase in competition in our industry as we move towards less regulation. The TRP will continue to benefit consumers and keep the state in the forefront when it comes to regulatory policy.

Evaluation

BellSouth believes the TRP has been an appropriate next step in the continuum towards deregulation in the Kentucky telecommunications industry. A key element of the TRP has been the flexibility it has allowed the Commission to adjust regulatory procedures in the increasingly competitive marketplace. Examples include streamlined filing

procedures for promotions and contracts and modified bill presentation requirements. The customers in Kentucky benefited from the TRP because the Company was able to file with the Commission changes to the TRP to streamline regulation of promotions and Contract Service Arrangements (CSAs), which allowed the Company to focus on providing competitive alternatives to its customers upon customer request and without regulatory delay.

In summary, BellSouth believes the Commission has established a regulatory framework with the TRP that, if the flexibility is maximized, produces benefits for all stakeholders: consumers, the Commission, and BellSouth. The TRP also allows appropriate responses to continually changing circumstances on the path towards deregulation.

In its TRP order, the Commission noted continued and increasing regulatory flexibility is a must for BellSouth to successfully participate in the Kentucky marketplace in the future. In its TRP order, the Commission noted:

“The Commission’s goals have been met in the past through these alternative regulation methods, and it now appears that additional innovations are necessary to enable BellSouth to adjust to the changing telecommunications environment. Competition is becoming more prevalent, business rates have moved much closer to competitive market rates, and new technologies have produced services no one envisioned only a decade ago.” (see TRP order, pages 2-3)

The factors the Commission identified which produced the need for the TRP (increasing competition, new technologies), plus others (changing roles in the marketplace, regulatory uncertainty, convergence of technologies) are all still present and are even more prevalent in today’s Kentucky market where wireless, cable and CLECs are very active. These factors still support the flexibility provided in this regulatory framework that must be dynamic enough to respond to the various changes in the market.

Certainly, more changes will be needed in pricing and regulatory processes as the industry continues to evolve. BellSouth will continue to propose the changes necessary to respond to this increasingly competitive marketplace and the move towards deregulation of the telecommunications industry. Some examples of those expected changes in the near future include requesting additional rate rebalancing, promotion notice flexibility, and metro pricing initiatives. In the Commission’s Order dated July 9, 2003, in Case No. 2002-00421 regarding zone charges, the Commission suggested that the Company evaluate these charges in the future. The Company is reviewing possible zone charge reductions with a rate rebalance for filing after approval of the TRP. BellSouth also anticipates filing both a metro-pricing plan that would target additional pricing flexibility needs in the metropolitan areas where the most significant facilities-based competition exists, and proposals to detariff services.

There are numerous other proceedings currently or imminently before the Commission including Presumptive Validity, Contract Service Arrangements, and the expected state proceedings following release of the Triennial Review Order from the FCC. In such a

dynamic environment, with so many players offering various modes of communications, an open and flexible regulatory framework where ideas can be presented and approved is essential. As the industry changes and competitive offers are more creative and responsive to customers' needs, BellSouth will actively pursue the initiatives that it believes are needed with respect to the retail market.

Objectives of the TRP

As indicated above, the Company believes the Objectives of the TRP have been met, or exceeded, throughout the Pilot TRP and that the Plan should be continued. In its TRP order, the Commission commented on the goals of the regulation plan then in effect, as well as future goals:

“The Audit Report concludes, and the Commission agrees, that these objectives have generally been met and should continue to be goals of this Commission in future regulation of BellSouth.

The Audit Report proposes two additional objectives. The first is to permit BellSouth to adjust the prices of its retail services toward incremental costs based on market price. The second is to ensure that the introduction of competition to all markets in Kentucky is not hindered by the method of regulation. The Commission agrees that these goals must be adopted.” (see TRP order, page 3)

BellSouth believes the current goals and objectives of the TRP, as approved by the Commission, continue to be an appropriate set of goals and objectives for the near term as the industry moves towards more deregulation. The TRP has proven to be effective in allowing the Commission and the Company to meet those objectives.

The specific objectives of the TRP are listed in Section A36.1.1.B of the Company's General Subscriber Services Tariff, and have been met as follows:

Objective Number 1: Ensure basic service continues to be available at reasonable rates, and shield the basic ratepayer from significant price increases resulting from the changing marketplace.

This objective has been met and continues to be an appropriate objective. Basic service continues to be provided at reasonable rates. This first objective is focused where it should be – on consumers. As the telecommunications industry has moved along the path to full competition, significant concern has been voiced about what effect this evolution will have on basic exchange rates that historically have been subsidized by now competitive business and access services. A lot of work remains to be done, but with the Commission's help, BellSouth has been able to rebalance rates in Kentucky over the last three years under the TRP. This rebalance which was gradual, controlled, and targeted at the high cost areas of the state, was not contested by our customers.

Even after this rebalance, BellSouth's residence exchange rates are still comparable to those of the other major local exchange carriers in Kentucky (basic residential rates range from \$15.20 in out state to \$18.40 in Louisville). As some points of comparison, Cincinnati Bell's rates range from \$16.95 (in relatively dense areas like Florence) to \$26.00 (in less dense areas like Falmouth and Glencoe), and Kentucky ALLTEL's rates range from \$13.20 in numerous exchanges to \$18.95 in Lexington (South Shore's local exchange rate is \$18.99).

In addition to the controlled rebalance of basic exchange rates, the Commission and BellSouth have further ensured the availability of affordable rates under the TRP by continuing to provide options to exchange rates like Area Calling Service (A3.2.8), Local Measured Service (A3.2.3), Area Plus ® service (A3.2.10), and Lifeline service (A3.31).

Objective Number 2: Continue to provide high quality service.

Today's customers have more choices for their telecommunications services, which puts them in a position to define and demand high quality service. According to customers -- as well as virtually all internal and external measures -- BellSouth has continued to provide high quality service.

BellSouth and its employees have received top honors in numerous independent studies and surveys of customers, including:

- Number 1 ranking in all factors of customer satisfaction with local service in the Southeast by J.D. Power and Associates regional study. Ranked overall and highest in all six major factors of the study: customer service, performance and reliability, company image, billing, cost of service, and offerings and promotions.
- Number 1 ranking American Customer Satisfaction Index, Local Telecommunications Industry Group, conducted by the National Quality Research Center at University of Michigan's Business School, May 2003 (for the 10th straight year).
- Number 1 for the second straight year in the Yankee Group's Technologically Advanced Family survey.

Service Quality Measurements

BellSouth constantly measures its service quality against customers' standards and the Company's tough standards, as well as the service objectives set by the Commission. BellSouth's consistent good service is reflected in the results of the service quality measurements. In fact, overall BellSouth's service objective results improved during the years of the TRP. A comparison of service objective results prior to the TRP and those achieved during the TRP is attached as Exhibit 1.

Continuous Improvement

BellSouth employees are very proud of the Company's long tradition of excellent service. Yet in today's competitive market, BellSouth must work to continue improving service quality. To strengthen the service focus and continue improving customer satisfaction, BellSouth employees work with five guiding principles for providing excellent service known as *The Customer Rules*: 1) Take Ownership . . . and Show We Care; 2) Be Responsive and Deliver; 3) Do It Right; 4) Make It Seamless; and 5) Meet Our Commitments.

Dozens of Kentucky employees have been recognized with Service Leader Awards. The Customer Rules guiding principles have become part of the Company's everyday focus and commitment to service excellence. And a number of improvements have been implemented in the way BellSouth operates and interacts with customers.

Emergency Preparedness

BellSouth is known as an industry leader in emergency preparedness. Its experienced, well-trained, and dedicated employees have kept up a long record of service continuity and recovery during ice storms, floods, tornados and other emergencies. Now BellSouth has applied the same high standards to preparedness for potential threats to national security and the security of the network.

A cornerstone of the Company's preparedness is its program of preventive measures, one of the most comprehensive in the industry. BellSouth's network is built to survive, particularly when it comes to central offices and the interoffice switching network. While loss of a facility is extremely rare, BellSouth has developed an extensive organizational structure for emergency preparedness and restoration – at the local, state and regional levels. The Company has defined Emergency Response Teams and regularly conducts drills and reviews of procedures.

Objective Number 3: Permit the Commission and the Company to direct their energies to meet customers' needs and enhance efficiency in the provision of telecommunications services throughout Kentucky.

This objective has been met and continues to be an appropriate objective.

Throughout the review of the significant regulatory issues before the Commission dealing with opening the local network to competition and evaluating BellSouth's application to enter the long-distance business, the TRP has allowed all to focus on the appropriate regulatory matters, those of wholesale relationships and issues. As the methods and procedures of the Commission's regulation of BellSouth have been modified over the last three years, the Commission, the Company, and other Stakeholders have had the

opportunity to enter into meaningful discussions on various subjects such as presumptive validity, bill format, promotions, and Contract Service Arrangements.

Objective Number 4: Provide enhanced incentives to invest in new technologies and services.

This continues to be an appropriate objective, and through BellSouth's investment in new technology in the state, this objective has not only been met but it has been exceeded.

The Commission's recognition and approval of the TRP provided incentives for BellSouth to begin broadband deployment to 35 rural wire centers in Kentucky that, at that time, had limited alternatives for broadband access. Over the course of the TRP, significant competition and increased Internet usage have encouraged the additional deployment of broadband in Kentucky. As a result of these market dynamics, BellSouth has deployed well beyond the originally proposed 35 wire centers to over 98 wire centers (see Exhibit 2a for deployment listing and maps in Exhibits 2a and 2b for comparisons). This brings the total number of BellSouth's broadband capable wire centers in Kentucky to 115. Remote solutions have also been deployed in various exchanges to enable additional customers to have access to broadband. Certainly this has benefited Kentucky consumers through increased access to broadband services. In response to market conditions, additional infrastructure deployments are planned for this year that will continue to enhance BellSouth's Kentucky broadband capability. Permitting the competitive broadband marketplace to work will ensure that continued investment and service development are driven by demand. In total, BellSouth will have invested nearly \$35M in broadband technology in Kentucky. Many end users in Kentucky also have additional broadband capability offered through competitors such as cable, non-ILEC DSL providers and wireless service providers. Of these, cable and wireless have no regulation by the Commission and non-ILEC DSL providers have minimal regulation by the Commission. Regulatory parity among broadband providers and the regulatory certainty it brings are necessary for continued incentives and growth of the broadband markets in Kentucky.

The negative impact of regulatory uncertainty upon investment in new technology is well illustrated in the Commission's divided decision regarding provisioning of Bellsouth's wholesale DSL over UNE-P (KY PSC Case No. 2002-00432, appealed to federal court). As Chairman Huelsmann correctly recognized in his dissent, regulation that is inconsistent between the state and federal jurisdictions is "pure and simple regulatory uncertainty" which creates "a situation in which there is less incentive for BellSouth to deploy broadband throughout the state." BellSouth could not agree more. The Commission order in this case not only creates regulatory uncertainty and a potentially detrimental impact on technological investment in Kentucky, but it also is fundamentally unfair in its taking of BellSouth's market-based investments to unfairly advantage competitors who, unlike BellSouth, have chosen not to invest capital for broadband in this Commonwealth.

Objective Number 5: Permit the Company the added flexibility to price competitive services, set depreciation rates, and respond to a changing marketplace.

This objective has been met and continues to be an appropriate objective.

The Commission has allowed the Company to move its rates for many optional, discretionary services to their market rates. The opportunity to recover revenue from the marketplace that properly reflects the value consumers place on these services provides the Company incentive to expand the availability of existing services, and to introduce new ones. In addition, the Company has been able to provide a significant number of promotional offers to its customers as a result of this market pricing of services.

In addition to providing flexibility for the Company to set depreciation rates and price services at market rates, the TRP has allowed the Company to better respond to the marketplace. This response has been accomplished through the Commission's approval of modified filing procedures for promotions and Contract Service Arrangements (KY PSC Case No. 2001-077). The Company also expects to better address customers' needs and desires in the display of billing information, as a result of the Commission's decision to modify the requirements for presentation of regulated and non-regulated charges on customers' bills (KY PSC Case No. 2002-310). Please see the discussion for Objective 3 above.

Pricing flexibility for competitive services is essential to maximize the benefit to the consumers in Kentucky. Such pricing flexibility will likely be targeted at services and packages for individual customers and groups of customers in response to competitive alternatives and customer needs. Innovative pricing plans and packaging of services are critical to BellSouth and its ability to adequately respond to the competitive marketplace.

Objective Number 6: Permit all Company retail rates to move toward incremental cost or market price.

This continues to be an appropriate objective and this plan has made significant strides in this regard. Additional rebalancing may still be appropriate. As an example, the Company is reviewing possible zone charge reductions to be accomplished through a rate rebalance. Please see discussions for Objectives 1 and 5, above.

Objective Number 7: Ensure that the potential introduction of competition to all markets in Kentucky is not hindered by the Plan.

This objective has been met and continues to be an appropriate objective. There has been significant activity, by both this Commission and the FCC, to facilitate the introduction and foster the growth of competition. There are now more than 80 CLECs providing services in Kentucky. CLEC presence grows daily and as of the end of May 2003 the Company estimates CLECs are now serving over 200,000 Kentucky consumers. Exhibit

3a illustrates the estimate of the total lines now served by CLECs in BellSouth's Kentucky territory. The chart also indicates the estimated trend of CLEC provided lines through the end of 2003. This represents approximately 17% of the combined residential and business market share in Kentucky (see Exhibit 3b). Exhibits 3a and 3b are based upon June 2003 information. Exhibit 4 provides additional detail capturing the quantity of resold lines and an estimate of the quantity of facility based lines served by multiple CLECs operating in Kentucky thru May 31, 2003. The number of lines served by each provider has been redacted to maintain the confidentiality of this information.

Kentucky consumers' choices for telecommunications services continue to expand. One might expect more competitive alternatives in Kentucky's most densely populated areas - and this is true. Today there are over 50 CLECs serving customers in the Louisville market.

But what about consumers in Kentucky's smaller towns? In all the Kentucky territory served by BellSouth, there are no fewer than six and sometimes more than 50 CLECs now providing competitive telecommunications services. That is without considering the additional wireless, cable or municipal competitors offering services. Consider this list:

Location	CLECs Serving
Nebo	16
Willisburg	6
Fredonia	9
Milton	9
Pikeville	32
Mayfield	27
Utica	7
Virgie	23
Sacramento	10
Pineville	30
Owensboro	45
Bowling Green	46
Winchester	37
Louisville	51
Panther	13
Dixon	16

Exhibit 5 is a Kentucky map illustrating the availability of consumer choices for their telecommunications services. Additionally, Exhibit 6 is a representative sample of advertisements for CLEC service bundles and offers available to nearly all Kentucky consumers.

In the last three years, the Commission has assured that BellSouth provides the same outstanding service quality to both its retail and wholesale (CLEC) customers. In 2001, the Commission adopted BellSouth's Service Quality Measurements plan.¹

The Commission's oversight of the competitive telecommunications marketplace clearly has brought choices to Kentucky's consumers. However, the world and competition are changing. Many consumers are making the choice to use their cellular phones in lieu of the traditional wireline alternative. The FCC noted in its *Seventh Report*, "an estimated 3 to 5 percent of consumers have 'cut the cord,' meaning they do not subscribe to wireline phone service."² Additionally, a May 2003 study "Mobile Wireless as a Substitute for Primary Fixed Line Service" by Ernst & Young LLP and PriMetrica indicated that the FCC's assessment might be too conservative. As written, "The study estimates the replacement for fixed line at a much higher level than the 3% to 5%, 'Usage substitution, mobile wireless for fixed line, appears to be more prevalent with estimates ranging from 11% to 20% of the mobile wireless customers having replaced 'some' to a 'significant' share of their fixed line usage with mobile wireless usage."

Cellular companies are aggressively marketing full service bundles with features such as voice mail, three-way calling, caller ID, call waiting, call forwarding, 'free' long-distance, unlimited night and weekend calls, unlimited mobile wireless to mobile wireless calls. Exhibit 7 illustrates some of the service plans available to nearly any Kentucky consumer.

Kentucky consumers are also being offered other non-regulated alternatives. Cable television providers are now offering enticing bundles that not only include basic and premium television channels, but also Internet access, long distance service and local telephone service. Other forms of telecommunications services are available to Kentucky consumers. Exhibit 8 is a copy of a July 7, 2003 *USA Today* cover story reporting that Voice Over Internet Protocol ("VOIP") technology has "suddenly arrived -and it's poised to rock the telecommunications industry." The article also maintains "... technological advances and broadband's growth have made calls on the Net, or Internet-like private networks, roughly equivalent to traditional phone service."

Conclusion and Proposal

The TRP has met the objectives set for it three years ago. The TRP framework continues to be an appropriate regulatory plan as we move towards deregulation because it has a proven track record of meeting the stated objectives, and because, at its maximum, it provides the flexibility in regulation that is needed in today's telecommunications environment. We expect the regulatory framework to continue to evolve just as it has done since we initially moved away from traditional Rate of Return regulation in 1988.

¹ Case No. 2001-105, Investigation Concerning the Propriety of InterLATA services by BellSouth Telecommunication, Inc., Pursuant to the Telecommunications Act of 1996.


² Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Seventh Report*.

Just as the Commission has approved prudent modifications and changes in its requirements for BellSouth over the last three years (billing format, promotions, CSAs), the Commission and other interested stakeholders will have the same opportunities under a continuation of the plan to evaluate and make decisions regarding new proposals the Company likely will introduce for services as the dynamically changing Kentucky telecommunications marketplace continues to develop.

The only specific change BellSouth proposes at this time is to eliminate the three-year reference in the tariff. The attached tariff proposal (Exhibit 9) reflects that change.

We appreciate the Commission and staff's willingness to provide consumers the benefits of moving towards deregulation in the telecommunications industry. The flexibility allowed under the TRP is an appropriate next step in this continuum. Should you or the staff have any questions concerning this filing or need additional information, please call me at 502-582-2167, or Jim Tipton at 502-582-8925.

Very truly yours,


Joan A. Coleman

Attachments

Comparison of Kentucky Service Objectives Results Prior to the TRP and During the TRP

Misses:	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003*</u>
10(1) Percent of requests for regular service fulfilled within five (5) working days unless the applicant specifically requests a later date. (Objective: 90%)	0	0	0	0	0	0	0
15(2) Percent of telephone calls experiencing blockage due to an equipment or all trunks busy condition within the local dialing area. (Objective: No more than 5%)	0	0	0	0	0	0	0
15(3) Percent of telephone calls offered to toll connecting or interexchange trunks encountering an all trunks busy condition. (Objective: No more than 3%)	0	0	0	0	0	0	0
22(1) Average speed of answer time for operator assisted calls and calls requiring operator number identification. (Objective: Not to exceed 8 seconds)	0	0	0	0	0	0	0
22(2) Average speed of answer time for calls to repair service. (Objective: 20 seconds or less)	0	0	0	0	0	0	0
25(3) Percent of out-of-service troubles cleared within 24 hours unless the customer request a later time. (Objective: 85%)**	4	3	2	1	2	3	1
25(4) Average rate of customer trouble reports per 100 access lines. (Objective: 8 or less)	0	0	0	0	0	0	0
Total Misses:	4	3	2	1	2	3	1

*Results through the month of May

**Higher than expected work loads often caused by weather related events such as thunderstorms, floods, tornados, and most recently the ice storm of 2003 contributed to the misses associated with this objective.

BellSouth Kentucky DSL Equipped Wire Centers

EXHIBIT 2a

Central Office CLLI	Central Office	Date Deployed
ALLNKYMA	ALLEN	February - 2002
BDFRKYMA	BEDFORD	July - 2001
BLFDKYMA	BLOOMFIELD	2H2003
BNTNKYMA	BENTON	April - 2001
BRGNKYMA	BURGIN	April - 2002
BRTWKYES	BARDESTOWN	March - 2001
BVDMKYMA	BEAVER DAM	July - 2001
BWLGKYMA	BOWLING GREEN	January - 1999
BWLGKYRV	BOWLING GREEN RICHARDSVILLE	March - 2002
BYVLKYMA	BEATTYVILLE	July - 2001
CADZKYMA	CADIZ	July - 2001
CLAYKYMA	CLAY	March - 2002
CNCYKYMA	CENTRAL CITY	September - 2001
COTNKYMA	CROFTON	April - 2002
CRBNKYMA	CORBIN	June - 2001
CRBOKYMA	CRAB ORCHARD	2H2003
CRLSKYMA	CARLISLE	February - 2002
CRTNKYMA	CARROLLTON	June - 2001
CYDNKYMA	CORYDON	March - 2002
CYNTKYMA	CYNTHIANA	September - 2001
DAVLKYMA	DANVILLE	March - 2001
DRBOKYES	DRAKESBORO	September - 2001
DWSPKYES	DAWSON SPRINGS	February - 2002
EDVLKYMA	EDDYVILLE	March - 2002
EKTNKYMA	ELKTON	May - 2002
ELCYKYES	ELKHORN CITY	February - 2002
EMNNKYES	EMINENCE	July - 2001
ENSRKYMA	ENSOR	October - 2001
FDCKKYES	FEDSCREEK	2H2003
FKLNKYMA	FRANKLIN	June - 2001
FLTNKYMA	FULTON	September - 2001
FRFTKYES	FRANKFORT EAST	February - 2001
FRFTKYMA	FRANKFORT MAIN	January - 2000
GBVLKYMA	GILBERTSVILLE	June - 2002
GNVLKYMA	GREENVILLE	May - 2001
GRTWKYMA	GEORGETOWN	June - 2001
HABTKYMA	HABIT	March - 2002
HANSKYMA	HANSON	March - 2002
HDBGKYMA	HARRODSBURG	June - 2001
HNSNKYMA	HENDERSON	May - 2001
HPVLKYMA	HOPKINSVILLE	May - 2001
HRBGKYES	HARDINSBURG	June - 2002
HRFRKYMA	HARTFORD	July - 2001
HRLNKYMA	HARLAN	June - 2001
HWVLKYMA	HAWESVILLE	May - 2002
INEZKYMA	INEZ	April - 2002
JCSNKYMA	JACKSON	February - 2002
JNCYKYMA	JUNCTION CITY	February - 2002
LBJTKYMA	LEBANON JUNCTION	2H2003
LGRNKYES	LAGRANGE	July - 2000
LOUSKYES	LOUISA	August - 2003
LRBGKYMA	LAWRENCEBURG	February - 2001
LSVLKY26	26TH STREET	October - 1999
LSVLKYAN	ANCHORAGE	April - 1999
LSVLKYAP	ARMORY PLACE	April - 1999
LSVLKYBE	BEECHMONT	March - 2000
LSVLKYBR	BARDESTOWN ROAD	April - 1999
LSVLKYCW	CRESTWOOD	July - 2000
LSVLKYFC	FERN CREEK	May - 2000
LSVLKYHA	HARRODS CREEK	July - 2000
LSVLKYJT	JEFFERSONTOWN	June - 2000
LSVLKYOA	OKOLONA	April - 1999
LSVLKYSH	SHIVELY	May - 2000
LSVLKYSL	SIX MILE LANE	April - 1999
LSVLKYSM	ST MATTHEWS	April - 1999
LSVLKYTS	THIRD STREET	April - 1999
LSVLKYVS	VALLEY STATION	May - 2000

BellSouth Kentucky DSL Equipped Wire Centers

EXHIBIT 2a





Central Office CLLI	Central Office	Date Deployed
LSVLKYWE	WESTPORT ROAD	April - 1999
MACEKYMA	MACEO	April - 2002
MARNKYMA	MARION	October - 2001
MARTKYMA	MARTIN	February - 2002
MCDNKYMA	McDANIEL	2H2003
MCWLKYMA	McDOWELL	2H2003
MDBOKYMA	MIDDLESBORO	June - 2001
MDVIKYMA	MADISONVILLE	March - 2001
MGFDKYMA	MORGANFIELD	July - 2001
MGTWKYMA	MORGANTOWN	March - 2002
MRRYKYMA	MURRAY	April - 2001
MTSTKYMA	MT STERLING	June - 2001
MYFDKYMA	MAYFIELD	April - 2001
NEONKYES	NEON	April - 2002
NRVLKYMA	NORTONVILLE	March - 2002
NWHNKYMA	NEW HAVEN	2H2003
OKGVKYES	OAK GROVE	May - 2001
OWBOKYMA	OWENSBORO	March - 2001
OWTNKYMA	OWENTON	October - 2001
PARSKYMA	PARIS	June - 2001
PDCHKYIP	PADUCAH INFORMATION PARK	June - 2003
PDCHKYLO	PADUCAH LONE OAK	April - 2001
PDCHKYMA	PADUCAH KENTUCKY STREET	April - 2001
PDCHKYRL	PADUCAH REIDLAND	April - 2001
PIVLKYMA	PIKEVILLE	July - 2001
PKVLKYGV	PIKEVILLE GARDEN VILLAGE	July - 2003
PKVLKYMA	PIKEVILLE	January - 2000
PKVLKYMT	PIKEVILLE META	February - 2002
PLRGKYMA	PLEASANT RIDGE	March - 2002
PNVLKYMA	PAINTSVILLE	June - 2001
PRBGKYES	PRESTONSBURG	June - 2001
PRTNKYES	PRINCETON	September - 2001
PRVDKYMA	PROVIDENCE	July - 2001
PRVLKYMA	PERRYVILLE	February - 2002
RBRDKYMA	ROBARDS	March - 2002
RCMDKYMA	RICHMOND	March - 2001
RLVLKYMA	RUSSELLVILLE	September - 2001
RSTRKYES	ROSE TERRACE	March - 2001
SDVLKYMA	SADIEVILLE	2H2003
SHVLKYMA	SHELBYVILLE	February - 2001
SLVSKYMA	SALVISA	February - 2002
SNTNKYMA	STANTON	October - 2001
SPFDKYMA	SPRINGFIELD	July - 2001
SSVLKYMA	SIMPSONVILLE	July - 2001
STFRKYMA	STANFORD	July - 2001
STGRKYMA	STAMPING GROUND	May - 2002
STRGKYMA	STURGIS	August - 2001
SYMSKYMA	SYMSONIA	December - 2002
TYVLKYMA	TAYLORSVILLE	July - 2001
VIRGKYMA	VIRGIE	April - 2002
WACOKYMA	WACO	February - 2002
WDDYKYMA	WADDY	2H2003
WHBGKYMA	WHITESBURG	June - 2001
WHVLKYMA	WHITESVILLE	April - 2002
WLBGKYMA	WILLIAMSBURG	September - 2001
WLCKKYES	WALLINS CREEK	February - 2002
WNCHKYMA	WINCHESTER	March - 2001
WRFDKYMA	WARFIELD	April - 2002
WYLDKYES	WAYLAND	February - 2002

BellSouth DSL Deployment - Ending Year 2003

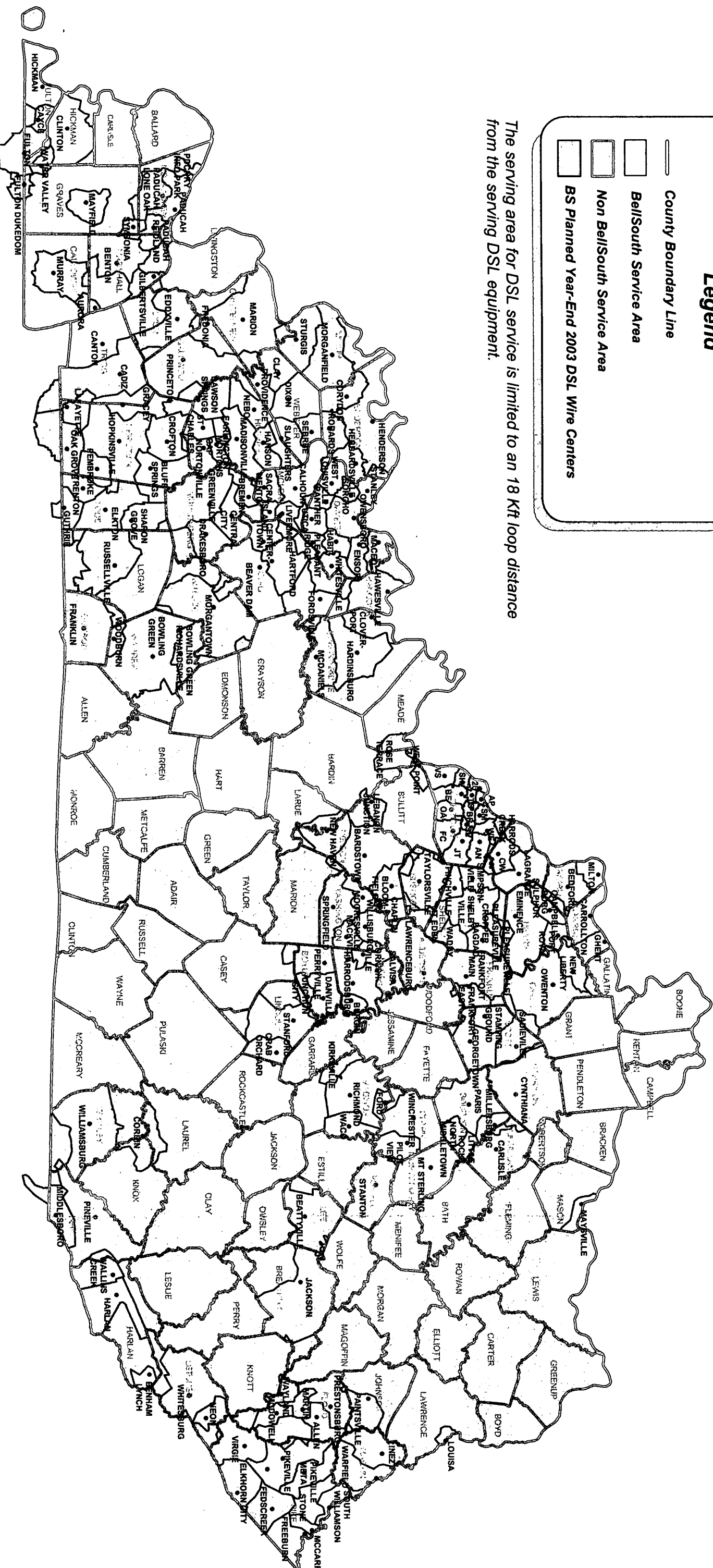
Exhibit 2c

BS existing and proposed DSL Wire Centers thru 2003

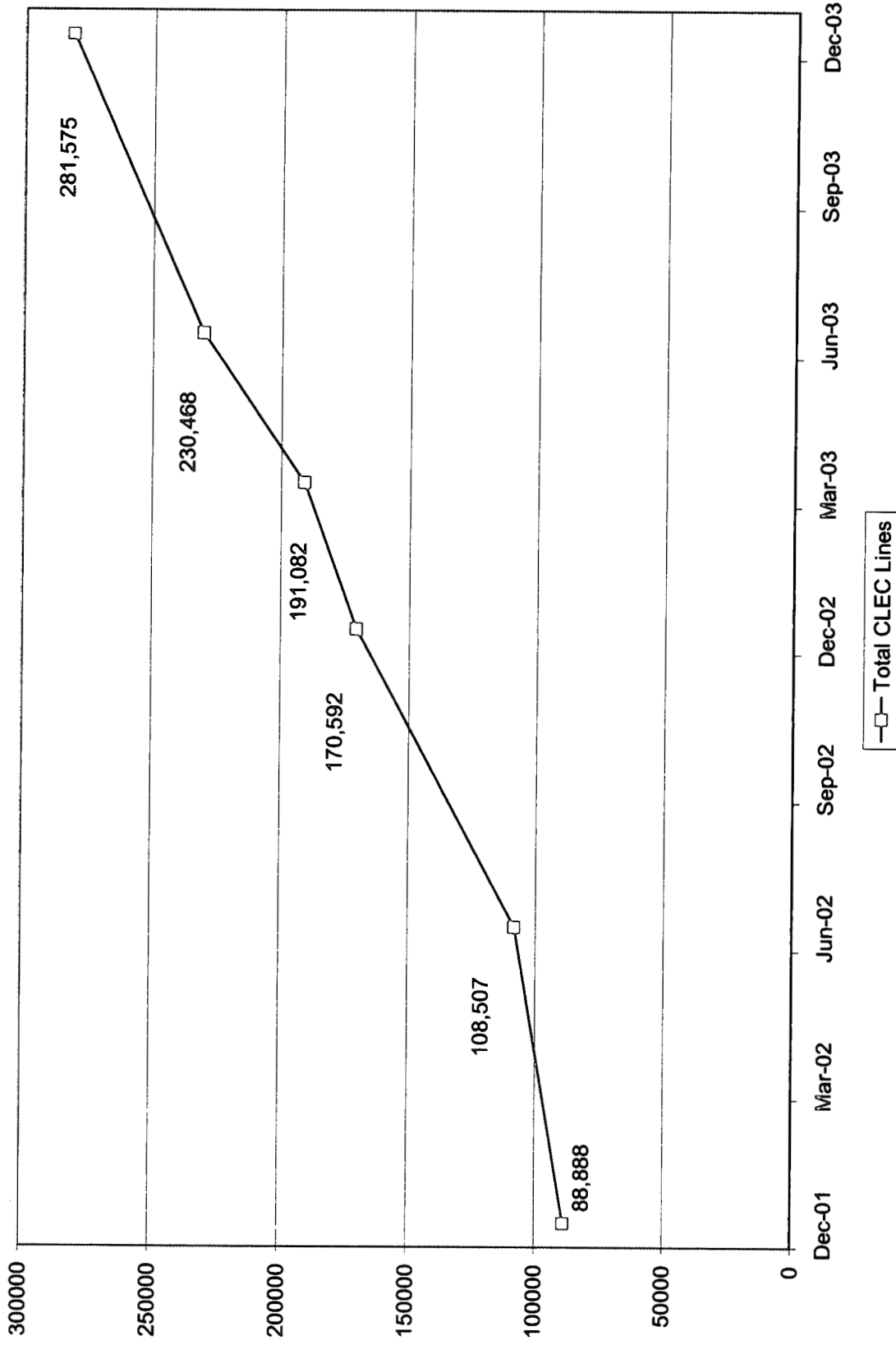
Legend

-  County Boundary Line
-  BellSouth Service Area
-  Non BellSouth Service Area
-  BS Planned Year-End 2003 DSL Wire Centers

The serving area for DSL service is limited to an 18 Kft loop distance from the serving DSL equipment.

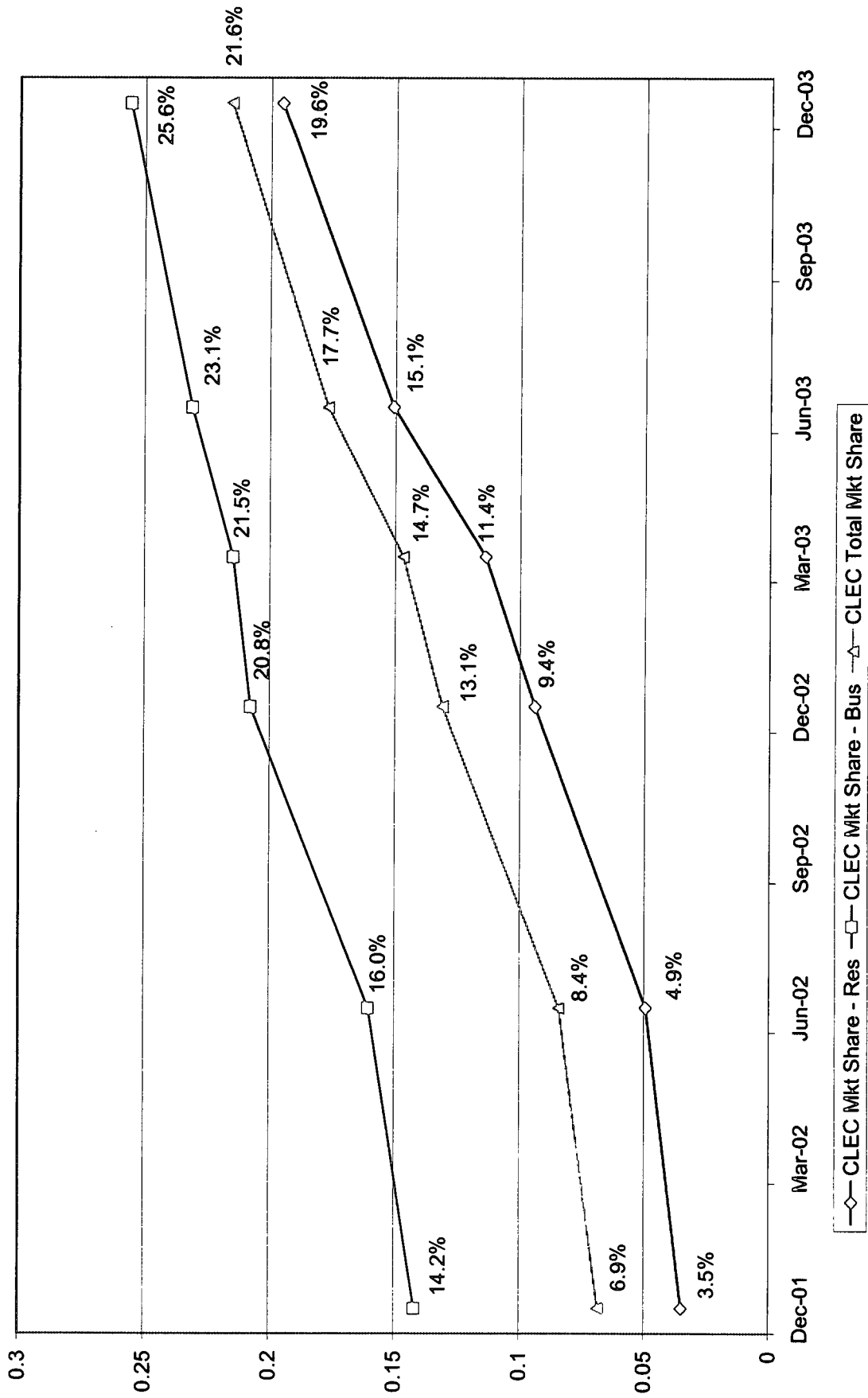


CLEC ACCESS LINES IN BST KENTUCKY MARKETS



December 2003
is a trended data point.

CLEC MARKET SHARE IN BST KENTUCKY MARKETS



December 2003 is a trended data point.

KENTUCKY CLEC LINE SHARE REPORT
CLECs with Over 10 Lines

KENTUCKY MAY 31, 2003	Resold Lines		Estimated Facilities-based/UNE-P Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
FACILITIES-BASED/UNE-P PROVIDERS						
1-800 RECONEX						
ACCESS INTEGRATED NETWORKS						
ACCESS POINT, INC.						
ADELPHIA BUS. SOLUTIONS (HYPERION, LOUISVILLE LIGHTWAVE)						
AT&T (*NORTHPOINT, *TELEPORT-TCG, *MEDIATION, *AT&T BROADBAND)						
BUDGET PHONE, INC.						
BUSINESS TELECOM (BTI, *FIBERSOUTH)						
CAT COMMUN INT'L (CCI)						
CINERGY COMMUNICATIONS(COMMUNITY TEL)						
CITIZENS (GLOBAL CROSSING, FRONTIER)						
COMM SOUTH COS						
DELTA PHONES						
DIALOG SMALL						
E-Z TALK COMM LLC						
E SPIRE COMM. (ACSI)						
EPIK COMMUNICATIONS						
ERNEST COMMUNICATIONS						
GLOBAL CONNECTION INC						
GRANITE TELECOMMUNICATIONS						
ICG COMMUN. (INTELCOM)						
IDS TELECOM						
LECSTAR (EMPIRE TELECOM SVCS)						
LIGHTYEAR COMMUNICATIONS						
LCI METRO (*WORLD.COM, *WORLD MEDIA, *MFS, *BROOKS, *INTERMED)						
MOMENTUM BUSINESS SOLUTIONS						
NAVIGATOR TELECOMM, LLC						
NETWORK TELEPH. (LIGHTNETWORKS)						
NEWSOUTH COMM (*UNIVERSAL.COM)						
NOS COMMUNICATIONS						
ONESTAR COMMUNICATIONS						
PHONE-LINK						
SOUTHEAST TELEPHONE						
TELE CONEX						
TELSON COMMUNICATIONS, INC.						
THE OTHER PHONE CO (ACCESSONE, *TALK.COM, *OMNICALL)						
TRIVERGENT (NUVOX, STATE COMM, GABRIEL)						
US LEC						
VARTEC TELECOM						
VELOCITY NETWORKS						
Z-TEL COMMUN.	6,523		110,439	87,722	195,161	206,056
FACILITIES-BASED Sub-Total		3,372				

KENTUCKY CLEC LINE SHARE REPORT
CLECs with Over 10 Lines

KENTUCKY MAY 31, 2003	Resold Lines		Estimated Facilities-based/UNE-P Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
Resale Only (10 + Lines)						
ALLSOUTH PHONE CONNECT						
ANNOX, INC						
BUY-TEL COMMUNICATIONS, INC.						
CREDIT LOANS INC						
DPH-TELECONNECT						
E-Z PHONE INC						
FAIR FINANCIAL (MIDSTATE TELECOM)						
FLORIDA TELEPHONE (FLATEL)						
HOLT & COMPANY						
INTER-MOUNTAIN CABLE						
LCI INTERNATIONAL (QWEST)						
MAX - TEL COMMUNICATIONS						
METRO TELECONNECT						
MONEY TO GO (MTG PHONE SVC)						
MYX.COM						
NEW PHONE (IMAGE ACCESS)						
NOW COMMUNICATIONS (+TEL-LINK, +TELSTAR)						
NUSTAR COMMUN. (TELEVIA)						
STATE DISCOUNT TELEPHONE						
TONY RAGLAND (SMART-TEL)						
TRICOM MOBILE PAGING						
UNITY ACQUISITION (UNITY COMMUN)						
UNIVERSAL TELECOM (UNIV. TELEPHONE)						
USA TELECOM (INTL DESIGN GRP)						
VAST-TEL COMM INC						
Resale-only (10 + Lines) SUBTOTAL	6,517	457				6,974

KENTUCKY MAY 31, 2003	Resold Lines		Estimated Facilities-based/UNE-P Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
GRAND TOTAL →	13,040	3,829	110,439	87,722	198,161	215,030

Total
Resold → 16,869

BellSouth Share of Kentucky Access Lines = 1,085,509
 CLEC Share of Kentucky Access Lines = 215,030
 May 31, 2003
 LINE SHARE ESTIMATE = 16.5%

Representative Sample of Advertisements for CLEC Service Offers



Dear Neighbor,

NOW YOU HAVE A CHOICE IN LOCAL PHONE SERVICE! A LESS EXPENSIVE CHOICE!

I am proud to announce the arrival of AT&T Digital Phone service in your neighborhood – the latest innovation brought to you by Insight Communications. Now you have the choice of a quality local phone service for less money. And you don't have to change your phone number to get it.

SAVE BIG WITH AT&T DIGITAL PHONE SERVICE FROM INSIGHT.

Switch to AT&T Digital Phone service today and start saving up to \$207 annually on your local phone bill! Save even more when you add other Insight services.

Your Monthly Savings¹

	Local Service	AT&T Digital Phone Service	Monthly Savings
Local Service	\$ 14.99	\$ 2.99	\$ 12.00
Local Service	\$ 14.99	\$ 2.99	\$ 12.00
Local Service and Call Forwarding	\$ 24.99	\$ 2.99	\$ 22.00
Local Service	\$ 14.99	\$ 2.99	\$ 12.00

LIFE'S A LITTLE SIMPLER WHEN YOU HAVE INSIGHT.

You also have the choice of putting AT&T Digital Phone service on the same bill with either Insight Digital or InsightBB.com, our new broadband service that delivers high-speed Internet access. You'll save an additional \$10 every month! And when you put all three services together, you save \$20 every month!

DIGITAL CLARITY AND RELIABILITY FROM TWO TRUSTED NAMES IN COMMUNICATIONS.

Insight Communications and AT&T Broadband have teamed up to bring you an altogether new kind of local phone service. AT&T Digital Phone service is delivered over a broadband communications network, so you get digital clarity and reliability all in one simple, single connection to your home.

- Keep your current phone number.
- Choose from one, two, three or four line packages.
- Get both local and long-distance calling.
- Enjoy convenient features and services like Call Waiting, Caller ID, Voice Mail and more.
- Expect world-class customer service.

CALL TODAY AND GET INSTALLED FOR JUST \$9.95.

Start enjoying all the benefits – and savings – that come from having a choice in local phone.

We look forward to providing you with AT&T Digital Phone service from Insight – the very latest in local phone service.

Sincerely,

Gregg Graff
Senior Vice President, Operations, Insight Communications

With AT&T Digital Phone service from Insight, you can save up to \$207 a year on your local phone bill and can even save an additional \$10 or \$20 a month. Switching is simple. Just one phone call.

MIKE SHEETS
DIGITAL SPECIALIST
664-8675

Score With Savings!

TRIPLE PLAY PROMOTION! FREE INSTALL & FREE MODEM

Digital Cable TV

- Family Pak (17 extra channels)
- HBO/MAX Pak
- LocalSource
- Video On Demand
- 35 Digital Music Channels

High Speed Cable Internet

- 50x faster than 56k modem service
- Constant, reliable connection
- Unlimited access - Low monthly rate

2 Local Digital Phone Lines

- Local digital telephone service
- Includes 2 phone lines
- Caller ID & call waiting on one line
- Keep current phone numbers

INSIGHT DIGITAL

INSIGHTbb.com
High Speed Broadband for Business

AT&T DIGITAL PHONE

\$89.95
THIS PACKAGE PER MONTH FOR 3 MONTHS

\$17.95 AFTER 3 MONTHS*
For current & new cable customers.

\$4.95 INSTALL

DOUBLE PLAY PROMOTION!

Digital Cable TV

- Family Pak (17 extra channels)
- HBO/MAX Pak
- LocalSource
- Video On Demand
- 35 Digital Music Channels

2 Local Digital Phone Lines

- Local digital telephone service
- Includes 2 phone lines
- Caller ID & call waiting on one line
- Keep current phone numbers

INSIGHT DIGITAL

AT&T DIGITAL PHONE

\$69.95
THIS PACKAGE PER MONTH FOR 3 MONTHS

\$12.00 AFTER 3 MONTHS*

* Limited Time Offer
 PACKAGE PRICES DO NOT INCLUDE LONG DISTANCE FEES AND FRANCHISE FEES
 FIRST BILL INCLUDES ONE MONTH OF SERVICE AND A PRO-RATED AMOUNT DEPENDENT ON YOUR BILLING CYCLE.
 ALL UPGRADES WILL BE ADDED TO THE MONTHLY RATE AND WILL BE PRO-RATED.
 INSTALLATION COSTS STANDARD. MAKE UP TO ONE TV AND TO ONE IN-WALL SWITCHING DEVICES. MAY APPLY



Rick Dees
 Host of Rick Dees Weekly Top 40
 and a Lightyear HOME customer.

Hey, Louisville!

Get UNLIMITED Local and Long Distance calling from your home phone for one low monthly rate!

Now you can call whoever you want, whenever you want, for ONE low, fixed rate as low as \$49.99* a month. You get unlimited local calling and unlimited nationwide long distance with all the custom calling features you could ever wish for. All from ONE company on ONE easy to understand bill. There is NO cost to switch, NO contract to sign, and you keep your same phone number.

Quick and easy toll-free sign up • Switch is seamless

OPPORTUNITY PLAN	STARTER PLAN
Unlimited local calling and unlimited 1+ domestic long distance calling Call Waiting Deluxe Caller ID Deluxe Three Way Calling Repeat Dialing Call Forwarding Variable Basic Voice Mail \$49.99*	Includes the same features as the Opportunity Plan except unlimited long distance and basic voice mail. Enjoy low long distance rates of 4.9¢ per minute for all interstate calls with 6-second billing increments. \$29.99*



One call gets you started: 877-LOCAL 11 (877-562-2511)

LIGHTYEAR HOME

Call 877-LOCAL 11 between 8 a.m. and 8 p.m. EST, Monday - Friday to get your own Lightyear HOME service. Minimum term 25 months.

Some restrictions may apply. See website for details. © 1997 Lightyear Home. All rights reserved. Service provided by Lightyear Home.

Shop WISE

WINN-DIXIE
the real deal

To advertise in the Showwise ad database, call 502-423-8922, PR/MTD AND PESTRAUTEN RV AN/UT/AR - 804/604-7770



**Attention
BellSouth
Residential
Customers:
You Can Save
Big By Joining
MomentumFamily**

**MomentumFAMILY
60**
as low as
\$26.95 month*
FREE Unlimited Local Calling
FREE 60 Minutes Long Distance
FREE 10 Popular Calling Features

**MomentumFAMILY
Unlimited**
as low as
\$42.95 month*
FREE UNLIMITED LONG DISTANCE
FREE Unlimited Local Calling
FREE Unlimited Long Distance
FREE 10 Popular Calling Features

CALL AND ENROLL TODAY!

1-800-810-7515

YOUR PROMOTION CODE IS: **0940530616**



No Cost To Switch • No Installation Necessary • No Interruption In Service
One Monthly Bill For Everything • Keep Your Current Number And Features
Seamless Conversion • Sales Agent Opportunities Available

A Southeast-Based Company

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Bardstown...

Your Best Choice For
Home Phone Service

USTel Mailing
760 SW Vista Avenue
Suite 54
Portland, OR 97205

USTEL



***** ECRWSS ** R-012
Current Resident

Bardstown, KY 40004-2727



Special Offer For

BellSouth®
Customers

Call Now... 1-800-418

Our Most Popular Local Plan

\$24.95
a month

- Unlimited Local Calling
- 30 Minutes FREE Long Distance Every Month
- FREE Caller ID & Call Waiting

Call in the next 24 hours and get 3 more features for FREE!

Your Phone Number Will Not Change

Why switch to USTel?

To save up to 30% off your current BellSouth phone bill. This can translate to a savings of over \$250 dollars a year! We offer a variety of unlimited Local, Long Distance and feature packages requested by our customers to fit their needs. We have one to fit yours. Just give us a call and in a few short minutes we'll take care of everything. It will cost you nothing to switch and your phone number won't change.

Who is USTel?

USTel has been providing residential phone service nationally for over 10 years. We are certified by the Public Service Commission of Kentucky and are now offering service in your area. Since we have built our company in a competitive (but not monopoly) environment, we can offer you a better price on your local and long distance phone services.

Call your friends and family for FREE

All calls between USTel customers are FREE no matter where you live. For example, you can now call the blue-e-mail bar from Kentucky to any place in the continental U.S. for FREE!

Want More?

Earn Free Service

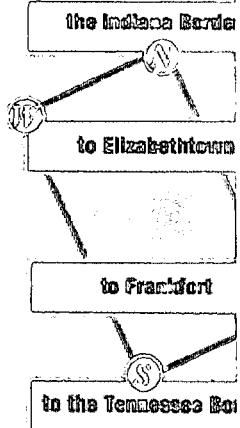
Receive FREE Minutes of Local Service every time you refer new customers to USTel. Refer five customers in a month and we will give you an entire year of FREE SERVICE.

"My bill has literally been cut in half." - Melissa M., Philadelphia, PA

Don't let your bill go up. (It should be down.)

- Free Features like Caller ID
- Wider Toll-free Calling Areas
- Free Long Distance Minutes every month
- Long Distance as low as **10¢** a minute
- Free Member-to-Member Calling
- Free Service for every Referral

Best Deal in the South!
CALL TODAY!
1-800-333-3333



Regional Area Plan
The regional plan gives the longest toll-free call area available in the country. You can call the entire United States from a single toll-free number. Call for more information.

*Prices do not include any state or local taxes.

Advertisement from Winchester Sun

More home phone service for your money!

Introducing the *Smart Choice* for home phone service: **Z-LineHOME**™, from ZTel®. As a customer, you will receive the most comprehensive, affordable and effective local and long distance service in the residential market.

- With Z-LineHOME, you:
- receive ONE bill from ONE company for ONE Price
 - keep your current phone number
 - save on your phone bill every month

And, there's NO cost to change your service!!!

Z-LineHOME Unlimited Plan

- Unlimited Local
- 2000 Minutes Included
- Unlimited Long Distance Minutes Included
- 2000 Minutes Included
- 2000 Minutes Included
- Voicemail
- Caller ID
- 3-Way Calling
- Speed Calling
- Find Me Call Forwarding
- Notify Me

49.99

Call us TODAY to Start Saving!

TERESA SHERROD

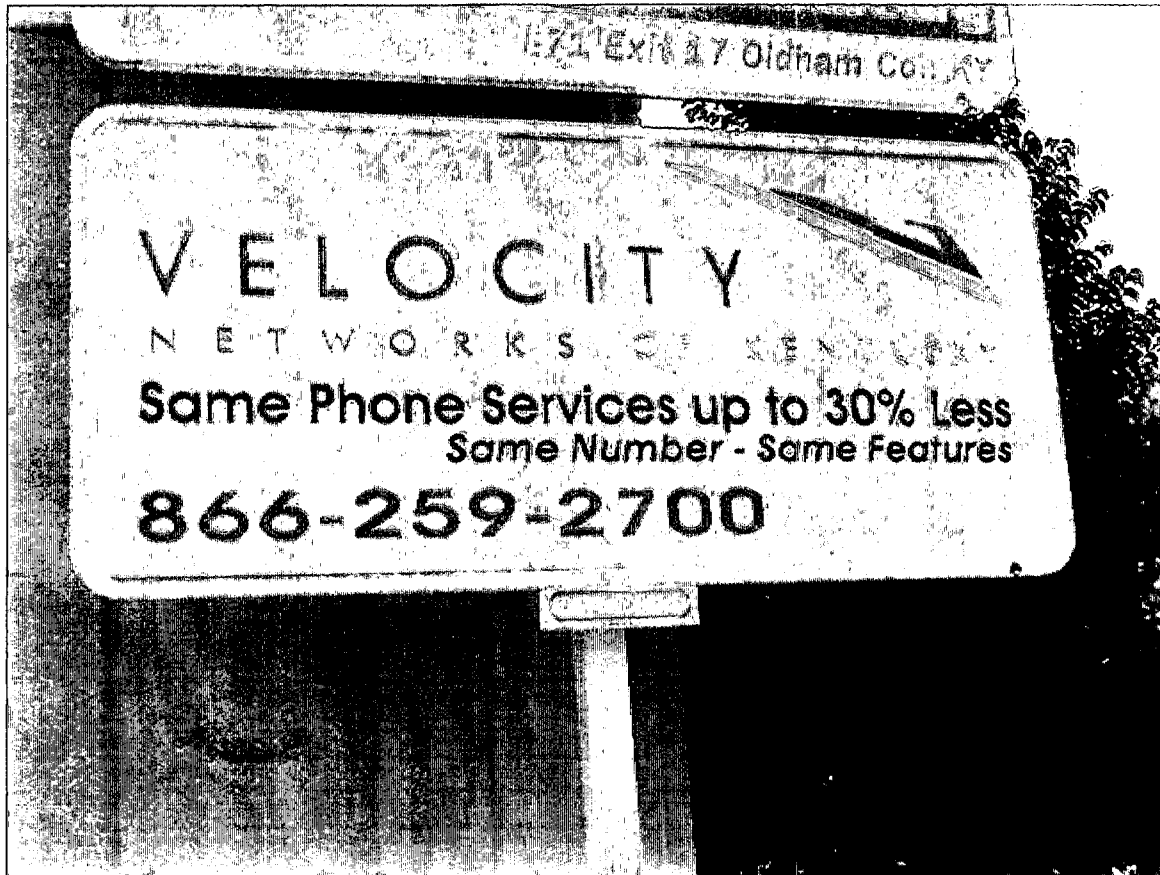
WEXCO Independent Representative

Toll Free 1-866-265-6827

You can't afford not to change to Z-LineHOME!

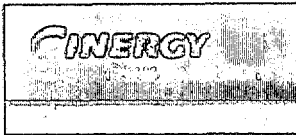
Other plans Available

Billboard located at the corner of Sixth Street and Muhammad Ali Boulevard, Louisville, KY, and also in the parking lot adjacent the BellSouth building at 526 Armory Place in Louisville, KY.



Billboards located and viewable from:
River Road and I-71 South
I-64 East and I-71 North
Preston Highway and I-264 West





Search



Residential Products

- Home
- Commercial
- Business
 - Local Telecommunications Services
 - Basic
 - Local Service Fees - Kentucky
 - Long Distance Calling
 - Internet Access
 - Web Hosting
- Customer Care
- Our Story
- News & Events
- Contact Us
- Account Info
- Careers

CINERGY
[Click here for Cinergy Corp.](#)

Cinergy Communications Local Phone Service - Kentucky Feature List

Available packages and pricing

Local/LD Combo 1 -- \$24.95 per month

SPECIAL OFFER!

Sign up now and get our Local/LD Combo 1 for only \$21.95 PER MONTH for your first six months!

FAQ

(Frequently Asked Questions)

[CLICK HERE](#) for a list of Frequently Asked Questions about our Local Phone Service in Kentucky.

Package includes these features:

- *60 minutes of anytime/anywhere Long Distance Service* per month!*
- [Call Waiting](#)
- [Caller ID](#)
- [Enhanced Caller ID](#)
- [900/976 Block](#)
- [Three-way Calling](#)
- [Call Block](#)
- [Call Tracing](#)
- [Distinctive Ringing](#)
- [Call Forwarding-Variable](#), [Call Return](#), [Speed Calling 30](#), and [Call Selector](#) features are an additional \$3/month each or FREE to customers getting [Internet access](#) from Cinergy Communications at \$14.95 monthly.

*Long Distance minutes available only through Cinergy Communications Long Distance service. Monthly allotment of minutes good only on calls within the 48 contiguous United States. Unused minutes do not carry over. Usage beyond 60 minutes billed at 7 cents per minute.

Two-Line Package-- \$44.95 per month
Includes these features:

- A second local number -- use it for the kids, or your home office.
- *60 minutes of anytime/anywhere Long Distance Service* per month!*
- Call Waiting
- Caller ID
- Enhanced Caller ID
- 900/976 Block
- Three-way Calling
- Call Block
- Call Tracing
- Distinctive Ringing
- Call Forwarding-Variable
- Call Return
- Speed Calling 30
- Call Selector

*Long Distance minutes available only through Cinergy Communications Long Distance service. Long Distance minutes provided with the Two-Line Package apply to and are available from only the designated primary line. Monthly allotment of minutes good only on calls within the 48 contiguous United States. Unused minutes do not carry over. Usage beyond 60 minutes billed at 7 cents per minute.

Optional Features and Services:

- Inside Wire Maintenance/Trouble Determination (\$4.95/mo.)
- Basic Phone Service

NOTE: Prices do not include taxes or other regulated fees. Call 1-800-599-1000 to confirm availability in your area.

Our Most Popular Local Plan

\$24.95^{*} a month

- Unlimited Local Calling
- 30 Minutes FREE Long Distance Every Month
- FREE Caller ID & Call Waiting

Call in the next 24 hours and get 3 months FREE!

Your Phone Number Will Not Change

Why switch to USTel?

To save up to 30% off your current BellSouth® phone bill. This can translate to a savings of over \$250 dollars a year! We offer a variety of combined Local, Long Distance and feature packages requested by our customers to fit their needs. We have one to fit yours. Just give us a call and in a few short minutes we'll take care of everything. It will cost you nothing to switch and your phone number won't change.

Who is USTel?

USTel has been providing residential phone service nationally for over 10 years. We are certified by the Public Service Commission of Kentucky and are now offering service in your area. Since we have built our company in a competitive (Non-Monopoly) environment, we can offer you a better value on your local and long distance phone services.

Call your friends and family for FREE

All calls between USTel customers are FREE no matter where you live. For example, you can now call member-to-member from Kentucky to anywhere in the continental U.S. for FREE!

Want More?

Earn Free Service

Receive FREE Months of Local Service every time you refer new customers to USTel! Refer five customers in a month and we will give you an entire year of FREE SERVICE.

"My bill has literally been cut in half." - Melissa M., Philadelphia, PA

Turn up your phone service with:

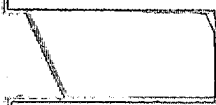
- Free Features like Caller ID
- Long Distance as low as **¢.06** a minute
- Wider Toll-free Calling Areas
- Free Member-to-Member Calling
- Free Long Distance Minutes every month
- Free Service for every Referral

Regional Area Plan
Call within the
Area for FREE!

the Indiana Border



to Elizabethtown



to Frankfort



to the Tennessee Border

Regional Area Plan

This optional plan gives you the largest Toll-Free calling area available in the state. Now you can call all the surrounding and in-between areas above for FREE. Call for more information.

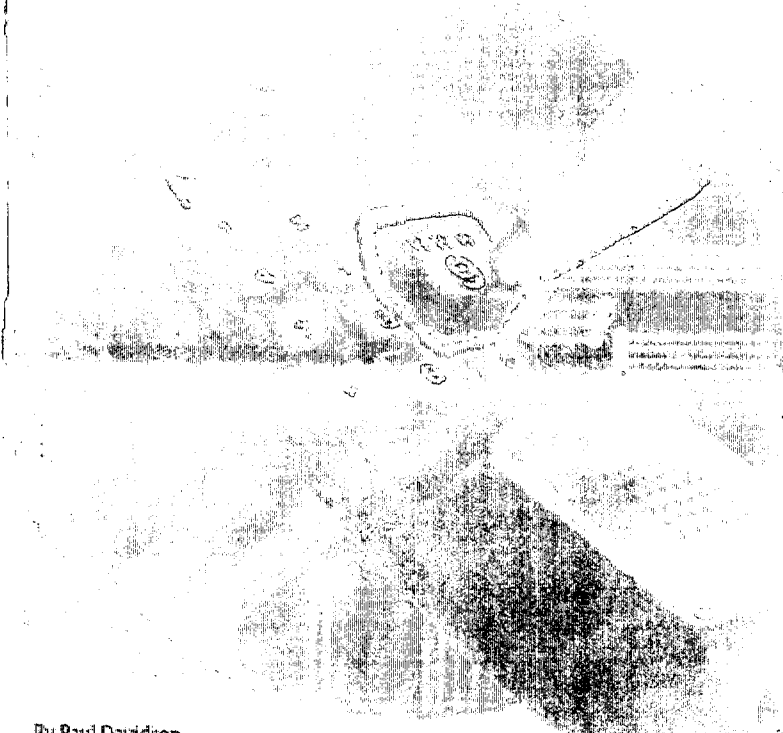
Cellular Alternatives Available to Residential & Business Customers in Kentucky Exhibit 7

Company	Service Name	Anytime Minutes	Additional Minute Rate	Night & Weekend Minutes	Nationwide Long Distance	Features	Price
AT&T Wireless	Mlife Local	45	\$0.45	N/A	N/A	3-Way, CF, CID, CW, VM	\$19.99
	Mlife Local	350 up to 5,000	\$0.25 - \$0.45	Unlimited	Included	3-Way, CF, CID, CW, VM	\$29.99 up to \$299.00
	MLife National	30 up to 4,700	\$0.25 up to \$0.45	N/A	Included	3-Way, CF, CID, CW, VM	\$19.99 up to \$299.00
Cingular	SuperHome 50	50	\$0.49, Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW, BVM	\$19.99
	SuperHome 300	300 + 5,000 Choice	\$0.45, Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW, BVM	\$29.99
	SuperHome 300 + 50% Rollover - 3,500	450 - 5,250	\$0.45, - \$0.29 Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW --- BVM	\$29.99 - \$199.99
	SuperHome 600 + - 2,500 Rollover	600 + - 2,550 + 5000 Choice	\$0.45, - \$0.35 Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW, BVM	\$39.99 - \$149.99
	Nation 200	200	\$0.45, Roaming Included	Included	Included	3-Way, CF, CID, CW, BVM	\$35.00
	Nation 400 + - 2,000 + Rollover	400 - 2,000	\$0.39 - \$0.35	1,000 - 5,000	Included	3-Way, CF, CID, CW, BVM	\$45.00 - \$150.00
T-Mobile	Basic	60	\$0.45	500 Weekend + 0 Nights	Included + Roaming Included	EVM, CID, CW, CH, 3-Way	\$19.99
	Basic Plus	300	\$0.40	Unlimited Weekend + 0 Nights	Included + Roaming Included	EVM, CID, CW, CH, 3-Way	\$29.99
	Get More 1000 - Supra	1000 up to 5,000	\$0.30 up to \$0.40	N/A up to Unlimited	Included + Roaming Included	EVM, CID, CW, CH, 3-Way	\$39.99 up to \$129.99
Verizon	Local Digital Choice 500 - 1,100	500 up to 1,100	\$0.45 - \$0.35	Unlimited	\$0.20, Roaming \$0.69	3-Way, CF, CW, CID, VM	\$39.99 up to \$79.99
	America's Choice 400 - 700	400 - 700 + 100 Bonus	\$0.45 - \$0.40	Unlimited	Included	3-Way, CF, CW, CID, VM	\$39.99 up to \$59.99
Sprint	PCS Free & Clear 300 - 2,000	300 up to 2,500	\$0.45 - \$0.40	1,000 - Unlimited	Included	VM, CID, CW, CF, 3-Way, Paging	\$35.00 - \$115.00
	PCS Free & Clear 300 - 2,500 w/ Vision	300 up to 2,500	\$0.45 - \$0.40	1,000 - Unlimited	Included	VM, CID, CW, CF, 3-Way, Paging	\$50.00 - \$115.00
Nextel	Instant Connect 5000	500	\$0.40/min	N/A	\$0.20/min	CH, CW, 3-Way	\$39.99
	National Value I - II	300 - 500	\$0.40	3,200 - 4,000	Included	CH, CW, 3-Way	\$35.99 - \$45.99
	National Free Incoming I - IV - Unlimited Plus	400 up to 1,100 - Unlimited	\$0.40 N/A	Unlimited	Included	VM, CID, CH, CW, 3-Way	\$59.99 up to \$119.99 up to \$199.99

1. All information was compiled from Internet websites. Depending on the specific plan, roaming fees (off-network fees) may apply. Prices shown do not include taxes or additional fees authorized by regulatory authorities.
2. Features - CH - Call Hold, CW - Call Waiting, 3-Way - 3-Way Calling, VM - Voice Mail, CID - Caller ID, NOT - No Answer Transfer, BDA - Basic Digital Advisor, PVM - Premium Voice Mail, CF - Call Forwarding, EVM - Enhanced Voice Mail
3. Some providers offer a number of enhanced services, i.e., Enhanced Voice Services, Paging Services, Online Services, Messaging Services, Email Services, Blackberry Email Services, etc., with additional charges for such services & Geographic coverage areas may differ by provider & Rate plans may not be available in all areas. Some offers are only available for a limited time & all offers are subject to change without notice. Most plans require a term contract, and may contain early termination fees.

Voice Over Internet Protocol
USA Today Cover Story
July 7, 2003

Calling via Internet has suddenly arrived



▷ How Internet telephone calls work, graphic 2B.

▷ Expert chat online
Chat about this topic with Daryl Schooler of In-Stat/MDR on Wednesday at 2 p.m. ET at talk.usatoday.com

By Paul Davidson
USA TODAY

Mark Jaffe of St. Louis recently threw caution to the wind and ditched his trusty SBC Communications local phone service in favor of an offering from an Internet phone start-up called Vonage.

Now his calls travel over the Internet via his cable broadband line. His typical \$120 monthly bill has been cut to a flat \$39.99 rate for unlimited local and long-distance calls and features such as caller ID. Because his physical location is irrelevant for Internet phone service, he was able to choose a number with a San Francisco area code (415), allowing a close friend in that city to dodge long-distance charges. Plus, via a PC he can hear his voice mail by clicking on e-mail, and he can update his call-forwarding, track his calls and bills and even change his phone number, all on the Web.

"There was initial concern," says Jaffe, 36, noting the dubious quality and reliability of Net calling in the late 1990s. But, "Quality is phenomenal, and it's very cost-effective."

Cover story

Making phone calls on the Internet has suddenly arrived — and it's poised to rock the telecommunications industry.

Until about 18 months ago, Internet calls meant tinny, ham-radio like connections over PC microphones and speakers. It was largely the province of hobbyists who gladly put up with the jittery voice quality for the chance to beat the system, make free calls and cultivate a pioneer spirit.

But technological advances and broadband's growth have made calls on the Net, or Internet-like private networks, roughly equivalent to traditional phone service.

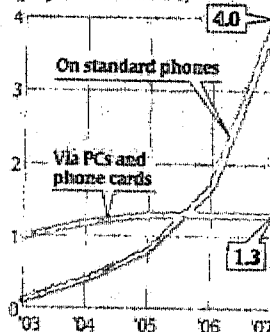
"It's beginning to transition from something only a real Internet-savvy person would do into something ordinary folks can do," says Jupiter Research

Please see COVER STORY next page ▷

By Susan Parker
USA TODAY

More Web calls

Number of U.S. consumers making calls on the Internet: (projected, in millions)



Source: In-Stat MDR. By Karl Orlitz, USA TODAY

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Voice Over Internet Protocol USA Today Cover Story July 7, 2003

Technological advances make Net calling more like regular calling

Continued from 1B

analyst Joe Laszlo.

The number of U.S. households making internet calls with standard phones is expected to grow from about 100,000 today to 4 million in 2007, says In-Stat/MDR.

There is a catch: You generally need to already have a broadband connection, which costs about \$40 a month. The number of such cable modem and phone company DSL lines is projected to double to about 40 million in 2007, Jupiter says.

Cover story

The technology is not new. Since the mid-1990s long-distance companies have sent a growing portion of their intercity traffic via "Voice over Internet Protocol (VoIP)" technology, though customers don't realize it. VoIP is similar to the public Internet service offered by firms like Vonage — both convert voice into digitized packets — but instead it uses private networks.

Last year, 10% of international calls used VoIP, says research firm TeleGeography. Prepaid calling cards that charge a few pennies a minute use VoIP networks. And in countries like Brazil and Japan, VoIP calling is taking off.

In the USA, internet phone calling has been slower to develop. A handful of start-ups, such as Vonage and Packet8, offer service that lets customers plug their traditional phones into company-supplied adapters, which, in turn, hook into any broadband line.

Cable could drive adoption

But the big market shake-up is expected to come from heavy marketing by the cable industry, which has an existing customer base and can bundle phone with TV and Internet services.

"I think cable companies are going to take up to 20% market share" from the regional Bells, says analyst Norm Hogen of In-Stat/MDR.

VoIP is already making inroads among businesses. Nearly 10% of companies that use private networks to link their far-flung locations have moved their intra-office voice calls off the public network and onto VoIP connections, Forrester Research says. They are seeing as much as a 50% decrease in local and long-distance charges.

That's because Internet voice networks are 20% to 50% cheaper to deploy than standard ones, experts say. Traditional circuit-switched phone networks use expensive call-routing computers and wires to link you and the person you're calling for the entire conversation.

Internet-based calls break up voice into digitized "packets," each of which takes the most efficient route as it shares wires with other Internet traffic. As the packets near the destination, they are reassembled as a voice.

Within 20 years, nearly all calls will be Net-based, experts say, as even the Bells phase out old-style networks in favor of VoIP technology. "I doubt there'll be any more significant investment in" circuit-switched gear, says Bob Atkinson of the Columbia Institute for Tele-Information.

Dial a friend through the Internet

Vonage sells Internet-based phone service that is almost indistinguishable from service from local phone companies.

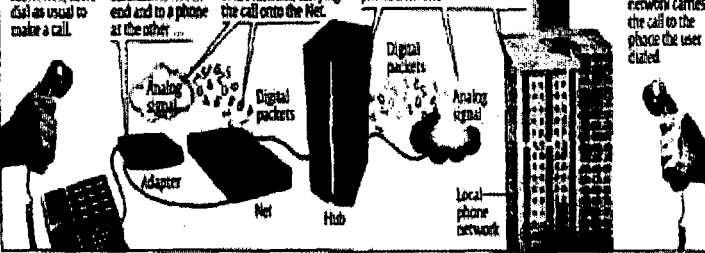
How it works:

Vonage sends users an adapter. Once it's connected, users dial as usual to make a call.

The adapter, which plugs into a high-speed Net connection on one end and to a phone at the other ... converts the analog signal of a phone call into the digital packets of the Internet, carrying the call onto the Net.

The call travels over the Net to a hub near the call's destination. The hub converts the call back to an analog signal and funnels it into the local phone network.

The local phone network carries the call to the phone the user dialed.



Source: Vonage

By Greg Kuhl, USA TODAY

Verizon spokesman Eric Raibe acknowledges a transition is coming, but says it will "take a long, long time." For now, he says, "To be surprised if [Internet calling] were as reliable and dependable as our service."

A rocky start for Web calling

It certainly wasn't in 1995, when firms such as Net2Phone started letting people call free from PC to PC using Internet Protocol (IP) addresses.

In the late 1990s, Cisco, Lucent and others built adapters to convert analog voice signals into packets at the caller's home, so regular phones could be used. They also developed "gateways" to translate packets and IP addresses into voice conversations and phone numbers at phone switching stations so calls could use traditional phone lines. Still, echoes and delays marred calls.

But the past few years have brought better equipment, improved technology and more high-speed lines. Ironically, the telecom crash may have spurred some of the advances. "During the downturn, a lot of the engineering went into chips and applications" for the Internet, says Jeff Puffer, a founder of both Vonage and Free World Dialup, another Internet phone start-up.

Vonage was the first company to leverage the technology with a nationwide offering last year. Besides its \$40 all-you-can-call service, it offers a \$29.99 plan with 500 minutes of long-distance. There's a \$29.99 activation fee.

Customers can use the service wherever they can plug a phone and the adapter into a broadband line — not just at home. The phone number stays with the device.

Vonage has 34,000 subscribers, is adding 1,400 a week and expects to reach 1 million by 2006. It recently made distribution deals with No. 3 Internet service EarthLink and two mid-tier cable firms.

"We gave consumers an experience that's almost identical to what they're used to," Vonage CEO Jeffrey Cunn says.

For EarthLink, says Vice President Erika Jolly, adding voice to broadband service reduces customer defections.

Cirrus concedes quality problems in a small percentage of calls. Experts say that's partly because voice packets may sometimes have to give way to data packets as they share paths on the Internet, delaying the arrival of the voice signal.

Cable companies say their more uniform private networks are able to give priority to the voice packets, virtually eliminating such glitches. While most big cable companies have dabbled in voice offerings using standard switches, they were not planning full-scale rollouts until the arrival of reliable VoIP.

Now, four of the biggest providers — Comcast, Cox Communications, Time Warner Cable and Cablevision — plan to launch Net-style voice service across their regions in the next few years. Small providers are expected to partner with suppliers like Net2Phone and Vonage.

For cable operators, the low cost structure of VoIP calling makes local phone service "a much more attractive business to be in," says Tanya Van Court, vice president of Cablevision, which offers service in western Long Island and expects to offer it by the end of the year to all 4.4 million of its customers.

Cablevision's package is \$34.95 for unlimited local and long-distance and five phone features. For a similar package, the local Bell, Verizon Communications, charges Long Island customers \$59.95. MCI offers a \$49 bundle.

Unlike Vonage, which carries the call across the Internet all the way to wherever the recipient may be, cable companies now typically pay long-distance carriers to transport calls out of their system area, adding to their cost. Comcast, however, is building its own national IP network to skirt those fees.

Newphone features a draw

Van Court says the big selling point for Web-based calling will be a whole new range of features. "We think that a year or two from now, customers won't be interested in standard telephone service. They'll be interested in how to enhance their Internet experience with voice."

She cites integrated text- and voice-based chats and the ability to use your PC to customize phone features in real time. For example, you can forward calls

to another number, then have them go to voice mail if there's no answer. And Time Warner Cable is looking to provide Caller ID and voice mail notification on your TV screen, doing away with the need to get up from the recliner when the phone rings, says Gerry Campbell, senior vice president for voice for Time Warner, which now has about 1,500 customers in the Portland, Maine, and Rochester, N.Y., areas paying \$39.95 for an unlimited calling service.

"We've cut our phone bill in half," says Sandy Franklin, 54, of Gosham, Maine. The service, she says, had some glitches in the initial weeks, but has worked seamlessly since.

Says Cox Communications' Diana Moggendorf: "We're looking to be the primary telephone provider." And while Cablevision requires voice customers to also subscribe to high-speed service, Comcast says subscribers will simply need access to a cable broadband line.

The technology has drawbacks. Internet-based phones won't work during a power outage. Most cable companies are considering equipping their modems with battery packs that last up to 16 hours. Cordless regular phones have the same power issue, however. And the prevalence of cellphones has made it less of a concern.

More significant, Vonage customers must register for 911 service. Even then, dispatchers cannot see the caller's phone number and address automatically, as they do with a call from a traditional phone. For that reason, many subscribers use Vonage as a second phone line.

But cost alone has businesses already embracing Net calling. Last year, the Appleton School District in Wisconsin replaced its phone system with a Mitel Systems IP network linking its 26 schools. Now, phone calls between the schools travel over the same private lines that carry data, slashing phone bills 40%.

For Crate & Barrel, a similar IP network from SBC for its Northbrook, Ill., headquarters means not having to run new wires when employees move offices, says phone manager Mark Carrier. And the system lets employees use the phone screen to dial a colleague by clicking on a directory name and even to check weather and stocks.

SBC also is rolling out a service that would permit corporate employees to plug their IP phones and laptops into any broadband line.

One price edge for Net-based calls may be short-lived, however. Because Internet traffic is unregulated, IP voice customers don't pay most phone taxes, such as universal service fees. But as the market grows, the Federal Communications Commission is expected to impose such charges.

Also, several states may raise the fees VoIP carriers such as AT&T pay the Bells to transfer Internet-based calls to their local networks, bringing those charges a bit closer to regular voice calls. Yet IP calls should still be cheaper, and observers eventually expect giants like AT&T and MCI to offer the service — on their own or by buying start-ups such as Vonage.

When that happens, "People are going to sign up for it in large volumes," says AT&T Vice President Robert Quinn.

BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY
ISSUED: August 1, 2003
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
Second Revised Page 1
Cancels First Revised Page 1
EFFECTIVE: September 1, 2003

A36. TRANSITION REGULATION PLAN**A36.1 Company Transition Regulation Plan****A36.1.1 General**

- A.** The following rules shall govern the operations of BellSouth Telecommunications, Inc. (the Company) and its regulation by the Kentucky Public Service Commission (the Commission). This Tariff applies to all regulated services filed with the Commission as listed in A36.1.4.
- B.** Objectives of the Transition Regulation Plan (the Plan).
The objectives of the Plan shall be to:
1. Ensure basic service continues to be available at reasonable rates, and shield the basic ratepayer from significant price increases resulting from the changing marketplace.
 2. Continue to provide high quality service.
 3. Permit the Commission and the Company to direct their energies to meet customer's needs and enhance efficiency in the provision of telecommunications services throughout Kentucky.
 4. Provide enhanced incentives to invest in new technologies and services.
 5. Permit the Company the added flexibility to price competitive services, set depreciation rates, and respond to a changing marketplace.
 6. Permit all Company retail rates to move toward incremental cost or market price.
 7. Ensure that the potential introduction of competition to all markets in Kentucky is not hindered by the Plan.
- C.** In addition to the provisions in this section (A36) of the tariff, the Transition Regulation Plan also includes gradual rate rebalancing, infrastructure investments, and the introduction of an Economic Development tariff (A2.4.9).

A36.1.2 Definitions

- A.** Term - *The Plan will continue until the Commission approves revisions.*
- B.** Classification of services - There are three service categories: 1) Industrial, 2) Access, and 3) Retail. See A36.1.4 for the classification of each existing Company service into one of the three service categories.
1. Industrial services are those non-access services that are provided on a wholesale basis to other telecommunications companies (these include Unbundled Network Elements [UNEs] and the resale discount). Also included in the industrial category are Lifeline rates and the Universal Service Fund (USF) rate elements.
 2. Access services are Switched and Special Access services as defined in the Access Services (E) Tariff.
 3. Retail services are all other services that are not classified as Industrial or Access services.
- C.** New Service - A new service is a function, feature, capability, facility, or combination of these, which previously has not been offered.

A36.1.3 Regulations

- A.** Changing Classification
1. The Company is permitted to reclassify services by applying to the Commission. The Commission has thirty (30) days to review the request for reclassification and either approve or suspend the request. If the Commission takes no action within thirty (30) days, the reclassification is deemed approved. When a request for reclassification is suspended, Commission regulations and Kentucky law are applicable to any further Commission action.
- B.** Tariff Requirements
1. Terms and conditions of existing tariffed services are deemed approved and govern the contractual relationship between the Company and its customers.
 2. All services must cover long run incremental costs except as noted in A36.1.3.B.3.
 3. The Company may in good faith file for prices below long run incremental cost to meet the equally low price of a competitor. The Company shall file evidence that competitors are charging rates below the Company's long run incremental cost for the service. If the competitive price threat vanishes, within thirty (30) days, the Company shall increase its price to cover the long run incremental cost of the service.

AUG - 6 2002

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky PUBLIC SERVICE
COMMISSION
502 582 8219
Fax 502 582 1573

August 5, 2002

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan Case No.
99-434

Dear Mr. Dorman:

In an Order dated August 3, 2000, in the above-styled docket, the Kentucky Public Service Commission agreed that the proposed BellSouth economic development incentive waivers and discounts tariff may be of benefit to Kentucky's economic development efforts in encouraging business growth. That order also required BellSouth to annually file information on the use of the economic development tariff.

The BellSouth economic development incentive waivers and discounts tariff became effective October 31, 2000. From the effective date of this tariff through the end of July 2002, there have been no businesses that qualified for the Kentucky Development Finance Authority's Kentucky Rural Economic Development Act (KREDA) or Kentucky Job Development Act (KJDA) who elected to participate in the waivers and discounts provided by this BellSouth tariff.


Since BellSouth's August 7, 2001, update to the Commission on the participation status of this tariff, BellSouth has undertaken various steps to ensure appropriate parties are aware of BellSouth's economic development incentive waivers and discount tariff. Over the past year, the attached informational handout has been provided to BellSouth's Kentucky business customer operation units to ensure BellSouth account teams are familiar with this tariff and are in a position to discuss it with their BellSouth accounts. BellSouth also met with a representative of the Kentucky Cabinet for Economic Development to determine ways to further improve business awareness of BellSouth's economic development incentive waivers and discounts tariff. Based upon ideas generated in this meeting, BellSouth has provided this same handout to the Kentucky Industrial Development Corporation (KIDC) members distributed through KIDC's newsletter.

Mr. Thomas M. Dorman
August 5, 2002
Page 2

Discussions of this tariff were also held at the 2002 KIDC Winter meeting. Additionally, the handout has been sent to various economic development offices across Kentucky.

BellSouth will continue to promote awareness of this tariff to businesses that qualify for Kentucky Development Finance Authority's KREDA and KJDA economic development acts. As with the previous status filed regarding this tariff, BellSouth is copying the Kentucky Cabinet for Economic Development to keep the Cabinet informed on the use of the tariff.

Sincerely,



Creighton E. Mershon, Sr.

Attachment

cc: Parties of Record
Kentucky Cabinet for Economic Development

457718

> Your business may qualify for BellSouth telecommunications discounts >>

BellSouth offers discounts and/or waivers for some telecommunications service charges for BellSouth Kentucky business customers who qualify under certain Kentucky Cabinet for Economic Development acts.

Who can receive these benefits? Businesses qualifying under the Kentucky Cabinet for Economic Development's "Kentucky Rural Economic Development Act" (KREDA) and the "Kentucky Job Development Act" (KJDA).

What benefits are provided? Qualifying businesses may be eligible to receive:

- A waiver of telecommunication service connection/installation fees on qualifying telecommunication services.
- A 10 percent discount (applied for 12 months) on qualifying telecommunications services associated with Kentucky Cabinet for Economic Development projects approved under KREDA and/or KJDA.
- Discounts and/or waivers applied to qualifying telecommunications services added within two years of qualifying under KREDA and/or KJDA.

Benefits are described in detail in BellSouth's Kentucky A.2.4.9 Economic Development Incentive Waivers and Discounts tariff, on file with the Kentucky Public Service Commission. Discounts and waivers do not apply to telecommunications services provided under a Contract Service Arrangement, Volume and Term Agreements, Special Assembly Arrangements, local usage charges and long distance services (i.e.; MTS and WATS).

How does a business receive these benefits? Contact BellSouth at 1-800-221-0654 to inquire about receiving these benefits. Your business will need to provide a copy of its approval notification from the Kentucky Cabinet for Economic Development for qualification under KREDA or KJDA.

Where can a business get more information on these economic development acts? Information is available from the Kentucky Cabinet for Economic Development Internet site, located at www.edc.state.ky.us/kyedc/kybizince.html, or by contacting the Cabinet directly:

Kentucky Cabinet for Economic Development
500 Mero Street
Capital Plaza Tower
Frankfort, Kentucky 40601
(502) 564-7670
E-mail: econdev@mail.state.ky.us

Participation in this program is subject to all terms and conditions stated in BellSouth's Kentucky Tariff A.2.4.9 Economic Development Incentive Waivers and discounts, on file with the Kentucky Public Service Commission.

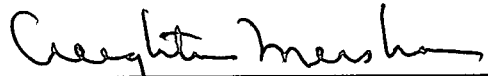
> grow >>> connect >> and create something



www.bellsouth.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 5th day of August 2002.



Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

Hon. Ann Chevront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601 8204

Mr. Gene Coker
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1200 Peachtree Street, N.E.
Atlanta, GA 30309

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Cudjoe Key, FL 33042

Mr. Larry Callison
Verizon
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Lexington, KY 40588-1650

Jonathan N. Amlung
1000 Republic Building
429 W. Muhammad Ali Boulevard
Louisville, KY 40202

Honorable Richard M. Breen
2950 Breckenridge Lanem Suite 3
Louisville, KY 40220



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-434
BELLSOUTH TELECOMMUNICATIONS, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on October 19, 2001.

See attached parties of record.

Stephanie J. Bell

Secretary of the Commission

SB/hv
Enclosure

Honorable Creighton E. Mershon,
General Counsel - Kentucky
BellSouth Telecommunications, Inc.
P. O. Box 32410
601 West Chestnut Street, Room 407
Louisville, KY. 40232

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DeMara Madison
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Sr. Vice President
Cincinnati Bell Long Distance
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Cincinnati, OH. 45202

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GREENEBAUM DOLL & MCDONALD
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Louisville, KY. 40202

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Frankfort, KY. 40602

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Director, Regulatory Affairs
Frontier Communications
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Rochester, NY. 14646 0700

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Jim Lamoureux
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Certified Public Accountants
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A. Joe Mitchell
President
VarTec Telecom, Inc.
3200 W. Pleasant Run Road
Lancaster, TX. 75146 7514

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE REVIEW OF BELLSOUTH)
TELECOMMUNICATIONS, INC.'S) CASE NO. 1999-434
PRICE REGULATION PLAN)

O R D E R

On September 1, 2001, BellSouth Telecommunications, Inc. ("BellSouth") filed its proposal to rebalance basic residential rates in accordance with the Commission's August 3, 2000 Order in this case. The Commission has reviewed the tariffs and finds that the proposal should be accepted with the exception noted below.

BellSouth has proposed to eliminate Low-Use Local Measured Service and Standard Local Measured Service. The Commission finds that such service meets a legitimate public need and that, therefore, it is not in the public interest to eliminate these services at this time. The rates for Rate Group 1 shall be adjusted to \$14.10, the rates for Rate Group 2 shall be adjusted to \$14.10 and the rate for Rate Group 3 shall be adjusted to \$15.36. All other rates are approved as proposed by BellSouth.

BellSouth shall file corrected tariff pages to reflect the Commission decision herein within 5 days. The tariff is approved and effective October 20, 2001.

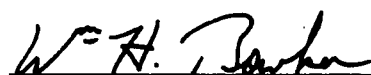
IT IS THEREFORE ORDERED that:

1. The tariff filed by BellSouth on September 1, 2001 is approved as amended herein.
2. BellSouth shall file amended pages to reflect the decisions herein within 5 days of the date of this Order.

Done at Frankfort, Kentucky, this 19th day of October, 2001.

By the Commission

ATTEST:


Deputy Executive Director



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet
Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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Martin J. Huelsmann
Chairman
Edward J. Holmes
Vice Chairman
Gary W. Gillis
Commissioner

September 17, 2001

Creighton E. Mershon, Sr., Esq.
General Counsel-Kentucky
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
P. O. Box 32410
Louisville, Kentucky 40232

RE: BellSouth Petition for Confidential Protection
Case No. 99-434

Dear Mr. Mershon:

The Commission has received your petition filed August 31, 2001, to protect as confidential the cost support data filed with proposed tariff to rebalance rates. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a), to inform the Commission so that the information may be placed in the public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director

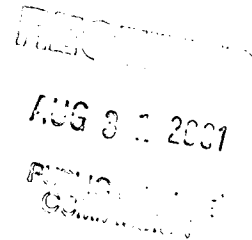


BellSouth Telecommunications, Inc. 502 582-8415
Room 410 Fax 502 582-3247
601 West Chestnut Street
Louisville, Kentucky 40203

Fred L. Gerwing
Regulatory Vice President

August 31, 2001

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615



Re: Case No. 99-434 -- Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan

Dear Mr. Dorman:

Enclosed are new and revised pages in Sections A3, A4, A13, A42, and A103 of the General Subscriber Services Tariff, and Section B7 of the Private Line Services Tariff, that propose specific rate changes to accomplish the second year of rate rebalancing authorized in the Commission's order of August 3, 2000 in Case No. 99-434. The proposed rate changes are generally consistent with those suggested in our February 5, 2001 filing in this case. Differences between the adjustments proposed in this filing and those in the preliminary filing of February 5th include the following:

- Instead of increases in the residential rates for Local Measured Service and Area Calling service plans, some of these plans for which we have relatively few subscribers are being eliminated in this filing.
- Rather than no change in business Touch-Tone Calling service rates, as proposed in the February 5th filing, these rates are being eliminated.
- A proposed reduction in residential Secondary Service Charge rates has been added.
- Other rates have been adjusted in magnitude in order to make the proposed rebalance revenue neutral.

Additional information concerning this proposal is enclosed as follows:

Attachment A
Attachment B
Attachment C
Attachment D

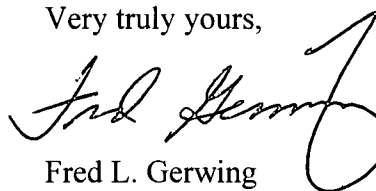
Summary of Proposed Rate Adjustments
Executive Summary
Priceout of Proposed Rate Adjustments
Cost Support

Thomas M. Dorman
August 31, 2001
Page 2 of 2

The proposed effective date for all rate changes except reductions in the Residence Secondary Service Charge is October 20, 2001. The proposed effective date for the Secondary Service Charge reductions is October 1, 2001. Please see the enclosed petition for confidential treatment of sensitive competitive information.

Should you or the staff have questions concerning this filing, please call Jim Tipton at 502-582-8925.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Fred Gerwing". The signature is written in black ink and is positioned above the printed name.

Fred L. Gerwing

Attachments

BellSouth Telecommunications, Inc. 502 582-8415
Room 410 Fax 502 582-3247
601 West Chestnut Street
Louisville, Kentucky 40203

Fred L. Gerwing
Regulatory Vice President

August 31, 2001

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED
AUG 31 2001
REGULATORY DIVISION

Dear Mr. Dorman:

Pursuant to the Rules Governing Tariffs effective August, 2000, I hereby certify that I am the Regulatory Vice President of BellSouth Telecommunications, Inc., a utility, furnishing telephone service within the Commonwealth of Kentucky, which on the thirty-first day of August 2001, issued revised sheets of its Intrastate Tariffs to become effective October 1, 2001 and October 20, 2001 and canceling previously effective sheets as follows:

Tariff Sheets to Be Effective on October 1, 2001

General Subscriber Services Tariff

Section A4

First Revised Page 4.0.1
Cancels Original Page 4.0.1

Tariff Sheets to Be Effective on October 20, 2001

General Subscriber Services Tariff

Section A3

Tenth Revised Page 2
Cancels Ninth Revised Page 2

Seventh Revised Page 3.1
Cancels Sixth Revised Page 3.1

Eighth Revised Page 3.2
Cancels Seventh Revised Page 3.2

Thomas M. Dorman
August 31, 2001
Page 2 of 4

Tenth Revised Page 11
Cancels Ninth Revised Page 11

Ninth Revised Page 12
Cancels Eighth Revised Page 12

Ninth Revised Page 13
Cancels Eighth Revised Page 13

Ninth Revised Page 14
Cancels Eighth Revised Page 14

Ninth Revised Page 15
Cancels Eighth Revised Page 15

Twelfth Revised Page 16
Cancels Eleventh Revised Page 16

Thirteenth Revised Page 17
Cancels Twelfth Revised Page 17

Ninth Revised Page 18
Cancels Eighth Revised Page 18

Tenth Revised Page 19
Cancels Ninth Revised Page 19

Eleventh Revised Page 20
Cancels Tenth Revised Page 20

Eleventh Revised Page 21
Cancels Tenth Revised Page 21

Thirteenth Revised Page 22
Cancels Twelfth Revised Page 22

Seventh Revised Page 23
Cancels Sixth Revised Page 23

Eighth Revised Page 24
Cancels Seventh Revised Page 24

Eighth Revised Page 25
Cancels Seventh Revised Page 25

Thomas M. Dorman
August 31, 2001
Page 3 of 4

Ninth Revised Page 26
Cancels Eighth Revised Page 26

Thirteenth Revised Page 40
Cancels Twelfth Revised Page 40

Eighth Revised Page 43
Cancels Seventh Revised Page 43

Sixth Revised Page 66
Cancels Fifth Revised Page 66

Section A13

Seventh Revised Page 1
Cancels Sixth Revised Page 1

Section A42

Fourth Revised Page 29
Cancels Third Revised Page 29

Section A103 (Contents)

Seventh Revised Page 1
Cancels Sixth Revised Page 1

Section A103

Ninth Revised Page 1
Cancels Eighth Revised Page 1

Fourth Revised Page 1.0.1
Cancels Third Revised Page 1.0.1

Original Page 1.0.2

Original Page 1.0.3

Original Page 1.0.4

Original Page 1.0.5

Fourth Revised Page 1.1
Cancels Third Revised Page 1.1

Third Revised Page 1.2
Cancels Second Revised Page 1.2

Third Revised Page 1.3
Cancels Second Revised Page 1.3

Thomas M. Dorman
August 31, 2001
Page 4 of 4

Third Revised Page 1.4
Cancels Second Revised Page 1.4

Fourth Revised Page 1.5
Cancels Third Revised Page 1.5

Third Revised Page 1.6
Cancels Second Revised Page 1.6

Third Revised Page 1.7
Cancels Second Revised Page 1.7

Second Revised Page 1.12
Cancels First Revised Page 1.12

Original Page 1.13

Original Page 1.14

Original Page 1.15

Eighth Revised Page 2
Cancels Seventh Revised Page 2

Eighth Revised Page 3
Cancels Seventh revised Page 3

Private Line Services Tariff

Section B7

Fourth Revised Page 5.1
Cancels Third Revised Page 5.1

On the thirty-first day of August, 2001, notice to the public of the issuing of same is being given in all respects as required by Section 2 of Regulation KAR 5:011.

Given under my hand this thirty-first day of August 2001.

Sincerely,



Fred L. Gerwing

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REQUEST FOR CONFIDENTIAL TREATMENT)
OF THE COST INFORMATION FILED WITH)
THE PROPOSED TARIFF OF BELLSOUTH)
TELECOMMUNICATIONS, INC., TO REBALANCE)
RATES FILED WITH THE COMMISSION ON)
AUGUST 31, 2001)

RECEIVED
AUG 31 2001
PUBLIC SERVICE COMMISSION
COMMUNICATIONS SECTION

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001 SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth"), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to KRS 61.878 and 807 KAR 5:001, §7, to classify as confidential the following described information:

Information highlighted with transparent ink in Attachments C and D filed with the above-referenced tariff proposal.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878 (1)(c)(1). To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of the party seeking confidentiality if openly disclosed. KRS 61.878 (1)(c)(1); 807 KAR 5:001, §7. The Commission has taken the position that the statute and rules require the party to

demonstrate actual competition and a likelihood of competitive injury if the information is disclosed.

In this filing, BellSouth is proposing to rebalance various rates in accordance with the Commission's August 3, 2000, Order in Case No. 99-434. Attachment C is a priceout of the proposed rate adjustments that includes the number of customers subscribing to each of the exchange and vertical services included in this filing. Attachment D includes cost support information for competitive business services, including BellSouth® Primary Rate Interface service, MegaLink® service, BellSouth® Complete Choice® for Business Package service, as well as cost support for the residence Secondary Service Charge.

BellSouth's competitors for local service include alternate access providers, resellers, and interexchange carriers. The Commission has approved interconnection agreements between BellSouth and numerous telecommunications companies. BellSouth's competitors for private line/data services and networks are IXCs, resellers, and vendors of microwave, digital radio, fiber, VSAT, and other wireless equipment and services.

The demand information provided in Attachment C and the cost information provided in Attachment D is valuable to competitors

BellSouth® is a registered trademark of BellSouth Intellectual Property Corporation

®Registered Service Mark of BellSouth Intellectual Property Corporation

and potential competitors in formulating strategic plans for entry, pricing, marketing and overall business strategies concerning these services. Disclosure of this information would give BellSouth's competitors an unfair business advantage over BellSouth.

BellSouth recognizes that this information may be helpful to the Commission. However, to require that this information be divulged to BellSouth's competitors creates substantial unfair disadvantage to BellSouth. In addition, the Commission should accord confidential treatment to this information for the following reasons:

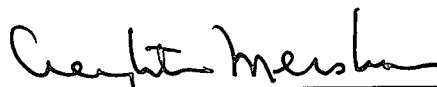
- (1) The information as to which BellSouth is requesting confidential treatment is not known outside of BellSouth;
- (2) The information is not disseminated within BellSouth and is known only by those of BellSouth's employees who have a legitimate business need to know and act upon the information;
- (3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices;

(4) The disclosure of this information would cause competitive injury to BellSouth in that it would provide BellSouth's competitors with sensitive financial data with respect to certain of BellSouth's services; and

(5) By granting BellSouth's petition, there would be no damage to any public interest in disclosure. In fact, the public would be best served by non-disclosure because competition would thereby be promoted.

For these reasons, the Commission should grant BellSouth's request for confidential treatment of the demand and cost support information for the proposed rate adjustments.

Respectfully submitted,



Creighton E. Mershon, Sr.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
Tel. No. (502) 582-8219

COUNSEL FOR BELLSOUTH
TELECOMMUNICATIONS, INC.

Summary of Proposed Rate Changes

<u>Rate Element</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Change</u>
Consumer:			
Exchange Rates -- Flat (A3.2.1)			
Rate Group 1	\$12.77	\$13.90	\$1.13
Rate Group 2	\$13.67	\$14.05	\$0.38
Rate Group 3	\$14.37	\$15.35	\$0.98
Rate Group 4	\$15.05	\$16.10	\$1.05
Rate Group Exception	\$15.22	\$16.10	\$0.88
Rate Group 5	\$18.40	\$18.40	No Change
ISDN Residence Service (A42)			
Month-to-Month			
Rate Group 1	\$52.77	\$53.90	\$1.13
Rate Group 2	\$53.67	\$54.05	\$0.38
Rate Group 3	\$54.37	\$55.35	\$0.98
Rate Group 4	\$55.05	\$56.10	\$1.05
Rate Group Exception	\$55.22	\$56.10	\$0.88
Rate Group 5	\$58.40	\$58.40	No Change
ISDN Residence Service (A42)			
24-59 Month Contract			
Rate Group 1	\$48.77	\$49.90	\$1.13
Rate Group 2	\$49.67	\$50.05	\$0.38
Rate Group 3	\$50.37	\$51.35	\$0.98
Rate Group 4	\$51.05	\$52.10	\$1.05
Rate Group Exception	\$51.22	\$52.10	\$0.88
Rate Group 5	\$54.40	\$54.40	No Change
Area Calling Service w/o LUD (A3.2)			
Rate Group 1	\$9.45	\$10.40	\$0.95
Rate Group 2	\$9.45	\$10.40	\$0.95
Rate Group 3	\$9.45	\$10.40	\$0.95
Rate Group 4	\$9.45	\$10.40	\$0.95
Rate Group Exception	\$9.45	\$10.40	\$0.95
Rate Group 5	\$11.02	\$11.50	\$0.48

<u>Rate Element</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Change</u>
Consumer (Continued):			
Area Calling Service Premium Calling Access Line (A3.2.8)			
Rate Group 1	\$9.45	\$10.40	\$0.95
Rate Group 2	\$9.45	\$10.40	\$0.95
Rate Group 3	\$9.45	\$10.40	\$0.95
Rate Group 4	\$9.45	\$10.40	\$0.95
Rate Group Exception	\$9.45	\$10.40	\$0.95
Rate Group 5	\$11.02	\$11.50	\$0.48
Area Calling Service Premium Calling Usage Package (A3.2.8)			
	\$21.00	\$21.25	\$0.25
Secondary Service Charge	\$15.00	\$9.95	(\$5.05)

Calling Plans to be Eliminated:

1. Low-Use Local Measured Service
2. Standard Local Measured Service
3. Area Calling Service with LUD
4. Obsolete Area Plus ®
5. Obsolete Area Plus ® with Complete Choice ®

Business:

Exchange Rates -- Flat (A3.2.1)

Rate Group 1	\$35.00	\$35.90	\$0.90
Rate Group 2	\$35.90	\$35.90	No Change
Rate Group 3	\$35.90	\$35.90	No Change
Rate Group 4	\$35.90	\$33.75	(\$2.15)
Rate Group Exception	\$35.90	\$33.75	(\$2.15)
Rate Group 5	\$35.25	\$33.75	(\$1.50)

<u>Rate Element</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Change</u>
Business (Continued):			
BellSouth ® Back-Up* Line (A3.38)			
Rate Group 1	\$17.50	\$17.95	\$0.45
Rate Group 2	\$17.95	\$17.95	No Change
Rate Group 3	\$17.95	\$17.95	No Change
Rate Group 4	\$17.95	\$16.88	(\$1.07)
Rate Group Exception	\$17.95	\$16.88	(\$1.07)
Rate Group 5	\$17.63	\$16.88	(\$0.75)
PBX Trunks -- Flat (Outward Only, Combination, Both Way) (A3.20.2), Toll Trunks (A3.14), 911 Exchange Lines (A13.27), Dial Access Lines (A29.2)			
Rate Group 1	\$35.00	\$35.90	\$0.90
Rate Group 2	\$35.90	\$35.90	No Change
Rate Group 3	\$35.90	\$35.90	No Change
Rate Group 4	\$35.90	\$33.75	(\$2.15)
Rate Group Exception	\$35.90	\$33.75	(\$2.15)
Rate Group 5	\$35.25	\$33.75	(\$1.50)
PBX Trunks -- Inward Only (A3.20.2)			
Rate Group 1	\$32.00	\$32.90	\$0.90
Rate Group 2	\$32.90	\$32.90	No Change
Rate Group 3	\$32.90	\$32.90	No Change
Rate Group 4	\$32.90	\$30.75	(\$2.15)
Rate Group Exception	\$32.90	\$30.75	(\$2.15)
Rate Group 5	\$32.90	\$30.75	(\$2.15)
PBX Trunks -- DID Comb.(A3.20.2)			
Rate Group 1	\$67.00	\$67.90	\$0.90
Rate Group 2	\$68.80	\$68.80	No Change
Rate Group 3	\$68.80	\$68.80	No Change
Rate Group 4	\$68.80	\$66.65	(\$2.15)
Rate Group Exception	\$68.80	\$66.65	(\$2.15)
Rate Group 5	\$68.15	\$66.65	(\$1.50)

<u>Rate Element</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Change</u>
Business (Continued):			
BellSouth ® Primary Rate ISDN (A42)			
24-48 Months, Voice/Data Flat Rate	\$60.95	\$52.00	(\$8.95)
24-48 Months, Voice/Data Meas. Rate	\$60.95	\$52.00	(\$8.95)
24-48 Months, B-Channels, Inw. Data	\$38.35	\$36.05	(\$2.30)
48-72 Months, Voice/Data Flat Rate	\$54.25	\$46.55	(\$7.70)
48-72 Months, Voice/Data Meas. Rate	\$54.25	\$46.55	(\$7.70)
48-72 Months, B-Channels, Inw. Data	\$37.00	\$33.49	(\$3.51)
MegaLink ® Interoffice Channels (B7.1)			
0-8 Miles	\$33.00	\$29.50	(\$3.50)
9-25 Miles	\$33.00	\$29.50	(\$3.50)
Over 25 Miles	\$33.00	\$29.50	(\$3.50)
Grouping Service (Hunting) (A3.19)			
Rate Group 1	\$12.00	\$12.00	No Change
Rate Group 2	\$11.25	\$11.25	No Change
Rate Group 3	\$10.50	\$8.00	(\$2.50)
Rate Group 4	\$10.00	\$5.00	(\$5.00)
Rate Group Exception	\$10.00	\$5.00	(\$5.00)
Rate Group 5	\$5.70	\$5.00	(\$0.70)
Touch-Tone Calling (A13.2)			
Rate Group 1	\$3.00	\$0.00	(\$3.00)
Rate Group 2	\$3.00	\$0.00	(\$3.00)
Rate Group 3	\$3.00	\$0.00	(\$3.00)
Rate Group 4	\$3.00	\$0.00	(\$3.00)
Rate Group Exception	\$3.00	\$0.00	(\$3.00)
Rate Group 5	\$2.35	\$0.00	(\$2.35)

<u>Rate Element</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Change</u>
Business (Continued):			
BellSouth ® Complete Choice ® For Business Package -- Option 1 (A3.45)			
Each 1 Line Package	\$81.00	\$81.00	No Change
Each 2 Line Package	\$150.00	\$148.00	(\$2.00)
Each 3 Line Package	\$217.00	\$213.00	(\$4.00)
Each 4 Line Package	\$284.00	\$268.00	(\$16.00)
Each 5 Line Package	\$350.00	\$321.00	(\$29.00)
Each 6 Line Package	\$417.00	\$374.00	(\$43.00)
Each 7 Line Package	\$485.00	\$426.00	(\$59.00)
Each 8 Line Package	\$552.00	\$479.00	(\$73.00)
Each 9 Line Package	\$620.00	\$532.00	(\$88.00)

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Executive Summary

Overview and Background:

In the Commission's August 3, 2000 order in Case No. 99-434, the Commission granted BellSouth authority for limited rate restructuring (see order, pages 10-12). In that order, the Commission also directed the Company to file within six months of the date of the order, its recommendations for the rate restructuring to be made in the second and third years of the Transition Regulation Plan. BellSouth filed those recommendations on February 5, 2001.

The proposal that we have filed today is generally consistent with the proposal filed on February 5th, but we have made some adjustments in the magnitudes of changes to individual rate elements, and we have added some new proposed rate adjustments. Among the additional rate changes we are recommending are the following:

- Elimination of several residential rate plans for which there is limited demand,
- Elimination of the Touch-Tone Calling rate for business customers, and
- Reduction in the Secondary Service Charge rate for residence customers.

Increases in Residential Exchange Rates and Decreases in Business Exchange Rates:

Our proposal includes increases in the residential exchange rates for Rate Groups 1-4 and Exception (Georgetown, Sadieville, and Stamping Ground) and for business exchange rates in Rate Group 1, and decreases in the business exchange rates for Rate Groups 4, 5 and Exception. The range of increases in residential monthly exchange rates is \$0.38 (Rate Group 2) to \$1.15 (Rate Group 1), and the range of decreases in business monthly exchange rates is \$1.50 (Rate Group 5) to \$2.15 (Rate Group 4 and Exception Rate Group). After these adjustments are made, there will be only two business rates: \$35.90 for Rate Groups 1-3, and \$33.75 for Rate Groups 4,5, and Exception.

Other business rates that are equal to business exchange rates and are also changing by the same amounts include Trunk Lines (A3.20) (Inward Only Trunks are priced \$3.00 lower than other trunks), Toll Trunks (A3.14), 911 Exchange Lines (A13.27), and Dial Access Channel Service Dial Access Lines (A29.2).

Rates that will change because they are functions of basic exchange rates include residence ISDN rates (\$40.00 plus the exchange rate for month-to-month, and \$36.00 plus the exchange rate for contracts of 24-59 months), business BellSouth @ Back-Up* Line (A3.38) rates (50% of the exchange rate), and DID Combination Trunks (A3.20) (rate changes same as for business exchange rate).

Increases in Residential Exchange Rates and Decreases in Business Exchange Rates
(Continued):

We are also proposing increases in the residence rates for Area Calling Service without Local Usage Detail (A3.2.8.C.2) and Area Calling Service Premium Calling Access Line (A3.2.8.F.2) (the increase in each rate element is \$0.95 in all rate groups except rate Group 5, where the increase is \$0.48). The residence Area Calling Service Premium Calling Usage Package (A3.2.8.F.1) is also being increased by \$0.25 per month.

Other business rate reductions are being proposed for BellSouth ® Primary Rate ISDN contract rates (A42.3), MegaLink ® interoffice channel rates (B7.1.3.B), Grouping Service (A3.19) (hunting) rates in all rate groups except 1 and 2, and BellSouth ® Complete Choice ® for Business Package Service rates --Option 1 (A3.45.2.A.1).

Elimination of Residential Rate Plans with Limited Demand:

We are also proposing to eliminate several residential local rate plans for which there is limited demand. The plans to be eliminated are the following:

1. Low-Use Local Measured Service (A3.2.3),
2. Standard Local Measured Service (A3.2.3),
3. Basic Area Calling Service with Local Usage Detail (LUD) (A3.2.8.C.1.a),
4. Area Plus ® (A103.2.10), and
5. Area Plus ® with Complete Choice ® (A103.2.10)

Our proposal includes the following incentive plan to migrate customers to alternative rate offerings:

- In late October or early November, each customer on one of these rate plans will be sent a direct mailing that notifies them that their service offering will be eliminated after March 31, 2002.
- These customers will be offered one month's free service for whatever rate plan they choose if they call the business office and convert to the new plan by January 31, 2002.
- A follow-up postcard will be sent to customers in late December or early January reminding them that they need to convert their service by the end of January in order to receive the one month's free service incentive.

Elimination of Residential Rate Plans with Limited Demand (Continued):

- After the end of March, 2002, customer accounts that have not already been changed will be mechanically converted to alternate services as follows:

<u>Old Service</u>	Will be Converted to	<u>New Service</u>
Low-Use Measured		Flat Rate
Standard Measured		Flat Rate
Area Calling Service With LUD		Area Calling Service without LUD
Obsolete Area Plus ®		Area Plus ® (LATAwide)
Obsolete Area Plus ® with Complete Choice ®		Area Plus ® with Complete Choice ® (LATAwide)

- Customers whose accounts are mechanically converted will receive an "FYI" message in their March and/or April bills reminding them of the change.

The number of customers in service for each of these services is provided below, as well as an analysis of the rate effect associated with migration to the alternative services these customers are most likely to choose:

1. Low-Use Local Measured Service (A3.2.3):

	<u>RG1</u>	<u>RG2</u>	<u>RG3</u>	<u>RG4</u>	<u>Exc. RG</u>	<u>RG5</u>	<u>Total</u>
In Service	287	174	490	8	0	1,408	2,367
Monthly Rate	\$6.91	\$7.36	\$7.70	\$8.05	NA	\$9.73	
Average Usage	\$1.78	\$3.24	\$3.30	\$4.69	NA	\$3.72	
Total	\$8.69	\$10.60	\$11.00	\$12.74	NA	\$13.45	
New Flat Rate	\$13.90	\$14.05	\$15.35	\$16.10	NA	\$18.40	
Difference	\$5.21	\$3.45	\$4.35	\$3.36	NA	\$4.95	
New ACS w/o LUD	\$10.40	\$10.40	\$10.40	\$10.40	NA	\$11.50	
Difference#	\$3.49	\$3.04	\$2.70	\$2.35	NA	\$1.77	

Assuming local usage charges are the same

Note: A monthly credit of up to \$12.00 is available to customers who qualify for Lifeline assistance. (See A3.31) At the end of July, only 32 of our Low-Use Local Measured Service customers also had Lifeline.

Elimination of Residential Rate Plans with Limited Demand (Continued):

2. Standard Local Measured Service (A3.2.3):

	<u>RG1</u>	<u>RG2</u>	<u>RG3</u>	<u>RG4</u>	<u>Exc. RG</u>	<u>RG5</u>	<u>Total</u>
In Service	347	395	1288	15	0	2,467	4,512
Monthly Rate	\$9.84	\$10.52	\$11.04	\$11.56	NA	\$14.08	
Average Usage	\$1.23	\$1.92	\$1.36	\$2.23	NA	\$1.81	
Total	\$11.07	\$12.44	\$12.40	\$13.79	NA	\$15.89	
New Flat Rate	\$13.90	\$14.05	\$15.35	\$16.10	NA	\$18.40	
Difference	\$2.87	\$1.61	\$2.95	\$2.31	NA	\$2.51	
New ACS w/o LUD	\$10.40	\$10.40	\$10.40	\$10.40	NA	\$11.50	
Difference#	\$0.56	(\$0.12)	(\$0.64)	(\$1.16)	NA	(\$2.58)	

Assuming local usage charges are the same

Note: A monthly credit of up to \$12.00 is available to customers who qualify for Lifeline assistance. (See A3.31) At the end of July, only 58 of our Standard Local Measured Service customers also had Lifeline.

3. Basic Area Calling Service with Local Usage Detail (LUD) (A3.2.8.C.1.a):

	<u>RG1</u>	<u>RG2</u>	<u>RG3</u>	<u>RG4</u>	<u>Exc. RG</u>	<u>RG5</u>	<u>Total</u>
In Service	234	59	56	0	1	279	629
Monthly Rate	\$10.50	\$10.50	\$10.50	NA	\$10.50	\$12.07	
Average Usage	\$5.70	\$5.77	\$7.45	NA	\$13.09	\$5.20	
Total	\$16.20	\$16.27	\$17.95	NA	\$23.59	\$17.27	
New Flat Rate*	\$13.90	\$14.05	\$15.35	NA	\$16.10	\$18.40	
Difference*	(\$2.30)	(\$2.22)	(\$2.60)	NA	(\$7.49)	\$1.13	
New ACS w/o LUD	\$10.40	\$10.40	\$10.40	NA	\$10.40	\$11.50	
Difference#	(\$0.10)	(\$0.10)	(\$0.10)	NA	(\$0.10)	(\$0.57)	

Assuming local usage charges are the same

* Excludes usage to extended local calling area

Elimination of Residential Rate Plans with Limited Demand (Continued):

4. Area Plus ® (A103.2.10):

	<u>RG1</u>	<u>RG2</u>	<u>RG3</u>	<u>RG4</u>	<u>Exc. RG</u>	<u>RG5</u>	<u>Total</u>
In Service	2,557	486	605	0	12	283	3943
Monthly Rate	\$32.00	\$32.00	\$32.00	NA	\$32.00	\$32.00	
Average Local Toll Usage	\$1.63	\$2.00	\$1.32	NA	\$3.29	\$1.08	
Total	\$33.63	\$34.00	\$33.32	NA	\$35.29	\$33.08	
LATA-wide Area Plus	\$38.00	\$38.00	\$38.00	NA	\$38.00	\$38.00	
Difference	\$4.37	\$4.00	\$4.68	NA	\$2.71	\$4.92	

5. Area Plus ® with Complete Choice ® (A103.2.10):

	<u>RG1</u>	<u>RG2</u>	<u>RG3</u>	<u>RG4</u>	<u>Exc. RG</u>	<u>RG5</u>	<u>Total</u>
In Service	2,178	526	779	1	14	513	4011
Monthly Rate	\$43.50	\$43.50	\$43.50	\$43.50	\$43.50	\$43.50	
Average Local Toll Usage	\$1.09	\$1.06	\$1.00	\$0.92	\$0.90	\$0.70	
Total	\$44.59	\$44.56	\$44.50	\$44.42	\$44.40	\$44.20	
LATA-wide Area Plus with Complete Choice	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	\$49.50	
Difference	\$4.91	\$4.94	\$5.00	\$5.08	\$5.10	\$5.30	

Elimination of these less popular alternatives will simplify the sales process for our service representatives, resulting in better and more efficient service for our customers, and will also allow the Company to avoid the expense associated with programming the billing required for these services in the future. With the exception of ACS with LUD, all of these services are currently obsolete. Local Measured Service has been under a Commission ordered moratorium since 1984.

Elimination of Business Touch-Tone Calling Rate:

The business rate for Touch-Tone Calling Service, previously \$2.35 in Rate Group 5 and \$3.00 throughout the rest of the state, has been eliminated as a separately identified rate element. The residence rate for Touch-Tone Calling Service has already been eliminated.

Reduction in Residential Secondary Service Charge Rate:

The Secondary Service Charge rate for residence customers is being reduced from \$15.00 to \$9.95. This reduction will benefit residence customers when they add or change features and services. Cost support for this proposed reduction is provided in Attachment C.

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Attachment C Priceout

Summary

Residence:

Business:

Attachment C <u>Page:</u>	Market <u>Basket</u>	Change in <u>Revenue</u>	Attachment C <u>Page:</u>	Market <u>Basket</u>	Change in <u>Revenue</u>
20	1001	\$5,437,739	20	1003	(\$714,019)
	1002	(\$687,425)		1004	(\$1,005,294)
	1576	\$1,274		1005	(\$144)
25	1001	\$1,766,088		1006	(\$162,557)
	1002	(\$159,004)		1016	\$86
	1022	\$2,254,230		1104	(\$4,496)
26	1008	(\$150,229)		2024	(\$943)
39	1001	(\$1,487,232)		2054	(\$162)
	1022	<u>(\$1,980,990)</u>	25	1594	(\$92,832)
			31	1011	(\$388,310)
			36	2204	(\$2,012,675)
			44	2065	<u>(\$622,356)</u>
Total		\$4,994,451	Total		(\$5,003,702)
			Net		(\$9,251)

Cost Support Information

<u>Name of the Service</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Cost</u>	<u>Tariff Reference</u>	<u>USOCs</u>
BellSouth ® Complete Choice ® For Business Package – Option 1				A3.45.2	
2 Line Package	\$150.00	\$148.00			COM12
3 Line Package	\$217.00	\$213.00			COM1H
4 Line Package	\$284.00	\$268.00			COM14
5 Line Package	\$350.00	\$321.00			COM15
6 Line Package	\$417.00	\$374.00			COM16
7 Line Package	\$485.00	\$426.00			COM17
8 Line Package	\$552.00	\$479.00			COM18
9 Line Package	\$620.00	\$532.00			COM19
Secondary Service Charge - Residence	\$15.00	\$9.95		A4.3.1	NA
Primary Rate ISDN				A42.3.4	
24-48 Months, Primary Rate ISDN B- Channel, Voice/Data Flat Rate	\$60.95	\$52.00			PR7BV
24-48 months, Primary Rate ISDN B- Channel, Voice/Data Measured Rate	\$60.95	\$52.00			PR7BS
24-48 months, Primary Rate ISDN B- Channel, Inward Data	\$38.35	\$36.05			PR7BD
48-72 months, Primary Rate ISDN B- Channel, Voice/Data Flat Rate	\$54.25	\$46.55			PR7BV
48-72 months, Primary Rate ISDN B- Channel, Voice/Data Measured Rate	\$54.25	\$46.55			PR7BS
48-72 months, Primary Rate ISDN B- Channel, Inward Data	\$37.00	\$33.49			PR7BD
MegaLink ®, Interoffice Channels				B7.1.3	
0-8 Miles	\$33.00	\$29.50			1LNOA
9-25 Miles	\$33.00	\$29.50			1LNOB
over 25 Miles	\$33.00	\$29.50			1LNOC

A3. BASIC LOCAL EXCHANGE SERVICE

A3.2 Statewide Rate Schedules

A3.2.1 Flat Rate Schedule

A. The following schedule of monthly rates is applicable to Flat Rate Main Station Line Service:

1. Rate groups include total main station lines and PBX trunks.

Residence and Business 2 Party Service are Obsolete Service Offerings. (See Section A103.)

	Residence	Business	USOC	
(a) Group 1 (0-13,800)	<i>\$13.90</i>	<i>\$35.90</i>	NA	(T)
(b) Group 2 (13,801 - 25,100)	<i>14.05</i>	<i>35.90</i>	NA	(C)
(c) Group 3 (25,101 - 45,500)	<i>15.35</i>	<i>35.90</i>	NA	(C)
(d) Group 4 (45,501 - 200,800)	<i>16.10</i>	<i>33.75</i>	NA	(C)
(e) Group 5 (200,801 - 1,191,800)	<i>18.40</i>	<i>33.75</i>	NA	(C)

B. In accordance with KPSC Docket No. 91-149, the following exchanges have an exception rate to the statewide group.

1. Exception from the schedule.

	Residence	Business	USOC	
(a) Georgetown	<i>\$16.10</i>	<i>\$33.75</i>	NA	(C)
(b) Sadieville	<i>16.10</i>	<i>33.75</i>	NA	(C)
(c) Stamping Ground	<i>16.10</i>	<i>33.75</i>	NA	(C)

A3.2.2 Reserved For Future Use

A3.2.3 Measured Rate Schedule

(See A3.1.E.)

A. The following schedule of monthly rates is applicable to measured rate main station line service:

1. Rate groups include total main station lines and PBX trunks for individual lines.

Residence Measured Service is an Obsolete Service Offering. (See Section A103.)

	Business	USOC	
(a) Group 1 (0 - 13,800)	<i>\$26.17</i>	NA	(M)
(b) Group 2 (13,801 - 25,100)	<i>28.52</i>	NA	(M)
(c) Group 3 (25,101 - 45,500)	<i>30.52</i>	NA	(M)
(d) Group 4 (45,501 - 200,800)	<i>32.46</i>	NA	(M)
(e) Group 5 (200,801 - 1,191,800)	<i>38.17</i>	NA	(M)

B. The rates stated preceding include the following monthly local usage allowances for dialed sent paid local calls:

1. Usage allowance

	Usage Allowance	USOC	
(a) Low-Use Residence Measured Service – Obsolete (See Section A103.)		NA	(M)
(b) Standard Residence Measured Service – Obsolete (See Section A103.)		NA	(M)
(c) Business Measured Service	<i>\$7.50</i>	NA	(D)

C. **(DELETED)**

D. The following mileage bands and rates apply for all usage within the Limited Local Calling Area. This schedule is not applicable for any service established after Area Calling Service is offered in an exchange. Usage charges will be billed in arrears. Partial minutes count as full minutes for each individual call completed.

Mileage Bands	Initial Minute	Additional Minute
A (0 miles)	<i>\$.04</i>	<i>\$.02</i>
B (1-10 miles Limited LCA)	<i>.04</i>	<i>.02</i>
C (Greater than 10 miles Limited LCA)	<i>.06</i>	<i>.04</i>

A3. BASIC LOCAL EXCHANGE SERVICE

A3.2 Statewide Rate Schedules (Cont'd)

- A3.2.5 Reserved For Future Use
- A3.2.6 Reserved For Future Use
- A3.2.7 Reserved For Future Use
- A3.2.8 Area Calling Service

- A. Area Calling Service is an optional offering that provides local calling from the subscribers' home wire center to all exchanges within the Full Local Calling Area, as described in A3.6.1. Initial availability dates of Area Calling Service in approved exchanges are determined by the Company.
- B. This service is not available to party line customers, Shared Tenant Service or customer-provided public telephone subscribers with the exception of SmartLine[®] service for Customer Provided Public Telephones. Subscribers to SmartLine[®] service may subscribe to Area Calling Service usage rates as follows. The access line for SmartLine[®] service on Area Calling Service is provided in A7.8 of this Tariff. Premium Calling is not available to SmartLine[®] service subscribers.
- C. The access line for Residence and Business Area Calling Service is provided at the following rate. All other services offering Area Calling Service are provided for in the appropriate sections of this Tariff. Separate access line rates are provided for Local Usage Detail (LUD) subscribers. LUD is described in A3.22.

In accordance with KPSC Docket No. 91-149, the Georgetown, Sadieville and Stamping Ground exchanges have an exception to the statewide group. (N)

Residence Area Calling Service with LUD is an Obsolete Service Offering. (See Section A103.) (M)

- 1. Access Line (with LUD)

		Monthly Rate Rate Group		Exception	USOC	
		1 - 4	5			
(a)	Residence - Obsoleted (See Section A103.)					(T)
(b)	Business Inward	\$29.70	\$33.00	\$29.70	B2K1D	(M)
(c)	Business Both Way	35.70	38.35	35.70	B2K2D	(C)
2.	Access Line (without LUD)					
(a)	Residence	10.40	11.50	10.40	R2K2K	(C)
(b)	Business Inward	29.70	33.00	29.70	B2K1K	(C)
(c)	Business Both Way	32.70	35.35	32.70	B2K2K	(C)

- D. In addition to the access line, Area Calling Service customers are billed local usage charges for all calls completed within the Full Local Calling Area at the charges shown in E. following.
- E. The following usage rates are applicable for all calls within the Full Local Calling Area and are based on airline mileage between wire centers. Each fraction of a minute counts as a full minute. These rates are also applicable for SmartLine[®] service as provided in A7.8 of this Tariff.

Mileage Bands	Initial Minute	Additional Minute	
A (0 miles)	\$.02	\$.01	
B (1-10 miles) within Limited LCA	.04	.02	
C (Greater than 10 miles) within Limited LCA	.06	.04	
D (1-10 miles) beyond Limited LCA	.04	.02	
E (11-16 miles) beyond Limited LCA	.06	.04	
F (17-22 miles) beyond Limited LCA	.09	.07	
G (23-30 miles) beyond Limited LCA	.09	.07	
H (31-40 miles) beyond Limited LCA	.09	.07	(M)
I (Greater than 40 miles) beyond Limited LCA	.09	.07	(M)

Material previously appearing on this page now appears on page(s) 1.0.3 of section A103.
 Material appearing on this page previously appeared on page(s) 3.2 of this section.
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A3. BASIC LOCAL EXCHANGE SERVICE

A3.2 Statewide Rate Schedules (Cont'd)

A3.2.8 Area Calling Service (Cont'd)

F. Premium Calling

Premium Calling is available for residence and business customers and provides unlimited local calling within the Full Local Calling Area. Subscribers to this calling arrangement will not be billed local usage charges described in paragraph E. preceding for calls completed within the Full Local Calling Area. The Premium Calling Usage Package rate is in addition to the access line rate. Premium Calling customers may not subscribe to Local Usage Detail.

In accordance with KPSC Docket No. 91-149, the Georgetown, Sadieville and Stamping Ground exchanges have an exception to the statewide group. (N)

1. Premium Calling Usage Package

		Monthly Rate	USOC	
(a)	Residence	\$21.25	PREKX	(I)
(b)	Business	55.00	BREKX	

2. Access Line

		Monthly Rate Rate Group			USOC	
		1 - 4	5	Exception		
(a)	Residence	\$10.40	\$11.50	\$10.40	R2K2P	(T)
(b)	Business Inward	29.70	33.00	29.70	B2K1P	(C)
(c)	Business Both Way	32.70	35.35	32.70	B2K2P	(C)

/

G. Time/Day Discount - The preceding usage rates are peak period rates and apply from 8:00 AM to 8:00 PM, Monday through Friday (excluding holidays). Off-peak period rates apply to all other times and are rated at a 50 percent discount. When messages span more than one rate period, total charges for the minutes in each rate period are summarized and the results for each period are totaled to obtain the total message charge.

H. Grouping rates for subscribers of Area Calling Service are described in A3.19.

I. Calls completed with automated calling cards or operator assistance within the Limited Local Calling Area or Full Local Calling Area as described in A3.6.1 will be rated at the preceding usage charges, except for the Premium offering, in addition to the appropriate Operator Assisted Local Call surcharges. Such calls are itemized on the subscriber's billing statement and will be billed usage charges based on the originating number.

J. Calls made outside the Limited Local Calling Area, but within the Full Local Calling Area, on which customers requests time and charges, will have those quotations based on toll rates. This includes hotel paid guest quotation calls.

K. All rules and regulations that appear in other sections of this Tariff apply unless otherwise stated herein.

(M)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates

A3.7.1 Flat Rate Service

A. The rates specified herein, with OBRA zone charges when applicable to service furnished outside the Base Rate Area of an exchange or Locality Rate Area, entitle subscribers to an unlimited number of messages to all stations bearing the designation of central offices within the serving exchange and Limited Local Calling Area exchanges or Locality Rate Areas as shown in A3.6 preceding, Local Calling Areas, of this Tariff. Band zone charges shown in A3.9 following apply for Outside Base Area Service, except as noted by symbol (Z) following.

B. Explanation Of Symbols And Abbreviations:

R.G. = Rate Group

(DELETED)

(D)

(DELETED)

(D)

LRA = Locality Rate Area

(1) = All Base Rate Area

(2) = All Outside Base Rate Area

(Z) = Geographic zone charges for Individual Line Service outside the Base Rate Area also apply as shown in A3.9.3 following in lieu of those charges shown in A3.9.2 following.

(T)

Business 2-Pty. Is an Obsolete Service Offering. (See Section A103.)

Residence 2-Pty. Is an Obsolete Service Offering. (See Section A103.)

C. Exchange

1. Allen

			Residence	Business	USOC	
	(a)	R.G. 2	\$14.05	\$35.90	NA	(T) (C)
2. Aurora	(a)	R.G. 1	13.90	35.90	NA	
3. Bagdad	(a)	R.G. 1	13.90	35.90	NA	(I)
4. Bardstown	(a)	R.G. 1	13.90	35.90	NA	(I)
5. Beattyville	(a)	R.G. 1	13.90	35.90	NA	(I)
6. Beaver Dam	(a)	R.G. 1	13.90	35.90	NA	(I)
7. Bedford	(a)	R.G. 1	13.90	35.90	NA	(I)
8. Benham-Lynch	(a)	R.G. 1	13.90	35.90	NA	(I)
9. Benton	(a)	R.G. 1	13.90	35.90	NA	(I)
	(a)	R.G. 1	13.90	35.90	NA	(I)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

10. Bessie Bend

The exchange rates and regulations applicable in that area in and around Bessie Bend, Kentucky, which lies within and is a part of the local service area of the Tiptonville, Tennessee exchange, an exchange principally located within the State of Tennessee, shall be the same as those fixed for similar services in Tiptonville by the Public Service Commission of Tennessee.

11. Bloomfield

		Residence	Business	USOC	(T)
	(a) R.G. 1	<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
12.	Bluff Springs				
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
13.	Bowling Green (Z)				
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
14.	Bremen (Z)				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
15.	Burgin				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
16.	Cadiz				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
17.	Calhoun				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
18.	Campbellsburg				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
19.	Canton				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
20.	Carlisle				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
21.	Carrollton				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
22.	Cayce (Z)				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
23.	Centertown				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
24.	Central City (Z)				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

25. Chaplin

			Residence	Business	USOC	(T)
	(a)	R.G. 1	<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
26. Clay	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
27. Clinton	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
28. Cloverport	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
29. Corbin	(a)	R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
30. Cornishville	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
31. Corydon	(a)	R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
32. Crab Orchard	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
33. Crofton	(a)	R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
34. Cropper	(a)	R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
35. Cynthiana	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
36. Dade Park	<p>The exchange rates and regulations applicable in that area in and around Dade Park, Kentucky, which lies within and is a part of the local service area of the Evansville, Indiana exchange, an exchange principally located within the State of Indiana, shall be the same as those fixed for similar services in Evansville by the Public Service Commission of Indiana.</p>					
37. Danville	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
38. Dawson Springs	(a)	R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
39. Dixon	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
40. LRA Poole (2) (Z)	(a)	R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

		Residence	Business	USOC	(T)
41.	Drakesboro (Z)				
	(a) R.G. 1	<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
42.	Earlington				
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
43.	Eddyville (Z)				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
44.	Elkhorn City				
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(I)
45.	Elkton				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(C)
46.	LRA Allensville				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
47.	Eminence				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
48.	LRA New Castle				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
49.	LRA Pleasureville				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
50.	LRA Smithfield				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
51.	Ensor				
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
52.	Feds creek				
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
53.	Finchville				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
54.	Ford				
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
55.	Fordsville				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
56.	Frankfort				
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
57.	Franklin				
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

58. Fredonia (Z)

		Residence	Business	USOC	(T)
	(a) R.G. 1	<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
59. Freeburn	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
60. Fulton (Z)	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
61. Georgetown	(a) See A3.2.1.B	-	-	NA	(C)
62. Ghent	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
63. Gilbertsville	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
64. Gracey	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
65. Greenville (Z)	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
66. Guthrie	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
67. LRA Keysburg (2) (Z)	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
68. Habit	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
69. Hanson	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
70. Hardinsburg	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
71. Harlan	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
72. Harrodsburg	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
73. Hartford	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
74. Hawesville	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)

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Louisville, Kentucky

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

75. Hebbardsville

		Residence	Business	USOC	(T)
	(a) R.G. 2	\$14.05	\$35.90	NA	(C)
76. Henderson	(a) R.G. 2	14.05	35.90	NA	(C)
77. Hickman	(a) R.G. 1	13.90	35.90	NA	(I)
78. Hopkinsville	(a) R.G. 3	15.35	35.90	NA	(C)
79. Inez	(a) R.G. 1	13.90	35.90	NA	(I)
80. Island	(a) R.G. 1	13.90	35.90	NA	(I)
81. Jackson	(a) R.G. 1	13.90	35.90	NA	(I)
82. Jellico					

The exchange rates and regulations applicable in that area in and around Jellico, Kentucky, which lies within and is a part of the local service area of the Jellico, Tennessee exchange, an exchange principally located within the State of Tennessee, shall be the same as those fixed for similar services in Jellico, Tennessee by the Public Service Commission of Tennessee.

83. Jordan

The exchange rates and regulations applicable in that area in and around Jordan, Kentucky, which lies within and is a part of the local service area of the Union City, Tennessee exchange, an exchange principally located within the State of Tennessee, shall be the same as those fixed for similar services in Union City by the Public Service Commission of Tennessee.

84. Junction City

	(a) R.G. 1	13.90	35.90	NA	(I)
85. Kirksville	(a) R.G. 3	15.35	35.90	NA	
86. LaFayette	(a) R.G. 3	15.35	35.90	NA	
87. LaGrange	(a) R.G. 5	18.40	33.75	NA	
88. Lawrenceburg	(a) R.G. 1	13.90	35.90	NA	(I)
89. Lebanon Junction	(a) R.G. 1	13.90	35.90	NA	(I)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

		Residence	Business	USOC	(T)
90. Little Rock		<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
	(a) R.G. 1				
91. Livermore	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
92. Louisa	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
93. Louisville (1)	(a) R.G. 5	<i>18.40</i>	<i>33.75</i>	NA	(C)
94. Maceo	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
95. Mackville (Z)	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
96. Madisonville	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
97. LRA Anton Area (2) (Z)	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
98. Marion	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
99. Martin	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
100. Mayfield (Z)	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
101. Maysville (Z)	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
102. McCarr (Z)	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
103. McDaniels	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
104. McDowell	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
105. Middlesboro (Z)	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

		Residence	Business	USOC	(T)
106. Millersburg		<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
	(a) R.G. 1				
107. Milton		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
108. Mooresville		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
109. Morganfield		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
110. LRA Waverly		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
111. Morgantown		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
112. Mortons Gap		<i>14.05</i>	<i>35.90</i>	NA	(C)
	(a) R.G. 2				
113. Mt. Eden		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
114. Mt. Sterling (Z)		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
115. Murray		<i>14.05</i>	<i>35.90</i>	NA	(C)
	(a) R.G. 2				
116. Nebo		<i>14.05</i>	<i>35.90</i>	NA	(C)
	(a) R.G. 2				
117. Neon		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
118. New Haven		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
119. New Liberty		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
120. North Middleton		<i>13.90</i>	<i>35.90</i>	NA	(I)
	(a) R.G. 1				
121. Nortonville		<i>14.05</i>	<i>35.90</i>	NA	(C)
	(a) R.G. 2				
122. LRA White Plains		<i>14.05</i>	<i>35.90</i>	NA	(C)
	(a) R.G. 2				

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A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

123. Oak Grove

		Residence	Business	USOC	(T)
	(a) R.G. 4	\$16.10	\$33.75	NA	(C)
124. Owensboro					
	(a) R.G. 3	15.35	35.90	NA	(C)
125. Owenton					
	(a) R.G. 1	13.90	35.90	NA	(I)
126. Paducah (Z)					
	(a) R.G. 3	15.35	35.90	NA	(C)
127. Paintsville					
	(a) R.G. 1	13.90	35.90	NA	(I)
128. Panther					
	(a) R.G. 3	15.35	35.90	NA	(C)
129. Paris					
	(a) R.G. 1	13.90	35.90	NA	(I)
130. LRA Clintonville					
	(a) R.G. 1	13.90	35.90	NA	(I)
131. LRA Shawhan					
	(a) R.G. 1	13.90	35.90	NA	(I)
132. Pembroke					
	(a) R.G. 3	15.35	35.90	NA	(C)
133. Perryville					
	(a) R.G. 1	13.90	35.90	NA	(I)
134. Pikeville					
	(a) R.G. 3	15.35	35.90	NA	(C)
135. LRA Meta (2) (Z)					
	(a) R.G.3	15.35	35.90	NA	(C)
136. Pineville					
	(a) R.G. 1	13.90	35.90	NA	(I)
137. Pleasant Ridge					
	(a) R.G. 3	15.35	35.90	NA	(C)
138. Port Royal					
	(a) R.G. 1	13.90	35.90	NA	(I)
139. Prestonsburg					
	(a) R.G. 2	14.05	35.90	NA	(C)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

140. Princeton (Z)

		Residence	Business	USOC	(T)
	(a) R.G. 1	<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
141. Providence	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
142. Richmond	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
143. Robards	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
144. Rose Terrace (Z)	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
145. Russellville	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
146. LRA Olmstead	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
147. Sacramento	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
148. Sadieville ¹	(a) See A3.2.1.B	-	-	NA	
149. St. Charles	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
150. Salvisa	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
151. Sebree	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
152. Sharon Grove	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
153. Shelbyville	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
154. Simpsonville	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
155. Slaughters	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
156. Sorgho	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)

Note 1: Exception Rate.

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

157. S. Williamson (Z)

		Residence	Business	USOC	(T)
(a)	R.G. 2	\$14.05	\$35.90	NA	(C)
158.	Springfield				
(a)	R.G. 1	13.90	35.90	NA	(I)
159.	Stamping Ground ¹				
(a)	See A3.2.1.B	-	-	NA	
160.	Stanford				
(a)	R.G. 1	13.90	35.90	NA	(I)
161.	Stanley				
(a)	R.G. 3	15.35	35.90	NA	(C)
162.	Stanton				
(a)	R.G. 1	13.90	35.90	NA	(I)
163.	Stone				
(a)	R.G. 1	13.90	35.90	NA	(I)
164.	Sturgis				
(a)	R.G. 1	13.90	35.90	NA	(I)
165.	Sulphur				
(a)	R.G. 1	13.90	35.90	NA	(I)
166.	Symsonia (Z)				
(a)	R.G. 3	15.35	35.90	NA	(C)
167.	Taylorsville				
(a)	R.G. 1	13.90	35.90	NA	(I)
168.	Trenton				
(a)	R.G. 1	13.90	35.90	NA	(I)
169.	Utica				
(a)	R.G. 3	15.35	35.90	NA	(C)
170.	Virgie				
(a)	R.G. 2	14.05	35.90	NA	(C)
171.	Waco				
(a)	R.G. 3	15.35	35.90	NA	(C)

Note 1: Exception Rate.

BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY

ISSUED: August 31, 2001
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
Thirteenth Revised Page 22
Cancels Twelfth Revised Page 22
EFFECTIVE: October 20, 2001

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.1 Flat Rate Service (Cont'd)

C. Exchange (Cont'd)

172. Waddy

		Residence	Business	USOC	(T)
	(a) R.G. 1	<i>\$13.90</i>	<i>\$35.90</i>	NA	(I)
173. Wallins Creek					
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
174. Warfield (Z)					
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
175. Water Valley					
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
176. Wayland					
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
177. W. Louisville					
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
178. West Point (1)					
	(a) R.G. 5	<i>18.40</i>	<i>33.75</i>	NA	(C)
179. Whitesburg					
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
180. Whitesville					
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)
181. Williamsburg					
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
182. Willisburg					
	(a) R.G. 1	<i>13.90</i>	<i>35.90</i>	NA	(I)
183. Winchester					
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
184. LRA Pilot View					
	(a) R.G. 2	<i>14.05</i>	<i>35.90</i>	NA	(C)
185. Woodburn (Z)					
	(a) R.G. 3	<i>15.35</i>	<i>35.90</i>	NA	(C)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.2 Message Rate Service

Discontinued offering. Rates shown applicable only to service in effect on February 1, 1969, and thereafter at the same address for the same subscriber.

In locations where Measured Rate Individual Line Service is available, it will replace the current Individual Line Message Rate Service. Existing Individual Line Message rate subscribers will have the choice of converting to either Flat or Measured Rate Service.

- A. Business Individual Line Message Rate Service is offered only in the exchanges shown herein. The rates specified, with OBRA zone charges when applicable to service furnished outside the BRA of an exchange, entitle subscribers to the number of messages specified to all stations in the Limited Local Calling Area, i.e., all stations bearing the designation of the serving exchange and Limited Local Calling Area exchanges as shown in A3.6 preceding, Local Calling Areas, of this Tariff. Additional local calling area messages placed to the Limited Local Calling Area over the line during a month are charged for at the rates specified following based on mechanized records kept of all calls originated on the line. Time of day discounts do not apply to calls within the Limited Local Calling Area. When a customer subscribes to more than one message rate line:
 - 1. if the lines are nonconsecutive each line is considered separately in determining additional messages, or
 - 2. if the lines are consecutive the messages on all lines and the combined message allowance is used in determining billable additional messages.
 - a. Louisville Exchange
 - (1) Monthly Message Allowance, each line - 50

	Monthly	
	Rate	USOC
(a) Business Individual Line, each line	\$31.04	1MB
	Charge	USOC
(b) Additional local message charge, each message	\$.10	NA

A3.7.3 Reserved For Future Use

A3.7.4 Measured Rate Service

(See A3.1.E.)

Residence Individual Line Measured Rate Service is an Obsolete Service Offering. (See Section A103.)

- A. **Business** Individual Line Measured Rate Service is available only in certain central offices of the exchanges shown herein. Measured Rate Service requires special equipment and arrangements and is furnished only when such equipment and arrangements are available. The rates specified, with zone charges applicable to those services furnished outside the BRA of an exchange, entitle subscribers to complete local calls on a usage charge basis to stations in the Limited Local Calling Area, i.e., all stations bearing the designation of central offices of the serving exchange and Limited Local Calling Area exchanges as shown in A3.6 preceding, Local Calling Areas, of this Tariff. Charges for local usage are specified in A3.2.3.D. preceding and are based on mechanized records kept of all calls originated on the line. (M)

- 1. Individual Line Service
 - a. Exchange
 - (1) Bardstown

(a) R.G. 1	Business	USOC	(T)
	\$26.17	NA	(M)

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.4 Measured Rate Service (Cont'd)

A. (Cont'd)

1. Individual Line Service (Cont'd)

a. Exchange (Cont'd)

(2) Corydon

(a) R.G. 2
(3) Dawson Springs

(a) R.G. 2
(4) Drakesboro

(a) R.G. 1
(5) Earlington

(a) R.G. 2
(6) Fedscreek

(a) R.G. 2
(7) Ford

(a) R.G. 3
(8) Frankfort

(a) R.G. 3
(9) Hanson

(a) R.G. 2
(10) Hardinsburg

(a) R.G. 1
(11) Harlan

(a) R.G. 1
(12) Hebbardsville

(a) R.G. 2
(13) Henderson

(a) R.G. 2
(14) Hopkinsville

(a) R.G. 3

Business	USOC	(T)
\$28.52	NA	(M)
28.52	NA	(M)
26.17	NA	(M)
28.52	NA	(M)
28.52	NA	(M)
30.52	NA	(M)
30.52	NA	(M)
28.52	NA	(M)
26.17	NA	(M)
26.17	NA	(M)
28.52	NA	(M)
28.52	NA	(M)
30.52	NA	(M)

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BY: E.C. Roberts, Jr., President - KY
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A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.4 Measured Rate Service (Cont'd)

A. (Cont'd)

1. Individual Line Service (Cont'd)

a. Exchange (Cont'd)

(15) LaGrange

(a) R.G. 5
(16) Louisa

(a) R.G. 1
(17) Louisville

(a) R.G. 5
(18) Maceo

(a) R.G. 3
(19) Madisonville

(a) R.G. 2
(20) McCarr

(a) R.G. 1
(21) Mortons Gap

(a) R.G. 2
(22) Nebo

(a) R.G. 2
(23) Oak Grove

(a) R.G. 4
(24) Owensboro

(a) R.G. 3
(25) Paducah

(a) R.G. 3
(26) Paintsville

(a) R.G. 1
(27) Pikeville

(a) R.G. 3
(28) Prestonsburg

(a) R.G. 2

	Business	USOC	(T)
	\$38.17	NA	(M)
	26.17	NA	(M)
	38.17	NA	(M)
	30.52	NA	(M)
	28.52	NA	(M)
	26.17	NA	(M)
	28.52	NA	(M)
	28.52	NA	(M)
	32.46	NA	(M)
	30.52	NA	(M)
	30.52	NA	(M)
	26.17	NA	(M)
	30.52	NA	(M)
	28.52	NA	(M)

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A3. BASIC LOCAL EXCHANGE SERVICE

A3.7 Monthly Exchange Rates (Cont'd)

A3.7.4 Measured Rate Service (Cont'd)

A. (Cont'd)

1. Individual Line Service (Cont'd)

a. Exchange (Cont'd)

(29) Princeton

(a) R.G. 1
(30) Rose Terrace

(a) R.G. 3
(31) St. Charles

(a) R.G. 2
(32) Sorgho

(a) R.G. 3
(33) South Williamson

(a) R.G. 2
(34) Stanley

(a) R.G. 3
(35) Wallins Creek

(a) R.G. 1
(36) Warfield

(a) R.G. 1
(37) West Louisville

(a) R.G. 3
(38) West Point

(a) R.G. 5
(39) Winchester

(a) R.G. 2

	Business	USOC	(T)
	\$26.17	NA	(M)
	30.52	NA	(M)
	28.52	NA	(M)
	30.52	NA	(M)
	28.52	NA	(M)
	30.52	NA	(M)
	26.17	NA	(M)
	26.17	NA	(M)
	30.52	NA	(M)
	38.17	NA	(M)
	28.52	NA	(M)

B. The rates stated preceding include the following monthly usage allowance for dialed sent paid local calls:

1. Usage allowance

- (a) Low-Use Residence Measured Service – Obsoleted (See Section A103.)
- (b) Standard Residence Measured Service – Obsoleted (See Section A103.)
- (c) Business Measured Service

	Usage Allowance	USOC	
			(M)
	\$7.50	NA	(M)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.19 Grouping Service

A3.19.1 General

Grouping Service is a combination of two or more trunks or individual lines connected to the central office so that incoming calls overflow to the next available trunk or line if that trunk or line is busy.

A3.19.2 Rates

A. Monthly rates for Grouping Service on individual lines or trunks are as follows:

1. Individual line or trunk^{1,2}

		Monthly Rate					
		Rate Group 1	Rate Group 2	Rate Group 3	Rate Group 4	Rate Group 5	USOC
(a)	Business Flat Rate ³ , each	\$12.00	\$11.25	\$8.00	\$5.00	\$5.00	HTG
(b)	Business Measured Rate, each	12.00	11.25	10.50	10.00	5.70	HTGME
(c)	Business Message Rate, each	12.00	11.25	10.50	10.00	5.70	HTGMS
(d)	Business Area Calling Service, each	12.00	11.25	10.50	10.00	5.70	HTGKX
(e)	Overflow to Back-Up* Line from each additional non-Area Calling Service primary line or hunt group	12.00	11.25	10.50	10.00	5.70	BULRX
(f)	Overflow to Back-Up [†] Line from each additional Area Calling Service primary line or hunt group	12.00	11.25	10.50	10.00	5.70	BULSX

B. Charges for Grouping Service on lines and trunks are applied as indicated herein and are in addition to the regular individual line or trunk rate. Charges for Grouping Service are not applicable to station lines within a system, WATS, or for Residential lines.^{1,4}

Note 1: Effective July 20, 1995, grouping rates for Residential Service have been eliminated. Business grouping rates and business service line rates shall apply at private residence locations for all lines in a rotary or grouping arrangement when more than three lines are in the arrangement.

Note 2: Exception rate groups utilize Rate Group 4 rates.

Note 3: Rates also apply for Grouping service for BellSouth[®] Business Plus^{*} service.

Note 4: See A2.3.6. and A103.19. for limitations regarding residential lines in a Grouping Service arrangement.

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A3. BASIC LOCAL EXCHANGE SERVICE

A3.20 Trunk Lines (Cont'd)

A3.20.2 Rates And Charges

In accordance with KPSC Docket No. 91-149, the Georgetown, Sadieville and Stamping Ground exchanges have an exception rate to the statewide group. (N)

- A. Flat rate service is provided for business, hotel, nursing home, rest home and hospital subscribers as described in A3.20.1.C. preceding.

1. Business Trunk - Flat

		Monthly Rate Rate Group					Exception	USOC	(T)
		1	2	3	4	5			
(a)	Combination	\$35.90	\$35.90	\$35.90	\$33.75	\$33.75	\$33.75	TFC	(C)
(b)	Inward Only	32.90	32.90	32.90	30.75	30.75	30.75	TFN	(C)
(c)	Outward Only	35.90	35.90	35.90	33.75	33.75	33.75	TFU	(C)
(d)	Both Way ¹	35.90	35.90	35.90	33.75	33.75	33.75	TFB	(C)
(e)	DID (Direct In-Dial)	32.00	32.90	32.90	32.90	32.90	32.90	TDDIX	(C)
(f)	DID Combination	67.90	68.80	68.80	66.65	66.65	66.65	TDDCX	(C)

- B. Measured rate service is provided for business, hotel, nursing home, rest home and hospital subscribers where facilities are available. In addition, usage charges and allowances apply as stated in A3.2.3. (See A3.1. for restrictions on measured service.)

1. Business Trunk - Measured

		Monthly Rate Rate Group					Exception	USOC	(T)
		1	2	3	4	5			
(a)	Combination	\$26.17	\$28.52	\$30.52	\$32.46	\$38.17	\$32.46	TKG	(C)
(b)	Inward Only	23.17	25.52	27.52	29.46	35.82	29.46	BMU	(C)
(c)	Outward Only	26.17	28.52	30.52	32.46	38.17	32.46	TKV	(C)

- C. Message rate service is provided exclusively for use by hotel, nursing home, rest home and hospital subscribers and their guests or patients with an allowance of 50 local messages on the first trunk. Additional trunks are provided with no call allowance.

1. Exchanges in Louisville Local Calling Area

		Monthly Rate	USOC
(a)	Business Trunk-Message-Combination-First	\$33.39	TMC
(b)	Business Trunk-Message-Outward Only-First	33.39	TMU
(c)	Business Trunk-Message-Both Way-First ¹	33.39	TMB
(d)	Business Trunk-Message-Combination-Additional	28.39	TM5
(e)	Business Trunk-Message-Outward Only-Additional	28.39	TM3
(f)	Business Trunk-Message-Both Way-Additional ¹	28.39	TM2

Note 1: Both way trunks are no longer available for new installations. Combination trunks will be provided to customers requesting both way trunks.

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A3. BASIC LOCAL EXCHANGE

A3.45 BellSouth® Complete Choice® For Business Package (Cont'd)

A3.45.2 Complete Choice® For Business Package

A. Package Service

1. Complete Choice® for Business package Option 1 which includes BellSouth Business Plus® service Calling Plan 1			(T)
	Monthly		
	Rate	USOC	
(a) Each 1-line package	\$81.00	COM11	
(b) Each 2-line package	148.00	COM12	(R)
(c) (Obsoleted 11-18-99, See A103.45)			
(d) Each 3-line package	213.00	COM1H	(R)
(e) Each 4-line package	268.00	COM14	(R)
(f) Each 5-line package	321.00	COM15	(R)
(g) Each 6-line package	374.00	COM16	(R)
(h) Each 7-line package	426.00	COM17	(R)
(i) Each 8-line package	479.00	COM18	(R)
(j) Each 9-line package	532.00	COM19	(R)
2. Complete Choice® for Business package Option 2 which includes BellSouth Business Plus® service Calling Plan 2			(T)
(a) Each 1-line package	56.00	COMP1	
(b) Each 2-line package	100.00	COMP2	
(c) (Obsoleted 11-18-99, See A103.45)			
(d) Each 3-line package	142.00	COMPH	
(e) Each 4-line package	179.00	COM24	
(f) Each 5-line package	215.00	COM25	
(g) Each 6-line package	252.00	COM26	
(h) Each 7-line package	290.00	COM27	
(i) Each 8-line package	327.00	COM28	
(j) Each 9-line package	365.00	COM29	

A3.45.3 Service Charges

- A. The service order charges specified in Section A4. of this Tariff are applicable for the installations of new lines at the subscriber's premises. These charges are not applicable for existing customers who wish to move from an existing line to a BellSouth Business Plus® service Calling Plan or a Complete Choice® for Business package. (T)
- B. Service charges do not apply for transactions which only involve additions, deletions or changes to the service or features requested as part of BellSouth Business Plus® service with Complete Choice® for Business package service. (T)

A3.45.4 Term Plan

- A. The Complete Choice® For Business package Term Plan is available for all business customers who subscribe to Complete Choice® For Business packages.
- B. The Complete Choice® For Business package Term Plan offers discounts off rates shown in A3.45.2 of this Tariff.
- C. A termination liability will be assessed to subscribers who terminate the service prior to the expiration of the term commitment. The amount to be assessed will be equal to the amount of the discounted charges that the subscriber had received as a result of the subscriber's participation in the program. (T)
- D. The Complete Choice® For Business package Term Plan discounts are available as follows:

Discount	Term
5%	24 Months
8%	36 Months

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A4. SERVICE CHARGES

A4.3 Schedule of Charges for Connecting or Changing Service

A4.3.1 Rates and Charges

A. Line Connection Charge				
1.	Applies per exchange access line or trunk or per NAR on ESSX-1 service.			
	(a) First Line (per customer request)	Residence \$42.00	Business \$73.00	USOC NA
	(b) Additional Line (each)	15.00	22.00	NA
B. Line Change Charge				
1.	Applies per exchange access line or trunk or per NAR on ESSX-1 service.			
	(a) First Line (per customer request)	35.00	48.00	NA
	(b) Additional Line (each)	12.00	14.00	NA
C. Secondary Service Charge				
1.	Applies per customer request			
	(a) Each	9.95	20.00	NA (R)
D. Premises Work Charge				
1.	First 15-minute increment or fraction thereof			
	(a) Per increment	\$30.00	\$30.00	NA
2.	Each additional 15-minute increment or fraction thereof			
	(a) Per increment	14.00	14.00	NA

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.1 Reserved For Future Use

A13.2 Touch-Tone Calling Service

A13.2.1 General

- A. Touch-Tone Calling Service provides for the origination of telephone calls by means of instruments equipped for tone-type address signaling.
- B. The service is furnished for use with individual and two-party central office lines. It may be furnished to either one or both subscribers on a two-party line.
- C. Touch-Tone Calling Service, for individual and two-party line service, Centrex Type Services and PBX Systems, requires special central office equipment and will be provided only from those central offices where the central office has been equipped for Touch-Tone service.

A13.2.2 Application Of Charges

- A. The Secondary Service Charge in Section A4. is applicable for the addition of Touch-Tone service subsequent to the establishment of the subscribers' service.
- B. The Secondary Service Charge in Section A4. is not applicable for changes from Touch-Tone to rotary dial service.

A13.2.3 Rates And Charges

Touch-Tone Calling Service rates and charges shall apply where the customer has the capability to originate calls by means of instruments equipped for tone-type address dialing.

The following monthly charges are in addition to any applicable rates and charges for the facilities and service furnished.

A. Individual And Two-Party Line Service

On two-party lines, rate is applicable per subscriber to Touch-Tone service.

- 1. Per line or PBX trunk

	Installation Charge	Monthly Rate	USOC
(a) Residence	\$-	\$-	TTR
(b) Business (RG 1-4 including exceptions)	-	-	TTB (T)(R)
(c) Business (RG 5)	-	-	TTB (T)(R)

B. ESSX-1 Systems

- 1. Per Network Access Register
(Rates, charges and USOC's apply as for a PBX Central Office trunk of similar operation.)

(a) Each	-	-	NA
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A13.3 Reserved For Future Use

A13.4 Reserved For Future Use

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A42. INTEGRATED SERVICES DIGITAL NETWORK (ISDN)

A42.3 BellSouth® Primary Rate ISDN (Cont'd)

A42.3.4 Rates and Charges

- A. A BellSouth® Primary Rate ISDN Access Line is furnished between a serving wire center and the customer's premises. If other tariffed services are used for transport as described in A42.3.1.E. no additional rate applies (Provisioning USOC: 1LD1F).

1. BellSouth® Primary Rate ISDN Access Line, each

	Nonrecurring Charge	Month to Month	24 to 48 Months	49 to 72 Months	USOC
(a) BellSouth® Primary Rate ISDN Access Line, each	\$875.00	\$140.00	\$130.00	\$120.00	1LD1E

- B. Interoffice Channels furnished between central offices. Rates are based on the airline distance between central offices.

1. Interoffice Channel, each channel

		75.00	65.00	60.00	
(a) Fixed Monthly Rate	125.00	75.00	65.00	60.00	1LN1A
(b) Each airline mile or fraction thereof	-	24.00	22.00	20.00	1LN1B

- C. BellSouth® Primary Rate ISDN will be available in combinations of channels according to the limits of the Company central office type. Customers will choose the most appropriate combinations and will be billed for the services accordingly.

1. BellSouth® Primary Rate ISDN Interface, each

(a) Voice/Data (Standard)	110.00	400.00	375.00	340.00	PR71V
(b) Digital Data Only Option	110.00	400.00	375.00	340.00	PR71D
(c) Inward Data Option	110.00	400.00	375.00	340.00	PR71E
(d) Inward Data Option with Extended Reach Service – Dedicated Route	110.00	400.00	375.00	340.00	PR71C
(e) Inward Data Option with Extended Reach Service – Final Route	110.00	400.00	375.00	340.00	PR71U

2. Flat Rate BellSouth® Primary Rate ISDN B-Channels

(a) Voice/Data (Standard)	5.00	65.80	52.00	46.55	PR7BV (C)
(b) Digital Data Only Option	5.00	26.65	24.00	22.75	PR7BF
(c) Inward Data Option	5.00	41.00	36.05	33.49	PR7BD (C)
(d) Inward Data Option with Extended Reach Service – Dedicated Route	5.00	50.00	46.00	42.00	PR7BE
(e) Inward Data Option with Extended Reach Service – Final Route	5.00	67.00	62.00	57.00	PR7BL

3. Usage Sensitive BellSouth® Primary Rate ISDN B-Channels for use with Area Calling Service, each²

(a) Voice/Data (Standard)	5.00	65.80	52.00	46.55	PR7BS (C)
(b) Digital Data Only Option	5.00	26.65	24.00	22.75	PR7BU

4. BellSouth® Primary Rate ISDN D-Channel - No Rate (Requires Provisioning USOC: PR7EX)

5. Extended Reach Dedicated Interoffice Channel – No Rate (Requires Provisioning USOC: PR7OE)

6. BellSouth® Primary Rate ISDN Call types¹ - No Rate

Requires Provisioning USOC per Call Type

Call Type	USOC
Inward Only	PR7C1
Outward Only	PR7C0
2-Way	PR7CC

Note 1: The Inward Data option is restricted to the Inward Only Call Type.

Note 2: The monthly rate includes a \$25.00 calling allowance as described in A42.3.2.V. preceding.

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.1 Reserved For Future Use

A103.2 Statewide Rate Schedules

(Obsoleted, 07-10-93, Type D, Tariff Reference A3.7) Two-Party Line Service will not be available for new installations, relocations, or transfers of service to new locations.

Effective 01-24-94, the Company will begin a program to upgrade two-party customers to individual line service. Customers will be notified prior to their service being changed. When upgraded, residential customers will be allowed to continue paying two-party zone charges until one of the following occurs: transfer of service to new location; additional line(s) added; or requested relocation of Company facilities.

A103.2.1 Flat Rate Schedule

A. The following schedule of monthly rates is applicable to Flat Rate Main Station Line Service:

1. Rate groups include total main station lines and PBX trunks.

	Residence		Business		USOC
	1-Pty.	2-Pty.	1-Pty.	2-Pty.	
(a) Group 1 (0-13,800)	\$-	\$9.84	\$-	\$26.07	NA
(b) Group 2 (13,801 - 25,100)	-	10.52	-	27.32	NA
(c) Group 3 (25,101 - 45,500)	-	11.04	-	29.12	NA
(d) Group 4 (45,501 - 200,800)	-	11.56	-	30.96	NA
(e) Group 5 (200,801 - 1,191,800)	-	14.08	-	38.17	NA

B. In accordance with KPSC Docket No. 91-149, the following exchanges have an exception rate to the statewide group.

1. Exception from the schedule.

(a) Georgetown	-	11.68	-	31.28	NA
(b) Sadieville	-	11.68	-	-	NA
(c) Stamping Ground	-	11.68	-	31.28	NA

A103.2.2 Reserved for Future Use

(M)

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.2 Statewide Rate Schedules (Cont'd)

A103.2.3 Measured Rate Schedule

(See A3.1.E.)

(Obsoleted, 10-20-2001, Type D, Tariff Reference A3.2) Residence measured service will not be available for new installations, additions to existing service or transfers of service to new locations.

Residence measured service will be eliminated after March 31, 2002. Customers voluntarily converting to another BellSouth local exchange service will receive one free month of the new service. This offer will be valid through January 31, 2002.

A. The following schedule of monthly rates is applicable to measured rate main station line service:

1. Rate groups include total main station lines and PBX trunks for individual lines.

		Residence		USOC	
		Low Use	Standard		
(a)	Group 1 (0 - 13,800)	\$6.91	\$9.84	NA	(M)
(b)	Group 2 (13,801 - 25,100)	7.36	10.52	NA	(M)
(c)	Group 3 (25,101 - 45,500)	7.70	11.04	NA	(M)
(d)	Group 4 (45,501 - 200,800)	8.05	11.56	NA	(M)
(e)	Group 5 (200,801 - 1,191,800)	9.73	14.08	NA	(M)

B. The rates stated preceding include the following monthly local usage allowances for dialed sent paid local calls:

1. Usage allowance

		Usage Allowance	USOC	
(a)	Low-Use Residence Measured Service	\$-	NA	(M)
(b)	Standard Residence Measured Service	5.00	NA	(M)

C. The following mileage bands and rates apply for all usage within the Limited Local Calling Area. This schedule is not applicable for any service established after Area Calling Service is offered in an exchange. Usage charges will be billed in arrears. Partial minutes count as full minutes for each individual call completed.

Mileage Bands	Initial Minute	Additional Minute	
A (0 miles)	\$.04	\$.02	(N)
B (1-10 miles Limited LCA)	.04	.02	(N)
C (Greater than 10 miles Limited LCA)	.06	.04	(N)

Material appearing on this page previously appeared on page(s) 2 of section A3.
 Material appearing on this page previously appeared on page(s) 1 of this section.
 Material previously appearing on this page now appears on page(s) 1.0.4, 1.0.5 and 1.1 of this section.

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A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.2 Statewide Rate Schedules (Cont'd)

A103.2.3 Measured Rate Schedule (Cont'd)

- D. Lower rates for the Evening and Night and Weekend rate periods are expressed as a percent reduction of the usage rates stated in A103.2.3.C. preceding. The rate is applied to the total summarized usage charge for those portions of all messages occurring within the reduced rate period. When application of the reduced rate results in a fractional charge, the amount will be rounded to the nearer whole cent.

No reduced rate applies for that portion of messages in the Day rate period.

When messages span more than one rate period, total charges for the minutes in each rate period are summarized, any reduced rate applied and the results for each rate period are totaled to obtain the total message charge.

- 1. Rate periods and rate discounts are described in the table following.

	Rates and Applicable Periods							
	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	
8:00 AM to 5:00 PM ¹	Full Rate	Full Rate	Full Rate	Full Rate	Full Rate	60% Disc.	60% Disc.	
5:00 PM to 11:00 PM ¹	35% Disc.	35% Disc.	35% Disc.	35% Disc.	35% Disc.	60% Disc.	35% Disc.	
11:00 PM to 8:00 AM ¹	60% Disc.	60% Disc.	60% Disc.	60% Disc.	60% Disc.	60% Disc.	60% Disc.	

Day Rate Period = Full Rate
Evening Rate Period = 35% Discount
Night and Weekend Rate Period = 60% Discount

- E. On Christmas Day (December 25), New Year's Day (January 1), Independence Day (July 4), Thanksgiving Day and Labor Day, the holiday rate applicable is the Evening rate, unless a lower rate would normally apply.
- F. Usage charges may be billed to other numbers or to approved Company calling cards.
- G. Usage charges apply to local calls completed with mechanized calling cards or operator assistance in addition to Local Calling Card Service surcharges or Operator Assisted Local Call surcharges, when applicable. Such calls are itemized on the subscriber's billing statement and are billed outside any applicable usage allowances for dialed sent paid calls.

A103.2.4 Reserved for Future Use

A103.2.5 Reserved for Future Use

A103.2.6 Reserved for Future Use

A103.2.7 Reserved for Future Use

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.2 Statewide Rate Schedules (Cont'd)

A103.2.8 Residence Area Calling Service with Local Usage Detail (LUD)

(Obsoleted 10-20-2001, Type D, Tariff Reference A3.2) Residence Area Calling Service with LUD will not be available for new installations, additions to existing service or transfers of service to new locations.

Residence Area Calling Service with LUD will be eliminated after March 31, 2002. Customers voluntarily converting to another BellSouth local exchange service will receive one free month of the new service. This offer will be valid through January 31, 2002.

- A. Residential Area Calling Service is an optional offering that provides local calling from the subscribers' home wire center to all exchanges within the Full Local Calling Area, as described in A3.6.1 of this Tariff.
- B. This service is not available to party line customers, Shared Tenant Service or customer-provided public telephone subscribers with the exception of SmartLine[®] service for Customer Provided Public Telephones. Subscribers to SmartLine[®] service may subscribe to Residence Area Calling Service usage rates as follows. The access line for SmartLine[®] service on Residence Area Calling Service is provided in A7.8 of this Tariff. Premium Calling is not available to SmartLine[®] service subscribers.
- C. The access line for Residence Area Calling Service is provided at the following rate. All other services offering Area Calling Service are provided for in the appropriate sections of this Tariff. Separate access line rates are provided for LUD subscribers. LUD is described in A3.22 of this Tariff.

In accordance with KPSC Docket No. 91-149, the Georgetown, Sadieville and Stamping Ground exchanges have an exception to the statewide group.

- 1. Access Line (with LUD)

	Monthly Rate			
	Rate Group			
	1 - 4	5	Exception	USOC
(a) Residence	\$10.50	\$12.07	\$10.50	R2K2D

- D. In addition to the access line, Residence Area Calling Service customers are billed local usage charges for all calls completed within the Full Local Calling Area at the charges shown in A3.2.8.E. of this Tariff.
- E. Time/Day Discount - The preceding usage rates are peak period rates and apply from 8:00 AM to 8:00 PM, Monday through Friday (excluding holidays). Off-peak period rates apply to all other times and are rated at a 50 percent discount. When messages span more than one rate period, total charges for the minutes in each rate period are summarized and the results for each period are totaled to obtain the total message charge.
- F. Grouping rates for subscribers of Residence Area Calling Service are described in A3.19 of this Tariff.
- G. Calls completed with automated calling cards or operator assistance within the Limited Local Calling Area or Full Local Calling Area as described in A3.6.1 of this Tariff will be rated at the usage charges in A3.2.8.E. of this Tariff in addition to the appropriate Operator Assisted Local Call surcharges. Such calls are itemized on the subscriber's billing statement and will be billed usage charges based on the originating number.
- H. Calls made outside the Limited Local Calling Area, but within the Full Local Calling Area, on which customers requests time and charges, will have those quotations based on toll rates. This includes hotel paid guest quotation calls.
- I. All rules and regulations that appear in other sections of this Tariff apply unless otherwise stated herein.

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.2 Statewide Rate Schedules (Cont'd)

A103.2.9 Reserved for Future Use

A103.2.10 Obsolete Area Plus® Service

(Obsoleted April 30, 1998, Type D. Not available for new customers, additions by existing customers, or transfers of existing service to a new location. This service may be retained by existing customers only while they remain at the same premises. New or existing customers must purchase units of a similar service which is offered in A3.2.10.)

Obsolete Area Plus® service will be eliminated after March 31, 2002. Customers voluntarily converting to another BellSouth local exchange service will receive one free month of the new service. This offer will be valid through January 31, 2002.

A. General

1. Obsolete Area Plus® service provides residence subscribers a flat rate access line with unlimited calling to all exchange access lines within the subscriber's exchange and the Full Local Calling Area as defined in A3.6.1 of this Tariff. The access line includes Touch-Tone capability. (M)
2. Calls completed with automated calling cards or operator assistance from the Obsolete Area Plus® service access line within the Full Local Calling Area will be rated only using the appropriate Local Operator and Calling Card Services surcharges specified in A3.14.3.A. Such calls are itemized on the subscriber's billing statement. (M)
3. Calls made outside the Limited Local Calling Area but within the Full Local Calling Area (see A3.6.1) on which customers request time and charges will have those quotations based on toll rates. (M)
4. Subscribers to any of the Obsolete Area Plus® services receive a thirty percent discount on rates specified in A18.3.1.B.2. This discount supersedes the volume discounts defined in A18.3.7, and is applied after the appropriate time period discounts specified in A18.3.1.B.3. have been applied and after the calls have been aggregated to a monthly total. This discount applies to covered customer-dialed sent paid calls originated from the subscriber's service; to covered customer-dialed calling card calls, including the calling card surcharges on these calls; and to covered customer-dialed collect calls accepted by the subscriber to any of the Obsolete Area Plus® services, including the operator surcharges on these calls. The discount is applied on a per line basis to each call type after the calls have been aggregated to a monthly total. (M)
5. Residence customers may also subscribe to Obsolete Area Plus® service with the Complete Choice® option. All services/features specified in A3.2.9 as available with Complete Choice® service are available with this option of Obsolete Area Plus® service. Rules, regulations and limitations specified in A3.2.9 for Complete Choice® service apply to this option of Obsolete Area Plus® service. (M)
6. Service charges specified in Section A4. of this Tariff do not apply for a conversion of existing service from Obsolete Area Plus® service or Obsolete Area Plus® service with the Complete Choice® option. (M)
7. Obsolete Area Plus® service customers may not subscribe to Local Usage Detail. (M)
8. Existing customers of Obsolete Area Plus® service with the Complete Choice® option can not take advantage of special promotions for Complete Choice® service or Area Plus® service with the Complete Choice® option or any of the services/features specified in A3.2.9. preceding unless specifically allowed by the terms of the special promotion. (M)

B. Rates and Charges

1. Individual line service

	Suspend Rate	Monthly Rate	USOC	
(a) Per line (without the Complete Choice® option)	\$16.00	\$32.00	AR3	(M)
(b) Per line with the Complete Choice® option	13.50	43.50	NA	(M)

(USOCs AC3 and VSB must both be used to provide this service.)

BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
Original Page 1.0.5

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

EFFECTIVE: October 20, 2001

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

- A103.3 Reserved For Future Use** (M)
- A103.4 Reserved For Future Use** (M)
- A103.5 Reserved For Future Use** (M)
- A103.6 Reserved For Future Use** (M)

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BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates

(Obsoleted, 07-10-93, Type D, Tariff Reference A3.7) Two-Party Line Service will not be available for new installations, relocations or transfers of service to new locations. (T)

Effective 01-24-94, the Company will begin a program to upgrade two-party customers to individual line service. Customers will be notified prior to their service being changed. When upgraded, residential customers will be allowed to continue paying two-party zone charges until one of the following occurs: transfer of service to new location; additional line(s) added; or requested relocation of Company facilities. (M)

A103.7.1 Flat Rate Service

A. The rates specified herein, with OBRA zone charges when applicable to service furnished outside the Base Rate Area of an exchange or Locality Rate Area, entitle subscribers to an unlimited number of messages to all stations bearing the designation of central offices within the serving exchange and Limited Local Calling Area exchanges or Locality Rate Areas as shown in A3.6 of this Tariff, Local Calling Areas, of this Tariff. Band zone charges shown in A3.9 of this Tariff apply for Outside Base Area Service, except as noted by symbol (Z) following. (N)

B. Explanation of Symbols And Abbreviations: (N)

R.G. = Rate Group (N)

1-Pty. = Individual Line Service (N)

2-Pty. = Two-Party Line Service (N)

LRA = Locality Rate Area (N)

(1) = All Base Rate Area (N)

(2) = All Outside Base Rate Area (N)

(Z) = Geographical zone charges for Two-Party Line Service outside the Base Rate Area also apply as shown in A3.9.3 of this Tariff in lieu of those charges shown in A3.9.2 of this Tariff. (N)

C. Exchange (T)

	Residence		Business		USOC
	1-Pty.	2-Pty.	1-Pty.	2-Pty.	
1. Allen					
(a) R.G. 2	\$-	\$10.52	\$-	\$-	NA
2. Aurora					
(a) R.G. 1	-	9.84	-	-	NA
3. Bagdad					
(a) R.G. 1	-	9.84	-	-	NA
4. Bardstown					
(a) R.G. 1	-	9.84	-	24.07	NA
5. Beattyville					
(a) R.G. 1	-	9.84	-	24.07	NA
6. Beaver Dam					
(a) R.G. 1	-	9.84	-	24.07	NA
7. Bedford					
(a) R.G. 1	-	9.84	-	-	NA
8. Benham-Lynch					
(a) R.G. 1	-	-	-	-	NA
9. Benton					
(a) R.G. 1	-	9.84	-	24.07	NA

Material appearing on this page previously appeared on page(s) 1.0.1 of this section.
Material previously appearing on this page now appears on page(s) 1.2 of this section.

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.1 Flat Rate Service (Cont'd)

A. Exchange (Cont'd)

10. Bessie Bend

The exchange rates and regulations applicable in that area in and around Bessie Bend, Kentucky, which lies within and is a part of the local service area of the Tiptonville, Tennessee exchange, an exchange principally located within the State of Tennessee, shall be the same as those fixed for similar services in Tiptonville by the Public Service Commission of Tennessee.

	Residence		Business		USOC	
	1-Pty.	2-Pty.	1-Pty.	2-Pty.		
11. Bloomfield						(M)
(a) R.G. 1	\$-	\$9.84	\$-	\$-	NA	(M)
12. Bluff Springs						(M)
(a) R.G. 3	-	11.04	-	-	NA	(M)
13. Bowling Green (Z)						(M)
(a) R.G. 3	-	11.04	-	-	NA	(M)
14. Bremen (Z)						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
15. Burgin						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
16. Cadiz						(M)
(a) R.G. 1	-	9.84	-	24.07	NA	(M)
17. Calhoun						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
18. Campbellsburg						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
19. Canton						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
20. Carlisle						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
21. Carrollton						(M)
(a) R.G. 1	-	9.84	-	24.07	NA	(M)
22. Cayce (Z)						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
23. Centertown						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
24. Central City (Z)						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
25. Chaplin						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
26. Clay						(M)
(a) R.G. 1	-	9.84	-	24.07	NA	(M)
27. Clinton						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
28. Cloverport						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)

Material appearing on this page previously appeared on page(s) 1.0.1 and 1.1 of this section.
 Material previously appearing on this page now appears on page(s) 1.3 of this section.

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.1 Flat Rate Service (Cont'd)

A. Exchange (Cont'd)

		Residence		Business		USOC	
		1-Pty.	2-Pty.	1-Pty.	2-Pty.		
29.	Corbin						(M)
	(a) R.G. 2	\$-	\$10.52	\$-	\$-	NA	(M)
30.	Cornishville						(M)
	(a) R.G. 1	-	9.84	-	-	NA	(M)
31.	Corydon						(M)
	(a) R.G. 2	-	10.52	-	-	NA	(M)
32.	Crab Orchard						(M)
	(a) R.G. 1	-	9.84	-	-	NA	(M)
33.	Crofton						(M)
	(a) R.G. 3	-	11.04	-	-	NA	(M)
34.	Cropper						(M)
	(a) R.G. 2	-	10.52	-	-	NA	(M)
35.	Cynthiana						(M)
	(a) R.G. 1	-	9.84	-	24.07	NA	(M)
36.	Dade Park						(M)
	The exchange rates and regulations applicable in that area in and around Dade Park, Kentucky, which lies within and is a part of the local service area of the Evansville, Indiana exchange, an exchange principally located within the State of Indiana, shall be the same as those fixed for similar services in Evansville by the Public Service Commission of Indiana.						
37.	Danville						
	(a) R.G. 1	-	9.84	-	-	NA	
38.	Dawson Springs						
	(a) R.G. 2	-	10.52	-	-	NA	
39.	Dixon						
	(a) R.G. 1	-	9.84	-	-	NA	
40.	LRA Poole (2) (Z)						
	(a) R.G. 1	-	9.84	-	-	NA	
41.	Drakesboro (Z)						
	(a) R.G. 1	-	9.84	-	-	NA	
42.	Earlington						
	(a) R.G. 2	-	10.52	-	-	NA	
43.	Eddyville (Z)						
	(a) R.G. 1	-	9.84	-	-	NA	
44.	Elkhorn City						
	(a) R.G. 2	-	10.52	-	26.22	NA	
45.	Elkton						
	(a) R.G. 1	-	9.84	-	-	NA	
46.	LRA Allensville						
	(a) R.G. 1	-	9.84	-	-	NA	(M)

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A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.1 Flat Rate Service (Cont'd)

A. Exchange (Cont'd)

	Residence		Business		USOC	
	1-Pty.	2-Pty.	1-Pty.	2-Pty.		
47. Eminence						(M)
(a) R.G. 1	\$-	\$9.84	\$-	\$24.07	NA	(M)
48. LRA New Castle						(M)
(a) R.G. 1	-	9.84	-	24.07	NA	(M)
49. LRA Pleasureville						(M)
(a) R.G. 1	-	9.84	-	24.07	NA	(M)
50. LRA Smithfield						(M)
(a) R.G. 1	-	9.84	-	24.07	NA	(M)
51. Ensor						(M)
(a) R.G. 3	-	11.04	-	-	NA	(M)
52. Feds creek						(M)
(a) R.G. 2	-	10.52	-	26.22	NA	(M)
53. Finchville						(M)
(a) R.G. 1	-	9.84	-	-	NA	(M)
54. Ford						
(a) R.G. 3	-	11.04	-	-	NA	
55. Fordsville						
(a) R.G. 1	-	9.84	-	24.07	NA	
56. Frankfort						
(a) R.G. 3	-	11.04	-	-	NA	
57. Franklin						
(a) R.G. 1	-	9.84	-	-	NA	
58. Fredonia (Z)						
(a) R.G. 1	-	9.84	-	-	NA	
59. Freeburn						
(a) R.G. 1	-	9.84	-	24.07	NA	
60. Fulton (Z)						
(a) R.G. 1	-	9.84	-	-	NA	
61. Georgetown						
(a) (See A103.2.1.B.)	-	-	-	-	NA	
62. Ghent						
(a) R.G. 1	-	9.84	-	-	NA	
63. Gilbertsville						
(a) R.G. 1	-	9.84	-	-	NA	
64. Gracey						
(a) R.G. 3	-	11.04	-	-	NA	
65. Greenville (Z)						
(a) R.G. 1	-	9.84	-	-	NA	

(M)

Material appearing on this page previously appeared on page(s) 1.3 of this section.
Material previously appearing on this page now appears on page(s) 1.5 of this section.

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.1 Flat Rate Service (Cont'd)

A. Exchange (Cont'd)

		Residence		Business		USOC	
		1-Pty.	2-Pty.	1-Pty.	2-Pty.		
66.	Guthrie						(M)
	(a) R.G. 1	\$-	\$9.84	\$-	\$-	NA	(M)
67.	LRA Keysburg (2) (Z)						(M)
	(a) R.G. 1	-	9.84	-	-	NA	(M)
68.	Habit						(M)
	(a) R.G. 3	-	11.04	-	-	NA	(M)
69.	Hanson						(M)
	(a) R.G. 2	-	10.52	-	-	NA	(M)
70.	Hardinsburg						(M)
	(a) R.G. 1	-	9.84	-	-	NA	(M)
71.	Harlan						
	(a) R.G. 1	-	9.84	-	-	NA	
72.	Harrodsburg						
	(a) R.G. 1	-	9.84	-	24.07	NA	
73.	Hartford						
	(a) R.G. 1	-	9.84	-	-	NA	
74.	Hawesville						
	(a) R.G. 1	-	9.84	-	24.07	NA	
75.	Hebbardsville						
	(a) R.G. 2	-	10.52	-	-	NA	
76.	Henderson						
	(a) R.G. 2	-	10.52	-	-	NA	
77.	Hickman						
	(a) R.G. 1	-	9.84	-	-	NA	
78.	Hopkinsville						
	(a) R.G. 3	-	11.04	-	-	NA	
79.	Inez						
	(a) R.G. 1	-	9.84	-	-	NA	
80.	Island						
	(a) R.G. 1	-	9.84	-	-	NA	
81.	Jackson						
	(a) R.G. 1	-	9.84	-	24.07	NA	
82.	Jellico						

The exchange rates and regulations applicable in that area in and around Jellico, Kentucky, which lies within and is a part of the local service area of the Jellico, Tennessee exchange, an exchange principally located within the State of Tennessee, shall be the same as those fixed for similar services in Jellico, Tennessee by the Public Service Commission of Tennessee.

(M)

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.1 Flat Rate Service (Cont'd)

A. Exchange (Cont'd)

83. Jordan

(M)

The exchange rates and regulations applicable in that area in and around Jordan, Kentucky, which lies within and is a part of the local service area of the Union City, Tennessee exchange, an exchange principally located within the State of Tennessee, shall be the same as those fixed for similar services in Union City by the Public Service Commission of Tennessee.

(M)

		Residence		Business		USOC	
		1-Pty.	2-Pty.	1-Pty.	2-Pty.		
84.	Junction City						(M)
	(a) R.G. 1	\$-	\$9.84	\$-	\$-	NA	(M)
85.	Kirksville						(M)
	(a) R.G. 3	-	11.04	-	-	NA	(M)
86.	LaFayette						
	(a) R.G. 3	-	11.04	-	-	NA	
87.	LaGrange						
	(a) R.G. 5	-	14.08	-	-	NA	
88.	Lawrenceburg						
	(a) R.G. 1	-	9.84	-	-	NA	
89.	Lebanon Junction						
	(a) R.G. 1	-	9.84	-	24.07	NA	
90.	Little Rock						
	(a) R.G. 1	-	9.84	-	-	NA	
91.	Livermore						
	(a) R.G. 1	-	9.84	-	-	NA	
92.	Louisa						
	(a) R.G. 1	-	9.84	-	-	NA	
93.	Louisville (1)						
	(a) R.G. 5	-	14.08	-	-	NA	
94.	Maceo						
	(a) R.G. 3	-	11.04	-	-	NA	
95.	Mackville (Z)						
	(a) R.G. 1	-	9.84	-	-	NA	
96.	Madisonville						
	(a) R.G. 2	-	10.52	-	-	NA	
97.	LRA Anton Area (2) (Z)						
	(a) R.G. 2	-	10.52	-	-	NA	
98.	Marion						
	(a) R.G. 1	-	9.84	-	-	NA	
99.	Martin						
	(a) R.G. 2	-	10.52	-	-	NA	
100.	Mayfield (Z)						
	(a) R.G. 2	-	10.52	-	-	NA	(M)

Material appearing on this page previously appeared on page(s) 1.5 of this section.
 Material previously appearing on this page now appears on page(s) 1.7 of this section.

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.1 Flat Rate Service (Cont'd)

A. Exchange (Cont'd)

		Residence		Business		USOC	
		1-Pty.	2-Pty.	1-Pty.	2-Pty.		
101. Maysville (Z)							(M)
	(a) R.G. 1	\$-	\$9.84	\$-	\$24.07	NA	(M)
102. McCarr (Z)							(M)
	(a) R.G. 1	-	9.84	-	-	NA	(M)
103. McDaniels							
	(a) R.G. 1	-	9.84	-	24.07	NA	
104. McDowell							
	(a) R.G. 2	-	10.52	-	-	NA	
105. Middlesboro (Z)							
	(a) R.G. 2	-	10.52	-	26.22	NA	
106. Millersburg							
	(a) R.G. 1	-	9.84	-	-	NA	
107. Milton							
	(a) R.G. 1	-	9.84	-	-	NA	
108. Mooresville							
	(a) R.G. 1	-	9.84	-	-	NA	
109. Morganfield							
	(a) R.G. 1	-	9.84	-	-	NA	
110. LRA Waverly							
	(a) R.G. 1	-	9.84	-	-	NA	
111. Morgantown							
	(a) R.G. 1	-	9.84	-	24.07	NA	
112. Mortons Gap							
	(a) R.G. 2	-	10.52	-	-	NA	
113. Mt. Eden							
	(a) R.G. 1	-	9.84	-	24.07	NA	
114. Mt. Sterling (Z)							
	(a) R.G. 1	-	9.84	-	24.07	NA	
115. Murray							
	(a) R.G. 2	-	10.52	-	-	NA	
116. Nebo							
	(a) R.G. 2	-	10.52	-	-	NA	
117. Neon							
	(a) R.G. 1	-	9.84	-	-	NA	
118. New Haven							
	(a) R.G. 1	-	9.84	-	-	NA	
119. New Liberty							
	(a) R.G. 1	-	9.84	-	-	NA	

BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
Second Revised Page 1.12
Cancels First Revised Page 1.12
EFFECTIVE: October 20, 2001

ISSUED: August 31, 2001
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.2 Message Rate Service

A. Message Rate PBX Service (Other Than Hotel/Motel or Hospital Service)

1. Obsolete March 26, 1977, Type D, Tariff Reference A11.

Trunks connected to systems in service on and after August 4, 1976, may be added or moved at the rates shown following. Regular service charges quoted in Section A4. apply in addition.

- (a) Message rate trunks, both way only
(Rates and charges specified in Section A3. for
Hotel/Motel message rate PBX Trunks).

Monthly Rate	USOC
\$-	NA

A103.7.3 Reserved For Future Use

(N)

(M)

ISSUED: August 31, 2001
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

EFFECTIVE: October 20, 2001

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.4 Measured Rate Service

(See A3.1.E.)

(Obsoleted, 10-20-2001, Type D, Tariff Reference A3.7) Residence Individual Line Measured Service will not be available for new installations, additions to existing service or transfers of service to new locations.

Residence measured service will be eliminated after March 31, 2002. Customers voluntarily converting to another BellSouth local exchange service will receive one free month of the new service. This offer will be valid through January 31, 2002.

- A. Residence Individual Line Measured Rate Service is available only in certain central offices of the exchanges shown herein. Residence Measured Rate Service requires special equipment and arrangements and is furnished only when such equipment and arrangements are available. The rates specified, with zone charges applicable to those services furnished outside the BRA of an exchange, entitle subscribers to complete local calls on a usage charge basis to stations in the Limited Local Calling Area, i.e., all stations bearing the designation of central offices of the serving exchange and Limited Local Calling Area exchanges as shown in A3.6 of this Tariff. Charges for local usage are specified in A103.2.3.C. preceding and are based on mechanized records kept of all calls originated on the line.

1. Individual Line Service

a. Exchange

	Residence		USOC	
	Low Use	Standard		
(1) Bardstown				(M)
(a) R.G. 1	\$6.91	\$9.84	NA	(M)
(2) Corydon				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(3) Dawson Springs				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(4) Drakesboro				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(5) Earlington				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(6) Fedscreek				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(7) Ford				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(8) Frankfort				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(9) Hanson				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(10) Hardinsburg				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(11) Harlan				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(12) Hebbardsville				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(13) Henderson				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(14) Hopkinsville				(M)
(a) R.G. 3	7.70	11.04	NA	(M)

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.4 Measured Rate Service (Cont'd)

A. (Cont'd)

1. Individual Line Service (Cont'd)

a. Exchange (Cont'd)

	Residence		USOC	
	Low Use	Standard		
(15) LaGrange				(M)
(a) R.G. 5	\$9.73	\$14.08	NA	(M)
(16) Louisa				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(17) Louisville				(M)
(a) R.G. 5	9.73	14.08	NA	(M)
(18) Maceo				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(19) Madisonville				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(20) McCarr				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(21) Mortons Gap				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(22) Nebo				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(23) Oak Grove				(M)
(a) R.G. 4	8.05	11.56	NA	(M)
(24) Owensboro				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(25) Paducah				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(26) Paintsville				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(27) Pikeville				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(28) Prestonsburg				(M)
(a) R.G. 2	7.36	10.52	NA	(M)

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.7 Monthly Exchange Rates (Cont'd)

A103.7.4 Measured Rate Service (Cont'd)

A. (Cont'd)

1. Individual Line Service (Cont'd)

a. Exchange (Cont'd)

	Residence		USOC	
	Low Use	Standard		
(29) Princeton				(M)
(a) R.G. 1	\$6.91	\$9.84	NA	(M)
(30) Rose Terrace				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(31) St. Charles				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(32) Sorgho				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(33) South Williamson				(M)
(a) R.G. 2	7.36	10.52	NA	(M)
(34) Stanley				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(35) Wallins Creek				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(36) Warfield				(M)
(a) R.G. 1	6.91	9.84	NA	(M)
(37) West Louisville				(M)
(a) R.G. 3	7.70	11.04	NA	(M)
(38) West Point				(M)
(a) R.G. 5	9.73	14.08	NA	(M)
(39) Winchester				(M)
(a) R.G. 2	7.36	10.52	NA	(M)

B. The rates stated preceding include the following monthly usage allowance for dialed sent paid local calls:

1. Usage allowance

	Usage Allowance	USOC	
(a) Low-Use Residence Measured Service	\$-	NA	(N)
(b) Standard Residence Measured Service	5.00	NA	(N)

ISSUED: August 31, 2001
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.8 Joint User Service

(T)

(Obsoleted 3-11-87, Type D, Tariff Reference A3.8.) on and after 3-11-87. Joint User Service will not be available for new installations, relocations, transfers of service or additions of access lines, additions of joint users, additions or changes of listings and additions of central office controlled features such as Touch-Tone and Custom Calling Service. All Joint User Service will be discontinued by March 10, 1992.

(M)

A103.8.1 Application And Regulations

(M)

- A. In general, Business Exchange Service is furnished for the exclusive use of the business subscriber and his employees, agents, and representatives. Joint User Service is a shared service arrangement which allows the business telephone Exchange Service of a subscriber to be used, when designated by the primary subscriber, by individuals, firms, or corporations not otherwise permitted use of the subscriber's Business Service by this Tariff. (M)
- B. Joint User Service is permitted in connection with the following: (M)
 - 1. Business Individual Line Flat Rate, Measured Rate *or* Message Rate Service. (M)
 - 2. Commercial PBX Flat Rate, Measured or Message Rate Service. (M)
 - 3. Hotel PBX Service. (M)
 - 4. Centrex Type Services. (M)
- C. Application for Joint User Service and for changes in service or equipment furnished therewith, must be executed by the primary subscriber. The primary subscriber is responsible for payment of all charges incurred, regardless of whether such charges are associated with his usage or that of any of his Joint Users. Stations, additional listings and miscellaneous equipment are furnished, with the consent of the primary subscriber, for use of the Joint User, at the regular rates.
- D. Charges for Joint User Service date from the day of the Company's information records are posted and are payable monthly in advance. The minimum chargeable period for Joint User Service is the life of the directory issue in which the listing first appears, not to exceed one year from the effective date of the listing. Contracts for Joint User Service are self-renewing for periods of one directory issue, not to exceed one year from the effective date of the directory. In the event the joint user listing does not appear in the directory, the minimum chargeable period is for one month.
- E. Joint User Service is terminated and charges for Joint User Service are automatically discontinued upon termination of the primary subscriber's telephone service. Charges for Joint User Service may be discontinued at the request of the subscriber provided that the Joint User no longer utilizes any of the customer's service or equipment, and also that the terms of the minimum service period have been satisfied.
- F. The total charges for telephone service allocated by the primary subscriber among the subscriber and his joint users shall not exceed the charges of the Company to the primary subscriber as set forth in this Tariff.
- G. Joint Users of a primary subscriber's service must have the option of obtaining service directly from the Company.
- H. A Joint User is entitled to one listing in the alphabetical section of the telephone directory.
- I. Joint User Service is not provided on party lines. (M)

ISSUED: August 31, 2001
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A103. OBSOLETE SERVICE OFFERINGS - BASIC LOCAL EXCHANGE SERVICE

A103.8 Joint User Service (Cont'd)

A103.8.2 Rates

Joint User Service associated with the following classes of service are furnished at the rates indicated.

		Monthly		
		Rate	USOC	
A.	Business Individual Line			(M)
1.	Flat Rate			(M)
	(a) Exchanges in Louisville Local Calling Area	\$14.29	JUF	(M)
	(b) All other exchanges	10.99	JUF	(M)
2.	Measured Rate			(M)
	(a) Exchanges in Louisville Local Calling Area	11.31	JUD	(M)
	(b) All other exchanges	8.99	JUD	(M)
3.	Message Rate			(M)
	(a) Louisville exchange	10.11	JUM	(M)
B.	PBX Service			
1.	Commercial Flat Rate			
	(a) Exchanges in Louisville Local Calling Area	\$14.29	JUP	
	(b) All other exchanges	10.99	JUP	
2.	Measured Rate			
	(a) Exchanges in Louisville Local Calling Area	11.31	JUE	
	(b) All other exchanges	8.99	JUE	
C.	Hotel PBX Service			
1.	Message Rate			
	(a) Exchanges in Louisville Local Calling Area	10.11	JUR	
	(b) All other exchanges	8.19	JUR	
2.	Permanent Guest or Tenant Maintaining a Residence in the Hotel (Message Rate)			
	(a) Exchanges in Louisville Local Calling Area	5.45	JUS	
	(b) All other exchanges	5.08	JUS	
3.	Measured Rate			
	(a) Exchanges in Louisville Local Calling Area	11.31	JUE	
	(b) All other exchanges	8.99	JUE	
4.	Permanent Guest or Tenant Maintaining a Residence in the Hotel (Measured Rate)			
	(a) Exchanges in Louisville Local Calling Area	5.93	JUT	
	(b) All other exchanges	5.40	JUT	
D.	Centrex Type Services (excluding Dormitory Centrex)			
1.	Joint User			
	Same rates apply as for Commercial Flat Rate PBX Service.			
	(a) Each	-	JUP	

B7. DIGITAL NETWORK SERVICE

B7.1 MegaLink® Service (Cont'd)

B7.1.3 Rates And Charges

- A. A Digital Local Channel is furnished between a Serving Wire Center and the customer's premises. Rates are based on the airline distance between the Serving Wire Center and the customer's premises.

	Nonrecurring Charge	Month to Month	24 to 48 Months	49 to 72 Months	73 to 96 Months	USOC
1. Digital Local Channel, each ¹						
(a) First 1/2 mile	\$300.00	\$85.00	\$75.00	\$75.00	\$75.00	1LDPZ
(b) Each additional 1/2 mile, or fraction thereof	-	55.00	41.00	37.00	34.00	1LDPA

- B. Interoffice Channels are furnished between Central Offices. Rates are based on the airline distance between Central Offices.

1. Interoffice Channel, each channel 0-8 miles ^{1,2,3}							
(a) Fixed monthly rate	125.00	75.00	65.00	60.00	55.00	1LNO1	
(b) Each airline mile, or fraction thereof	-	29.50	16.00	14.00	12.00	1LNOA	(R)
2. Interoffice Channel, each channel 9-25 miles ^{1,2,3}							
(a) Fixed monthly rate	125.00	75.00	65.00	60.00	55.00	1LNO2	
(b) Each airline mile, or fraction thereof	-	29.50	16.00	14.00	12.00	1LNOB	(R)
3. Interoffice Channel, each channel over 25 miles ^{1,2,3}							
(a) Fixed monthly rate	125.00	75.00	65.00	60.00	55.00	1LNO3	
(b) Each airline mile, or fraction thereof	-	29.50	16.00	14.00	12.00	1LNOC	(R)

- C. Clear Channel Capability is furnished on a per MegaLink® service channel basis.

	Nonrecurring Charge Initial	Nonrecurring Charge Subsequent	Monthly Rate	USOC
1. Per MegaLink® service channel optioned as:				
(a) Superframe Format (SF)	\$-	\$730.00	\$-	CCOSF
(b) Extended Superframe Format (ESF)	-	730.00	-	CCOEF

Note 1: Contract lengths are flexible to allow customer choice of payment period per B2.4.9 of this Tariff.

Note 2: Refer to B3.3.3 of this Tariff for mileage measurement methodology.

Note 3: MegaLink® Plus service, specified in B7.9 of this Tariff, references rates and charges for this rate element.

September 4, 2001

Helen Vance
Filings Division -- Docket Branch
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Re: Case No. 99-434 -- Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan

Dear Helen:

Enclosed is a revised Attachment C (edited) that is to be associated with the filing I made on Friday, August 31st. I have removed the proprietary statement at the bottom of each page.

I apologize for the confusion, and for any inconvenience this revision may have caused you. Should you have any other questions concerning this filing, please call me at 502-582-8925.

Very truly yours,

A handwritten signature in cursive script that reads "Jim Tipton".

Jim Tipton

Attachment C Priceout

Summary

Residence:

Attachment C <u>Page:</u>	<u>Market Basket</u>	<u>Change in Revenue</u>
20	1001	\$5,437,739
	1002	(\$687,425)
	1576	\$1,274
25	1001	\$1,766,088
	1002	(\$159,004)
	1022	\$2,254,230
26	1008	(\$150,229)
39	1001	(\$1,487,232)
	1022	<u>(\$1,980,990)</u>
Total		\$4,994,451

Business:

Attachment C <u>Page:</u>	<u>Market Basket</u>	<u>Change in Revenue</u>
20	1003	(\$714,019)
	1004	(\$1,005,294)
	1005	(\$144)
	1006	(\$162,557)
	1016	\$86
	1104	(\$4,496)
	2024	(\$943)
	2054	(\$162)
25	1594	(\$92,832)
31	1011	(\$388,310)
36	2204	(\$2,012,675)
44	2065	<u>(\$622,356)</u>
Total		(\$5,003,702)
	Net	(\$9,251)

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MR. Ser. (13)
	RATE GROUP 1											
A3/2	RES 1-PARTY FLAT		\$12.77		\$13.90	\$1.13	8.85%					1001
A103/1	RES 2-PARTY FLAT		\$9.84		\$9.84	\$0.00	0.00%					1001
A142/4	RES FLAT ISDN, M TO M		\$52.77		\$53.90	\$1.13	2.14%					1576
A42/15	RES FLAT ISDN, 24 -59 MOS		\$48.77		\$49.90	\$1.13	2.32%					1576
A3/2	RES STD MEAS		\$9.84		\$0.00	(\$9.84)	-100.00%					1002
A3/2	RES LOW USE MEAS		\$6.91		\$0.00	(\$6.91)	-100.00%					1002
A142/4	RES MEAS ISDN		\$41.45		\$41.45	\$0.00	0.00%					1576
A3/3.2	RES PLAN LINE		\$9.45		\$10.40	\$0.95	10.05%					1002
A3/3.1	RES PLAN LINE W/LDD		\$10.50		\$0.00	(\$10.50)	-100.00%					1002
A3/2	BUS 1-PARTY FLAT		\$35.00		\$35.90	\$0.90	2.57%					1003
A103/1	BUS 2-PARTY FLAT		\$24.07		\$24.07	\$0.00	0.00%					1003
A3/40	BUS FLAT HTG		\$12.00		\$12.00	\$0.00	0.00%					1004
A3/40	BUS MESS HTG		\$12.00		\$12.00	\$0.00	0.00%					1004
A3/2	BUS STD MEAS		\$26.17		\$26.17	\$0.00	0.00%					1003
A3/40	BUS MEAS HTG		\$12.00		\$12.00	\$0.00	0.00%					1004
A3/3.1	BUS PLAN LINE - BOTH WAY		\$32.70		\$32.70	\$0.00	0.00%					1003
A3/3.1	BUS PLAN LINE		\$29.70		\$29.70	\$0.00	0.00%					1003
A3/3.1	BUS PLAN LINE W/LDD		\$35.70		\$35.70	\$0.00	0.00%					1003
A3/40	BUS PLAN HTG		\$12.00		\$12.00	\$0.00	0.00%					1004
A3/60	BUS BACK-UP LINE		\$17.95		\$17.95	\$0.00	0.00%					1104
A3/43	TRK FLAT-IN		\$32.00		\$32.90	\$0.90	2.81%					1006
A3/43	TRK FLAT-OUT		\$35.00		\$35.90	\$0.90	2.57%					1006
A3/43	TRK FLAT-2W		\$35.00		\$35.90	\$0.90	2.57%					1006
A3/43	TRK DID COMBO		\$67.00		\$67.90	\$0.90	1.34%					1006
A3/43.1	TRK MESS-OUT 1ST		\$23.77		\$23.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-OUT ADDL		\$18.77		\$18.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-2W 1ST		\$23.77		\$23.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-2W ADDL		\$18.77		\$18.77	\$0.00	0.00%					1006
A3/43	TRK MEAS-IN		\$23.17		\$23.17	\$0.00	0.00%					1006
A3/43	TRK MEAS-OUT		\$26.17		\$26.17	\$0.00	0.00%					1006
A3/43	TRK MEAS-2W		\$26.17		\$26.17	\$0.00	0.00%					1006

RECURRING RATES

Tariff Section/ Page #	(1)	Service Description	(2)	USOC	(3)	Present Demand	(4)	Proposed Demand	(5)	Present Rate	(6)	Proposed Rate	(7)	\$ Change	(8)	% Change	(9)	Present Annual Revenue	(10)	Proposed Annual Revenue	(11)	Annual Revenue Change	(12)	Misc	(13)
A3/43.1		TRK PLAN IN				\$29.70		\$29.70		\$29.70		\$29.70		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1006
A3/43.1		TRK PLAN OUT				\$32.70		\$32.70		\$32.70		\$32.70		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1006
A3/43.1		TRK PLAN OUT W/LUD				\$35.70		\$35.70		\$35.70		\$35.70		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1006
A3/43.1		TRK PLAN 2W				\$32.70		\$32.70		\$32.70		\$32.70		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1006
A3/43.1		TRK PLAN 2W W/LUD				\$35.70		\$35.70		\$35.70		\$35.70		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1006
A3/36		NAR ESSX FLAT-IN				\$21.50		\$21.50		\$21.50		\$21.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36		NAR ESSX FLAT-OUT				\$21.50		\$21.50		\$21.50		\$21.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36		NAR ESSX FLAT-2W				\$21.50		\$21.50		\$21.50		\$21.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36.0.1		NAR ESSX PLAN IN W/LUD				\$10.00		\$10.00		\$10.00		\$10.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36.0.1		NAR ESSX PLAN IN				\$10.00		\$10.00		\$10.00		\$10.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36.0.1		NAR ESSX PLAN OUT W/LUD				\$10.00		\$10.00		\$10.00		\$10.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36.0.1		NAR ESSX PLAN OUT				\$13.00		\$13.00		\$13.00		\$13.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36.0.1		NAR ESSX PLAN 2W				\$10.00		\$10.00		\$10.00		\$10.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36.0.1		NAR ESSX PLAN 2W W/LUD				\$13.00		\$13.00		\$13.00		\$13.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A111/5		NAR ESSX-1/SPL FLAT-IN				\$35.90		\$35.90		\$35.90		\$35.90		\$0.90		2.57%		\$0.90		\$0.90		\$0.90			1005
A111/5		NAR ESSX-1/SPL FLAT-OUT				\$35.90		\$35.90		\$35.90		\$35.90		\$0.90		2.57%		\$0.90		\$0.90		\$0.90			1005
A111/5		NAR ESSX-1/SPL FLAT-2W				\$21.50		\$21.50		\$21.50		\$21.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36		NAR ML/LG FLAT-IN				\$24.50		\$24.50		\$24.50		\$24.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36		NAR ML/LG FLAT-OUT				\$46.00		\$46.00		\$46.00		\$46.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36		NAR DID COMBO				\$24.50		\$24.50		\$24.50		\$24.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/36		NAR ML/LG FLAT-2W				\$24.50		\$24.50		\$24.50		\$24.50		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG VU MEAS-IN				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG VU MEAS-OUT				\$28.00		\$28.00		\$28.00		\$28.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG VU MEAS-2W				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG MEAS IN - ESSX				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG MEAS OUT - ESSX				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG MEAS 2W - ESSX				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG PLAN VU IN				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG PLAN VU OUT				\$28.00		\$28.00		\$28.00		\$28.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.1		NAR ML/LG PLAN VU 2W				\$28.00		\$28.00		\$28.00		\$28.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.2		NAR ML/LG PLAN IN - ESSX				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005
A3/57.2		NAR ML/LG PLAN OUT - ESSX				\$25.00		\$25.00		\$25.00		\$25.00		\$0.00		0.00%		\$0.00		\$0.00		\$0.00			1005

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	M. Seg. (13)
	RATE GROUP 2											
A3/2	RES 1-PARTY FLAT		\$13.67		\$14.05	\$0.38	2.78%					1001
A103/1	RES 2-PARTY FLAT		\$10.52		\$10.52	\$0.00	0.00%					1001
A142/4	RES FLAT ISDN, M TO M		\$53.67		\$54.05	\$0.38	0.71%					1576
A42/15	RES FLAT ISDN, 24 -59 MOS		\$49.67		\$50.05	\$0.38	0.77%					1576
A3/2	RES STD MEAS		\$10.52		\$0.00	(\$10.52)	-100.00%					1002
A3/2	RES LOW USE MEAS		\$7.36		\$0.00	(\$7.36)	-100.00%					1002
A142/4	RES MEAS ISDN		\$41.45		\$10.40	\$0.00	0.00%					1576
A3/3.2	RES PLAN LINE		\$9.45		\$10.40	\$0.95	10.05%					1002
A3/3.1	RES PLAN LINE W/LUD		\$10.50		\$0.00	(\$10.50)	-100.00%					1002
A3/2	BUS 1-PARTY FLAT		\$35.90		\$35.90	\$0.00	0.00%					1003
A103/1	BUS 2-PARTY FLAT		\$26.22		\$26.22	\$0.00	0.00%					1003
A3/40	BUS FLAT HTG		\$11.25		\$11.25	\$0.00	0.00%					1004
A3/40	BUS MESS HTG		\$11.25		\$11.25	\$0.00	0.00%					1004
A3/2	BUS STD MEAS		\$28.52		\$28.52	\$0.00	0.00%					1003
A3/40	BUS MEAS HTG		\$11.25		\$11.25	\$0.00	0.00%					1004
A3/3.1	BUS PLAN LINE - BOTH WAY		\$32.70		\$32.70	\$0.00	0.00%					1003
A3/3.1	BUS PLAN LINE		\$29.70		\$29.70	\$0.00	0.00%					1003
A3/3.1	BUS PLAN LINE W/LUD		\$35.70		\$35.70	\$0.00	0.00%					1003
A3/40	BUS PLAN HTG		\$11.25		\$11.25	\$0.00	0.00%					1004
A3/60	BUS BACK-UP LINE		\$17.95		\$17.95	\$0.00	0.00%					1104
A3/43	TRK FLAT-IN		\$32.90		\$32.90	\$0.00	0.00%					1006
A3/43	TRK FLAT-OUT		\$35.90		\$35.90	\$0.00	0.00%					1006
A3/43	TRK DID COMBO		\$68.80		\$68.80	\$0.00	0.00%					1006
A3/43.1	TRK MESS-OUT 1ST		\$23.77		\$23.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-OUT ADDL		\$18.77		\$18.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-2W 1ST		\$23.77		\$23.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-2W ADDL		\$18.77		\$18.77	\$0.00	0.00%					1006
A3/43	TRK MEAS-IN		\$25.52		\$25.52	\$0.00	0.00%					1006
A3/43	TRK MEAS-OUT		\$28.52		\$28.52	\$0.00	0.00%					1006
A3/43	TRK MEAS-2W		\$28.52		\$28.52	\$0.00	0.00%					1006

RECURRING RATES

Tariff section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	M Seg (13)
A3/43.1	TRK PLAN IN				\$29.70	\$29.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN OUT				\$32.70	\$32.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN OUT W/LUD				\$35.70	\$35.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN 2W				\$32.70	\$32.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN 2W W/LUD				\$35.70	\$35.70	\$0.00	0.00%				1006
A3/36	NAR ESSX FLAT-IN				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ESSX FLAT-OUT				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ESSX FLAT-2W				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN IN				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN IN W/LUD				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN OUT				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN OUT W/LUD				\$13.00	\$13.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN 2W				\$13.00	\$13.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN 2W W/LUD				\$35.90	\$35.90	\$0.00	0.00%				1005
A111/5	NAR ESSX-1/SPL FLAT-IN				\$35.90	\$35.90	\$0.00	0.00%				1005
A111/5	NAR ESSX-1/SPL FLAT-OUT				\$35.90	\$35.90	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-2W				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-IN				\$24.50	\$24.50	\$0.00	0.00%				1005
A3/36	NAR DID COMBO				\$46.00	\$46.00	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-2W				\$24.50	\$24.50	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-IN				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-OUT				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-2W				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS IN - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS OUT - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS 2W - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU IN				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU OUT				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU 2W				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.2	NAR ML/LG PLAN IN - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.2	NAR ML/LG PLAN OUT - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	M Seg (13)
	RATE GROUP 3											
A3/2	RES 1-PARTY FLAT		\$14.37		\$15.35	\$0.98	6.82%	\$0.98				1001
A103/1	RES 2-PARTY FLAT		\$11.04		\$11.04	\$0.00	0.00%	\$0.00				1001
A142/4	RES FLAT ISDN, M TO M		\$54.37		\$55.35	\$0.98	1.80%	\$0.98				1576
A42/15	RES FLAT ISDN, 24 -59 MOS		\$50.37		\$51.35	\$0.98	1.95%	\$0.98				1576
A3/2	RES STD MEAS		\$11.04		\$0.00	(\$11.04)	-100.00%	(\$11.04)				1002
A3/2	RES LOW USE MEAS		\$7.70		\$0.00	(\$7.70)	-100.00%	(\$7.70)				1002
A142/4	RES MEAS ISDN		\$41.45		\$41.45	\$0.00	0.00%	\$0.00				1576
A3/3.2	RES PLAN LINE		\$9.45		\$10.40	\$0.95	10.05%	\$0.95				1002
A3/3.1	RES PLAN LINE W/LUD		\$10.50		\$0.00	(\$10.50)	-100.00%	(\$10.50)				1002
A3/2	BUS 1-PARTY FLAT		\$35.90		\$35.90	\$0.00	0.00%	\$0.00				1003
A103/1	BUS 2-PARTY FLAT		\$28.02		\$28.02	\$0.00	0.00%	\$0.00				1003
A3/40	BUS FLAT HTG		\$10.50		\$8.00	(\$2.50)	-23.81%	(\$2.50)				1004
A3/40	BUS MESS HTG		\$10.50		\$8.00	(\$2.50)	-23.81%	(\$2.50)				1004
A3/2	BUS STD MEAS		\$30.52		\$30.52	\$0.00	0.00%	\$0.00				1003
A3/40	BUS MEAS HTG		\$10.50		\$8.00	(\$2.50)	-23.81%	(\$2.50)				1004
A3/3.1	BUS PLAN LINE - BOTH WAY		\$32.70		\$32.70	\$0.00	0.00%	\$0.00				1003
A3/3.1	BUS PLAN LINE		\$23.70		\$29.70	\$6.00	25.32%	\$6.00				1003
A3/3.1	BUS PLAN LINE W/LUD		\$35.70		\$35.70	\$0.00	0.00%	\$0.00				1003
A3/40	BUS PLAN HTG		\$10.50		\$8.00	(\$2.50)	-23.81%	(\$2.50)				1004
A3/60	BUS BACK-UP LINE		\$17.95		\$17.95	\$0.00	0.00%	\$0.00				1104
A3/43	TRK FLAT-IN		\$32.90		\$32.90	\$0.00	0.00%	\$0.00				1006
A3/43	TRK FLAT-OUT		\$35.90		\$35.90	\$0.00	0.00%	\$0.00				1006
A3/43	TRK FLAT-2W		\$68.80		\$68.80	\$0.00	0.00%	\$0.00				1006
A3/43	TRK DID COMBO		\$23.77		\$23.77	\$0.00	0.00%	\$0.00				1006
A3/43.1	TRK MESS-OUT 1ST		\$18.77		\$18.77	\$0.00	0.00%	\$0.00				1006
A3/43.1	TRK MESS-OUT ADDL		\$23.77		\$23.77	\$0.00	0.00%	\$0.00				1006
A3/43.1	TRK MESS-2W 1ST		\$18.77		\$18.77	\$0.00	0.00%	\$0.00				1006
A3/43.1	TRK MESS-2W ADDL		\$27.52		\$27.52	\$0.00	0.00%	\$0.00				1006
A3/43	TRK MEAS-IN		\$30.52		\$30.52	\$0.00	0.00%	\$0.00				1006
A3/43	TRK MEAS-OUT		\$30.52		\$30.52	\$0.00	0.00%	\$0.00				1006
A3/43	TRK MEAS-2W		\$30.52		\$30.52	\$0.00	0.00%	\$0.00				1006

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Miscellaneous Section (13)
A3/43.1	TRK PLAN IN		\$29.70		\$29.70	\$29.70	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/43.1	TRK PLAN OUT		\$32.70		\$32.70	\$32.70	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/43.1	TRK PLAN OUT W/LUD		\$35.70		\$35.70	\$35.70	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/43.1	TRK PLAN 2W		\$32.70		\$32.70	\$32.70	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/43.1	TRK PLAN 2W W/LUD		\$35.70		\$35.70	\$35.70	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/36	NAR ESSX FLAT-IN		\$21.50		\$21.50	\$21.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ESSX FLAT-OUT		\$21.50		\$21.50	\$21.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ESSX FLAT-2W		\$21.50		\$21.50	\$21.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN IN		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN IN W/LUD		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN OUT		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN OUT W/LUD		\$13.00		\$13.00	\$13.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN 2W		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN 2W W/LUD		\$13.00		\$13.00	\$13.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A111/5	NAR ESSX-1/SPL FLAT-IN		\$35.90		\$35.90	\$35.90	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A111/5	NAR ESSX-1/SPL FLAT-OUT		\$35.90		\$35.90	\$35.90	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A111/5	NAR ESSX-1/SPL FLAT-2W		\$21.50		\$21.50	\$21.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ML/LG FLAT-IN		\$46.00		\$46.00	\$46.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ML/LG FLAT-OUT		\$46.00		\$46.00	\$46.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR DID COMBO		\$24.50		\$24.50	\$24.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ML/LG FLAT-2W		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG VU MEAS-IN		\$28.00		\$28.00	\$28.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG VU MEAS-OUT		\$28.00		\$28.00	\$28.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG VU MEAS-2W		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG MEAS IN - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG MEAS OUT - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG MEAS 2W - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG PLAN VU IN		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG PLAN VU OUT		\$28.00		\$28.00	\$28.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG PLAN VU 2W		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.2	NAR ML/LG PLAN IN - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.2	NAR ML/LG PLAN OUT - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005

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	RATE GROUP 4											
A3/2	RES 1-PARTY FLAT				\$15.05	\$16.10	\$1.05	6.98%				1001
A103/1	RES 2-PARTY FLAT				\$11.56	\$11.56	\$0.00	0.00%				1001
A142/4	RES FLAT ISDN, M TO M				\$55.05	\$56.10	\$1.05	1.91%				1576
A42/15	RES FLAT ISDN, 24 -59 MOS				\$51.05	\$52.10	\$1.05	2.06%				1576
A3/2	RES STD MEAS				\$11.56	\$0.00	(\$11.56)	-100.00%				1002
A3/2	RES LOW USE MEAS				\$8.05	\$0.00	(\$8.05)	-100.00%				1002
A142/4	RES MEAS ISDN				\$41.45	\$41.45	\$0.00	0.00%				1576
A3/3.2	RES PLAN LINE				\$9.45	\$10.40	\$0.95	10.05%				1002
A3/3.1	RES PLAN LINE W/LUD				\$10.50	\$0.00	(\$10.50)	-100.00%				1002
A3/2	BUS 1-PARTY FLAT				\$35.90	\$33.75	(\$2.15)	-5.99%				1003
A103/1	BUS 2-PARTY FLAT				\$29.86	\$29.86	\$0.00	0.00%				1003
A3/40	BUS FLAT HTG				\$10.00	\$5.00	(\$5.00)	-50.00%				1004
A3/40	BUS MESS HTG				\$10.00	\$5.00	(\$5.00)	-50.00%				1004
A3/2	BUS STD MEAS				\$29.46	\$29.46	\$0.00	0.00%				1003
A3/40	BUS MEAS HTG				\$10.00	\$5.00	(\$5.00)	-50.00%				1004
A3/3.1	BUS PLAN LINE - BOTH WAY				\$32.70	\$32.70	\$0.00	0.00%				1003
A3/3.1	BUS PLAN LINE				\$29.70	\$29.70	\$0.00	0.00%				1003
A3/3.1	BUS PLAN LINE W/LUD				\$35.70	\$35.70	\$0.00	0.00%				1003
A3/40	BUS PLAN HTG				\$10.00	\$5.00	(\$5.00)	-50.00%				1004
A3/60	BUS BACK-UP LINE				\$17.95	\$16.88	(\$1.07)	-5.96%				1104
A3/43	TRK FLAT-IN				\$32.90	\$30.75	(\$2.15)	-6.53%				1006
A3/43	TRK FLAT-OUT				\$35.90	\$33.75	(\$2.15)	-5.99%				1006
A3/43	TRK FLAT-2W				\$68.80	\$66.65	(\$2.15)	-3.12%				1006
A3/43	TRK DID COMBO				\$23.77	\$23.77	\$0.00	0.00%				1006
A3/43.1	TRK MESS-OUT 1ST				\$18.77	\$18.77	\$0.00	0.00%				1006
A3/43.1	TRK MESS-OUT ADDL				\$23.77	\$23.77	\$0.00	0.00%				1006
A3/43.1	TRK MESS-2W 1ST				\$18.77	\$18.77	\$0.00	0.00%				1006
A3/43.1	TRK MESS-2W ADDL				\$29.46	\$29.46	\$0.00	0.00%				1006
A3/43	TRK MEAS-IN				\$32.46	\$32.46	\$0.00	0.00%				1006
A3/43	TRK MEAS-OUT				\$32.46	\$32.46	\$0.00	0.00%				1006
A3/43	TRK MEAS-2W				\$32.46	\$32.46	\$0.00	0.00%				1006

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A3/43.1	TRK PLAN IN				\$29.70	\$29.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN OUT				\$32.70	\$32.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN OUT W/LUD				\$35.70	\$35.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN 2W				\$32.70	\$32.70	\$0.00	0.00%				1006
A3/43.1	TRK PLAN 2W W/LUD				\$35.70	\$35.70	\$0.00	0.00%				1006
A3/36	NAR ESSX FLAT-IN				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ESSX FLAT-OUT				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ESSX FLAT-2W				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN IN				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN IN W/LUD				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN OUT				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN OUT W/LUD				\$13.00	\$13.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN 2W				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN 2W W/LUD				\$13.00	\$13.00	\$0.00	0.00%				1005
A111/5	NAR ESSX-1/SPL FLAT-IN				\$35.90	\$33.75	(\$2.15)	-5.99%				1005
A111/5	NAR ESSX-1/SPL FLAT-OUT				\$35.90	\$33.75	(\$2.15)	-5.99%				1005
A111/5	NAR ESSX-1/SPL FLAT-2W				\$35.90	\$33.75	(\$2.15)	-5.99%				1005
A3/36	NAR ML/LG FLAT-IN				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-OUT				\$24.50	\$24.50	\$0.00	0.00%				1005
A3/36	NAR DID COMBO				\$46.00	\$46.00	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-2W				\$24.50	\$24.50	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-IN				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-OUT				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-2W				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS IN - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS OUT - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS 2W - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU IN				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU OUT				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU 2W				\$28.00	\$28.00	\$0.00	0.00%				1005
A3/57.2	NAR ML/LG PLAN IN - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.2	NAR ML/LG PLAN OUT - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005

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	RATE GROUP 5											
A3/2	RES 1-PARTY FLAT				\$18.40	\$18.40	\$0.00	0.00%				1001
A103/1	RES 2-PARTY FLAT				\$14.08	\$14.08	\$0.00	0.00%				1001
A142/4	RES FLAT ISDN, M TO M				\$58.40	\$58.40	\$0.00	0.00%				1576
A42/15	RES FLAT ISDN, 24 -59 MOS				\$54.40	\$54.40	\$0.00	0.00%				1576
A3/2	RES STD MEAS				\$14.08	\$0.00	(\$14.08)	-100.00%				1002
A3/2	RES LOW USE MEAS				\$9.73	\$0.00	(\$9.73)	-100.00%				1002
A142/4	RES MEAS ISDN				\$43.02	\$43.02	\$0.00	0.00%				1576
A3/3.2	RES PLAN LINE				\$11.02	\$11.50	\$0.48	4.36%				1002
A3/3.1	RES PLAN LINE W/LUD				\$12.07	\$0.00	(\$12.07)	-100.00%				1002
A3/2	BUS 1-PARTY FLAT				\$35.25	\$33.75	(\$1.50)	-4.26%				1003
A103/1	BUS 2-PARTY FLAT				\$38.17	\$38.17	\$0.00	0.00%				1004
A3/40	BUS FLAT HTG				\$5.70	\$5.00	(\$0.70)	-12.28%				1003
A3/23	BUS STD MESS				\$31.04	\$31.04	\$0.00	0.00%				1003
A3/40	BUS MESS HTG				\$5.70	\$5.00	(\$0.70)	-12.28%				1004
A3/2	BUS STD MEAS				\$38.17	\$38.17	\$0.00	0.00%				1003
A3/40	BUS MEAS HTG				\$5.70	\$5.00	(\$0.70)	-12.28%				1003
A3/3.1	BUS PLAN LINE - BOTH WAY				\$35.35	\$35.35	\$0.00	0.00%				1003
A3/3.1	BUS PLAN LINE				\$33.00	\$33.00	\$0.00	0.00%				1003
A3/3.1	BUS PLAN LINE W/LUD				\$38.35	\$38.35	\$0.00	0.00%				1004
A3/40	BUS PLAN HTG				\$5.70	\$5.00	(\$0.70)	-12.28%				1004
A3/60	BUS BACK-UP LINE				\$17.63	\$16.88	(\$0.75)	-4.25%				1006
A3/43	TRK FLAT-IN				\$32.90	\$30.75	(\$2.15)	-6.53%				1006
A3/43	TRK FLAT-OUT				\$35.25	\$33.75	(\$1.50)	-4.26%				1006
A3/43	TRK FLAT-2W				\$35.25	\$33.75	(\$1.50)	-4.26%				1006
A3/43	TRK DID COMBO				\$68.15	\$66.65	(\$1.50)	-2.20%				1006
A3/43	TRK MESS-OUT 1ST				\$33.39	\$33.39	\$0.00	0.00%				1006
A3/43	TRK MESS-OUT ADDL				\$28.39	\$28.39	\$0.00	0.00%				1006
A3/43	TRK MESS-2W 1ST				\$33.39	\$33.39	\$0.00	0.00%				1006
A3/43	TRK MESS-2W ADDL				\$28.39	\$28.39	\$0.00	0.00%				1006
A3/43	TRK MEAS-IN				\$35.82	\$35.82	\$0.00	0.00%				1006
A3/43	TRK MEAS-OUT				\$38.17	\$38.17	\$0.00	0.00%				1006

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A3/43	TRK MEAS-2W				\$38.17	\$38.17	\$0.00	0.00%				1006
A3/43.1	TRK PLAN IN				\$33.00	\$33.00	\$0.00	0.00%				1006
A3/43.1	TRK PLAN OUT				\$35.35	\$35.35	\$0.00	0.00%				1006
A3/43.1	TRK PLAN OUT W/LOD				\$38.35	\$38.35	\$0.00	0.00%				1006
A3/43.1	TRK PLAN 2W				\$35.35	\$35.35	\$0.00	0.00%				1006
A3/43.1	TRK PLAN 2W W/LOD				\$38.35	\$38.35	\$0.00	0.00%				1006
A3/36	NAR ESSX FLAT-IN				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ESSX FLAT-OUT				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ESSX FLAT-2W				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN IN				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN IN W/LOD				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN OUT				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN OUT W/LOD				\$13.00	\$13.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN 2W				\$10.00	\$10.00	\$0.00	0.00%				1005
A3/36.0.1	NAR ESSX PLAN 2W W/LOD				\$13.00	\$13.00	\$0.00	0.00%				1005
A111/5	NAR ESSX-1/SPL FLAT-IN				\$35.25	\$33.75	(\$1.50)	-4.26%				1005
A111/5	NAR ESSX-1/SPL FLAT-OUT				\$35.25	\$33.75	(\$1.50)	-4.26%				1005
A111/5	NAR ESSX-1/SPL FLAT-2W				\$21.50	\$21.50	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-IN				\$23.85	\$23.85	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-OUT				\$45.35	\$45.35	\$0.00	0.00%				1005
A3/36	NAR ML/LG FLAT-2W				\$23.85	\$23.85	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG FLAT-2W				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-IN				\$27.35	\$27.35	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-OUT				\$27.35	\$27.35	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG VU MEAS-2W				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS IN - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS OUT - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG MEAS 2W - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU IN				\$25.00	\$25.00	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU OUT				\$27.35	\$27.35	\$0.00	0.00%				1005
A3/57.1	NAR ML/LG PLAN VU 2W				\$27.35	\$27.35	\$0.00	0.00%				1005
A3/57.2	NAR ML/LG PLAN IN - ESSX				\$25.00	\$25.00	\$0.00	0.00%				1005

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EXCEPTION EXCHANGES												
A3/2	RES 1-PARTY FLAT		\$15.22		\$16.10	\$0.88	5.78%					1001
A103/1	RES 2-PARTY FLAT		\$11.68		\$11.68	\$0.00	0.00%					1001
A142/4	RES FLAT ISDN, M TO M		\$55.22		\$56.10	\$0.88	1.59%					1576
A42/15	RES FLAT ISDN, 24 -59 MOS		\$51.22		\$52.10	\$0.88	1.72%					1576
A142/4	RES MEAS ISDN		\$41.45		\$41.45	\$0.00	0.00%					1576
A3/3.2	RES PLAN LINE		\$9.45		\$10.40	\$0.95	10.05%					1002
A3/3.1	RES PLAN LINE W/LUD		\$10.50		\$0.00	(\$10.50)	-100.00%					1002
A3/2	BUS 1-PARTY FLAT		\$35.90		\$33.75	(\$2.15)	-5.99%					1003
A103/1	BUS 2-PARTY FLAT		\$30.18		\$30.18	\$0.00	0.00%					1003
A3/40	BUS FLAT HTG		\$10.00		\$5.00	(\$5.00)	-50.00%					1004
A3/40	BUS MESS HTG		\$10.00		\$5.00	(\$5.00)	-50.00%					1004
A3/40	BUS MEAS HTG		\$10.00		\$5.00	(\$5.00)	-50.00%					1004
A3/3.1	BUS PLAN LINE		\$29.70		\$29.70	\$0.00	0.00%					1003
A3/3.1	BUS PLAN LINE W/LUD		\$35.70		\$35.70	\$0.00	0.00%					1003
A3/40	BUS PLAN HTG		\$10.00		\$5.00	(\$5.00)	-50.00%					1004
A3/60	BUS BACK-UP LINE		\$17.95		\$16.88	(\$1.07)	-5.96%					1104
A3/43	TRK FLAT-IN		\$32.90		\$30.75	(\$2.15)	-6.53%					1006
A3/43	TRK FLAT-OUT		\$35.90		\$33.75	(\$2.15)	-5.99%					1006
A3/43	TRK FLAT-2W		\$35.90		\$33.75	(\$2.15)	-5.99%					1006
A3/43	TRK DID COMBO		\$68.80		\$66.65	(\$2.15)	-3.12%					1006
A3/43.1	TRK MESS-OUT 1ST		\$23.77		\$23.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-OUT ADDL		\$18.77		\$18.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-2W 1ST		\$23.77		\$23.77	\$0.00	0.00%					1006
A3/43.1	TRK MESS-2W ADDL		\$18.77		\$18.77	\$0.00	0.00%					1006
A3/43.1	TRK PLAN IN		\$29.70		\$29.70	\$0.00	0.00%					1006
A3/43.1	TRK PLAN OUT		\$32.70		\$32.70	\$0.00	0.00%					1006
A3/43.1	TRK PLAN OUT W/LUD		\$35.70		\$35.70	\$0.00	0.00%					1006
A3/43.1	TRK PLAN 2W		\$35.70		\$35.70	\$0.00	0.00%					1006
A3/43.1	TRK PLAN 2W W/LUD		\$35.70		\$35.70	\$0.00	0.00%					1006
A3/36	NAR BSSX FLAT-IN		\$21.50		\$21.50	\$0.00	0.00%					1005
A3/36	NAR BSSX FLAT-OUT		\$21.50		\$21.50	\$0.00	0.00%					1005

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	ME Seg (13)
A3/36	NAR ESSX FLAT-2W		\$21.50		\$21.50	\$21.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN IN		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN IN W/LUD		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN OUT		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN OUT W/LUD		\$13.00		\$13.00	\$13.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN 2W		\$10.00		\$10.00	\$10.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36.0.1	NAR ESSX PLAN 2W W/LUD		\$13.00		\$13.00	\$13.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A111/5	NAR ESSX-1/SPL FLAT-IN		\$35.90		\$33.75	\$33.75	(\$2.15)	-5.99%	\$33.75	\$33.75	(\$2.15)	1005
A111/5	NAR ESSX-1/SPL FLAT-OUT		\$35.90		\$33.75	\$33.75	(\$2.15)	-5.99%	\$33.75	\$33.75	(\$2.15)	1005
A111/5	NAR ESSX-1/SPL FLAT-2W		\$35.90		\$33.75	\$33.75	(\$2.15)	-5.99%	\$33.75	\$33.75	(\$2.15)	1005
A3/36	NAR ML/LG FLAT-IN		\$21.50		\$21.50	\$21.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ML/LG FLAT-OUT		\$24.50		\$24.50	\$24.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR DID COMBO		\$46.00		\$46.00	\$46.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/36	NAR ML/LG FLAT-2W		\$24.50		\$24.50	\$24.50	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG VU MEAS-IN		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG VU MEAS-OUT		\$27.35		\$27.35	\$27.35	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG VU MEAS-2W		\$27.35		\$27.35	\$27.35	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG MEAS IN - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG MEAS OUT - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG MEAS 2W - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG PLAN VU IN		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG PLAN VU OUT		\$28.00		\$28.00	\$28.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAR ML/LG PLAN VU 2W		\$28.00		\$28.00	\$28.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.2	NAR ML/LG PLAN IN - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.2	NAR ML/LG PLAN OUT - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.2	NAR ML/LG PLAN 2W - ESSX		\$25.00		\$25.00	\$25.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1005
A3/57.1	NAS ML/LG TRK IN		\$49.28		\$49.28	\$49.28	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/57.1	NAS ML/LG TRK OUT		\$52.28		\$52.28	\$52.28	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/57.1	NAS ML/LG TRK 2W		\$52.28		\$52.28	\$52.28	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/57.3	NAS ML/LG PLAN TRK IN		\$49.28		\$49.28	\$49.28	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/57.3	NAS ML/LG PLAN TRK OUT		\$49.28		\$49.28	\$49.28	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006
A3/57.3	NAS ML/LG PLAN TRK 2W		\$49.28		\$49.28	\$49.28	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	1006

Present and Proposed Rates and Revenues
LOCAL EXCHANGE

TOTAL REVENUES

Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
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SUB-TOTALS
Recurring
Non-recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
LOCAL EXCHANGE

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TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)	Service Description (2)	Present Annual Revenue (3)	Proposed Annual Revenue (4)	Annual Revenue Change (5)
1001	FLAT RATE RESIDENTIAL			\$0
1002	RESIDENTIAL (MEASURED, MESSAGE, EXPANDED CALLING PLANS)			\$0
1003	BUSINESS			\$0
1004	GROUPING SERVICE			\$0
1005	NETWORK ACCESS REGISTERS			\$0
1006	TRUNK LINES			\$0
1007	TRUNK SIDE ACCESS FACILITY			\$0
1015	JOINT USER SERVICE			\$0
1016	EMERGENCY REPORTING NETWORK SERVICES			\$0
1104	BACK-UP LINE			\$0
1511	FOREIGN EXCHANGE AND FOREIGN C.O. SERVICE - KY			\$0
1529	ANNOUNCEMENT FACILITIES - KY			\$0
1576	ISDN INDIVIDUAL SERVICES - RESIDENTIAL AND BUSINESS - KY			\$0
2024	TOLL TRUNKS (TOLL TERMINALS)			\$0
2054	DATA TRANSPORT SERVICE ACCESS CHANNEL SERVICE			\$0
3001	ACCESS LINE SVC FOR CUST. PROVIDED TELEPHONE			\$0

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MF Section (13)
A3/2	A003.02.03 MEASURED RATE SCHEDULE USAGE - RESIDENCE											1002
	A003.02.03 MEASURED RATE SCHEDULE											
A3/3.2	A003.02.08 PREMIUM CALLING USAGE PACKAGE RESIDENCE	PREKX	\$21.00		\$21.25	\$0.25	1.19%					1002
A3/3.2	BUSINESS	BRKX	\$55.00		\$55.00	\$0.00	0.00%					1003
	A003.02.08 PREMIUM CALLING USAGE PACKAGE											
	A003.02.10 AREA PLUS SERVICE											
A3/3.4	IND LI W/O COMP CHOICE	AQ3++	\$38.00		\$38.00	\$0.00	0.00%					1001
A3/3.4	IND LI W/ COMP CHOICE	ARZPK	\$49.50		\$49.50	\$0.00	0.00%					1022
A3/3.4	2 LI PKG W/COMP CHOICE	ACML2	\$97.50		\$97.50	\$0.00	0.00%					1022
A3/3.4	3 LI PKG W/COMP CHOICE	ACML3	\$145.50		\$145.50	\$0.00	0.00%					1022
A3/	BELSO SOLU/COMP CHOICE	BSSAC	\$49.50		\$49.50	\$0.00	0.00%					1022
	A003.02.10 AREA PLUS SERVICE											
	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG-MTM											
A3/66	EACH 1 LINE PACKAGE	COM11	\$81.00		\$81.00	\$0.00	0.00%					1594
A3/66	EACH 2 LINE PACKAGE	COM12	\$150.00		\$148.00	(\$2.00)	-1.33%					1594
A3/66	EACH 3 LINE PACKAGE	COM1H	\$217.00		\$213.00	(\$4.00)	-1.84%					1594
A3/66	EACH 4 LINE PACKAGE	COM14	\$284.00		\$268.00	(\$16.00)	-5.63%					1594
A3/66	EACH 5 LINE PACKAGE	COM15	\$350.00		\$321.00	(\$29.00)	-8.29%					1594
A3/66	EACH 6 LINE PKG	COM16	\$417.00		\$374.00	(\$43.00)	-10.31%					1594
A3/66	EACH 7 LINE PKG	COM17	\$485.00		\$426.00	(\$59.00)	-12.16%					1594
A3/66	EACH 8 LINE PKG	COM18	\$552.00		\$479.00	(\$73.00)	-13.22%					1594
A3/66	EACH 9 LINE PKG	COM19	\$620.00		\$532.00	(\$88.00)	-14.19%					1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG-MTM											
	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG-24M											
A3/66	EACH 1 LINE PACKAGE	COM11	\$76.95		\$76.95	\$0.00	0.00%					1594
A3/66	EACH 2 LINE PACKAGE	COM12	\$142.50		\$140.60	(\$1.90)	-1.33%					1594
A3/66	EACH 3 LINE PACKAGE	COM1H	\$206.15		\$202.35	(\$3.80)	-1.84%					1594
A3/66	EACH 4 LINE PACKAGE	COM14	\$269.80		\$254.60	(\$15.20)	-5.63%					1594
A3/66	EACH 5 LINE PKG	COM15	\$332.50		\$304.95	(\$27.55)	-8.29%					1594
A3/66	EACH 6 LINE PKG	COM16	\$396.15		\$355.30	(\$40.85)	-10.31%					1594

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Seg. (13)
A3/66	EACH 7 LINE PKG	COM17	\$460.75		\$404.70		(\$56.05)	-12.16%				1594
A3/66	EACH 8 LINE PKG	COM18	\$524.40		\$455.05		(\$69.35)	-13.22%				1594
A3/66	EACH 9 LINE PKG	COM19	\$589.00		\$505.40		(\$83.60)	-14.19%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG-24M						SUBTOTAL					
A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG-36M												
A3/66	EACH 1 LINE PACKAGE	COM11	\$74.52		\$74.52		\$0.00	0.00%				1594
A3/66	EACH 2 LINE PACKAGE	COM12	\$138.00		\$136.16		(\$1.84)	-1.33%				1594
A3/66	EACH 3 LINE PACKAGE	COM1H	\$199.64		\$195.96		(\$3.68)	-1.84%				1594
A3/66	EACH 4 LINE PACKAGE	COM14	\$261.28		\$246.56		(\$14.72)	-5.63%				1594
A3/66	EACH 5 LINE PKG	COM15	\$322.00		\$295.32		(\$26.68)	-8.29%				1594
A3/66	EACH 6 LINE PKG	COM16	\$383.64		\$344.08		(\$39.56)	-10.31%				1594
A3/66	EACH 7 LINE PKG	COM17	\$446.20		\$391.92		(\$54.28)	-12.16%				1594
A3/66	EACH 8 LINE PKG	COM18	\$507.84		\$440.68		(\$67.16)	-13.22%				1594
A3/66	EACH 9 LINE PKG	COM19	\$570.40		\$489.44		(\$80.96)	-14.19%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG-36M						SUBTOTAL					
A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG-MTM												
A3/66	EACH 1 LINE PACKAGE	COMP1	\$56.00		\$56.00		\$0.00	0.00%				1594
A3/66	EACH 2 LINE PACKAGE	COMP2	\$100.00		\$100.00		\$0.00	0.00%				1594
A3/66	EACH 3 LINE PACKAGE	COMP4	\$142.00		\$142.00		\$0.00	0.00%				1594
A3/66	EACH 4 LINE PACKAGE	COMP4	\$179.00		\$179.00		\$0.00	0.00%				1594
A3/66	EACH 5 LINE PKG	COMP25	\$215.00		\$215.00		\$0.00	0.00%				1594
A3/66	EACH 6 LINE PKG	COMP26	\$252.00		\$252.00		\$0.00	0.00%				1594
A3/66	EACH 7 LINE PKG	COMP27	\$290.00		\$290.00		\$0.00	0.00%				1594
A3/66	EACH 8 LINE PKG	COMP28	\$327.00		\$327.00		\$0.00	0.00%				1594
A3/66	EACH 9 LINE PKG	COMP29	\$365.00		\$365.00		\$0.00	0.00%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG-MTM						SUBTOTAL					
A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG-24M												
A3/66	EACH 1 LINE PACKAGE	COMP1	\$53.20		\$53.20		\$0.00	0.00%				1594
A3/66	EACH 2 LINE PACKAGE	COMP2	\$95.00		\$95.00		\$0.00	0.00%				1594
A3/66	EACH 3 LINE PACKAGE	COMP4	\$134.90		\$134.90		\$0.00	0.00%				1594
A3/66	EACH 4 LINE PACKAGE	COMP4	\$170.05		\$170.05		\$0.00	0.00%				1594
A3/66	EACH 5 LINE PKG	COMP25	\$204.25		\$204.25		\$0.00	0.00%				1594
A3/66	EACH 6 LINE PKG	COMP26	\$239.40		\$239.40		\$0.00	0.00%				1594

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Seg. (13)
A3/66	EACH 7 LINE PKG	COM27			\$275.50	\$275.50	\$0.00	0.00%				1594
A3/66	EACH 8 LINE PKG	COM28			\$310.65	\$310.65	\$0.00	0.00%				1594
A3/66	EACH 9 LINE PKG	COM29			\$346.75	\$346.75	\$0.00	0.00%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG-24M						SUBTOTAL					
	A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG-36M											
A3/66	EACH 1 LINE PACKAGE	COMP1			\$51.52	\$51.52	\$0.00	0.00%				1594
A3/66	EACH 2 LINE PACKAGE	COMP2			\$92.00	\$92.00	\$0.00	0.00%				1594
A3/66	EACH 3 LINE PACKAGE	COMP3			\$130.64	\$130.64	\$0.00	0.00%				1594
A3/66	EACH 4 LINE PACKAGE	COMP4			\$164.68	\$164.68	\$0.00	0.00%				1594
A3/66	EACH 5 LINE PKG	COMP5			\$197.80	\$197.80	\$0.00	0.00%				1594
A3/66	EACH 6 LINE PKG	COMP6			\$231.84	\$231.84	\$0.00	0.00%				1594
A3/66	EACH 7 LINE PKG	COMP7			\$266.80	\$266.80	\$0.00	0.00%				1594
A3/66	EACH 8 LINE PKG	COMP8			\$300.84	\$300.84	\$0.00	0.00%				1594
A3/66	EACH 9 LINE PKG	COMP9			\$335.80	\$335.80	\$0.00	0.00%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG-36M						SUBTOTAL					

TOTAL

Present and Proposed Rates and Revenues
A003 BASIC LOCAL EXCHANGE SERVICE

TOTAL REVENUES

Present Annual Revenue	Proposed Annual Revenue	Annual Revenue Change
(1)	(2)	(3)

SUB-TOTALS
Recurring
Non-recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A003 BASIC LOCAL EXCHANGE SERVICE

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TOTAL REVENUES SUMMED BY MARKET BASKET

<u>M B</u> <u>Segment</u> (1)	<u>Service</u> <u>Description</u> (2)	<u>Present</u> <u>Annual</u> <u>Revenue</u> (3)	<u>Proposed</u> <u>Annual</u> <u>Revenue</u> (4)	<u>Annual</u> <u>Revenue</u> <u>Change</u> (5)
1001	FLAT RATE RESIDENTIAL			
1002	RESIDENTIAL (MEASURED, MESSAGE, EXPANDED CALLING PLANS)			
1003	BUSINESS			
1022	AREA PLUS/AREA PLUS W/COMPLETE CHOICE			
1594	COMPLETE CHOICE FOR BUSINESS PACKAGE - KY			

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A004 SERVICE CHARGES

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TOTAL REVENUES

Present Annual Revenue	Proposed Annual Revenue	Annual Revenue Change
(1)	(2)	(3)

SUB-TOTALS
Recurring
Non-recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A004 SERVICE CHARGES

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TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)	Service Description (2)	Present Annual Revenue (3)	Proposed Annual Revenue (4)	Annual Revenue Change (5)
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1008 SERVICE CONNECTION/PREMISES WORK CHARGES

TOTAL REVENUES

Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
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SUB-TOTALS
Recurring
Non-Recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A013 MISCELLANEOUS SERVICE ARRANGEMENTS

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TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment	Service Description	Present Annual Revenue	Proposed Annual Revenue	Annual Revenue Change
(1)	(2)	(3)	(4)	(5)
1011	TOUCH-TONE CALLING SERVICE			

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Seg- (13)
A42/29	A42.03.04 USAGE SENS PRIM RATE ISDN/ACS-49-72M VOICE/DATA (STANDARD)	PR7BS			\$54.25	\$46.55	(\$7.70)	-14.19%				2204
A42/29	DIGITAL DATA ONLY OPTION	PR7BU			\$22.75	\$22.75	\$0.00	0.00%				2204
	A42.03.04 USAGE SENS PRIM RATE ISDN/ACS-49-72M						SUBTOTAL					

TOTAL

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A042 INTEGRATED SVCS DIGITAL NTKW (ISDN)

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NON-RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Annual Demand (4)	Proposed Annual Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Seg. (13)
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- MTOM				\$5.00	\$5.00	\$0.00	0.00%				2204
A42/29	VOICE/DATA STANDARD PR7BV				\$5.00	\$5.00	\$0.00	0.00%				2204
A42/29	DIGITAL DATA ONLY OPTION PR7BF				\$5.00	\$5.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPTION PR7ED				\$5.00	\$5.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPT-ERSDR PR7BE				\$5.00	\$5.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPT-ERSFR PR7BL				\$5.00	\$5.00	\$0.00	0.00%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- MTOM						SUBTOTAL					
A42/29	A42.03.04 USAGE SENS PRIM RATE ISDN/ACS-EA MTM				\$5.00	\$5.00	\$0.00	0.00%				2204
A42/29	VOICE/DATA (STANDARD) PR7BS				\$5.00	\$5.00	\$0.00	0.00%				2204
	DIGITAL DATA ONLY OPTION PR7BU						SUBTOTAL					
	A42.03.04 USAGE SENS PRIM RATE ISDN/ACS-EA MTM						TOTAL					

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A042 INTEGRATED SVCS DIGITAL NTKW (ISDN)

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TOTAL REVENUES

Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
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SUB-TOTALS
Recurring
Non-recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A042 INTEGRATED SVCS DIGITAL NTKW (ISDN)

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TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)
2204 PRIMARY RATE ISDN SERVICE

Service Description (2)

Present Annual Revenue (3)

Proposed Annual Revenue (4)

Annual Revenue Change (5)

TOTAL REVENUES

Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
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SUB-TOTALS
Recurring
Non-recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
A103 OBSOLETE-BASIC LOCAL EXCHANGE SVC

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TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)	Service Description (2)	Present Annual Revenue (3)	Proposed Annual Revenue (4)	Annual Revenue Change (5)
1001	FLAT RATE RESIDENTIAL			
1022	AREA PLUS/AREA PLUS W/COMPLETE CHOICE			

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	VSOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Year (13)
	B007.01.03 MEGALINK - INTEROFFICE CHAN-WTM											
B7/5.1	0 - 8 MILES - FIXED	ILNO1			\$75.00	\$75.00	\$0.00	0.00%				2065
B7/5.1	0 - 8 MILES - PER MILE	ILNOA			\$33.00	\$29.50	(\$3.50)	-10.61%				2065
B7/5.1	9 - 25 MILES - FIXED	ILNO2			\$75.00	\$75.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - PER MILE	ILNOB			\$33.00	\$29.50	(\$3.50)	-10.61%				2065
B7/5.1	OVER 25 MILES - FIXED	ILNO3			\$75.00	\$75.00	\$0.00	0.00%				2065
B7/5.1	OVER 25 MILES - PER MILE	ILNOC			\$33.00	\$29.50	(\$3.50)	-10.61%				2065
	B007.01.03 MEGALINK - INTEROFFICE CHAN-WTM											
	B007.01.03 MEGALINK - INTEROFFICE CHAN-24-48M											
B7/5.1	0 - 8 MILES - FIXED	ILNO1			\$65.00	\$65.00	\$0.00	0.00%				2065
B7/5.1	0 - 8 MILES - PER MILE	ILNOA			\$16.00	\$16.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - FIXED	ILNO2			\$65.00	\$65.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - PER MILE	ILNOB			\$16.00	\$16.00	\$0.00	0.00%				2065
B7/5.1	OVER 25 MILES - FIXED	ILNO3			\$65.00	\$65.00	\$0.00	0.00%				2065
B7/5.1	OVER 25 MILES - PER MILE	ILNOC			\$16.00	\$16.00	\$0.00	0.00%				2065
	B007.01.03 MEGALINK - INTEROFFICE CHAN-24-48M											
	B007.01.03 MEGALINK - INTEROFFICE CHAN-49-72M											
B7/5.1	0 - 8 MILES - FIXED	ILNO1			\$60.00	\$60.00	\$0.00	0.00%				2065
B7/5.1	0 - 8 MILES - PER MILE	ILNOA			\$14.00	\$14.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - FIXED	ILNO2			\$60.00	\$60.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - PER MILE	ILNOB			\$14.00	\$14.00	\$0.00	0.00%				2065
B7/5.1	OVER 25 MILES - FIXED	ILNO3			\$60.00	\$60.00	\$0.00	0.00%				2065
B7/5.1	OVER 25 MILES - PER MILE	ILNOC			\$14.00	\$14.00	\$0.00	0.00%				2065
	B007.01.03 MEGALINK - INTEROFFICE CHAN-49-72M											
	B007.01.03 MEGALINK - INTEROFFICE CHAN-73-96M											
B7/5.1	0 - 8 MILES - FIXED	ILNO1			\$55.00	\$55.00	\$0.00	0.00%				2065
B7/5.1	0 - 8 MILES - PER MILE	ILNOA			\$12.00	\$12.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - FIXED	ILNO2			\$55.00	\$55.00	\$0.00	0.00%				2065
B7/5.1	9 - 25 MILES - PER MILE	ILNOB			\$12.00	\$12.00	\$0.00	0.00%				2065

Present and Proposed Rates and Revenues
B007 DIGITAL NETWORK SERVICE

TOTAL REVENUES

Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
-------------------------------------	--------------------------------------	------------------------------------

SUB-TOTALS
Recurring
Non-recurring

SECTION
TOTALS

State: Kentucky
REBALANCE

Present and Proposed Rates and Revenues
B007 DIGITAL NETWORK SERVICE

Develop Date : 07/01
Page : 44 of 44
Run Date : 08/21/01

TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)
Service Description (2)

2065 MEGALINK SERVICE

Present Annual Revenue (3)

Proposed Annual Revenue (4)

Annual Revenue Change (5)

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

August 7, 2001

RECEIVED

AUG 08 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

In the Kentucky Public Service Commission (Commission) order of August 3, 2000, concerning the BellSouth Price Regulation Plan Case No. 99-434, the Commission concurred that the BellSouth proposed economic development incentive waivers and discounts tariff may assist the Kentucky Development Finance Authority to further its goals with regards to economic development. In that same order, the Commission ordered BellSouth to file on an annual basis information on the use of the economic development tariff.


The BellSouth economic development incentive waivers and discounts tariff became effective October 31, 2000. From the effective date through the end of July 2001, there are no businesses participating in the waivers and discounts provided by the economic development tariff. It is BellSouth's opinion that a lack of education and awareness of the benefits provided by the economic development tariff may attribute to the lack of use of this tariff. Considering this, BellSouth has developed an informational handout (Attachment 1) to be used to increase awareness among entities that potentially interface with businesses considering business development within Kentucky. In August 2001, BellSouth will distribute this document to its Kentucky External Affairs Managers, Kentucky BellSouth Account Teams, Kentucky Industrial Development Corporation (KIDC) and the Kentucky Economic Development Offices in Frankfort, Prestonsburg, and Madisonville, Kentucky.

As stated in the BellSouth Transition Regulation Plan proposal, BellSouth considers the economic development tariff "a cooperative approach between the Commission, state government, and BellSouth whereby the parties work together to determine telecommunications

Mr. Thomas M. Dorman
August 7, 2001
Page 2

goals and visions and then to identify specific projects and infrastructure goals to meet those goals". (12/17/99 filing, II. Plan, page 22). BellSouth welcomes any ideas that either the Commission or the Kentucky Cabinet for Economic Development may want to suggest on possible ways to increase the use of this tariff. BellSouth is copying the Kentucky Cabinet for Economic Development on this filing for the purpose of keeping the Cabinet informed on the use of the tariff as well as to solicit ideas from the Cabinet on how to increase the usage of this tariff.

Sincerely,


Creighton E. Mershon, Sr.

Attachment

cc: Parties of Record
Kentucky Cabinet for Economic Development

404361

*> Your business may qualify for
BellSouth telecommunications discounts >>*

BellSouth offers discounts and/or waivers for some telecommunications service charges for BellSouth Kentucky business customers who qualify under certain Kentucky Cabinet for Economic Development acts.

Who can receive these benefits? Businesses qualifying under the Kentucky Cabinet for Economic Development's "Kentucky Rural Economic Development Act" (KREDA) and the "Kentucky Job Development Act" (KJDA).

What benefits are provided? Qualifying businesses may be eligible to receive:

- A waiver of telecommunication service connection/installation fees on qualifying telecommunication services.
- A 10 percent discount (applied for 12 months) on qualifying telecommunications services associated with Kentucky Cabinet for Economic Development projects approved under KREDA and/or KJDA.
- Discounts and/or waivers applied to qualifying telecommunications services added within two years of qualifying under KREDA and/or KJDA.

Benefits are described in detail in BellSouth's Kentucky A.2.4.9 Economic Development Incentive Waivers and Discounts tariff, on file with the Kentucky Public Service Commission. Discounts and waivers do not apply to telecommunications services provided under a Contract Service Arrangement, Volume and Term Agreements, Special Assembly Arrangements, local usage charges and long distance services (i.e.; MTS and WATS).

How does a business receive these benefits? Contact your BellSouth Account Representative to inquire about receiving these benefits. Your business will need to provide a copy of its approval notification from the Kentucky Cabinet for Economic Development for qualification under KREDA or KJDA.

Where can a business get more information on these economic development acts? Information is available from the Kentucky Cabinet for Economic Development Internet site, located at www.edc.state.ky.us/kyedc/kybizince.html, or by contacting the Cabinet directly:

Kentucky Cabinet for Economic Development
500 Mero Street
Capital Plaza Tower
Frankfort, Kentucky 40601
(502) 564-7670
E-mail: econdev@mail.state.ky.us

Participation in this program is subject to all terms and conditions stated in BellSouth's Kentucky Tariff A.2.4.9 Economic Development Incentive Waivers and discounts, on file with the Kentucky Public Service Commission.

> grow >>> connect >> and create something



www.bellsouth.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 7th day of August 2001.



Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

Hon. Ann Chevront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

Hon. James Lamoureux
AT&T COMMUNICATIONS
1200 Peachtree Street, NE
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Hon. C. Kent Hatfield
Hon. John M. Franck
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY. 40202

Hon. Susan Berlin
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Mr. Larry Callison
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P. O. Box 1650
Lexington, KY 40588-1650

Jonathan N. Amlung
1000 Republic Building
429 W. Muhammad Ali Boulevard
Louisville, KY. 40202

Honorable Richard M. Breen
2950 Breckenridge Lane
Suite 3
Louisville, KY. 40220

July 13, 2001

RECEIVED

JUL 19 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: BellSouth's comments in case 99-434 regarding the informal conference of June 19th

Dear Mr. Dorman:

BellSouth has made several comments regarding the informal conference in case 99-434 that I felt needed to be addressed.

BellSouth states that it is "unsure what a 'mere accounting entry' is....". This is extremely concerning for a monopoly power such as BellSouth that is supposedly restrained from anti-competitive behavior by the use of accounting regulations. That aside, BellSouth also states that they are unsure why a mere accounting entry is more of a bottom line concern for BellSouth than for "the ISPs." BellSouth goes on to state that "The implication that this is some sort of shell game for BellSouth, but involves 'real' money for the ISPs has been raised and rejected by the Commission in the IgLou case."

There are several problems with these statements. First, BellSouth implies that a "mere accounting entry" has the same financial impact on BellSouth that it does on an independent ISP. Nothing could be further from the truth. A mere accounting entry involves no bottom line cost on its own. BellSouth Corporation, as the parent company, and even, in this case, BellSouth Telecommunications, Inc. as a subsidiary of BellSouth Corporation, incurs virtually **NO** bottom line cost as a result of this "mere accounting entry." The only bottom line costs that BellSouth would possibly incur would be the cost of the manpower to enter this "mere accounting entry," and the cost of the computing power and storage space needed to process this "mere accounting entry." Even with BellSouth's apparent ability to inflate cost data to epic proportions, the bottom line cost of these activities are virtually nil. Meanwhile, the bottom line costs of these fees to "the ISPs" is the cost associated with the "mere accounting entry" plus the administrative costs of cutting checks and other associated costs which would at least match the administrative costs that BellSouth would incur in entering a mere accounting entry, if not much more.

Second, BellSouth incorrectly states that the Commission rejected that there were any "shell games" going on with BellSouth Cost Accounting in the IgLou case. The Commission did **NOT** say that there were no discriminatory and preferential activities occurring with respect to Cost Accounting, but neither did the Commission definitively say that BellSouth **was** following the Cost Allocation Manual. Indeed, the only extent to which the Commission went in the IgLou case, was to say that BellSouth **appeared**

(emphasis mine) to be following the CAM. IgLou did not present significant evidence that BellSouth was violating Cost Accounting Procedures, and the issue was dropped at that point. This statement by the Commission still leaves open the possibility that BellSouth is indeed not following its Cost Allocation Manual or Cost Accounting Procedures correctly, and that there merely was insufficient evidence presented in the IgLou case to support such a finding. It also, definitely, leaves open the possibility that despite fully adhering to the CAM and Cost Accounting Procedures, BellSouth is still behaving in a preferential and discriminatory manner. This would be consistent with the Commissions findings in the IgLou case that BellSouth was acting in a preferential and discriminatory manner despite filing a federal tariff for DSL that complied with the letter of the law.

I would also like to remove the "implied" from BellSouth comments. I would like to go on record as stating that I (personally, not as a representative of IgLou Internet Services, Inc.) believe that BellSouth has set up their sales of DSL services to customers and ISPs in a manner that let's them play a shell game with their cost accounting, resulting in BellSouth behaving in a preferential and discriminatory manner with respect to independent ISPs. I have no reason to believe that BellSouth is violating the **letter** of the law with respect to Cost Accounting, but I do, definitely, believe that they are violating the **spirit** of the law with the careful arrangement of affiliates and services within the BellSouth Corporation umbrella in a way to allow them to effectively discriminate against independent ISPs. Unfortunately, I don't have the resources to pursue a complaint against BellSouth regarding these issues either at the state or federal level, so it appears as if BellSouth will continue to be able to re-assert their monopoly on telecommunications services through such behaviors without significant regulatory obstacles.

Thank you for taking the time to consider my thoughts on these matters.

Sincerely,

A handwritten signature in cursive script that reads "Jeff McAdams". The signature is written in black ink and is positioned above the printed name.

Jeff McAdams

July 13, 2001

RECEIVED

JUL 17 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

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There are several problems with these statements. First, BellSouth implies that a "mere accounting entry" has the same financial impact on BellSouth that it does on an independent ISP. Nothing could be further from the truth. A mere accounting entry involves no bottom line cost on its own. BellSouth Corporation, as the parent company, and even, in this case, BellSouth Telecommunications, Inc. as a subsidiary of BellSouth Corporation, incurs virtually NO bottom line cost as a result of this "mere accounting entry." The only bottom line costs that BellSouth would possibly incur would be the cost of the manpower to enter this "mere accounting entry," and the cost of the computing power and storage space needed to process this "mere accounting entry." Even with BellSouth's apparent ability to inflate cost data to epic proportions, the bottom line cost of these activities are virtually nil. Meanwhile, the bottom line costs of these fees to "the ISPs" is the cost associated with the "mere accounting entry" plus the administrative costs of cutting checks and other associated costs which would at least match the administrative costs that BellSouth would incur in entering a mere accounting entry, if not much more.

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Thank you for taking the time to consider my thoughts on these matters.

Sincerely,



Jeff McAdams

July 5, 2001

RECEIVED

JUL 17 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Informal Conference of June 19, 2001 in the case "IN THE MATTER OF
THE REVIEW OF BELL SOUTH TELECOMMUNICATIONS, INC'S
PRICE REGULATION PLAN" (case 99-434)

Dear Mr. Dorman:

My name is Jeff McAdams. I am the Head Network Administrator at IgLou Internet Services, Inc. I have held this position for nearly seven years. I attended the June 19, 2001 informal conference with BellSouth, the Commission, and representatives of various other companies and agencies. Having read the Commission memo regarding this informal conference, I felt it important to respond to several points.

I was the participant that made the comment concerning wireless and satellite data services never being competitive with DSL based data services. For satellite services, the basis for this statement lies in the fact that for satellite based services, the round-trip data latency is approximately one half second. While satellite services make an effective voice and video distribution mechanism, it is virtually unuseable for interactive services of any kind. Imagine if all voice and video communications experienced the frustrating delays seen when television news anchors interview a correspondent located halfway around the world. Wireless services have similar, though different, limitations when trying to compete with DSL data services. The limitation that wireless data services experience is in the available electromagnetic spectrum that is available for their use. Because DSL has, and always will have, a greater amount of electromagnetic spectrum available to it, wireless data services will never be able to effectively compete with DSL data services.

A point that was not brought out in the memo regarding the informal conference, and I don't recall being discussed at the conference is the issue of whether cable modem services should be considered a direct substitute for DSL service, and therefore a competitor. I think it is clear, when looking at the two alternatives, that they are **NOT** direct substitutes. There are several reasons that cable modems come up short in a direct comparison with DSL. Cable networks share bandwidth between all of the cable modem customers in an area of town resulting in (among other things) significantly lower Quality of Service, highly variable effective throughput, and security issues (is my neighbor seeing all of my Internet browsing?). Add to the technical issues involved that @Home, the exclusive ISP for cable modem service in the Louisville area, just plain refuses to provide cable modem service to Business customers at all. In some areas @Home provides a service that they call "@Work" which is their business class service

offering. Most of those areas provide DSL lines for the @Work service, further demonstrating that cable modem service should not be considered a direct substitute for DSL services.

While cable modem service has a significant deployed advantage at this point (ILECs have been using 75% marketshare for cable modem in the broadband market), it is important to note that cable modems began seeing significant deployment almost 2 years before DSL began significant deployment anywhere, let alone in Kentucky. The meaning of this is that in a very short period of time, DSL services have claimed nearly 25% of the marketshare of broadband deployment from a starting point of cable modems having nearly 100% marketshare.

I believe it is extremely important to point out the disparity between BellSouth.Net purchasing from BellSouth's FCC tariff, and independent ISPs purchasing from BellSouth's FCC tariff. The conference memo mentioned that this is a mere accounting entry for BellSouth, but a real cash outlay for an independent ISP. I don't believe this issue can be stressed enough. In the IgLou case, BellSouth was found guilty of discriminatory actions by charging the same price to independent ISPs and to itself partially because of this disparity. BellSouth continues this pattern of action by the increase of its activation charge from \$50 (not \$60 as one conference participant stated) to \$110, and also through the imposition of the Termination Liability Charge, which, despite statements in Commission rulings and letters concerning a desire to deal with this issue, it was never dealt with **at all**, let alone adequately, in the IgLou case.

While not terribly germane to this case at this time, I would like to go on record as stating my belief that considering telecommunications services "inter-state" merely because they connect to an ISP, is inane. I understand that this determination was made by the FCC, and not by this Commission, but I believe that it is important to state that this decision has no foundation in logic or reason.

I find it interesting that BellSouth is perfectly willing to accept market data from ISPs, but is unwilling to share any of its own. This is in response to BellSouth indicating that they would be happy to accept a "market 'wish list'" from ISPs, combined with BellSouth's unwillingness open their market data filed under a separate case to ISPs unless it is used solely for the purpose of participating in the case, and not for general marketing purposes. BellSouth is willing to take the data that ISPs will give it, but is unwilling to return the favor.

I'm concerned that BellSouth has been granted the price increase in this case as an incentive to roll out DSL services to all of the state. BellSouth has accepted this price increase, and indeed, has passed that price increase on to the citizens of this state, and then has shirked the responsibility they had as part of receiving that price increase. By fighting about what level of deployment of DSL they should be required to comply with in this case, but, in the meantime, continuing to receive the benefit of the price increase without fulfilling, or even being willing to **consider** fulfilling the requirements of the Commission in this case, the inevitable comparison has to be made between BellSouth and a spoiled child that gets everything it wants without having to undertake any of the responsibilities that it rightfully should. To add insult to injury, it appears as if the

Commission has granted BellSouth an **additional** price hike in accepting BellSouth's latest FCC tariff for DSL service with the increased Activation charge and Termination Liability Charge.

So, BellSouth is now effectively triple charging for the copper infrastructure needed to provide DSL service to customers. First, by requiring that DSL only be provisioned on lines that already have POTS service, BellSouth is charging for the copper infrastructure in the POTS service as well in the DSL service (with recent price increase included to account for "additional" costs). The third charge being in the increase in price of all BellSouth customers' service in the state of Kentucky as an extra incentive to deploy DSL to the whole state.

Thank you for the opportunity to comment on the informal conference in this case. I hope my comments have cleared up some of the issues involved, and hopefully have clarified some of the misstatements made in this case and conference.

Sincerely,

A handwritten signature in cursive script that reads "Jeff McAdams".

Jeff McAdams
Head Network Administrator - IgLou Internet Services, Inc.

July 5, 2001

RECEIVED

JUL 12 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Informal Conference of June 19, 2001 in the case "IN THE MATTER OF
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While not terribly germane to this case at this time, I would like to go on record as stating my belief that considering telecommunications services "inter-state" merely because they connect to an ISP, is inane. I understand that this determination was made by the FCC, and not by this Commission, but I believe that it is important to state that this decision has no foundation in logic or reason.

I find it interesting that BellSouth is perfectly willing to accept market data from ISPs, but is unwilling to share any of its own. This is in response to BellSouth indicating that they would be happy to accept a "market wish list" from ISPs, combined with BellSouth's unwillingness open their market data filed under a separate case to ISPs unless it is used solely for the purpose of participating in the case, and not for general marketing purposes. BellSouth is willing to take the data that ISPs will give it, but is unwilling to return the favor.

I'm concerned that BellSouth has been granted the price increase in this case as an incentive to roll out DSL services to all of the state. BellSouth has accepted this price increase, and indeed, has passed that price increase on to the citizens of this state, and then has shirked the responsibility they had as part of receiving that price increase. By fighting about what level of deployment of DSL they should be required to comply with in this case, but, in the meantime, continuing to receive the benefit of the price increase without fulfilling, or even being willing to consider fulfilling the requirements of the Commission in this case, the inevitable comparison has to be made between BellSouth and a spoiled child that gets everything it wants without having to undertake any of the responsibilities that it rightfully should. To add insult to injury, it appears as if the

Commission has granted BellSouth an **additional price hike in accepting BellSouth's latest FCC tariff for DSL service with the increased Activation charge and Termination Liability Charge.**

So, BellSouth is now effectively triple charging for the copper infrastructure needed to provide DSL service to customers. First, by requiring that DSL only be provisioned on lines that already have POTS service, BellSouth is charging for the copper infrastructure in the POTS service as well in the DSL service (with recent price increase included to account for "additional" costs). The third charge being in the increase in price of all BellSouth customers' service in the state of Kentucky as an extra incentive to deploy DSL to the whole state.

Thank you for the opportunity to comment on the informal conference in this case. I hope my comments have cleared up some of the issues involved, and hopefully have clarified some of the misstatements made in this case and conference.

Sincerely,



Jeff McAdams

Head Network Administrator - IgLou Internet Services, Inc.

July 5, 2001

Thomas Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602

RECEIVED

JUL 09 2001

PUBLIC SERVICE
COMMISSION

Re: Response to Case #99-434

Dear Mr. Dorman,

A topic of great debate recently is the BellSouth filing of a new pricing tariff for wholesale DSL. The commission asked for a price decrease in monthly recurring rates of wholesale DSL service. BellSouth countered with an offer to reduce the wholesale DSL rates by approximately 11%, but along with the reduction of the monthly recurring rates the nonrecurring rates were increased by 120%. This is a significant increase and KA.net feels that it could affect the acceptance and deployment of DSL throughout the State of Kentucky. We have seen no data, and have heard no explanations that might justify the massive increase. KA.net understands that the deployment of Remote Terminals has caused an increase in BellSouth's cost to install and provision a DSL circuit, but are we to believe that the cost has more than doubled? KA.net asks the Commission to evaluate the recent wholesale DSL price "decrease" and consider its impact on Kentucky and its citizens.

In addition to the above request, KA.net would like to rebut some of the points made by Tony Taylor of BellSouth in his e-mail addressed to the Commission on June 22, 2001. The e-mail makes the point that BellSouth is merely offering its product in a manner that is competitive with other large providers. While the other large providers may be making similar offerings, none of them are a wholly owned subsidiary of BellSouth. This declaration may seem obvious, but one point that we would like to make is that what BellSouth charges BellSouth.NET is meaningless. BellSouth could charge everyone (including small local providers and large national ones) \$1,000,000 to install an ADSL circuit, and it would make no difference to either BellSouth or BellSouth.NET. Due to the nature of their relationship, it is a Zero Sum Game. The losses incurred by BellSouth.NET by selling products at a loss are covered by their owners, BellSouth. As was noted in the Informal Conference by another ISP, other ISPs must pay BellSouth out of their own pockets, while BellSouth.NET just moves the money from one pocket to the next. Since BellSouth is covering the obvious losses of BellSouth.NET, it could be argued that as customers of BellSouth KA.net and the citizens of Kentucky are subsidizing the business offerings of BellSouth.NET.

Sincerely,


Mike Neagle



ka.net

internet

services

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you'll grow on it.

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky

502 582 8219
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July 5, 2001

VIA FACSIMILE AND
U.S. Mail

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

RECEIVED
JUL 09 2001
PUBLIC SERVICE
COMMISSION

Re: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

Regarding the Commission's June 27, 2001, memorandum summarizing the informal conference held in this case on June 19, BellSouth submits the following comments:

Regarding the Commission's memorandum in Case No. 99-434 dated June 27, 2001

Page 2, Paragraph 2

First Sentence

BellSouth does not charge BellSouth.net for DSL. BellSouth Telecommunications offers BellSouth FastAccess as a non-regulated retail service and DSL is required for the provision of FastAccess. BellSouth does reflect the same tariff charges on the books of the non-regulated operation as those required by tariff for any other ISPs taking the tariffs terms and conditions into consideration.

Third and Fourth Sentences

The word subsidy is used in these sentences to describe the free installation, free modem, and other start-up incentives offered by BellSouth's to its FastAccess customers. These items are non-regulated promotions. The word subsidy in the context of non-regulated operations, can be misconstrued. BellSouth is following all the requirements of its Cost Allocation Manual.

BellSouth's regulated operation is providing no subsidy to BellSouth's non-regulated operation. As reflected in the information subsequently provided by BellSouth and attached to the memorandum, start-up promotions are quite common in the provision of high speed internet access and these retail offerings constitute the market in which BellSouth competes. Nevertheless, as Mr. Gerwing indicated, even the retail promotions will not last indefinitely. In fact, the free installation charge has already been eliminated (unless the customer "self installs") as reflected in the information provided by BellSouth subsequent to the conference and attached to the memorandum.

Last Sentence

BellSouth is unsure what a "mere accounting entry" is or why a mere accounting entry is any less of a bottom line concern for BellSouth than for the ISPs. The implication that this is some sort of shell game for BellSouth, but involves "real" money for the ISPs has been raised and rejected by the Commission in the IgLou case.

Page 2, Paragraph 3-4

BellSouth wants to be sure that the comments in these two paragraphs are not taken out of context. The issue discussed in the informal conference regarding the pricing of ADSL as a UNE (which is being considered in the AC 382 docket) does not affect the commitment BellSouth shared with the Commission. This commitment, made in AC 99-343, is to deploy central office DSLAMs making ADSL service available in 57 Kentucky communities served by BellSouth.

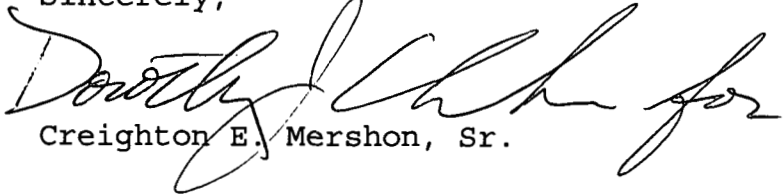
Page 3, Paragraph 2

BellSouth does not recall that the staff made the referenced comment. Nor does BellSouth agree that it is required to deploy broadband to rural areas in Kentucky in exchange for retaining "excess" earnings. BellSouth's Price Regulation Plan included a productivity factor which required BellSouth to share its efficiencies with its customers through rate decreases. Competition forces a similar effect. BellSouth's Transition Regulation Plan therefore, recognizing the emergence of competition, eliminated the productivity factor. In recognition of the belief by some that competition was not yet full scale, the Company proposed to undertake additional marketplace risk through the deployment of broadband to rural Kentucky with no assured reward. None of these considerations involved the rate

Mr. Thomas M. Dormer
July 5, 2001
Page 3

of return concept of earnings. Nor did they involve any determination of what earnings are appropriate or what constitutes "excess" earnings.

Sincerely,


Creighton E. Mershon, Sr.

cc: Parties of Record

397451

SERVICE LIST - PSC 99-434

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Assistant Attorney General
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Frankfort, KY. 40601 8204

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Hon. C. Kent Hatfield
Hon. John M. Franck
Middleton & Reutlinger
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Atlanta, GA. 30339

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Mr. Larry Callison
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Jonathan N. Amlung
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429 W. Muhammad Ali Boulevard
Louisville, KY. 40202

Honorable Richard M. Breen
2950 Breckenridge Lane
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RECEIVED
JUL 06 2001
PUBLIC SERVICE
COMMISSION

Thomas Dorman
Executive Director
Kentucky Public Service
211 Sower Blvd.
Frankfort, Ky. 40602

RE: Case No. 99-434

July 4, 2001

Mr Dorman,

As an Independent Kentucky Internet Service Provider, serving Louisville, and several of the surrounding rural communities, I am certainly concerned as to the disposition of this case with Bellsouth referenced above. While attending the Kentucky PSC meeting of June 19th, 2001, I found it most interesting to hear Bellsouth complain as to the competition that they see coming from the cable companies here in the state. My understanding, as to the history of how we got here today stems back to the taxpayer in this country footing the bill for the build-out/infrastructure of the original copper plant, under the arm of AT&T. Then we get to the breakup of AT&T into the regional Bells of which we know Bellsouth is one. So we have this taxpayer-financed infrastructure being divided up with the regional Bells so as to set the stage for true competition in the marketplace. However, we all know that the AT&T breakup simply divided up one huge monopoly into seven smaller ones. Monopolies none-the-less. Then in 1996, the new Telecom Act was yet another attempt to finally create competition in the marketplace.

This case is simply about deciding if we are going to have real competition in the Digital Marketplace here in Kentucky or if we will talk about competition but in reality let the monopoly of Bellsouth decide when, where and who to service in our state.

My guess is that the Kentucky Public Service Commission is very interested in bringing "All of Kentucky" into the digital age of the 21st century.

This case is about Independent ISP's providing access and service to all of Kentucky's citizens. It is about providing the taxpayer of Kentucky with choices, options, and the opportunity to decide just who they wish to deal with for their services based upon their treatment and levels of support.

None of us wish to have chaos in our IT market. We certainly cannot have 100's of companies stringing wire from all the utility poles around the commonwealth. But, should that mean that only a select few be allowed to provide such vital services as communications and the internet? If we were to buy into this "select few" analogy, we are doing a grave disservice to the citizens of this commonwealth. I am of the view that the Kentucky PSC is very interested in getting the latest services and support to all citizens of Kentucky, even those in the remotest of areas.

Being one of the Independent Internet Service Providers of Kentucky, I feel safe in telling you that we are not driven solely by the numbers, whereby our investment in any particular area "guarantees" us any particular rate of return within a certain time frame. Most of us are risk takers, while understanding that we must generate a profit, generally will invest in infrastructure and work as no others to make it successful. We are not driven by unknown persons based in Atlanta, Georgia or Birmingham, Alabama. Most all of us live and breathe Kentucky.

I ask that you consider the following:

Look into the actual cost, to Bellsouth, of providing a Virtual Circuit to an ISP.

Look into the actual cost, to Bellsouth, of provisioning the Virtual Circuit to an ISP.

Look into how much of the above costs have been covered by PSC granted rate increases.

Now I ask:

Is the charge to ISP's by Bellsouth, for providing a Virtual Circuit, minus their costs, appear to be fostering real competition?

Is the charge to ISP's by Bellsouth, for provisioning a Virtual Circuit, minus their costs, appear to be fostering real competition?

And further, as an Independent Internet Service Provider, we are not "granted rate increases", we recover our investments in Kentucky by dealing in the open marketplace, unsheltered by "granted rates".

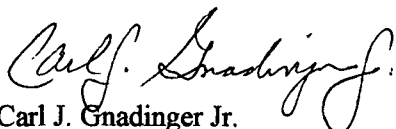
Is Bellsouth really doing the right thing for the citizens of Kentucky? I must question this. Why has Bellsouth only certified 9,600 baud throughout Kentucky, while our southern neighbor, Tennessee, is certified at 28,800? All of the states Bellsouth deals in have higher system-wide rates than Kentucky.

Mr. Tony Taylor of Bellsouth, in his "Additional Information" (Attachment 4, June 22, 2001 to Ky PSC) seems very concerned with cable companies, etc., offering DSL access in competition with Bellsouth. Open access with the cable companies, utility poles, and infrastructure is certainly another matter that should be dealt with in fostering a truly competitive market place for Kentuckians. However, in this case, we happen to be dealing with the retention of a monopolistic marketplace by Bellsouth.

I submit that Bellsouth would be perfectly satisfied with keeping Kentucky in the 1950's. However, through the efforts of this commission and Independent Internet Service Providers, Bellsouth is finally moving towards the mid 1990's.

Maybe if we actually had open access, DSL would have already covered the entire commonwealth back in the late 1990's. Maybe, just maybe, if the independents had open access, Kentucky would by now be a leader in the digital age instead of trying desperately to play "catch-up".

Thank you so much for your consideration.



Carl J. Gnadinger Jr.

Owner, Louisville Telecom, LLC

Kentucky Independent Internet Service Provider

LOU-TELECOM.NET

RECEIVED

Thomas Dorman
Executive Director
Kentucky Public Service
211 Sower Blvd.
Frankfort, Ky. 40602

JUL 05 2001

PUBLIC SERVICE
COMMISSION

RE: Case No. 99-434

July 4, 2001

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<http://www.lou-telecom.net>

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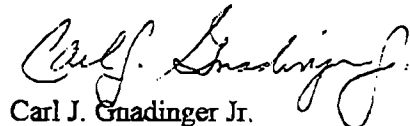
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Thank you so much for your consideration.



Carl J. Gnadinger Jr.
Owner, Louisville Telecom, LLC
Kentucky Independent Internet Service Provider



Paul E. Patton, Governor

**Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet**

**Thomas M. Dorman
Executive Director
Public Service Commission**

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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**Martin J. Huelsmann
Chairman**

**Edward J. Holmes
Vice Chairman**

**Gary W. Gillis
Commissioner**

June 27, 2001

PARTIES OF RECORD:
Re: Case No. 99-434

Ladies and Gentlemen:

Attached is a copy of the memorandum which is being filed in the record of the above referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. Should you have any questions, please contact Bonnie Kittinger at 502/564-3940, Extension 236.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director

Attachment



INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: MAIN CASE FILE NO. 99-434

FROM: TEAM MEMBERS

DATE: June 27, 2001

On June 19, 2001, an informal conference was held in Case No. 99-434, *Review of BellSouth's Price Regulation Plan*. The conference was attended by representatives of BellSouth, the City of Louisville, the Attorney General's Office, various Internet service providers ("ISP") and competitive local exchange carriers ("CLEC"), and Commission Staff. **Attachment 1** is an attendance sheet from the meeting.

The purpose of the meeting was for BellSouth to provide a status report on broadband deployment in Kentucky. After Fred Gerwing's brief introduction, Tony Taylor and Jim Johnson of BellSouth discussed the contents of a two-page handout showing that the company has completed deployment in 23 central offices, and by the end of 2001, plans to have DSLAMs installed in 27 additional central offices. At that time, 86% of BellSouth Kentucky access lines will be served by a central office equipped with a DSLAM; and 57% of the access lines in these wire centers will qualify for ADSL. **See Attachment 2.**

Jim Johnson discussed remote DSLAM solutions being deployed to extend DSL to outlying areas. According to BellSouth, the deployment is labor intensive and requires a truck-roll for each installation. Additional new technology that would further extend the availability of DSL service was also mentioned, but will not be available until 2002.

BellSouth pointed out that Alcatel is the primary vendor of its DSL solutions and that volume pricing and new technology have enabled BellSouth to proceed more aggressively than its earlier projections had indicated.

BellSouth was questioned about a recent press release indicating that 90% of the deployment is truck-roll free. According to BellSouth, the 90% figure deals with retail service to BellSouth.net customers with modems.

One participant alleged that BellSouth's method of remote DSL deployment prohibits collocation and shuts out competition; however, BellSouth countered that any CLEC or ISP could install a remote DSLAM right beside BellSouth's facilities. Some of the complexities of this type of arrangement were discussed, including some recent FCC actions.

According to BellSouth, the FCC is looking at the issue of incentive to invest if only one player has to offer service at Total Element Long Run Incremental Cost ("TELRIC") rates. BellSouth argued that if unbundled network elements ("UNE") are required to be at TELRIC rates, competition is stifled.

In response to a participant's inquiry regarding the recent increase in activation fee for DSL from \$60 to \$110, BellSouth stated the \$60 was not covering costs. Follow-up comments indicated that CLECs and ISPs could not effectively compete with the higher installation fee.

BellSouth stated that cable deployment has become competitive in the West; however, an ISP participant responded that this argument is a red herring in that cable and wireless companies are not likely to be competitive except in niche markets where BellSouth isn't going to deploy broadband anyway. Besides, it was noted that satellite, cable and wireless companies are not regulated and are not relevant to this inquiry. Nevertheless, BellSouth distributed several copies of a chart showing competition from alternative DSL deployment. **See Attachment 3.** BellSouth maintains that cable TV companies have an edge on deployment of broadband and that regulators need to take into consideration the competition from wireless and cable deployment.

BellSouth denied a claim that it is charging ISPs more for DSL than it is charging BellSouth.net. According to BellSouth, ISPs and CLECs should take advantage of the FCC tariff for DSL and build up their customer base. BellSouth was questioned about marketing to its own retail customers free installation, a free modem and other start-up incentives and how long these subsidies were likely to continue. Fred Gerwing indicated that the subsidies would probably go away by the end of summer. The comment was made that such incentives were merely accounting entries for BellSouth, but are bottom-line issues for its competitors.

Commission Staff pointed out that, in Administrative Case No. 382, the Commission is examining UNE pricing by BellSouth to its competitors. This statement prompted Fred Gerwing to expound on the "inappropriateness" of this Commission inquiring about DSL network components priced as UNEs. According to BellSouth, the FCC laid out a good argument on why packet switching was not appropriate as a UNE. BellSouth indicated that it does not want DSLAMs to be priced as UNEs and that the Commission's recent data request regarding this issue could cause BellSouth to reconsider whether to deploy DSL in Kentucky.

BellSouth was advised that this Commission is not likely to look favorably on a threat to halt DSL deployment. Mr. Gerwing was asked by Staff whether he was genuinely asserting that the Commission Staff could not question BellSouth regarding these matters. Mr. Gerwing stated that such inquiries created regulatory uncertainty, which is something against which the FCC has cautioned. BellSouth takes the position that the PSC is treading on "dangerous economic ground" in talking about the provision of DSLAMs to competitors at TELRIC rates.

According to BellSouth, this Commission has recently gone directly against FCC rulings in three separate areas that are not likely to withstand court challenge. These decisions pertain to UNE combinations, co-carrier cross connects and DSL jurisdiction.

One CLEC participant indicated that it was not particularly concerned about DSL at UNE pricing, that it wants to buy DSL for resale so its customers could utilize the technology for such uses as monitoring at daycare centers.

Commission Staff inquired as to BellSouth's response to its first data request, Item No. 3, pertaining to future deployment plans. BellSouth indicated that it has not yet made any plans for deployment beyond the end of this year, that some of the decisions come from Atlanta, and that one factor is the outcome of Administrative Case No. 382. Commission Staff's follow up question was, how is BellSouth factoring in the requirement that the utility must deploy in remote markets? BellSouth responded that this is an "overlay factor."

BellSouth indicated that it has invited ISPs and CLECs to share their market "wish list" with BellSouth; however, several participants indicated that such discussions had been rebuffed by BellSouth representatives.

When Commission Staff asked if BellSouth markets its rollout of DSL to ISPs, the response was that BellSouth's account teams market DSL to ISPs and BellSouth e-mails ISP customers. In addition, BellSouth advised that information is posted on BellSouth's website. Several parties requested access to an "unbranded" service for determining DSL capable lines. BellSouth advised that this was not currently available; however, access to the data for creating their own interface is available.

Commission Staff commented that, under BellSouth's Price Regulation Plan, which is the subject of this meeting, BellSouth is required to deploy broadband to rural areas in Kentucky in exchange for retaining "excess" earnings.

One ISP participant wanted to know the status of dry copper-pair availability as an alternative to a regular DSL line, to which BellSouth responded that available information is spelled out in Tony Taylor's rebuttal testimony in the IgLou case.

A participant inquired as to why Verizon's performance in the area of DSL deployment is not being discussed at this meeting or a similar one. Commission Staff commented that Verizon is regulated somewhat differently in that it does not have the same price regulation plan as BellSouth. Staff advised that anyone could request a Commission inquiry into another ILEC's pricing methods.

The comment was made by an ISP participant that the \$33 wholesale DSL tariff creates a more level playing field for ISPs and CLECs than before; however, the fee for Verizon's DSL is much lower than BellSouth's; and BellSouth's installation fee is twice as high as Verizon's. According to one of the participants, the installation fee for an ISP or CLEC customer exceeds \$300 while the fee for a BellSouth.net customer is \$0. BellSouth disputed the \$0 amount for a BellSouth.net customer, but did not know the actual amount.

Following the informal conference, but before this memorandum could be finalized, Commission Staff received an e-mail from a BellSouth representative with the subject heading "Additional Information." Because it was not clear that this information had been provided to other informal conference participants, the e-mail message and attachments are included herein as **Attachment 4**.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

The following people were in attendance at 1:30 P.M., June 19, 2001 at the informal conference in the above-styled case.

SIGN-IN SHEET	
NAME	REPRESENTING
1. <i>Wm E Dougherty</i>	PSC
2. <i>Kyle Wickard</i>	PSC
3. <i>Bonnie Kettinger</i>	PSC
4. <i>Jul Gentry</i>	BS
5. <i>Creeghton Mershon</i>	BLS
6. <i>Jim Stevens</i>	PSC
7. <i>Ellen Jones</i>	Bellsouth
8. <i>Jean Coleman</i>	11
9. <i>Larry Harley</i>	PSC
10. <i>Phyllis Lannin</i>	PSC
11. <i>Wayne Bates</i>	PSC ENGR DIV
12. <i>Eric Bowman</i>	PSC Eng.
13. <i>Jeff McAdams</i>	McLow Internet Svcs.
14. <i>Darrie Gregoire</i>	Iglow Internet Services

15.	Carl J. Guadagnoli	Louisville Telecom internet service
16.	Amanda Hale	PSC
17.	Mike Neagle	KA.net Internet Socs.
18.	Ann Laise Chevront	OAG
19.	Ruth Meers	Public - Independent
20.	JEFF JOHNSON	PSC, ENG.

COMMONWEALTH OF KENTUCKY

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SIGN-IN SHEET	
NAME	REPRESENTING
1. GENERAL Tackett	ATC consultants
2. LARRY W. Alexander	ATC Consultants
3. DARREN MAYNARD	SOUTH EAST TELEPHONE
4. David MAHER	Microtec Internet Services
5. DREW CURTIS	DCR.NET
6. LEE MURPHY	CHAPEL COMMUNICATIONS
7. Kevin Boneta	Chapel Communications
8. Wes Maynard	SOUTHEAST TELEPHONE INC
9. Forest Skaggs	KY Telephone Assn.
10. Steve Roush	Bell Smith
11. Jim Johnson	"
12. Ray White	CITY of Louisville/BdA
13. Mike Shorb	Yes Connect
14. James Diner	Openworld, Inc.

15.	Jim Johnson	BellSouth
16.	JIM TIPTON	BELLSOUTH
17.	Norman Schuppert	BluegrassNet
18.		
19.		
20.		

Kentucky PSC Informal Conference

June 19, 2001

Deployment Status

• Per Informal Conference Data Request Filed June 14, 2001

- 23 Central Offices Completed
- Since data for data request was compiled, 10 additional offices have completed.
Carrollton Corbin Franklin Georgetown Middlesboro
Mt. Sterling Paintsville Paris Prestonsburg Whitesburg
- 27 Remaining Central Office DSLAMs remain to be installed for 2001

• By End of 2001 Planned Deployment

- ~86% of BellSouth Kentucky Access Lines will be served by a Central Office equipped with a DSLAM
- ~57% of Access Lines in these planned wire centers qualify for ADSL

• Remote Solutions

- 14 • 12 Deployed Remote Solutions Outside of Louisville Exchange
- 22 • 11 Deployed Remote Solutions in Louisville Exchange

Kittinger, Bonnie C. (PSC)

To: Parties of record
Subject: FW: Additional Information



competition.pdf



fastaccess pricing.pdf

-----Original Message-----

From: Willard, Kyle (PSC)
Sent: Monday, June 25, 2001 9:08 AM
To: Dougherty, Amy (PSC); Eversole, Debbie (PSC); Kittinger, Bonnie C. (PSC)
Subject: FW: Additional Information

-----Original Message-----

From: Taylor, Tony A [mailto:Tony.Taylor@bellsouth.com]
Sent: Friday, June 22, 2001 1:39 PM
To: Kyle Willard (E-mail)
Subject: Additional Information

Kyle,

After this past Tuesday's informal conference on ADSL Deployment Status, I wanted to provide the Commission staff with some additional information based upon the various comments made by the many present.

Most of the ISP issues were raised from two perspectives; 1) BellSouth's wholesale service pricing and 2) BellSouth's retail FastAccess service pricing/promotions.

With regard to issues the ISPs raised on the wholesale pricing structure, this issue was addressed in the Iglou case, and based on the Commission's order of May 14, 2001 and the subsequent Staff Letter dated June 11, 2001, the approved FCC pricing of ADSL was acceptable to the Commission Staff.

With regard to the retail service. Many of the attending ISPs were quick to point out things they didn't like about BellSouth's FastAccess pricing/promotions. I heard many different descriptions of what pricing BellSouth supposedly is offering. Just to set the record straight as to what BellSouth's current pricing is for that service, I've attached a PDF file with an extract from the BellSouth FastAccess web page.

I've also attached another PDF file that has various broadband and dialup pricing packages from others in the Internet access arena. The first 3 pages of competition.pdf are coupons that I received in my U.S Mail at home after yesterday's informal conference. As you will see, these offer some very competitive deals. DirectTV DSL's (previously known as Telocity) current pricing is included too. And to point out broadband competition from other sources, I've included cable modem service pricing from Adelphia. Insight didn't show their promotions on their web page so I couldn't include their web page to show their install of \$49.95 and monthly price of \$39.95 along with modem rental charge of \$15/mo. When we say that BellSouth is responding to the marketplace in how we price our retail Internet service, these types of price packages are what we're talking about. The list I provided is not all inclusive.

Of course none of the ISPs want to talk about the other alternatives or how the pricing of those offering cable and large non-BellSouth ISPs drives the marketplace for such services. Despite the ISPs not being willing to bring these up, I wanted to be sure that the Staff was informed of these competitive realities.

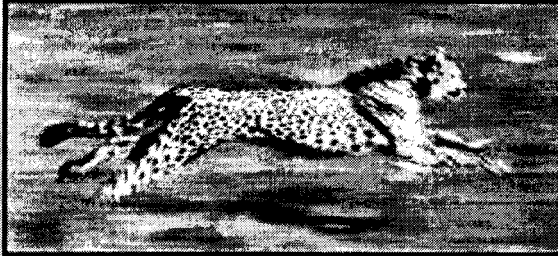
I hope this is useful for you and others on the staff. Please let me know if you need additional information regarding the ADSL deployment plans. The discussion of these issues was obviously diverted in the meeting based on the various agendas the other parties brought to the table.

Thanks.

Tony

<<competition.pdf>> <<fastaccess pricing.pdf>>

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on

EarthLink™ DSL.

 EarthLink

Get **faster** access and **\$450** in savings with EarthLink™ DSL.

EarthLink DSL is here now! DSL (Digital Subscriber Line) works through your regular phone line, so it's there when you need it and always fast. Experience the power of EarthLink DSL today. This limited-time offer ends 8/30/01.

- FREE DSL modem and equipment (\$200 value)
- Fast and easy Self-Installation Kit (save \$350 or more on installation*)
- Six email boxes with each account
- Only \$49.95 per month**
- DSL is up to 50 times faster than dial-up service
- DSL provides an "always-on" connection, no busy signals or delays.
- DSL lets you talk on the phone and use the Internet at the same time.

EarthLink will even waive the \$99 Activation Fee if you sign up now.
Simply call **1.800.EARTHLINK** (mention DSL promo code: 10212).

Want to get all your home computers connected with super-fast DSL? Ask about EarthLink Home Networking when you call!

** Based on promotional rate for DSL Service (DSL) and DSL (DSL) as of April 8, 2001.
Offer expires September 30, 2001. DSL service not available in all areas. Some restrictions apply. Offer subject to new EarthLink DSL guidelines only. Not responsible for copyright, web, or other fees. Offer requires your installation of EarthLink DSL. Installation of DSL is for a minimum of 12 months. Data transmission fees apply. Please call for details. ©2001 EarthLink, Inc. EarthLink and EarthLink Home Networking are trademarks of EarthLink, Inc. All rights reserved. EarthLink, Inc., 3100 New York Drive, Pasadena, CA 91107.

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See info. available for new members only and cannot be redeemed with any other offers. Offer ends 12/31/01. For use with Windows 95/98/2000/NT and Macintosh computers only. ©2001 EarthLink, Inc. Trademarks are property of their respective owners. EarthLink and EarthLink logo are trademarks of EarthLink, Inc. All rights reserved. EarthLink, Inc., 1100 New York Drive, Houston, TX 77027

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Agreement
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TO SEE IF DIRECTV DSL IS
AVAILABLE IN YOUR HOME.

Phone Number

Address

Suite / Apt. (if applicable)

City

State

Zip
Code

Email Address

Check here if this
phone number is
currently serviced by
another DSL
provider. [Learn More.](#)

Service Details

Surf the Web at speeds up to 50 times faster than your old dial-up service. Speeds may vary based on the type of DSL available in your area.

SDSL speeds:

Up to 784Kbps for downloading (surfing the web), and 392Kbps for uploads (sending email).

ADSL speeds:

Up to 1.5Mbps for downloading and 128Kbps for uploads. For more information, see [Technical Specifications](#).

Instant Internet access.

Forget dialing up or waiting for the Net. When you're ready to surf, just open your browser and start surfing. It's that simple! The Internet is there when you want it.

Constant connection.

Your Internet is always on and you never have to worry about time limits. You can surf as long as you want or spend the day writing emails, and you'll do it all for one low monthly fee.

Personal email accounts.

Get up to five user accounts at no extra cost for your family and friends.

Personal Web pages.

Get up to 5 unique Web addresses (or URLs) for no extra cost so members of your family, or your friends, can have their own Web site.

1-800 Dial-in access.

Access the Net anytime, anywhere, even when you're away from home. Just plug your laptop's modem into the nearest phone jack and dial-up over our toll-free number from anywhere within the United States. The first 60 minutes per month are free, and it's only 10 cents per minute after that.

Access to over 40,000 newsgroups.

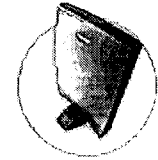
That's practically every e-bulletin board on the planet! Shop want-ads, make trades, and see what people worldwide are saying about, well, everything.

Free static IP address.

Manage services in-house, if you like, by hosting a Web, FTP or email server on your computer. You can also work remotely with friends or colleagues over a Virtual Private Network (VPN). It's all possible with a static IP address.

20MB of server space.

Each account has 10 MB dedicated to WebMail and 10 MB dedicated to personal Web pages. That's enough



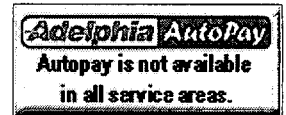
**Winner of the 2001
Consumer Electronic
Association's Innovation
Award.**

DIRECTV DSL pricing:
Unlimited service: \$49.95
per month
Activation fee: None
Equipment fee: None
Annual contract: None

Shipping and handling for the DIRECTV DSL gateway is \$24.95. In the rare event you need new wiring inside your home to support DSL, additional charges may apply, which we'll discuss with you before installation.



**Questions? We have
answers.**
See [Frequently Asked
Questions](#)



Adelphia Power Link - Pricing

Adelphia currently offers two-way cable modem service, one-way cable modem service and dial-up service for residential customers. All services are not available in all areas, and prices reflect pricing for "residential" service only.

- Standard Monthly Rate \$49.95 *

- Adelphia Advantage \$79.95 *

For Adelphia Customers only, the Adelphia Advantage combines Power Link with Adelphia Digital Cable service into one low rate of \$79.95. Adelphia's long distance service is available with the package at a rate of 7 cents per minute.

- Special Adelphia Customer Rate \$39.95 *

For Adelphia Customers only, this special rate applies to customers who subscribe to Adelphia's basic or digital cable packages.

- Installation ~~\$49.95~~ FREE

- Call 1-888-ADELNET (233-5638) now for great promotional offers.

- Standard Monthly Rate \$44.95 *

- Special Adelphia Customer Rate \$34.95 *

For Adelphia Customers only, this special rate applies to customers who subscribe to Adelphia's basic or digital cable packages.

- Installation ~~\$49.95~~ FREE

- Three-month Dial-Up Plan \$15.95 per month for a total charge of \$47.85 *

Pre-pay for three months of service on a major credit card and receive the fourth month for free. After the fourth month, Adelphia will bill the customer's account \$15.95 per month

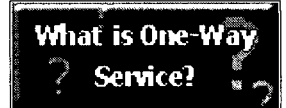
- Regular Dial-Up Plan \$15.95 per month *

No free month included.

* Services are not available in all areas. Prices may vary. Please contact 1.888.ADELNET (233.5638) or your local Adelphia cable office for more information.

Dial-Up Service

One-Way Cable Modem Service



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FastAccess®
Internet Service

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> Pricing

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FREE*
Modem



>> \$50
Webcertificate™**

Special Monthly Rate	\$45.00*
----------------------	-----------------

Monthly rate for BellSouth SolutionsSM Plan customers is \$45.00. Customer must have BellSouth® Complete Choice® Plan or BellSouth® Area Plus® Service billed to the same line as FastAccess Service to qualify for BellSouth Solutions Plan. For more information on the Complete Choice plan or Area Plus service, click [here](#).

Standard Monthly Rate	\$49.95*
-----------------------	-----------------

FastAccess is still a great deal at just **\$49.95** per month for unlimited access.

Sign up online today and get a \$50 WebcertificateTM. You can use your Webcertificate to shop online anywhere MasterCard® is accepted up to the value of the certificate. And, you can add funds later, even at the merchant's point-of-sale. Just order BellSouth FastAccess Internet Service online today, and within 60 days after successful installation, an email will be sent to your bellsouth.net email address informing you how to claim your certificate.

<u>Installation & Activation Charges</u>	
Professional Installation	\$199.95
Self-Installation (Not available in all cases)	no charge
Service Activation	\$50.00

* BellSouth may provide refurbished modem. Customer must return modem if service is cancelled within 12 months. Customers must activate service within 60 days to avoid modem charges.

** Available for online purchases only. Customers must order BellSouth FastAccess Internet Service to qualify for the \$50 Webcertificate. Offer available for a limited time. Within 60 days after successful installation, customers will receive an email at their bellsouth.net email address with instructions on how to claim the certificate. Customers must claim the Webcertificate within thirty days of the date the e-mail was sent.

+ Prices shown do not include your monthly telephone service. BellSouth

Kentucky PSC Informal Conference

June 19, 2001

Remote Solutions

- Remote DSLAM Deployments (overlay)
- 2002 Availability of Integrated solutions for various DLC platforms
- FITL Solutions

Barbourville

Municipal offering

Bardstown

Bardstown Cable TV Company

Bowling Green

Insight CATV
Bowling Green Municipal Electric

Frankfort

Plant Board

Harlan

Harlan Community TV

Henderson

Insight Cable
City of Henderson and Ohio Valley Cable

Hopkinsville

Hopkinsville Electric Service
Charter Communication

Louisa

Green Tree Cable

Madisonville

Charter Cable

Owensboro

Adelphia Cable
Owensboro Municipal Utilities

Paducah

Comcast Cable

**Adelphia has plans to offer high-speed Internet access via cable modems in:
Winchester, Richmond, and Whitesburg**



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet
Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
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(502) 564-3940
Fax (502) 564-3460

Martin J. Huelsmann
Chairman
Edward J. Holmes
Vice Chairman
Gary W. Gillis
Commissioner

June 25, 2001

Creighton E. Mershon, Sr., Esq.
General Counsel-Kentucky
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
P. O. Box 32410
Louisville, Kentucky 40232

RE: Petition for Confidential Protection
Case No. 99-434

Dear Mr. Mershon:

The Commission has received your petition filed June 14, 2001, to protect as confidential the responses to PSC Data Requests, specifically responses regarding DSL equipment location, potential and actual DSL subscriber count, line information and investments. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a), to inform the Commission so that the information may be placed in the public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director



BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

RECEIVED

JUN 14 2001

PUBLIC SERVICE
COMMISSION

June 14, 2001

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

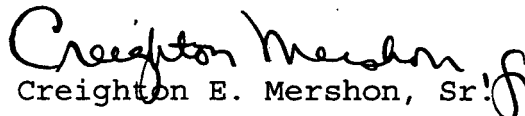
Re: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

Enclosed for filing in the above-captioned case are BellSouth's Responses to the Commission's Data Requests dated May 29, 2001, for the June 19, 2001, Informal Conference.

Portions of BellSouth's Responses to certain Commission Data Requests, specifically responses regarding DSL equipment location, potential and actual DSL subscriber count, line information and investments (the highlighted portions contained in the Attachments to Tab 1 and Tab 2) contain confidential, commercial, or proprietary information and, pursuant to 807 KAR 5:001, Section 7, enclosed is BellSouth's Confidentiality Petition. A copy of the proprietary information is provided to the Commission and to those parties who have signed a Protective Agreement in this case, AT&T, Attorney General, MCI, Sprint, and SouthEast Telephone. Requisite edited copies are provided to the Commission and to other parties of record.

Sincerely,


Creighton E. Mershon, Sr.

Enclosures

cc: Parties of Record
393771

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001 SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth"), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to KRS 61.878 and 807 KAR 5:001, §7, to classify as confidential portions of BellSouth's Responses filed June 14, 2001, to certain Commission Data Requests dated May 29, 2001, for the June 19, 2001, Informal Conference, specifically responses regarding DSL equipment location, potential and actual DSL subscriber count, line information and investments, the highlighted portions contained in the Attachments to Tab 1, and Tab 2.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878(1)(c)1. To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors and the parties seeking confidentiality if openly discussed. KRS

61.878(1)(c)1; 807 KAR 5:001 § 7. The Commission has taken the position that the statute and rules require the party to demonstrate actual competition and the likelihood of competitive injury if the information is disclosed.

In the present case, BellSouth would suffer competitive harm if the commercial information it seeks to protect were disclosed. BellSouth's competitors include competitive local exchange carriers such as Adelphia, e.Spire, COVAD, Inc., and AT&T. The Commission has approved numerous interconnection agreements between BellSouth and other telecommunications carriers. In addition to competitive local exchange carriers, broadband capabilities are also being delivered by cable service companies such as Insight Communications Company, Inc., Adelphia Communications Corporation, Charter Communications, Inc., and Comcast Cable. Other broadband service providers include companies such as Orbit Communications Corp. and Starband Communications, Inc. that provide satellite-based Internet connectivity. Disclosure of this information would give BellSouth's competitors an unfair business advantage over BellSouth, since they could determine BellSouth's investment details and DSL market potential for the areas where BellSouth provides broadband services. The vendors and equipment BellSouth uses to provide services may also be determined from the highlighted information supplied by BellSouth.

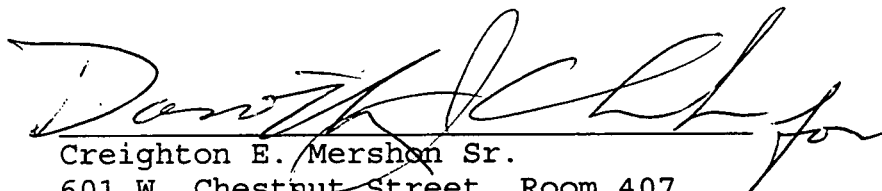
Public disclosure of this information would provide BellSouth's competitors with an unfair competitive advantage. The Commission should also grant confidential treatment to the information for the following reasons:

- (1) The information for which BellSouth is requesting confidential treatment is not known outside of BellSouth;
- (2) The information is not disseminated within BellSouth and is known only by those of BellSouth's employees who have a legitimate business need to know and act upon the information;
- (3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices; and
- (4) By granting BellSouth's petition, there would be no damage to any public interest.

For these reasons, the Commission should grant BellSouth's request for confidential treatment of portions of BellSouth's Responses to the Commission's Data Requests dated May 29, 2001, specifically highlighted responses regarding DSL equipment, DSL subscribers, line information and investments contained in

Attachments to Tab 1 and Tab 2, filed with the Commission on June
14, 2001.

Respectfully submitted,



Creighton E. Mershon Sr.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
(502) 582-8219

J. Philip Carver
Suite 4300, BellSouth Center
675 W. Peachtree St., N.E.
Atlanta, GA 30375
(404) 335-0710

COUNSEL FOR BELLSOUTH
TELECOMMUNICATIONS, INC.

393256

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 14th day of June 2001.

Creighton Mershon
Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

Hon. Ann Chevront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

Hon. James Lamoureux
AT&T COMMUNICATIONS
1200 Peachtree Street, NE
Atlanta, GA. 30309

Hon. C. Kent Hatfield
Hon. John M. Franck
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY. 40202

Hon. Susan Berlin
MCI Telecommunications Corp.
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Atlanta, GA. 30328

William Atkinson, Esq.
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Atlanta, GA. 30339

Hon. John N. Hughes
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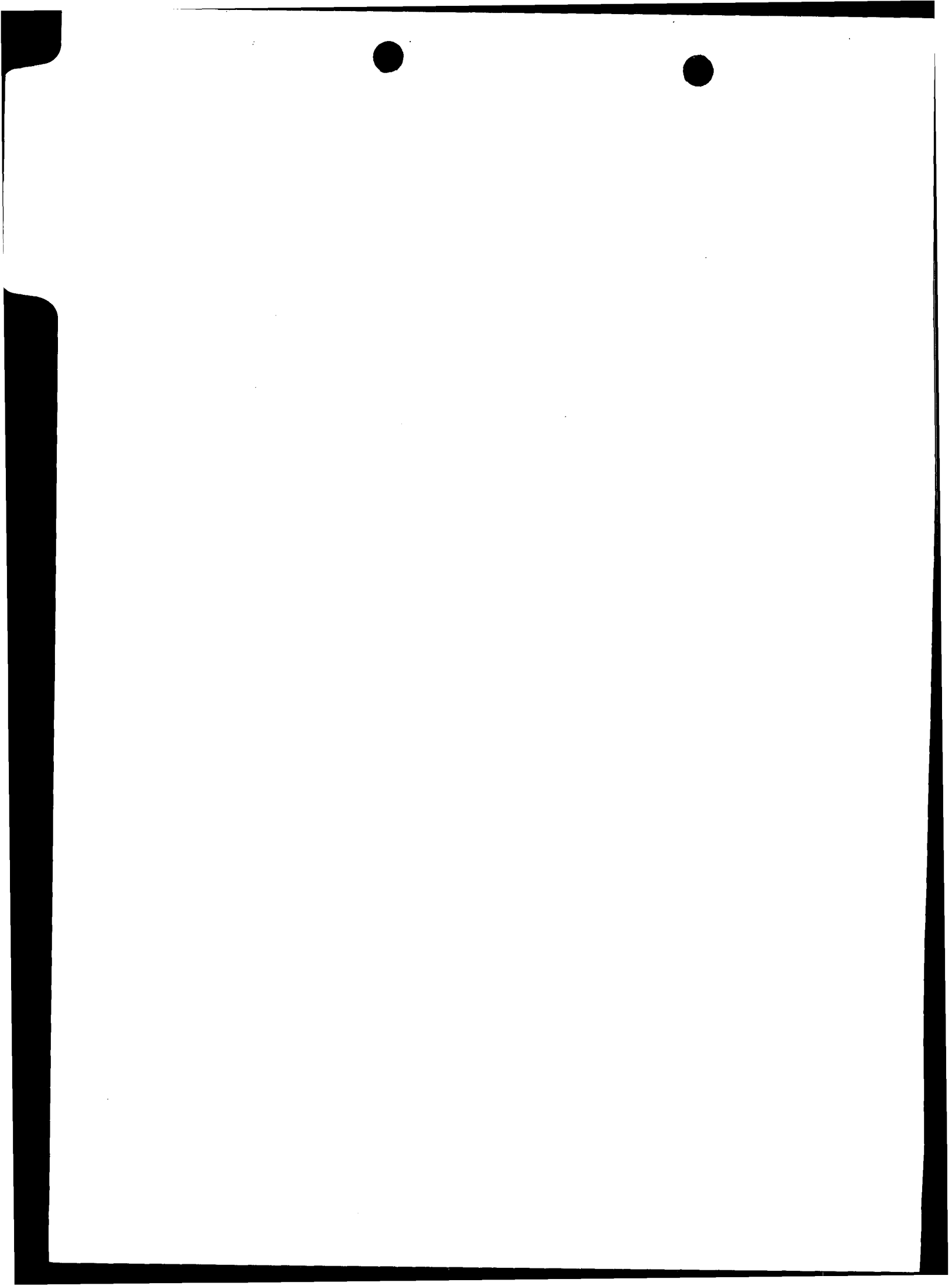
Kathy Ford
Dept. of Policy & Law
LCI International Telecom
Corporation d/b/a Qwest
Communications Services
1801 California Street, 49th Floor
Denver, CO 80202

Darrell Maynard
President
Southeast Telephone, LTD
106 Power Drive
Pikeville, KY. 41502 4150

Kristi Shaw
Regulatory Analyst
Teltrust Communications Services
6322 South 3000 East
Salt Lake City, UT. 84121

Walter P. Drabinski
President
Vantage Consulting, Inc.
22814 Overseas Highway
Cudjoe Key, FL 33042

Mr. Larry Callison
GTE
150 Rojay Drive
Lexington, KY 40503



- REQUEST:** Detailed records on every central office that has DSL deployed including:
- a. The type of DSL equipment;
 - b. The number of DSL potential subscribers;
 - c. The number of actual DSL subscribers;
 - d. The total number of lines served by the office, subdivided into those under 18,000 feet from the central office and those over 18,000 feet from the central office;
 - e. The number of DSL subscribers in the office served by BellSouth;
 - f. Number of DSL subscribers in the office served by other utilities;
 - g. The amount of DSL investment made in the office.

RESPONSE: The attached sheets (Attachments 1-3) provide detailed answers to the above data requests. A description of the data provided for each request item is also provided below.

1a. The type of Digital Subscriber Line (DSL) equipment deployed in the wire center is coded on the attached sheet. Details about these codes are on the Attachment 2 and provide the equipment vendor, model and port capacity of the specified equipment.

1b. The number of potential DSL subscribers provided on the attached sheet is a count of telephone lines within a wire center that, by the end of 2001, will qualify for BellSouth's wholesale Asymmetrical Digital Subscriber Line (ADSL) service. This line count represents lines that qualify for ADSL from a central office Digital Subscriber Line Access Multiplexer (DSLAM) and, if applicable, includes lines and pending lines that will qualify for ADSL due to an ADSL remote solution. This potential DSL subscriber count does not consider the cross elastic effects of subscribers that may be receiving broadband Internet connectivity through cable modems or direct broadcast satellite.

Response: (Cont'd)

Also, given question 2f pertaining to DSL provided by other utilities (assumed Competitive Local Exchange Carriers), there are likely subscribers that would be potential DSL customers of Competitive Local Exchange Carriers (CLECs) using xDSL variants such as ISDN Digital Subscriber Line (IDSL), Symmetric Digital Subscriber Line (SDSL) or Highspeed Digital Subscriber Line (HDSL). Many CLECs provide one or more of these non-ADSL technologies and may likely include potential DSL subscribers beyond the qualified counts provided for BellSouth's wholesale ADSL service.

1c. The total number of actual DSL subscribers represents the provisioned BellSouth wholesale ADSL service virtual channels within the specified wire center as of June 2, 2001. Other utilities (assumed CLECs) providing DSL services do not provide BellSouth with the quantity of DSL subscribers the CLEC may have within a wire center. As a result, BellSouth is not able to include non-BellSouth DSL subscribers in the total number of actual DSL subscribers.

1d. The total number of lines served by each central office are provided on the attached sheet. This line count is subdivided into lines that will be qualified for BellSouth's wholesale ADSL service by the end of 2001 and those lines that will not qualify by the end of 2001 for BellSouth's wholesale ADSL service.

The qualified lines represent the count of lines on non-loaded copper pairs (typically less than 18Kft from the central office) and, if applicable, non-loaded copper pairs where an ADSL remote solution may be deployed.

The unqualified lines contain those lines that are either on loaded copper pairs (typically greater than 18Kft) or work behind a Digital Loop Carrier (DLC) system with no ADSL remote solution deployed.

1e. The number of DSL subscribers in an office served by BellSouth represents the BellSouth provisioned wholesale ADSL virtual channels within the specified wire center as of June 2, 2001.

Response: (Cont'd)

1f. Other utilities (assumed CLECs) providing DSL services do not provide BellSouth with the quantity of DSL subscribers the CLEC may have within a wire center. However, to aid the Commission in obtaining this information, BellSouth has denoted central offices where there is collocated CLEC equipment. Additionally, BellSouth provides a list of CLECs that collocate equipment within at least one BellSouth central office in Kentucky (Attachment 3). These CLECs would be the most reliable source of the total DSL subscribers they serve.

1g. The amount of DSL investment in a specific central office contains the anticipated 2001 DSL related capital investment made by BellSouth. This investment number includes the central office DSLAM and may also include capital investments in the backbone infrastructure necessary to support BellSouth's DSL deployment. This backbone infrastructure is comprised of Asynchronous Transfer Mode (ATM) fast packet switching equipment and interoffice transport equipment used to connect ATM switching to a DSLAM or ADSL remote solution equipment.

Central Office CLLI	Central Office	Type of Equipment (1a)	The number of potential DSL Subscribers (1b)	Current ADSL Subscribers (1c)	Total Lines (1d)	Total Qualified Lines (1d)	Total Non- Qualified Lines (1d)	ADSL Subscribers Served by BellSouth (1e)	Collocated Central Office (1f)	DSL Investment (1g)
brnkyma	BENTON								Yes	
brwklyes	BARDSTOWN								Yes	
bwlgkyma	BOWLING GREEN-STATE ST								Yes	
davikyma	DANVILLE								Yes	
frfklyes	FRANKFORT-EAST								Yes	
frfklyes	FRANKFORT-MAIN								Yes	
gnvikyma	GREENSVILLE								Yes	
hnsnkyma	HENDERSON								Yes	
hpvikyma	HOPKINSVILLE								Yes	
lgrnklyes	LAGRANGE								Yes	
lgrnklyes	LAWRENCEBURG								Yes	
lrvkly26	LOUISVILLE-26TH STREET								Yes	
lrvklyan	LOUISVILLE-ANCHORAGE								Yes	
lrvklyap	LOUISVILLE-ARMORY PLACE								Yes	
lrvklybe	LOUISVILLE-BEECHMONT								Yes	
lrvklybr	LOUISVILLE-BARDSTOWN RD.								Yes	
lrvklycw	LOUISVILLE-CRESTWOOD								Yes	
lrvklyc	LOUISVILLE-FERN CREEK								Yes	
lrvklyna	LOUISVILLE-HARRODS CREEK								Yes	
lrvklyjl	LOUISVILLE-JEFFERSONTOWN								Yes	
lrvklyoa	LOUISVILLE-OKOLONA								Yes	
lrvklysh	LOUISVILLE-SHIVELY								Yes	
lrvklysl	LOUISVILLE-SIX MILE LANE								Yes	
lrvklysm	LOUISVILLE-ST MATTHEWS								Yes	
lrvklyis	LOUISVILLE-THIRD STREET								Yes	
lrvklyws	LOUISVILLE-VALLEY STATION								Yes	
lrvklywe	LOUISVILLE-WESTPORT ROAD								Yes	
mdvikyma	MADISONVILLE									
mrvklyma	MURRAY									
myfdkyma	MAYFIELD								Yes	
okgvklyes	OAK GROVE								Yes	
owbovkyma	OWENSBORO								Yes	
pdchkylo	PADUCAH-LONE OAK								Yes	
pdchkykma	PADUCAH-MAIN								Yes	
pdchkyrl	PADUCAH REIDLAND								Yes	
pkvikyma	PIKEVILLE								Yes	
rcmdkyma	RICHMOND								Yes	
rsrklyes	ROSE TERRACE								Yes	
shvikyma	SHELBYVILLE								Yes	
wncchkyma	WINCHESTER								na	
various	Plug-ins in support of DSL								na	

1 See Attachment 2 for further details for the equipment designation in this column.

2 See Attachment 2 for a list of Certified Local Exchange Carriers (CLECs) having collocated equipment in BellSouth central offices in Kentucky.

Central Office CLI	Central Office ³	Type of Equipment (1a)	The number of potential DSL Subscribers (1b)	Current ADSL Subscribers (1c)	Total Lines (1d)	Total Qualified Lines (1d)	Total Non- Qualified Lines (1d)	ADSL Subscribers Served by BellSouth (1e)	Collocated Central Office (1f)	DSL Investment (1g)
ALLNKYMA	Allen	IOF	na	na	na	na	na	na	na	na
BNLYKYMA	Benham Lynch	IOF	na	na	na	na	na	na	na	na
CLPTKYMA	Cloverport	IOF	na	na	na	na	na	na	na	na
CMTNKY21	Campton Repeater	IOF	na	na	na	na	na	na	na	na
COTNKYMA	Crofton	IOF	na	na	na	na	na	na	na	na
CRBOKYMA	Crab Orchard	IOF	na	na	na	na	na	na	na	na
EKTNKYMA	Eikton	IOF	na	na	na	na	na	na	na	na
HABTKYMA	Habit	IOF	na	na	na	na	na	na	na	na
HANSKYMA	Hanson	IOF	na	na	na	na	na	na	na	na
HRBGKYES	Hardinsburg	IOF	na	na	na	na	na	na	na	na
HRCVKY01L01	Horse Cave Repeater	IOF	na	na	na	na	na	na	na	na
HWVLYKYMA	Hawesville	IOF	na	na	na	na	na	na	na	na
HZPHKYR2198	Hazel Patch Repeater	IOF	na	na	na	na	na	na	na	na
IVTNKYQA	Ivinton Repeater	IOF	na	na	na	na	na	na	na	na
KKVLYKYMA	Kirksville	IOF	na	na	na	na	na	na	na	na
LBJTKYMA	Lebanon Junction	IOF	na	na	na	na	na	na	na	na
MACEKYMA	Maceo	IOF	na	na	na	na	na	na	na	na
MGNLKY01L01	Mangolia Repeater	IOF	na	na	na	na	na	na	na	na
NEONKYES	Neon	IOF	na	na	na	na	na	na	na	na
NRVLYKYMA	Nortonville	IOF	na	na	na	na	na	na	na	na
NWHNKYMA	New Haven	IOF	na	na	na	na	na	na	na	na
PDCHKYIP	Paducah Information Age Park	IOF	na	na	na	na	na	na	na	na
PLRGKYMA	Pleasant Ridge	IOF	na	na	na	na	na	na	na	na
PRCYKY01L01	Park City Repeater	IOF	na	na	na	na	na	na	na	na
RBRDKYMA	Robards	IOF	na	na	na	na	na	na	na	na
SEBRKYMA	Sabree	IOF	na	na	na	na	na	na	na	na
SLGHKYMA	Slaughters	IOF	na	na	na	na	na	na	na	na
SLVKY01	Salvisa Repeater	IOF	na	na	na	na	na	na	na	na
SLVSKYMA	Salvisa	IOF	na	na	na	na	na	na	na	na
VIRGKYMA	Virgie	IOF	na	na	na	na	na	na	na	na
WDDKYRV	Waddy Repeater	IOF	na	na	na	na	na	na	na	na
WLCKKYES	Wallings Creek	IOF	na	na	na	na	na	na	na	na

³ These central offices required capital investment in backbone interoffice Transport Equipment to support the DSL deployments.

DSL EQUIPMENT DESCRIPTIONS

Central Office Solutions

Equipment Designation	ADSL Port Capacity	Description
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Remote Solutions

Equipment Designation	ADSL Port Capacity	Description
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Certified Local Exchange Carriers (CLECs)
with Collocated Equipment in BellSouth Kentucky Central Offices

Attachment 3

Company Name

Adelphia Business Solutions of Kentucky, Inc.
AT&T Communications
Birch Telecom of the South, Inc.
Broadslate Networks of Kentucky, Inc.
Business Telecom Inc.
Cinergy Communications Company
COVAD, Inc.
DSL.net, Inc.
e.Spire Communications
JATO, Inc.
LightNetworks
Maxcess, Inc.
Network Access Solutions Group
Network Telephone
New Edge Networks
NewSouth Communications
Northpoint Communications, Inc.
Rhythms Links, Inc.
SBC Telecom, Inc.
Sprint Communications Company, Inc.
Trivergent Communications, Inc.

REQUEST: Similar information as requested in (1) applicable to the central offices in which DSL is not yet deployed but for which deployment has been formally announced.

- a. The type of DSL equipment;
- b. The number of potential DSL subscribers;
- c. The number of actual DSL subscribers;
- d. The total number of lines served by the office, subdivided into those under 18,000 feet from the central office and those over 18,000 feet from the central office;
- e. The number of DSL subscribers in the office served by BellSouth;
- f. Number of DSL subscribers in the office served by other utilities;
- g. The amount of DSL investment made in the office.

RESPONSE: The attached sheets (Attachments 1-3) provide detailed answers to the above data requests. A description of the data provided for each request item is also provided below.

2a. The type of Digital Subscriber Line (DSL) equipment planned for deployment in the wire centers is coded on the attached sheet. Details about these codes are also on Attachment 2 and provide the equipment vendor, model and port capacity of the specified equipment.

2b. The number of potential DSL subscribers provided on the attached sheet is a count of telephone lines within a wire center that, by the end of 2001, will qualify for BellSouth's wholesale Asymmetrical Digital Subscriber Line (ADSL) service. This line count represents lines that will qualify for ADSL from a planned central office Digital Subscriber Line Access Multiplexer (DSLAM) and, if applicable, includes lines that may qualify for ADSL due to an ADSL remote solution. This potential DSL subscriber count does not consider the cross elastic effects of subscribers that may be receiving broadband Internet connectivity through cable modems or direct broadcast satellite.

Response: (Cont'd)

Also, given question 2f pertaining to DSL provided by other utilities (assumed Competitive Local Exchange Carriers), there are likely subscribers that would be potential DSL customers of Competitive Local Exchange Carriers (CLECs) using xDSL variants such as ISDN Digital Subscriber Line (IDSL), Symmetric Digital Subscriber Line (SDSL) or Highspeed Digital Subscriber Line (HDSL). Many CLECs provide one or more of these non-ADSL technologies and may likely include potential DSL subscribers beyond the qualified counts provided for BellSouth's wholesale ADSL service.

2c. The total number of actual DSL subscribers represents the provisioned BellSouth wholesale ADSL service virtual channels within the specified wire center as of June 2, 2001. Other utilities (assumed CLECs) providing DSL services do not provide BellSouth with the quantity of DSL subscribers the CLEC may have within a wire center. As a result, BellSouth is not able to include non-BellSouth DSL subscribers in the total number of actual DSL subscribers.

2d. The total number of lines served by each central office are provided on the attached sheet. This line count is subdivided into lines that will be qualified for BellSouth's wholesale ADSL service by the end of 2001 and those lines that will not qualify by the end of 2001 for BellSouth's wholesale ADSL service.

The qualified lines represent the count of lines on non-loaded copper pairs (typically less than 18Kft from the central office) and, if applicable, non-loaded copper pairs where an ADSL remote solution may be deployed.

The unqualified lines contain those lines that are either on loaded copper pairs (typically greater than 18Kft) or work behind a Digital Loop Carrier (DLC) system with no ADSL remote solution deployed.

2e. The number of DSL subscribers in an office served by BellSouth represents the BellSouth provisioned wholesale ADSL virtual channels within the specified wire center as of June 2, 2001.

Response: (Cont'd)

2f. Other utilities (assumed CLECs) providing DSL services do not provide BellSouth with the quantity of DSL subscribers the CLEC may have within a wire center. However, to aid the Commission in obtaining this information, BellSouth has denoted central offices where there is collocated CLEC equipment. Additionally, BellSouth provides a list of CLECs that collocate equipment within at least one BellSouth central office in Kentucky (Attachment 3). These CLECs would be the most reliable source of the total DSL subscribers they serve.

2g. The amount of DSL investment in a specific central office contains the anticipated 2001 capital investment made by BellSouth. This investment number includes the central office DSLAM and may also include capital investments in the backbone infrastructure necessary to support BellSouth's DSL deployment. This backbone infrastructure is comprised of Asynchronous Transfer Mode (ATM) fast packet switching equipment and interoffice transport equipment used to connect ATM switching to a DSLAM or ADSL remote solution equipment.

Wire centers having ADSL remote solutions deployed during 2001 are also depicted on the attached sheets. The capital investment amounts for these noted locations represents the investment for equipment that has been ordered, but does not contain investment amounts for ADSL remote solutions that have not yet been ordered.

Central Office GLLI	Central Office	Type of Equipment (2a) ¹	The number of potential DSL Subscribers (2b)	Current ADSL Subscribers (2c)	Total Lines (2d)	Total Qualified Lines (2d)	Total Non- Qualified Lines (2d)	Subscribers Served by BellSouth (2e)	Collocated Central Office (2f) ²	DSL Investment (2-g)
bdlrkyma	BEDFORD									
bvdrmkyma	BEAVER DAM									
byvlkyma	BEATTYVILLE									
caazkyma	CADIZ								Yes	
crncykyma	CENTRAL CITY									
crbnkyma	CORBIN									
crnllkyma	CARROLLTON									
crnkyma	CYNTHIANA									
drbkoyes	DRAKESBORO									
emnkkyes	EMINENCE									
ensfkyma	ENSOR									
frnkyma	FRANKLIN									
flnkyma	FULTON-MAIN									
grtwkyma	GEORGETOWN									
hdbgkyma	HARRODSBURG									
hrfrkyma	HARTFORD									
hrfnkyma	HARLAN									
marnkyma	MARION									
mdbkyma	MIDDLESBORO									
mgfdkyma	MORGANFIELD									
mtskyma	MT STERLING									
owrnkyma	OWENTON									
parskyma	PARIS									
pvvlkyma	PINEVILLE									
prvbkoyes	PAINTSVILLE									
prvbkoyes	PRESTONBURG									
prvbkoyes	PRINCETON									
prvbkoyes	PROVIDENCE									
rvlkyma	RUSSELLVILLE									
srnkyma	STANTON									
spdkyma	SPRINGFIELD									
ssvbkyma	SIMPSONVILLE, KY									
stfrkyma	STANFORD									
strjkyma	STURGIS									
tyvlkyma	TAYLORSVILLE									
whbkyma	WHITESBURG									
wlbgkyma	WILLIAMSBURG									
various	Plug-ins in support of DSL	na	na	na	na	na	na	na	na	na

¹ See Attachment 2 for further details for the equipment designation in this column.
² See attachment 3 for a list of Certified Local Exchange Carriers (CLECs) having collocated equipment in BellSouth central offices in Kentucky.

Central Offices with Remote Solution Deployments for 2001

Central Office GLLI	Central Office	Types of Equipment (1a)	The number of potential DSL Subscribers (1b)	Current ADSL Subscribers (1c)	Total Lines (1d)	Total Qualified Lines (1d)	Total Non- Qualified Lines (1d)	ADSL Subscribers Served by BellSouth (1e)	Collocated Central Office (1f)	DSL Investment (1g)
bninkyma	BENTON				see response Tab 1					
bwlgkyma	BOWLING GREEN-STATE ST				see response Tab 1					
hpkvlyma	HOPKINSVILLE				see response Tab 1					
lgrmkvys	LAGRANGE				see response Tab 1					
lsvlykan	LOUISVILLE-ANCHORAGE				see response Tab 1					
lsvlyvap	LOUISVILLE-ARMORY PLACE				see response Tab 1					
lsvlykbe	LOUISVILLE-BEECHMONT				see response Tab 1					
lsvlykbr	LOUISVILLE-BARDSTOWN RD.				see response Tab 1					
lsvlykvw	LOUISVILLE-CRESTWOOD				see response Tab 1					
lsvlykfc	LOUISVILLE-FERN CREEK				see response Tab 1					
lsvlykha	LOUISVILLE-HARRRODS CREEK				see response Tab 1					
lsvlykjl	LOUISVILLE-JEFFERSONTOWN				see response Tab 1					
lsvlykxa	LOUISVILLE-OKOLONA				see response Tab 1					
lsvlyksh	LOUISVILLE-SHIVELY				see response Tab 1					
lsvlyksl	LOUISVILLE-SIX MILE LANE				see response Tab 1					
lsvlyksm	LOUISVILLE-ST MATTHEWS				see response Tab 1					
lsvlykfs	LOUISVILLE-THIRD STREET				see response Tab 1					
lsvlykvs	LOUISVILLE-VALLEY STATION				see response Tab 1					
lsvlykwe	LOUISVILLE-WESTPORT ROAD				see response Tab 1					
mrvlykma	MURRAY				see response Tab 1					
okgvkyes	OAK GROVE				see response Tab 1					
owvbkyma	OWENSBORO				see response Tab 1					
pdchkyfo	PADUCAH-LONE OAK				see response Tab 1					
rstkyves	ROSE TERRACE				see response Tab 1					

DSL EQUIPMENT DESCRIPTIONS

Central Office Solutions

Equipment Designation	ADSL Port Capacity	Description
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Remote Solutions

Equipment Designation	ADSL Port Capacity	Description
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Certified Local Exchange Carriers (CLECs)
with Collocated Equipment in BellSouth Kentucky Central Offices

Attachment 3

Company Name

Adelphia Business Solutions of Kentucky, Inc.
AT&T Communications
Birch Telecom of the South, Inc.
Broadslate Networks of Kentucky, Inc.
Business Telecom Inc.
Cinergy Communications Company
COVAD, Inc.
DSL.net, Inc.
e.Spire Communications
JATO, Inc.
LightNetworks
Maxcess, Inc.
Network Access Solutions Group
Network Telephone
New Edge Networks
NewSouth Communications
Northpoint Communications, Inc.
Rhythms Links, Inc.
SBC Telecom, Inc.
Sprint Communications Company, Inc.
Trivergent Communications, Inc.

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REQUEST: A schedule of current deployment, status of each central office and plans for future offices.

RESPONSE: The current deployment schedule and status of each formally announced central office is depicted in the attached sheet. Planning for future DSL deployment is anticipated to begin sometime during the third to fourth quarter of 2001. Therefore future plans are not yet available.

Central Office	Central Office CLLI	Objective Service Date	Actual Service Date	Status
BARDSTOWN	BRTWKYES	03/09/01	3/1/2001	COMPLETE
BEATTYVILLE	BYVLKYMA	07/09/01		
BEAVER DAM	BVDMKYMA	08/08/01		
BEDFORD	BDFRKYMA	07/26/01		
BENTON	BNTNKYMA	04/20/01	4/10/2001	COMPLETE
BOWLING GREEN - STATE ST	BWLGKYMA	02/01/00	2/1/2000	COMPLETE
CADIZ	CADZKYMA	08/09/01		
CARROLLTON	CRTNKYMA	06/14/01		
CENTRAL CITY	CNCYKYMA	09/24/01		
CORBIN	CRBNKYMA	06/27/01		
CYNTHIANA	CYNTKYMA	09/19/01		
DANVILLE	DAVLKYMA	03/29/01	3/15/2001	COMPLETE
DRAKESBORO	DRBOKYES	09/28/01		
EMINENCE	EMNNKYES	07/25/01		
ENSOR	ENSRKYMA	11/01/01		
FRANKFORT-EAST	FRFTKYES	03/02/01	2/14/2001	COMPLETE
FRANKFORT-MAIN	FRFTKYMA	02/01/00	2/1/2000	COMPLETE
FRANKLIN	FKLNKYMA	06/13/01		
FULTON-MAIN	FLTNKYMA	09/26/01		
GEORGETOWN	GRTWKYMA	06/20/01		
GREENSVILLE	GNVLKYMA	06/07/01	5/25/2001	COMPLETE
HARLAN	HRLNKYMA	06/29/01		
HARRODSBURG	HDSGKYMA	06/18/01		
HARTFORD	HRFRKYMA	08/06/01		
HENDERSON	HNSNKYMA	06/12/01	5/29/2001	COMPLETE
HOPKINSVILLE	HPVLKYMA	06/08/01	5/30/2001	COMPLETE
LAWRENCEBURG	LRBGKYMA	02/23/01	2/14/2001	COMPLETE
MADISONVILLE	MDVIKYMA	03/16/01	3/6/2001	COMPLETE
MARION	MARNKYMA	11/02/01		
MAYFIELD	MYFDKYMA	05/02/01	4/20/2001	COMPLETE
MIDDLESBORO	MDBCKYMA	06/28/01		
MORGANFIELD	MGFDKYMA	08/10/01		
MT STERLING	MTSTKYMA	06/22/01		
MURRAY	MRRYKYMA	05/01/01	4/20/2001	COMPLETE
OAK GROVE	OKGVKYES	06/11/01	5/30/2001	COMPLETE
OWENSBORO	OWBOKYMA	03/22/01	3/9/2001	COMPLETE
OWENTON	OWTNKYMA	10/30/01		
PADUCAH REIDLAND	PDCHKYRL	04/25/01	04/18/01	COMPLETE
PADUCAH-LONE OAK	PDCHKYLO	04/25/01	04/18/01	COMPLETE
PADUCAH-MAIN	PDCHKYMA	04/24/01	4/13/2001	COMPLETE
PAINTSVILLE	PNVLKYMA	06/15/01		
PARIS	PARSKYMA	06/21/01		
PIKEVILLE MAIN	PKVLKYMA	02/01/00	2/1/2000	COMPLETE
PINEVILLE	PIVLKYMA	07/27/01		
PRESTONBURG	PRBGKYES	06/25/01		
PRINCETON	PRTNKYES	09/25/01		
PROVIDENCE	PRVDKYMA	08/03/01		
RICHMOND	RCMDKYMA	03/23/01	3/13/2001	COMPLETE
ROSE TERRACE	RSTRKYES	03/30/01	3/15/2001	COMPLETE
RUSSELLVILLE	RLVLKYMA	09/21/01		
SHELBYVILLE	SHVLKYMA	03/08/01	2/28/2001	COMPLETE
SIMPSONVILLE, KY	SSVLKYMA	08/14/01		
SPRINGFIELD	SPFDKYMA	07/31/01		
STANFORD	STFRKYMA	08/01/01		
STANTON	SNTNKYMA	10/31/01		
STURGIS	STRGKYMA	08/07/01		
TAYLORSVILLE	TYVLKYMA	08/13/01		
WHITESBURG	WHBCKYMA	06/19/01		
WILLIAMSBURG	WLBGKYMA	09/20/01		
WINCHESTER	WNCHKYMA	03/15/01	3/6/2001	COMPLETE

REQUEST: Plans to serve customers beyond 18,000 feet, including whether any office has deployed a solution to serve beyond 18,000 feet.

RESPONSE: End-user customers not qualified for ADSL service by a central office DSLAM are typically not qualified for one of two reasons: 1) They receive their Plain Old Telephone Service (POTS) via loaded copper cable pairs; or 2) They receive their POTS service via copper pairs "behind" a DLC system. BellSouth's strategy for making ADSL service available for customers working behind a DLC system is discussed in Item No. 5 under Tab 5.

For those customers receiving their POTS services via loaded copper pairs, providing ADSL is very difficult to economically achieve. Copper pairs ~18 Kft and longer are "loaded" with load coils. These load coils are necessary on long copper loops to remove capacitance that builds up over the length of these copper loops. Without load coils, customers would not be able to talk on their telephones. Unfortunately, while load coils are required to support voice on these loops, they also act as a low-pass filter, preventing ADSL signals from passing over such loops.

Over the past fifteen years, DLC systems have been used fairly extensively to serve customers that are at great distances from the serving wire center. However, there is an existing amount of cable plant deployed in past years that is loaded and still used to provide quality voice grade services to customers. Replacing loaded copper with DLC system is expensive and time consuming, and cannot be economically justified in all cases. There may be situations such as facility relocation due to highway moves or plant modernization driven by growth or maintenance requirements where BellSouth may determine that deployment of a DLC system is the best economical choice for facility replacement. Once such DLC systems are deployed, remote DSLAM solutions as discussed in under Tab 5 may become an option for those customers that would now served by DLC systems. Beyond facility upgrades driven by situations such as those above, there are no plans in the near term to upgrade cable facilities to eliminate load coils.

REQUEST: Whether BellSouth's reliance on "fiber" distribution systems like digital loop carrier ("DLC") places restrictions on the manner in which DSL can be deployed to customers "behind" a DLC, including a narrative of any solutions to this issue.

RESPONSE: While reliance on fiber distribution limits the availability of central office directly fed copper pairs over which DSL may be provisioned, the use of fiber in the distribution plant actually enhances BellSouth's ability to offer high quality DSL service.

Fiber distribution presents the challenge of making DSL available by having to deploy DSLAMs in remote terminal locations in an "overlay" model. This model is more costly than a central office based DSLAM solution. However, this is a model that BellSouth has embraced and is pursuing. The deployment of remote DSL solutions brings DSL ports closer to subscribers making more subscribers within the serving range of these remote DSLAMs. Generally, these subscribers are closer to these remote DSLAMs thus improving the data rates that they can achieve.

Fiber distribution ultimately positions BellSouth to keep improving its consumer data services, since the bandwidth capacity of fiber is several orders of magnitude greater than that of copper facilities. As services emerge that require more bandwidth, BellSouth will not be constrained to the lower data rates predicated by an all-copper DSL distribution from central office based DSLAMs.

BellSouth is pursuing two types of solutions for delivering DSL service from "fiber-fed" remote terminal locations. The aforementioned "overlay" model literally places DSLAM technology in the remote terminal and relies on the fiber distribution for its connectivity to BellSouth's core packet network. In this model Plain Old Telephone Service (POTS) is maintained via current DLC systems and combined onto the ADSL line in the remote terminal location using splitter technology.

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Response: (Cont'd)

The other type of solution for delivering DSL service from "fiber-fed" remote terminal locations leverages existing DLC systems that have been designed to be upgraded to provide both DSL and traditional narrowband services, such as POTS. Such systems integrate both DSL and POTS on the same service card, so that subscribers can be provisioned on the same line card. These systems have entered the market over the last year.

REQUEST: Any alternative emerging technologies for DSL deployment.

RESPONSE: Emerging technologies for the deployment of DSL service fall into three categories. The first of these is the deployment or upgrade of contemporary DLC systems to provide both ADSL and traditional telephony services in an "integrated" fashion. These systems are deployed in remote terminal locations and connected to the network with fiber distribution facilities. These systems also feature a high density of services, since both DSL and narrowband telephony services are supported by the common platform.

The second category of emerging DSL deployment involves a deep penetration of fiber facilities in the distribution loop. This method of DSL deployment leverages fiber-to-the-curb ("FTTC") digital loop carrier platforms that place the actual BellSouth ADSL transceiver within 500 feet of the subscriber. Such proximity insures very high data connectivity capability to the subscriber. BellSouth has broadly deployed this FTTC across its region during the past decade and an upgrade capability to offer DSL is under development and scheduled to begin deployment in late summer. BellSouth is also moving to a "next generation" FTTC platform that will allow a greater density of DSL ports and even higher data rates than its current platform. Combining of telephony and ADSL signals, however, is performed in the optical network unit ("ONU") that is located at the curb, within 500 feet of the subscriber. Ultimate network connectivity of telephony and broadband data services is accomplished independently as with the aforementioned integrated digital loop carrier systems.

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Response: (Cont'd)

Finally, the third category of emerging DSL deployment leverages emerging "packetized" voice technology. That is, telephony services are "derived" in the remote DSL platform from encoded data streams. Both native data and telephony services are connected to the BellSouth network as a homogenous data stream and resolved into separate services by platforms embedded in the core network. These "packet local" platforms are capable of resolving voice and data services into the BellSouth tariffed service offering of ADSL + baseband POTS, or they can deliver a unified data signal to an integrated service device ("IAD") located in the customer premises, in which telephony services are resolved as analog POTS lines or as voice-over-IP ("VoIP") lines for distribution within the premises. Data services are supported by IADs in a premises LAN environment, leveraging networking technologies such as traditional Ethernet, Home Phone Networking Alliance standards ("HPNA"), or wireless technologies such as 802.11b.



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BX 615
FRANKFORT, KENTUCKY 40602-0615
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

May 29, 2001

TO: Parties of Record

RE: Case No. 99-434

Please see enclosed notice of informal conference from Commission Staff in the above case. If you have any questions, please call Helen Vance at 502-564-3940, Extension 216.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv

Enclosure



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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


COMMISSION STAFF'S NOTICE OF INFORMAL CONFERENCE

Commission Staff requests that BellSouth Telecommunications, Inc. ("BellSouth") appear for an informal conference on June 19, 2001 at 1:30 p.m., Eastern Daylight Time, in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky. The purpose of the informal conference is to continue discussions of DSL deployment in Kentucky. All parties are invited to participate. Additionally, the conference is open to the public.

Information pertaining to the status of DSL deployment must be furnished by BellSouth prior to the conference so that the discussions can be beneficial. Thus, 5 days prior to the informal conference, BellSouth should file the following:

1. Detailed records on every central office that has DSL deployed including:
 - a. the type of DSL equipment;
 - b. the number of potential DSL subscribers;
 - c. the number of actual DSL subscribers;
 - d. the total number of lines served by the office, subdivided into those under 18,000 feet from the central office and those over 18,000 feet from the central office;
 - e. the number of DSL subscribers in the office served by BellSouth;
 - f. number of DSL subscribers in the office served by other utilities;

- g. the amount of DSL investment made in the office.
2. Similar information as requested in (1) applicable to the central offices in which DSL is not yet deployed but for which deployment has been formally announced.
 3. A schedule of current deployment, status of each central office and plans for future offices.
 4. Plans to serve customers beyond 18,000 feet, including whether any office has deployed a solution to serve beyond 18,000 feet.
 5. Whether BellSouth's reliance on "fiber" distribution systems like digital loop carrier ("DLC") places restrictions on the manner in which DSL can be deployed to customers "behind" a DLC, including a narrative of any solutions to this issue.
 6. Any alternative emerging technologies for DSL deployment.


Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Dated: 5/29/01

cc: Parties of Record

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

March 19, 2001

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

RECEIVED
MAR 19 2001
PUBLIC SERVICE
COMMISSION

Re: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

By letter dated March 9, 2001, you provided BellSouth a copy of the Commission Staff Report of the informal conference in this case that was held on February 21, 2001.

BellSouth would respectfully submit the following corrections or clarifications to the Staff Report:

1. Numbered paragraph 2 on page 2 of the report discusses BellSouth Staff Manager Steve Rausch's discussion of rate design or rebalance efforts. The report stated that these efforts ". . . will include a \$5 million increase in year one and another \$5 million in year two." BellSouth would like the record to reflect that these increases to certain rates are offset by decreases in other rates resulting in a revenue neutral rebalance to BellSouth's current rates.

2. In numerical paragraph 3, page 2, sentence 4, BellSouth would suggest that it read: "The majority of these contracts were . . ." This reflects that most, but not all, of the contracts filed by BellSouth are either volume and term or PRI agreements.

3. In numerical paragraph 3, page 2, paragraph 2, first sentence, the report states that BellSouth would like to modify its contract procedure similar to procedures in South Carolina.

Mr. Thomas M. Dorman
March 19, 2001
Page 2

If BellSouth did, in fact, refer to South Carolina, we apologize. BellSouth intended to refer to Commission practices in the states of North Carolina, Florida, and Mississippi, all of which have approved an abbreviated form of filing contracts.

4. In numerical paragraph 3, page 2, paragraph 4, the report states that "AT&T questioned BellSouth as to why it (BellSouth) did not simply lower its tariff rates" BellSouth recalls that the AT&T representative asked "why BellSouth did not offer our contracts to all customers." While BellSouth questioned the interest of AT&T in BellSouth's pricing strategies to BellSouth customers, we pointed out again that our contracts very often are a competitive response to customers who have competitive choices.

Respectfully submitted,

Creighton E. Mershon, Sr.
Creighton E. Mershon, Sr.

by

D. J. Cohen

cc: Parties of Record

250905



Paul E. Patton, Governor

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

March 12, 2001

W. Brent Rice, Esq.
McBrayer, McGinnis, Leslie & Kirkland PLLC
163 West Short Street, Suite 300
Lexington, Kentucky 50507

RE: Motion for Protective Order
VarTec Telecom, Inc.
Case Number: 1999-434

Dear Mr. Rice:

The Commission has received your Motion for Protection of Confidential and Proprietary Information filed February 22, 2001, to protect as confidential that documentation submitted in response to Commission Order in support of VarTec's position that intrastate rate reductions required of IXC's should not apply to VarTec. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the motion, and it will be withheld from public inspection, **to the extent not already published.**

While your Motion technically does not comply with pertinent regulations requiring a Petition for Confidentiality, I believe your Motion states appropriate legal and equitable reasons for granting confidentiality.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

Thomas M. Dorman
Executive Director

Mailed on 3/13/01

K.C.





Paul E. Patton, Governor

**Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet**

**Thomas M. Dorman
Executive Director
Public Service Commission**

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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**Martin J. Huelsmann
Chairman**

**Edward J. Holmes
Vice Chairman**

**Gary W. Gillis
Commissioner**

March 9, 2001

PARTIES OF RECORD:

Re: Case No. 99-434

Ladies and Gentlemen:

Attached is a copy of the memorandum which is being filed in the record of the above referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. Should you have any questions, please contact Bonnie Kittinger at 502/564-3940, Extension 236.

Sincerely,

A handwritten signature in black ink that reads "Thomas M. Dorman".

Thomas M. Dorman
Executive Director

Attachment

Mailed 3/12 - v. H.



INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

FILED

MAR 09 2001

PUBLIC SERVICE
COMMISSION

TO: Case No. 99-434--Main Case File
FROM: Bonnie Kittinger
DATE: March 9, 2001
SUBJECT: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan

On February 21, 2001, an informal conference was held in this case. Attendees are shown on the attached sign-in sheet.

The purpose of the conference was to address the following issues:

- (1) BellSouth Telecommunications, Inc.'s ("BellSouth") deployment of DSL
- (2) Rate Design
- (3) Contract Issues

(1) Tony Taylor and Jim Tipton discussed DSL deployment as follows: By Order of August 3, 2000, BellSouth was required to deploy broadband services, within a 3-year timeframe, to all subscribers in 35 identified wirecenters. Instead, BellSouth is deploying DSL to customers within 18,000 feet of the central office in 35 wirecenters by June 2001 and an additional 25 by the end of 2001. This will be a total of 60 locations outside of Louisville, and includes approximately 82% of the population in BellSouth's area.

BellSouth has worked with the Kentucky Economic Development Office and the Kentucky League of Cities, the latter pushing for deployment to smaller cities. Representatives from IgLou Internet Services, Inc. ("IgLou") questioned BellSouth concerning how it targeted the cities and whether it considered the location of Internet service providers ("ISPs") in selecting cities to include in the initial deployment plan, or whether BellSouth was primarily serving its own ISP service. BellSouth stated that it is working with colleges and universities, e.g., a study at Western Kentucky University on broadband usage and demand issues.

BellSouth invited IgLou to share information regarding other communities that should be targeted for broadband deployment; however, IgLou is reluctant to do so because of competitive concerns. After IgLou reviews the list of targeted cities, which was available as of February 26, 2001, it may suggest additional ones to BellSouth.

Following a question from a Staff engineer regarding vendor selection, BellSouth agreed to send the Commission information on the process.

There is no written plan for deployment beyond 2001. It will depend on the success of this year's efforts and BellSouth will rely on future informal conferences and dialogue to gauge the success of deployment to date. Commission Staff indicated that the next informal conference would be scheduled sometime in June 2001.

(2) Steve Rausch discussed BellSouth's rate design or rebalance efforts, which will include a \$5 million increase in year one and another \$5 million in year two. The six rate groups will be collapsed into three and will match UNE zones in Administrative Case No. 382. Rate groups 1 and 2 are to become rate group 3; rate group 3 will be rate group 2; and groups 4-6 will become rate group 1.

BellSouth will file a tariff in October 2001 and a second in 2002. Primary rate interface (PRI) rates are to be lowered. IgLou asked that extended-reach PRI rates be reduced.

(3) Jim Tipton discussed BellSouth's contract issues for its two types of contracts: special arrangement contracts and contract service arrangements. In the latter type, BellSouth must often lower the published tariff rates to be competitive. There were 200 such contracts filed in Year 2000. These contracts were of two types also, either volume and term agreements with discounts based on volume, or PRI agreements. Sixty percent of PRI are sold at the tariff rate, while 40 percent are discounted to be competitive.

BellSouth would like to file a modified version of its contracts, similar to the way it is done in South Carolina. There, BellSouth files a list of contracts entered into, with notice to the state commission and if the commission has a question or wants additional information, it requests additional filing. BellSouth is concerned that competitors can review its PSC filings and target BellSouth's customers. Commission Staff suggested BellSouth file a petition under KRS 278.512, rather than KRS 278.160 and KRS 278.180, as suggested by BellSouth. Staff agreed to consider the alternative statute applicability and discuss it further with BellSouth's local counsel.

BellSouth would also like to file its tariffs electronically, except for cost data, which is confidential.

AT&T questioned BellSouth as to why it did not simply lower its tariff rates, since so many of its contracts are discounted.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF BELLSOUTH TELECOMMUNICATIONS, INC.'S
PRICE REGULATION PLAN

CASE NO. 99-434

February 21, 2001 Informal Conference

Please sign in:

NAME	REPRESENTING
Joe Ewalt	Ky League of Cities
May E. Dougherty	PSC
Bonnie C. Klinger	PSC
Jonathan N. Ankum	Iglou
Gregory Gregoire	Iglou
Jeff Yost	Iglou
Tip Depp	JACKSON & KELLY PLLC
Ann Laise Chevront	e.spire
Phyllis Lannin	OAG
Kristy Lemay	PSC
Eddy Roberts	BS
Joan Coleman	BST
Craigton & Neishon	BST
Sony Taylor	BST
Jim Apton	BST
Carroll Wallace	AT&T

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE COMMONWEALTH OF KENTUCKY

RECEIVED
FEB 22 2001
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF VARTEC TELECOM, INC.)
RESPONSE TO THE ORDERS ISSUED TO) Case Nos.
INTEREXCHANGE CARRIERS REGARDING) 1994-121, 1999-434,
REQUIRED INTRASTATE RATE REDUCTIONS) 2000-069 and 2000-260

**MOTION FOR PROTECTION OF CONFIDENTIAL
AND PROPRIETARY INFORMATION**

In response to orders issued by the Commission in Case Nos. 1994-121, 1999-434, 2000-069 and 2000-260, VarTec Telecom, Inc. ("VarTec" or "Company") provided the Commission with documentation in support of the Company's position that the intrastate rate reductions being required of interexchange carriers ("IXCs") in these cases should not be applied to VarTec as the Company had previously met and even exceeded the rate reduction requirements with its voluntary and proactive introduction of its new service offering, the FiveLine® Service (see letter to the Commission from the undersigned counsel dated January 5, 2001). This supporting documentation was identified as confidential in VarTec's filing, but no formal request for confidential treatment was made at the time of filing. Exhibit A to this Motion contains the supporting documentation in a format ready for public disclosure, and Exhibit B also contains the supporting documentation but with the confidential sections highlighted for the Commission's reference. Pursuant to KRS 61.878(1)(c) and 807 KAR 5:001, VarTec now submits the following in support of its request for confidential treatment of certain information contained in Exhibit B.

As a privately-held corporation, VarTec requests that the Commission withhold from public inspection the highlighted information contained in Exhibit B due to its proprietary nature. The

specified contents of Exhibit B should not be open to public inspection because this data is generally recognized as confidential and the disclosure of such information would provide VarTec's competitors (e.g., AT&T, MCIWorldcom, Sprint and other IXCs operating within Kentucky) with an unfair business advantage.

The confidential information contained in Exhibit B is only disclosed by VarTec to those with a "need to know" requirement of the contents therein. When such information is disclosed to others, it is done so only on a confidential basis. Making this information available for inspection would reveal information to the public and to competitors which would allow them to know confidential information regarding VarTec's revenue and other data which the Company does not disclose without the appropriate protections in place (e.g., confidentiality agreement or protective order).

Wherefore, VarTec respectfully requests that its Motion for Protection of Confidential and Proprietary Information be granted.

Respectfully submitted



W. Brent Rice
MCBRAYER, MCGINNIS, LESLIE
& KIRKLAND PLLC
163 West Short Street, Suite 300
Lexington, Kentucky 40507
(859) 231-8780
ATTORNEYS FOR VARTEC TELECOM, INC.

CERTIFICATE OF SERVICE

On this 20 day of February 2001, four originals and twenty-seven copies of the foregoing was mailed via U.S. mail to:

Mr. Thomas M. Dorman, Executive Director
Commonwealth of Kentucky
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602



W. BRENT RICE

GTE CASE NOS. 2000-069 AND 2000-260
 AND
 BELLSOUTH CASE NOS. 1994-121 AND 1999-434

Kentucky Product Change Analysis	
	13 MONTH TOTAL: September 1999 to October 2000
<i>FiveLine Intrastate Billed Minutes</i>	
BellSouth	██████████
GTE	██████████
Total FiveLine Intrastate Minutes	██████████
<i>Retail Price per Minute</i>	
DimeLine	\$0.10
FiveLine	\$0.05
Price Reduction	\$0.05
<i>Revenue Reduction (Customer Savings)</i>	
BellSouth	██████████
GTE	██████████
Total Reduction Made by VarTec in September 1999 (Customer Savings)	██████████
<i>Access Cost Reductions</i>	
BellSouth (access rate reductions from Case Nos. 1994-121 and 1999-434 in August 2000)	██████████
GTE (access rate reductions from Case No. 2000-069 in February 2000)	██████████
GTE (access rate reductions from Case No. 2000-260 in June 2000)	██████████
GTE Credit (result of tariff revisions filed by VarTec on June 30, 2000 in response to GTE Case No. 2000-069)	██████████
Total Required Access Cost Reduction	██████████
<i>Additional Savings over Access Reductions</i>	
BellSouth	██████████
GTE	██████████
Total Additional Savings for VarTec's Kentucky Customers	██████████

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

February 8, 2001

RECEIVED

FEB 08 2001

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

PUBLIC SERVICE
COMMISSION

Re: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

On February 5, 2001, BellSouth filed proposed price changes as required by the Commission's August 3, 2000, Order in Case 99-434. Attachments 2 and 3 are excerpts from the Company's Market Basket Priceout and contain information which the Commission has afforded confidential and proprietary treatment in that the priceouts show actual demand which is commercially sensitive information. The documents were stamped as proprietary, but the proprietary material was not redacted.

We are filing today the requisite confidential and public copies of these attachments. We have also provided a highlighted copy to the parties along with a confidentiality agreement where necessary. We ask the parties to return the unhighlighted copies that were previously provided.

Sincerely,



Creighton E. Mershon, Sr.

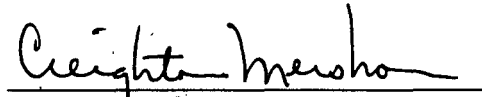
Enclosures

cc: Parties of Record

246497

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 8th day of February 2001.



Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

Hon. Ann Cheuvront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

Hon. James Lamoureux
AT&T COMMUNICATIONS
1200 Peachtree Street, NE
Atlanta, GA. 30309

Hon. C. Kent Hatfield
Hon. John M. Franck
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY. 40202

Hon. Susan Berlin
MCI Telecommunications Corp.
6 Concourse Parkway, Suite 3200
Atlanta, GA. 30328

William Atkinson, Esq.
Sprint Communications Co., L.P.
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Atlanta, GA. 30339

Hon. John N. Hughes
Attorney at Law
124 W. Todd St.
Frankfort, KY. 40601

DeMara Madison
Regulatory Compliance
Coordinator
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8219 Leesburg Pike
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Mark Long
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Larry Barnes
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Pikeville, KY. 41502 4150

Kristi Shaw
Regulatory Analyst
Teltrust Communications Services
6322 South 3000 East
Salt Lake City, UT. 84121

Walter P. Drabinski
President
Vantage Consulting, Inc.
22814 Overseas Highway
Cudjoe Key, FL 33042

Mr. Larry Callison
GTE
150 Rojay Drive
Lexington, KY 40503

State: Kentucky
 KY.1200.X
 REVENUE YEAR 1
 Present and Proposed Rates and Revenues
 LOCAL EXCHANGE
 Develop Date : 12/00
 Page : 1 of 9
 Run Date : 02/01/01

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MB Seg. (13)
RECURRING RATES												
RATE GROUP 1												
A3/2	RES 1-PARTY FLAT		\$12.77		\$14.05	\$1.28	10.02%					1001
A103/1	RES 2-PARTY FLAT		\$9.84		\$14.00	\$4.16	42.28%					1001
A142/4	RES FLAT ISDN, M TO M		\$2.77		\$4.05	\$1.28	2.43%					1576
A3/2	RES STD MEAS		\$9.84		\$10.82	\$0.98	9.96%					1002
A3/2	RES LOW USE MEAS		\$6.91		\$7.60	\$0.69	9.99%					1002
A3/3.2	RES PLAN LINE		\$9.45		\$10.40	\$0.95	10.05%					1002
A3/3.1	RES PLAN LINE W/LUD		\$10.50		\$11.55	\$1.05	10.00%					1002
A3/2	BUS 1-PARTY FLAT		\$35.00		\$35.90	\$0.90	2.57%					1003
A3/40	BUS FLAT HTG		\$12.00		\$12.00	\$0.00	0.00%					1004
A3/40	BUS MESS HTG		\$26.17		\$26.17	\$0.00	0.00%					1004
A3/2	BUS STD MEAS		\$12.00		\$12.00	\$0.00	0.00%					1003
A3/40	BUS PLAN HTG		\$17.50		\$17.95	\$0.45	2.57%					1104
A3/60	BUS BACK-UP LINE		\$32.00		\$32.90	\$0.90	2.81%					1006
A3/43	TRK FLAT-IN		\$35.00		\$35.90	\$0.90	2.57%					1006
A3/43	TRK FLAT-OUT		\$35.00		\$35.90	\$0.90	2.57%					1006
A13/9	TOLL TERM		\$35.00		\$35.90	\$0.90	2.57%					2024
A3/40	PUB ANN HTG		\$12.00		\$12.00	\$0.00	0.00%					1004
A13/29	911 ACCESS		\$35.00		\$35.90	\$0.90	2.57%					1016
SUBTOTAL												
RATE GROUP 2												
A3/2	RES 1-PARTY FLAT		\$13.67		\$14.05	\$0.38	2.78%					1001
A142/4	RES FLAT ISDN, M TO M		\$3.67		\$4.05	\$0.38	0.71%					1576
A3/2	RES STD MEAS		\$10.52		\$11.57	\$1.05	9.98%					1002
A3/2	RES LOW USE MEAS		\$7.36		\$8.10	\$0.74	10.05%					1002
A142/4	RES MEAS ISDN		\$41.45		\$41.45	\$0.00	0.00%					1576
A3/3.2	RES PLAN LINE		\$9.45		\$10.40	\$0.95	10.05%					1002
A3/3.1	RES PLAN LINE W/LUD		\$10.50		\$11.55	\$1.05	10.00%					1002
A3/2	BUS 1-PARTY FLAT		\$35.90		\$35.90	\$0.00	0.00%					1003
A3/40	BUS FLAT HTG		\$11.25		\$11.25	\$0.00	0.00%					1004

State: Kentucky
 REBALANCE YEAR 1
 Present and Proposed Rates and Revenues
 LOCAL EXCHANGE
 Develop Date : 36861
 Page : 3 of 9
 Run Date : 36923

Tariff Section/Rate # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MB Seg. (13)	
RECURRING RATES													
RATE GROUP 4													
A3/2	RES 1-PARTY FLAT		\$15.05		\$16.60	\$1.55	10.30%					1001	
A142/4	RES FLAT ISDN, M TO M		\$55.05		\$56.60	\$1.55	2.82%					1576	
A3/2	RES STD MEAS		\$11.56		\$12.72	\$1.16	10.03%					1002	
A3/2	RES LOW USE MEAS		\$8.05		\$8.86	\$0.81	10.06%					1002	
A3/2	BUS 1-PARTY FLAT		\$35.90		\$33.75	(\$2.15)	-5.99%					1003	
A3/40	BUS FLAT HTG		\$10.00		\$4.00	(\$6.00)	-60.00%					1004	
A3/40	BUS MESS HTG		\$10.00		\$4.00	(\$6.00)	-60.00%					1004	
A3/2	BUS STD MEAS		\$29.46		\$29.46	\$0.00	0.00%					1003	
A3/40	BUS MEAS HTG		\$10.00		\$4.00	(\$6.00)	-60.00%					1004	
A3/60	BUS BACK-UP LINE		\$17.95		\$16.88	(\$1.07)	-5.96%					1104	
A3/43	TRK FLAT-IN		\$32.90		\$30.75	(\$2.15)	-6.53%					1006	
A3/43	TRK FLAT-OUT		\$35.90		\$33.75	(\$2.15)	-5.99%					1006	
A3/43	TRK FLAT-2W		\$35.90		\$33.75	(\$2.15)	-5.99%					1006	
A3/40	PUB ANN HTG		\$10.00		\$4.00	(\$6.00)	-60.00%					1004	
SUBTOTAL											1831789.2	1818470.4	-13318.8
RATE GROUP 5													
A3/2	RES 1-PARTY FLAT		\$18.40		\$18.40	\$0.00	0.00%					1001	
A142/4	RES FLAT ISDN, M TO M		\$58.40		\$58.40	\$0.00	0.00%					1576	
A42/15	RES FLAT ISDN, 24 -59 MOS		\$54.40		\$54.40	\$0.00	0.00%					1576	
A3/2	RES STD MEAS		\$14.08		\$15.49	\$1.41	10.01%					1002	
A3/2	RES LOW USE MEAS		\$9.73		\$10.70	\$0.97	9.97%					1002	
A3/3.2	RES PLAN LINE		\$11.02		\$11.50	\$0.48	4.36%					1002	
A3/3.1	RES PLAN LINE W/LUD		\$12.07		\$13.28	\$1.21	10.02%					1002	
A3/2	BUS 1-PARTY FLAT		\$35.25		\$33.75	(\$1.50)	-4.26%					1003	
A3/40	BUS FLAT HTG		\$5.70		\$4.00	(\$1.70)	-29.82%					1004	
A3/23	BUS STD MESS		\$31.04		\$31.04	\$0.00	0.00%					1003	
A3/40	BUS MESS HTG		\$5.70		\$4.00	(\$1.70)	-29.82%					1004	
A3/2	BUS STD MEAS		\$38.17		\$38.17	\$0.00	0.00%					1003	
A3/40	BUS MEAS HTG		\$5.70		\$4.00	(\$1.70)	-29.82%					1004	
A3/40	BUS PLAN HTG		\$5.70		\$4.00	(\$1.70)	-29.82%					1004	

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Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

RECURRING RATES

Tariff Section/ Page #	Service Description	USOC	Present Demand	Proposed Demand	Present Rate	Proposed Rate	\$ Change	% Change	Present Annual Revenue	Proposed Annual Revenue	Annual Revenue Change	MB Seg.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
A3/60	BUS BACK-UP LINE		\$17.63		\$16.88		(\$0.75)	-4.25%				1104
A3/43	TRK FLAT-IN		\$32.90		\$30.75		(\$2.15)	-6.53%				1006
A3/43	TRK FLAT-OUT		\$35.25		\$33.75		(\$1.50)	-4.26%				1006
A3/43	TRK FLAT-2W		\$35.25		\$33.75		(\$1.50)	-4.26%				1006
A13/9	TOLL TERM		\$35.25		\$33.75		(\$1.50)	-4.26%				2024
A3/40	PUB ANN HTG		\$5.70		\$4.00		(\$1.70)	-29.82%				1004
A29/1.3	DIAL DATA ACCESS		\$35.25		\$33.75		(\$1.50)	-4.26%				2054
	RATE GROUP 5								84276636.24	82130827.08	-2145809.16	
	EXCEPTION EXCHANGES											
A3/2	RES 1-PARTY FLAT		\$15.22		\$16.60		\$1.38	9.07%				1001
A142/4	RES FLAT ISDN, M TO M		\$55.22		\$56.60		\$1.38	2.50%				1576
A3/3.2	RES PLAN LINE		\$9.45		\$10.40		\$0.95	10.05%				1002
A3/3.1	RES PLAN LINE W/LUD		\$10.50		\$11.55		\$1.05	10.00%				1002
A3/2	BUS 1-PARTY FLAT		\$35.90		\$33.75		(\$2.15)	-5.99%				1003
A3/40	BUS FLAT HTG		\$10.00		\$4.00		(\$6.00)	-60.00%				1004
A3/40	BUS MESS HTG		\$10.00		\$4.00		(\$6.00)	-60.00%				1004
A3/40	BUS PLAN HTG		\$10.00		\$4.00		(\$6.00)	-60.00%				1004
A3/60	BUS BACK-UP LINE		\$17.95		\$16.88		(\$1.07)	-5.96%				1104
A3/43	TRK FLAT-IN		\$32.90		\$30.75		(\$2.15)	-6.53%				1006
A3/43	TRK FLAT-2W		\$35.90		\$33.75		(\$2.15)	-5.99%				1006
A13/9	TOLL TERM		\$35.90		\$33.75		(\$2.15)	-5.99%				2024
	EXCEPTION EXCHANGES								3166337.28	3160961.4	-5375.88	
	A003.02.08 PREMIUM CALLING USAGE PACKAGE											
A3/3.2	RESIDENCE	PREKX	\$21.00		\$21.25		\$0.25	1.19%				1002
A3/3.2	BUSINESS	BREKX	\$55.00		\$55.00		\$0.00	0.00%				1003
	A003.02.08 PREMIUM CALLING USAGE PACKAGE								5295996	5350605	54609	
	A003.43.02 BELLSOUTH BUSINESS PLUS SVC											
A3/62	BS BUS PLUS-OPTI-PR LINE	BK1++	\$62.90		\$61.16		(\$1.74)	-2.77%				1120
A3/62	EA MIN OF USE ABV 120 HR		\$0.05		\$0.05		\$0.00	0.00%				1120

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Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

REBALANCE YEAR 1

RECURRING RATES

Tariff Section/Rate # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MB Seg. (13)
A103/10	A103.45.02 OBS COMPLETE CHOICE FOR BUS PKG				\$218.00	\$218.00	\$0.00	0.00%				1594
A103/10	EACH 3 LINE PACKAGE	COM13			\$143.00	\$143.00	\$0.00	0.00%				1594
	A103.45.02 OBS COMPLETE CHOICE FOR BUS PKG						SUBTOTAL		1380216	1380216	0	0
A13/1	A013.02.03 PSP BUSINESS TOUCHTONE CALLING SERV				\$3.00	\$3.00	\$0.00	0.00%				1011
A13/1	PSP ONLY- RG 1-4 LI/TRK	TTB++			\$2.35	\$2.35	\$0.00	0.00%				1011
	A013.02.03 PSP BUSINESS TOUCHTONE CALLING SERV						SUBTOTAL		395970	395970	0	0
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- MTOM				\$65.80	\$65.80	\$0.00	0.00%				2204
A42/29	VOICE/DATA STANDARD	PR7BV			\$65.80	\$65.80	\$0.00	0.00%				2204
A42/29	INWARD DATA MEASURED	PR7BS			\$41.00	\$41.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPTION	PR7BD			\$50.00	\$50.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPT-ERSDR	PR7BE			\$67.00	\$67.00	\$0.00	0.00%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- MTOM						SUBTOTAL		3299596.8	3299596.8	0	0
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 24-48M				\$60.95	\$53.65	(\$7.30)	-11.98%				2204
A42/29	VOICE/DATA STANDARD	PR7EV			\$60.95	\$53.65	(\$7.30)	-11.98%				2204
A42/29	INWARD DATA MEASURED	PR7BS			\$38.35	\$35.30	(\$3.05)	-7.95%				2204
A42/29	INWARD DATA OPTION	PR7BD			\$46.00	\$42.30	(\$3.70)	-8.04%				2204
A42/29	INWARD DATA OPT-ERSDR	PR7BE			\$62.00	\$57.05	(\$4.95)	-7.98%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 24-48M						SUBTOTAL		3139564.2	2814927	-324637.2	2204
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 49-72M				\$54.25	\$47.75	(\$6.50)	-11.98%				2204
A42/29	VOICE/DATA STANDARD	PR7BV			\$54.25	\$47.75	(\$6.50)	-11.98%				2204
A42/29	INWARD DATA MEASURED	PR7BS			\$37.00	\$34.05	(\$2.95)	-7.97%				2204
A42/29	INWARD DATA OPTION	PR7BD			\$42.00	\$38.65	(\$3.35)	-7.98%				2204
A42/29	INWARD DATA OPT-ERSDR	PR7BE			\$57.00	\$52.45	(\$4.55)	-7.98%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 49-72M						SUBTOTAL		\$9,352,545	\$8,285,809	(\$1,066,736)	2204

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Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

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TOTAL REVENUES

Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
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SUB-TOTALS		
Recurring	\$250,180,590	\$18,907
Non-recurring	\$0	\$0

SECTION TOTALS	\$250,180,590	\$18,907
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State: Kentucky
 REBALANCE YEAR 1

Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

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TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)	Service Description (2)	Present Annual Revenue (3)	Proposed Annual Revenue (4)	Annual Revenue Change (5)
1001	FLAT RATE RESIDENTIAL	\$111,349,887	\$115,968,404	\$4,618,516
1002	RESIDENTIAL (MEASURED, MESSAGE, EXPANDED CALLING PLANS)	\$8,144,526	\$8,533,327	\$388,802
1003	BUSINESS	\$71,360,113	\$70,553,891	(\$806,222)
1004	GROUPING SERVICE	\$9,754,850	\$8,057,280	(\$1,697,570)
1006	TRUNK LINES	\$8,725,078	\$8,532,611	(\$192,467)
1011	TOUCH-TONE CALLING SERVICE	\$395,970	\$395,970	\$0
1016	EMERGENCY REPORTING NETWORK SERVICES	\$4,652	\$4,739	\$86
1104	BACK-UP LINE	\$446,185	\$440,864	(\$5,321)
1120	BUSINESS PLUS	\$10,328,461	\$9,939,279	(\$389,182)
1121	BUSINESS CHOICE	\$151,850	\$151,850	\$0
1576	ISDN INDIVIDUAL SERVICES - RESIDENTIAL AND BUSINESS - KY	\$276,307	\$277,936	\$1,629
1594	COMPLETE CHOICE FOR BUSINESS PACKAGE - KY	\$13,245,552	\$12,738,995	(\$506,557)
2024	TOLL TRUNKS (TOLL TERMINALS)	\$182,738	\$181,467	(\$1,271)
2054	DATA TRANSPORT SERVICE ACCESS CHANNEL SERVICE	\$3,807	\$3,645	(\$162)
2204	PRIMARY RATE ISDN SERVICE	\$15,791,706	\$14,400,333	(\$1,391,373)

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Present and Proposed Rates and Revenues
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PERMANENCE YEAR 2

RECURRING RATES

Tariff Section/ Rate # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MP (13)
A3/40	BUS MESS HTG				\$11.25	\$11.25	\$0.00	0.00%				1004
A3/2	BUS STD MEAS				\$28.52	\$28.52	\$0.00	0.00%				1003
A3/40	BUS MEAS HTG				\$11.25	\$11.25	\$0.00	0.00%				1004
A3/40	BUS PLAN HTG				\$11.25	\$11.25	\$0.00	0.00%				1004
A3/60	BUS BACK-UP LINE				\$17.95	\$17.95	\$0.00	0.00%				1104
A3/43	TRK FLAT-IN				\$32.90	\$32.90	\$0.00	0.00%				1006
A3/43	TRK FLAT-OUT				\$35.90	\$35.90	\$0.00	0.00%				1006
A3/43	TRK FLAT-2W				\$35.90	\$35.90	\$0.00	0.00%				1006
A13/9	TOLL TERM				\$35.90	\$35.90	\$0.00	0.00%				2024
A3/40	PUB ANN HTG				\$11.25	\$11.25	\$0.00	0.00%				1004
A13/29	911 ACCESS				\$35.90	\$35.90	\$0.00	0.00%				1016
	RATE GROUP 2								24701422.56	25994706.12	1293283.56	
	RATE GROUP 3											
A3/2	RES 1-PARTY FLAT				\$15.50	\$15.50	\$0.14	0.91%				1001
A142/4	RES FLAT ISDN, M TO M				\$55.36	\$55.62	\$0.26	0.47%				1576
A42/15	RES FLAT ISDN, 24 -59 MOS				\$51.62	\$51.62	\$0.26	0.51%				1576
A3/2	RES STD MEAS				\$12.14	\$14.57	\$2.43	20.02%				1002
A3/2	RES LOW USE MEAS				\$8.47	\$9.32	\$0.85	10.04%				1002
A3/3.2	RES PLAN LINE				\$10.40	\$11.43	\$1.03	9.90%				1002
A3/3.1	RES PLAN LINE W/LOUD				\$11.55	\$12.71	\$1.16	10.04%				1002
A3/2	BUS 1-PARTY FLAT				\$35.90	\$35.90	\$0.00	0.00%				1004
A3/40	BUS FLAT HTG				\$8.00	\$8.00	\$0.00	0.00%				1004
A3/40	BUS MESS HTG				\$8.00	\$8.00	\$0.00	0.00%				1003
A3/2	BUS STD MEAS				\$30.52	\$30.52	\$0.00	0.00%				1004
A3/40	BUS MEAS HTG				\$8.00	\$8.00	\$0.00	0.00%				1004
A3/40	BUS PLAN HTG				\$8.00	\$8.00	\$0.00	0.00%				1104
A3/60	BUS BACK-UP LINE				\$17.95	\$17.95	\$0.00	0.00%				1006
A3/43	TRK FLAT-IN				\$32.90	\$32.90	\$0.00	0.00%				1006
A3/43	TRK FLAT-OUT				\$35.90	\$35.90	\$0.00	0.00%				1006
A3/43	TRK FLAT-2W				\$35.90	\$35.90	\$0.00	0.00%				2024
A13/9	TOLL TERM				\$35.90	\$35.90	\$0.00	0.00%				1006
A3/40	PUB ANN HTG				\$8.00	\$8.00	\$0.00	0.00%				1004
	RATE GROUP 3								46012913.28	46311572.04	298658.76	
									SUBTOTAL			

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RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	MF (13)
	RATE GROUP 4											
A3/2	RES 1-PARTY FLAT				\$16.60	\$18.40	\$1.80	10.84%				1001
A142/4	RES FLAT ISDN, M TO M				\$56.60	\$58.40	\$1.80	3.18%				1576
A3/2	RES STD MEAS				\$12.72	\$15.26	\$2.54	19.97%				1002
A3/2	RES LOW USE MEAS				\$8.86	\$9.74	\$0.88	9.93%				1003
A3/2	BUS 1-PARTY FLAT				\$33.75	\$32.00	(\$1.75)	-5.19%				1004
A3/40	BUS FLAT HTG				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
A3/40	BUS MESS HTG				\$29.46	\$29.46	\$0.00	0.00%				1003
A3/2	BUS STD MEAS				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
A3/40	BUS MEAS HTG				\$16.88	\$16.00	(\$0.88)	-5.21%				1104
A3/60	BUS BACK-UP LINE				\$30.75	\$29.00	(\$1.75)	-5.69%				1006
A3/43	TRK FLAT-IN				\$33.75	\$32.00	(\$1.75)	-5.19%				1006
A3/43	TRK FLAT-OUT				\$33.75	\$32.00	(\$1.75)	-5.19%				1006
A3/43	TRK FLAT-2W				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
A3/40	PUB ANN HTG				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
	RATE GROUP 4								1818470.4	1885589.04	67118.64	
									SUBTOTAL			
	RATE GROUP 5											
A3/2	RES 1-PARTY FLAT				\$18.40	\$18.40	\$0.00	0.00%				1001
A142/4	RES FLAT ISDN, M TO M				\$58.40	\$58.40	\$0.00	0.00%				1576
A42/15	RES FLAT ISDN, 24 -59 MOS				\$54.40	\$54.40	\$0.00	0.00%				1576
A3/2	RES STD MEAS				\$15.49	\$18.59	\$3.10	20.01%				1002
A3/2	RES LOW USE MEAS				\$10.70	\$11.77	\$1.07	10.00%				1002
A3/3.2	RES PLAN LINE				\$11.50	\$11.50	\$0.00	0.00%				1002
A3/3.1	RES PLAN LINE W/LUD				\$13.28	\$13.75	\$0.47	3.54%				1003
A3/2	BUS 1-PARTY FLAT				\$33.75	\$32.00	(\$1.75)	-5.19%				1003
A3/40	BUS FLAT HTG				\$4.00	\$1.00	(\$3.00)	-75.00%				1004
A3/23	BUS STD MESS				\$31.04	\$31.04	\$0.00	0.00%				1004
A3/40	BUS MESS HTG				\$4.00	\$1.00	(\$3.00)	-75.00%				1004
A3/2	BUS STD MEAS				\$38.17	\$38.17	\$0.00	0.00%				1004
A3/40	BUS MEAS HTG				\$4.00	\$1.00	(\$3.00)	-75.00%				1004
A3/40	BUS PLAN HTG				\$4.00	\$1.00	(\$3.00)	-75.00%				1004

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REBALANCE YEAR 2

Present and Proposed Rates and Revenues
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RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Annual Revenue (13)
A3/60	BUS BACK-UP LINE				\$16.88	\$16.00	(\$0.88)	-5.21%				1104
A3/43	TRK FLAT-IN				\$30.75	\$29.00	(\$1.75)	-5.69%				1006
A3/43	TRK FLAT-OUT				\$33.75	\$32.00	(\$1.75)	-5.19%				1006
A3/43	TRK FLAT-2W				\$33.75	\$32.00	(\$1.75)	-5.19%				1006
A13/9	TOLL TERM				\$33.75	\$32.00	(\$1.75)	-5.19%				2024
A3/40	PUB ANN HTG				\$4.00	\$1.00	(\$3.00)	-75.00%				1004
A29/1.3	DIAL DATA ACCESS				\$33.75	\$32.00	(\$1.75)	-5.19%	82130827.08	79150972.56	-2979854.52	2054
	RATE GROUP 5											
	EXCEPTION EXCHANGES											
A3/2	RES 1-PARTY FLAT				\$16.60	\$18.40	\$1.80	10.84%				1001
A142/4	RES FLAT ISDN, M TO M				\$56.60	\$58.40	\$1.80	3.18%				1576
A3/3.2	RES PLAN LINE				\$10.40	\$11.43	\$1.03	9.90%				1002
A3/3.1	RES PLAN LINE W/LUD				\$11.55	\$12.71	\$1.16	10.04%				1002
A3/2	BUS 1-PARTY FLAT				\$33.75	\$32.00	(\$1.75)	-5.19%				1003
A3/40	BUS FLAT HTG				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
A3/40	BUS MESS HTG				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
A3/40	BUS PLAN HTG				\$4.00	\$2.00	(\$2.00)	-50.00%				1004
A3/60	BUS BACK-UP LINE				\$16.88	\$16.00	(\$0.88)	-5.21%				1104
A3/43	TRK FLAT-IN				\$30.75	\$29.00	(\$1.75)	-5.69%				1006
A3/43	TRK FLAT-2W				\$33.75	\$32.00	(\$1.75)	-5.19%				1006
A13/9	TOLL TERM				\$33.75	\$32.00	(\$1.75)	-5.19%				1006
	EXCEPTION EXCHANGES								3160961.4	3276769.56	115808.16	
	A003.02.08 PREMIUM CALLING USAGE PACKAGE											
A3/3.2	RESIDENCE	PREXX			\$21.25	\$22.00	\$0.75	3.53%				1002
A3/3.2	BUSINESS	BREXX			\$55.00	\$55.00	\$0.00	0.00%				1003
	A003.02.08 PREMIUM CALLING USAGE PACKAGE									5514432	163827	
	A003.43.02 BELLSOUTH BUSINESS PLUS SVC											
A3/62	BS BUS PLUS-OPTI-PR LINE	BK1++			\$61.16	\$59.41	(\$1.75)	-2.86%				1120
A3/62	EA MIN OF USE ABV 120 HR				\$0.05	\$0.05	\$0.00	0.00%				1120

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Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	Annual Revenue Change (13)
A3/62	BS BUS PLUS-OPT2-PR LINE	BK2++			\$37.16	\$35.41	(\$1.75)	-4.71%				1120
A3/62	EA MIN OP USE OUTSD LLCA				\$0.09	\$0.09	\$0.00	0.00%				1120
	A003.43.02 BELLSOUTH BUSINESS PLUS SVC						SUBTOTAL					
A3/66	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG											
A3/66	EACH 1 LINE PACKAGE	COM11			\$79.26	\$77.51	(\$1.75)	-2.21%				1594
A3/66	EACH 2 LINE PACKAGE	COM12			\$146.52	\$143.02	(\$3.50)	-2.39%				1594
A3/66	EACH 3 LINE PACKAGE	COM1H			\$209.10	\$197.85	(\$11.25)	-5.38%				1594
A3/66	EACH 4 LINE PACKAGE	COM14			\$272.90	\$256.90	(\$16.00)	-5.86%				1594
A3/66	EACH 5 LINE PKG	COM15			\$335.70	\$314.95	(\$20.75)	-6.18%				1594
A3/66	EACH 6 LINE PKG	COM16			\$399.50	\$374.00	(\$25.50)	-6.38%				1594
A3/66	EACH 7 LINE PKG	COM17			\$464.30	\$434.05	(\$30.25)	-6.52%				1594
A3/66	EACH 8 LINE PKG	COM18			\$528.10	\$493.10	(\$35.00)	-6.63%				1594
A3/66	EACH 9 LINE PKG	COM19			\$592.90	\$553.15	(\$39.75)	-6.70%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 1 PKG						SUBTOTAL		2352614.88	2266454.88	-86160	
A3/66	A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG											
A3/66	EACH 1 LINE PACKAGE	COMP1			\$54.26	\$52.51	(\$1.75)	-3.23%				1594
A3/66	EACH 2 LINE PACKAGE	COMP2			\$96.52	\$93.02	(\$3.50)	-3.63%				1594
A3/66	EACH 3 LINE PACKAGE	COMPH			\$134.10	\$122.85	(\$11.25)	-8.39%				1594
A3/66	EACH 4 LINE PACKAGE	COM24			\$167.90	\$151.90	(\$16.00)	-9.53%				1594
A3/66	EACH 5 LINE PKG	COM25			\$200.70	\$179.95	(\$20.75)	-10.34%				1594
A3/66	EACH 6 LINE PKG	COM26			\$234.50	\$209.00	(\$25.50)	-11.87%				1594
A3/66	EACH 7 LINE PKG	COM27			\$269.30	\$239.05	(\$30.25)	-11.23%				1594
A3/66	EACH 8 LINE PKG	COM28			\$303.10	\$268.10	(\$35.00)	-11.55%				1594
A3/66	EACH 9 LINE PKG	COM29			\$337.90	\$298.15	(\$39.75)	-11.76%				1594
	A003.45.02 BELLSOU COMPL CHOICE PLAN 2 PKG						SUBTOTAL		9006163.92	8440282.92	-565881	
A103/9	A103.44.04 OBS BELLSOUTH BUS CHOICE PKG											1121
A103/9	BS BUS CHOI-OPT1-PR LINE	BC1++			\$76.85	\$75.10	(\$1.75)	-2.28%				1121
A103/9	BS BUS CHOI-OPT2-PR LINE	BC2++			\$52.85	\$51.10	(\$1.75)	-3.31%				1121
	A103.44.04 OBS BELLSOUTH BUS CHOICE PKG						SUBTOTAL		151849.8	147250.8	-4599	

State: Kentucky
 Develop Date : 36861
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Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

REMARKS YEAR 2

RECURRING RATES

Tariff Section/ Page # (1)	Service Description (2)	USOC (3)	Present Demand (4)	Proposed Demand (5)	Present Rate (6)	Proposed Rate (7)	\$ Change (8)	% Change (9)	Present Annual Revenue (10)	Proposed Annual Revenue (11)	Annual Revenue Change (12)	1594 1594 1011 1011 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204 2204
A103/10	A103.45.02 OBS COMPLETE CHOICE FOR BUS PKG				\$218.00	\$208.75	(\$9.25)	-4.24%				1594
A103/10	EACH 3 LINE PACKAGE	COM13			\$143.00	\$133.75	(\$9.25)	-6.47%				1594
	EACH 3 LINE PACKAGE	COMP3							1380216	1294080	-86136	
	A103.45.02 OBS COMPLETE CHOICE FOR BUS PKG						SUBTOTAL					
A13/1	A013.02.03 FSP BUSINESS TOUCHTONE CALLING SERV	TTB++			\$3.00	\$2.60	(\$0.40)	-13.33%				1011
A13/1	FSP ONLY- RG 1-4 LI/TRK	TTB++			\$2.35	\$2.00	(\$0.35)	-14.89%				1011
	A013.02.03 FSP BUSINESS TOUCHTONE CALLING SERV						SUBTOTAL		395970	341673.6	-54296.4	
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- MTOM	PR7BV			\$65.80	\$65.80	\$0.00	0.00%				2204
A42/29	VOICE/DATA STANDARD	PR7BF			\$65.80	\$65.80	\$0.00	0.00%				2204
A42/29	DIGITAL DATA ONLY OPTION	PR7BD			\$41.00	\$41.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPT-ERSDR	PR7BE			\$50.00	\$50.00	\$0.00	0.00%				2204
A42/29	INWARD DATA OPT-ERSFR	PR7BL			\$67.00	\$67.00	\$0.00	0.00%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- MTOM						SUBTOTAL		3616226.4	3616226.4	0	
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 24-48M	PR7BV			\$53.65	\$50.50	(\$3.15)	-5.87%				2204
A42/29	VOICE/DATA STANDARD	PR7BF			\$53.65	\$50.50	(\$3.15)	-5.87%				2204
A42/29	DIGITAL DATA ONLY OPTION	PR7BD			\$35.30	\$34.00	(\$1.30)	-3.68%				2204
A42/29	INWARD DATA OPT-ERSDR	PR7BE			\$42.30	\$40.75	(\$1.55)	-3.66%				2204
A42/29	INWARD DATA OPT-ERSFR	PR7BL			\$57.05	\$54.75	(\$2.30)	-4.03%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 24-48M						SUBTOTAL		2853555	2710527	-143028	
A42/29	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 49-72M	PR7BV			\$47.75	\$45.25	(\$2.50)	-5.24%				2204
A42/29	VOICE/DATA STANDARD	PR7BF			\$47.75	\$45.25	(\$2.50)	-5.24%				2204
A42/29	DIGITAL DATA ONLY OPTION	PR7BD			\$34.05	\$32.75	(\$1.30)	-3.82%				2204
A42/29	INWARD DATA OPT-ERSDR	PR7BE			\$38.65	\$37.00	(\$1.65)	-4.27%				2204
A42/29	INWARD DATA OPT-ERSFR	PR7BL			\$52.45	\$50.00	(\$2.45)	-4.67%				2204
	A42.03.04 FLAT RT PRIMARY ISDN B CHAN- 49-72M						SUBTOTAL		\$8,285,809	\$7,869,399	(\$416,410)	

Develop Date : 12/00
 Page : 8 of 9
 Run Date : 02/01/01

Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

State: Kentucky
 REBALANCE YEAR 2

TOTAL REVENUES

	Present Annual Revenue (1)	Proposed Annual Revenue (2)	Annual Revenue Change (3)
SUB-TOTALS			
Recurring	\$250,535,848	\$250,522,888	(\$12,960)
Non-recurring	\$0	\$0	\$0
SECTION TOTALS	\$250,535,848	\$250,522,888	(\$12,960)

State: Kentucky
 Present and Proposed Rates and Revenues
 LOCAL EXCHANGE

Develop Date : 12/00
 Page : 9 of 9
 Run Date : 02/01/01

REBALANCE YEAR 2

TOTAL REVENUES SUMMED BY MARKET BASKET

M B Segment (1)	Service Description (2)	Present Annual Revenue (3)	Proposed Annual Revenue (4)	Annual Revenue Change (5)
1001	FLAT RATE RESIDENTIAL	\$115,968,404	\$120,363,094	\$4,394,690
1002	RESIDENTIAL (MEASURED, MESSAGE, EXPANDED CALLING PLANS)	\$8,533,327	\$9,115,847	\$582,520
1003	BUSINESS	\$70,553,891	\$69,160,310	(\$1,393,581)
1004	GROUPING SERVICE	\$8,057,280	\$6,446,016	(\$1,611,264)
1006	TRUNK LINES	\$8,532,611	\$8,305,937	(\$226,674)
1011	TOUCH-TONE CALLING SERVICE	\$395,970	\$341,674	(\$54,296)
1016	EMERGENCY REPORTING NETWORK SERVICES	\$4,739	\$4,739	\$0
1104	BACK-UP LINE	\$440,864	\$431,603	(\$9,261)
1120	BUSINESS PLNS	\$9,939,279	\$9,547,860	(\$391,419)
1121	BUSINESS CHOICE	\$151,850	\$147,251	(\$4,599)
1576	ISDN INDIVIDUAL SERVICES - RESIDENTIAL AND BUSINESS - KY	\$277,936	\$279,038	\$1,102
1594	COMPLETE CHOICE FOR BUSINESS PACKAGE - KY	\$12,738,995	\$12,000,818	(\$738,177)
2024	TOLL TRUNKS (TOLL TERMINALS)	\$181,467	\$179,094	(\$2,373)
2054	DATA TRANSPORT SERVICE ACCESS CHANNEL SERVICE	\$3,645	\$3,456	(\$189)
2204	PRIMARY RATE ISDN SERVICE	\$14,755,591	\$14,196,152	(\$559,438)



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
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FRANKFORT, KENTUCKY 40602-0615
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(502) 564-3940
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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

February 6, 2001

TO: Parties of Record

RE: Case No. 99-434

Please see enclosed notice of informal conference from Commission Staff in the above case. If you have any questions, please call Helen Vance at 502-564-3940, Extension 216.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv

Enclosure



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S NOTICE OF INFORMAL CONFERENCE

The Commission Staff requests that BellSouth Telecommunications, Inc. ("BellSouth") appear for an informal conference on February 21, 2001, at 9:00 a.m., Eastern Standard Time, in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

BellSouth should be prepared to discuss its (1) proposed DSL deployment, (2) proposed rate design for years two and three of the Transition Regulation Plan, and (3) procedures for contract service arrangements. The conference is open to the public.



Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Dated: 2/6/01

cc: Parties of Record

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

February 5, 2001

RECEIVED

FEB 05 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

Re: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan
Case No. 99-434

Dear Mr. Dorman:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of BellSouth Telecommunications, Inc.'s Proposal for Implementation of Certain Rates Permitted by This Docket.

Sincerely,

Creighton E. Mershon, Sr.
Creighton E. Mershon, Sr. by

Dorothy J. Chh

Enclosures

cc: Parties of Record

246062

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

BELLSOUTH TELECOMMUNICATIONS, INC.'S
PROPOSAL FOR IMPLEMENTATION OF CERTAIN
RATES PERMITTED BY THIS DOCKET

The Commission's Order in this case dated August 3, 2000, required that within six months the Company should "file its proposal for the implementation of the rate increases ordered herein for the second and third years of the transition plan." In addition, that Order stated that the "amount for residential rates in the second and third years will be limited to \$5,000,000 annually. This restructuring of residential rates should be targeted to those areas of highest cost."

The Rate Change Summary presented in Attachment 1 reflects BellSouth's proposal for the \$5,000,000 residential rate increase and the offsetting business reductions required to balance the increase for the year 2001. The priceout in Attachment 2 reflects the revenue impact of the rate changes proposed for 2001. The Company expects to file these rate changes in October. These rate changes begin the process of

aligning retail rates with zones established for Unbundled Network Elements ("UNE") currently pending in Administrative Case 382 (the Commission's generic UNE cost proceeding).

Attachment 1 also reflects the price changes for 2002. Attachment 3 evaluates these rate changes at current demand. However, BellSouth respectfully requests that these changes be treated as planning numbers at this point and the Company be permitted to submit the actual changes for 2002 in February of 2002. The Company's proposal regarding the 2002 filing is predicated on the fact that the competitive landscape is changing too rapidly to predict today what rate changes may be required in October of 2002, in particular, the decreases necessary to offset the residential increases. The rates in the Attachment are, therefore, illustrative in nature. Absent significant changes in demand or the nature of competition, the actual changes should be approximate to those illustrated.

Respectfully submitted,

Creighton E. Mershon, Sr.
Creighton E. Mershon, Sr.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
Telephone No. (502) 582-8219

by
David J. [Signature]
Chub

J. Phillip Carver
Suite 4300, BellSouth Center
675 W. Peachtree Street, N.E.
Atlanta, GA 30375
Telephone No. (404) 335-0710

COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

246047

Summary of Rate Changes

RESIDENTIAL

<u>Service</u>	<u>Rate Group</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Difference</u>	<u>2001 Change</u>	<u>Proposed Rate</u>	<u>Difference</u>	<u>2002 Change</u>
1FR	1	\$12.77	\$14.05	\$1.28	10.0%	\$15.40	\$1.35	9.6%
	2	\$13.67	\$14.05	\$0.38	2.8%	\$15.40	\$1.35	9.6%
	3	\$14.37	\$15.36	\$0.99	6.9%	\$15.50	\$0.14	0.9%
	4	\$15.05	\$16.60	\$1.55	10.3%	\$18.40	\$1.80	10.8%
	5	\$18.40	\$18.40	\$0.00	0.0%	\$18.40	\$0.00	0.0%
	Exception	\$15.22	\$16.60	\$1.38	9.1%	\$18.40	\$1.80	10.8%
Subtotal								
2FR	1	\$9.84	\$14.00	\$4.16	42.3%	\$15.40	\$1.40	10.0%
	Subtotal							
Standard Measured	1	\$9.84	\$10.82	\$0.98	10.0%	\$12.99	\$2.17	20.0%
	2	\$10.52	\$11.57	\$1.05	10.0%	\$13.89	\$2.32	20.0%
	3	\$11.04	\$12.14	\$1.10	10.0%	\$14.57	\$2.43	20.0%
	4	\$11.56	\$12.72	\$1.16	10.0%	\$15.26	\$2.54	20.0%
	5	\$14.08	\$15.49	\$1.41	10.0%	\$18.59	\$3.10	20.0%
	Exception							
Subtotal								
Low Usage Measured	1	\$6.91	\$7.60	\$0.69	10.0%	\$8.36	\$0.76	10.0%
	2	\$7.36	\$8.10	\$0.74	10.0%	\$8.91	\$0.81	10.0%
	3	\$7.70	\$8.47	\$0.77	10.0%	\$9.32	\$0.85	10.0%
	4	\$8.05	\$8.86	\$0.81	10.0%	\$9.74	\$0.89	10.0%
	5	\$9.73	\$10.70	\$0.97	10.0%	\$11.77	\$1.07	10.0%
	Exception							
Subtotal								
Plan Line	1	\$9.45	\$10.40	\$0.95	10.0%	\$11.43	\$1.04	10.0%
	2	\$9.45	\$10.40	\$0.95	10.0%	\$11.43	\$1.04	10.0%
	3	\$9.45	\$10.40	\$0.95	10.0%	\$11.43	\$1.04	10.0%
	4	\$9.45	\$10.40	\$0.95	10.0%	\$11.43	\$1.04	10.0%
	5	\$11.02	\$11.50	\$0.48	4.4%	\$11.50	\$0.00	0.0%
	Exception	\$9.45	\$10.40	\$0.95	10.0%	\$11.43	\$1.04	10.0%
Subtotal								
Plan Line w/ LUD	1	\$10.50	\$11.55	\$1.05	10.0%	\$12.71	\$1.16	10.0%
	2	\$10.50	\$11.55	\$1.05	10.0%	\$12.71	\$1.16	10.0%
	3	\$10.50	\$11.55	\$1.05	10.0%	\$12.71	\$1.16	10.0%
	4	\$10.50	\$11.55	\$1.05	10.0%	\$12.71	\$1.16	10.0%
	5	\$12.07	\$13.28	\$1.21	10.0%	\$13.75	\$0.47	3.6%
	Exception	\$10.50	\$11.55	\$1.05	10.0%	\$12.71		10.0%
Subtotal								
Premium Plan Line	All	\$21.00	\$21.25	\$0.25		\$22.00	\$0.75	3.5%
Subtotal								
Subtotal Lines								
Total Residential								

BUSINESS

<u>Service</u>	<u>Rate Group</u>	<u>Present Rate</u>	<u>Proposed Rate</u>		<u>2001 Change</u>	<u>Proposed Rate</u>		<u>2002 Change</u>
1FB	1	\$35.00	\$35.90	\$0.90	2.6%	\$35.90	\$0.00	0.0%
	2	\$35.90	\$35.90	\$0.00	0.0%	\$35.90	\$0.00	0.0%
	3	\$35.90	\$35.90	\$0.00	0.0%	\$35.90	\$0.00	0.0%
	4	\$35.90	\$33.75	(\$2.15)	-6.0%	\$32.00	(\$1.75)	-5.2%
	5	\$35.25	\$33.75	(\$1.50)	-4.3%	\$32.00	(\$1.75)	-5.2%
	Exception	\$35.90	\$33.75	(\$2.15)	-6.0%	\$32.00	(\$1.75)	-5.2%
Subtotal								
Back-Up Line	1	\$17.50	\$17.95	\$0.45	2.6%	\$17.95	\$0.00	0.0%
	2	\$17.95	\$17.95	\$0.00	0.0%	\$17.95	\$0.00	0.0%
	3	\$17.95	\$17.95	\$0.00	0.0%	\$17.95	\$0.00	0.0%
	4	\$17.95	\$16.88	(\$1.08)	-6.0%	\$16.00	(\$0.88)	-5.2%
	5	\$17.63	\$16.88	(\$0.75)	-4.3%	\$16.00	(\$0.88)	-5.2%
	Exception	\$17.95	\$16.88	(\$1.07)	-6.0%	\$16.00	(\$0.88)	-5.2%
Subtotal								
Business Complete Price Reductions on Single Line and Packages - Detail contained in Price Out								
PBX-Flat 2 Way & O	1	\$35.00	\$35.90	\$0.90	2.6%	\$35.90	\$0.00	0.0%
	2	\$35.90	\$35.90	\$0.00	0.0%	\$35.90	\$0.00	0.0%
	3	\$35.90	\$35.90	\$0.00	0.0%	\$35.90	\$0.00	0.0%
	4	\$35.90	\$33.75	(\$2.15)	-6.0%	\$32.00	(\$1.75)	-5.2%
	5	\$35.25	\$33.75	(\$1.50)	-4.3%	\$32.00	(\$1.75)	-5.2%
	Exception	\$35.90	\$33.75	(\$2.15)	-6.0%	\$32.00	(\$1.75)	-5.2%
Subtotal								
PBX-Flat Inward Onl	1	\$32.00	\$32.90	\$0.90	2.8%	\$32.90	\$0.00	0.0%
	2	\$32.90	\$32.90	\$0.00	0.0%	\$32.90	\$0.00	0.0%
	3	\$32.90	\$32.90	\$0.00	0.0%	\$32.90	\$0.00	0.0%
	4	\$32.90	\$30.75	(\$2.15)	-6.5%	\$29.00	(\$1.75)	-5.7%
	5	\$32.90	\$30.75	(\$2.15)	-6.5%	\$29.00	(\$1.75)	-5.7%
	Exception	\$32.90	\$30.75	(\$2.15)	-6.5%	\$29.00	(\$1.75)	-5.7%
Subtotal								
PRI ISDN 24-48	Bus							
	PR7BV	\$60.95	\$53.65	(\$7.30)	-12.0%	\$50.50	(\$3.15)	-5.9%
	PR7BD	\$60.95	\$53.65	(\$7.30)	-12.0%	\$50.50	(\$3.15)	-5.9%
	Subtotal							
49-72	PR7BV	\$54.25	\$47.75	(\$6.50)	-12.0%	\$45.25	(\$2.50)	-5.2%
	PR7BD	\$54.25	\$47.75	(\$6.50)	-12.0%	\$45.25	(\$2.50)	-5.2%
	Subtotal							
Hunting	1	\$12.00	\$12.00	\$0.00	0.0%	\$12.00	\$0.00	0.0%
	2	\$11.25	\$11.25	\$0.00	0.0%	\$11.25	\$0.00	0.0%
	3	\$10.50	\$8.00	(\$2.50)	-23.8%	\$8.00	\$0.00	0.0%
	4	\$10.00	\$4.00	(\$6.00)	-60.0%	\$2.00	(\$2.00)	-50.0%
	5	\$5.70	\$4.00	(\$1.70)	-29.8%	\$1.00	(\$3.00)	-75.0%
	Exception	\$10.00	\$4.00	(\$6.00)	-60.0%	\$2.00	(\$2.00)	-50.0%
Subtotal								
Touch Tone Bus	1,2,3,4	\$3.00	\$3.00	\$0.00	0.0%	\$2.60	(\$0.40)	-13.3%
	5	\$2.35	\$2.35	\$0.00	0.0%	\$2.00	(\$0.35)	-14.9%
Subtotal								
Total Business								

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 5th day of February 2001.


Dorothy J. Chambers

SERVICE LIST - PSC 99-434

Hon. Ann Chevront
Assistant Attorney General
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Frankfort, KY. 40601 8204

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Paul E. Patton, Governor

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Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

February 2, 2001

W. Brent Rice, Esq.
McBrayer, McGinnis, Leslie & Kirkland PLLC
163 West Short Street
Suite 300
Lexington, Kentucky 40507-1361

RE: BellSouth Case #'s.: 1994-121 and 1999-434
GTE Case #'s: 2000-069 and 2000-260

Dear Mr. Rice:

On January 8, 2001, the Commission received your request to protect as confidential the requesting letter and attachments concerning VarTec Telecom, Inc.'s intrastate access rate reductions as it relates to the rate reductions implemented in the above-referenced cases. KRS 61.872(1) requires information filed with the Commission to be made available for public inspection unless specifically exempted by statute. Exemptions from this requirement are provided in KRS 61.878(1).

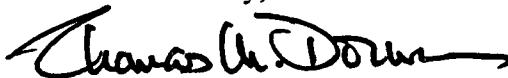
The procedure for obtaining confidential protection for information filed with the Commission is prescribed in 807 KAR 5:001. Among other things, the regulation requires that requests for confidential protection be made by petition describing the information sought to be protected, setting forth the grounds upon which exemption from public disclosure is claimed and, where the exemption is claimed on the basis of competitive injury, identifying the competitors who would derive benefit from the information. Because your request does not satisfy the requirements of the regulation, the Commission cannot act upon it.

mailed on 2/12/2001 h.c.



The information shall be withheld from public inspection for twenty(20) days to allow you an opportunity to file a petition that complies with the regulation. If no petition is filed within that period, the information shall be placed in the public record.

Sincerely,



Thomas M. Dorman
Executive Director





Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet
Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Hueismann
Chairman
Edward J. Holmes
Vice Chairman
Gary W. Gillis
Commissioner

January 25, 2000

W. Brent Rice
McBrayer, McGinnis, Leslie & Kirkland, PLLC
Suite 300
163 West Short Street
Lexington, Kentucky 40507-1361

RE: BellSouth Case Nos. 94-121 and 99-434
Verizon (GTE) Case Nos. 2000-069 and 2000-260

Dear Mr. Rice:

The Staff has reviewed the information filed by you on January 8, 2001, on behalf of VarTec Telecom, Inc. The tariff reductions shown in the analysis satisfy the flow-through of the access charge reductions required in the above cases and, therefore, VarTec has met its flow-through requirements.

Should you have any further questions, please contact Bill Strack of my staff at (502) 564-3940, extension 241.

Sincerely,

Thomas M. Dorman
Executive Director

wl





Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

December 7, 2000

Mr. John N. Hughes, Esq.
Attorney at Law
124 West Todd Street
Frankfort, Kentucky 40601

RE: Sprint Communications Company L.P.
Case No.: 94-121 & 99-434
Petition for Confidential Protection

Dear Mr. Hughes,

On November 14, 2000, the Commission received the petition filed on behalf of Sprint Communications Company L.P. to protect as confidential the schedules showing the flow-through of access charge reductions. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director





Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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PUBLIC SERVICE COMMISSION
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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

December 7, 2000

Mr. John N. Hughes, Esq.
Attorney at Law
124 West Todd Street
Frankfort, Kentucky 40601

RE: Sprint Communications Company L.P.
Case No.: 94-121 & 99-434
Petition for Confidential Protection

Dear Mr. Hughes,

On November 14, 2000, the Commission received the petition filed on behalf of Sprint Communications Company L.P. to protect as confidential the schedules showing the flow-through of access charge reductions. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director

Mailed on 12/22/2000 R D.





Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

November 21, 2000

Jim Lamoreux
 AT&T Communications of the
 South Central States, Inc.
 Room 8068
 1200 Peachtree Street, N E
 Atlanta, Georgia 30309

RE: AT&T Communications of the South Central States, Inc.
 Case No. 99-434
 Petition for Confidential Protection

Dear Mr. Lamoureux:

The Commission has received the petition filed October 31, 2000, on behalf of AT&T Communications of the South Central States, Inc. to protect as confidential the Access Flow-through Support Data. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

Thomas M. Dorman
 Executive Director

mailed on 12/6/2000



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

NOV 14 2000

APPLICATION OF BELLSOUTH)
TELECOMMUNICATIONS, INC. D/B/A)
SOUTH CENTRAL BELL TELEPHONE)
TO MODIFY ITS METHOD OF REGULATION)

PUBLIC SERVICE
COMMISSION
CASE NO. 94-121

AND

REVIEW OF BELLSOUTH)
TELECOMMUNICATIONS,)
INC.'S PRICE REGULATION PLAN)

CASE NO. 99-434

PETITION FOR CONFIDENTIALITY

Sprint Communications Co., L.P. ("Sprint") petitions the Kentucky Public Service Commission ("Commission"), pursuant to 807 KAR 5:001, Section 7, and all other applicable law, for confidential treatment of certain information provided by Sprint in response to the Commission's Orders dated July 31, 2000 in Case No. 94-121 and August 3, 2000 in Case No. 99-434, ("Orders") The information to be confidential is the supporting schedules for Sprint's flow-through of BellSouth's access reductions. Tariffs reflecting the rate reductions were filed on October 30, 2000. In support of this petition, Sprint states:

1. By its Orders, the Commission directed Sprint to file data showing Sprint's access reduction and flow through tariffs reflecting the reductions implemented by BellSouth. Sprint is filing the supporting information requested by the Commission under this Petition for Confidentiality ("Petition"). For the reasons set forth below, Sprint asserts that the information accompanying this Petition is entitled to confidential treatment under 807 KAR

5:001, Section 7, and all other applicable law.

2. The Commission has requested substantive information which reveals the operational experience of Sprint, which if publicly disclosed, could have serious, adverse consequences to Sprint and its competitive standing.

3. Sprint would not as a matter of company policy publicly disclose information like that attached to this Petition, except as required by law or pursuant to a court order or subpoena. Sprint's internal practices and policies are directed toward non-disclosure of the attached information. In fact, the information will not be disclosed to any personnel of Sprint except those who need to know in order to discharge their responsibilities. Sprint does not disclose such information publicly, and provides it to affected customers with agreements of confidentiality- information relevant to a particular state is only provided to Government Officials in that state, not to other customers. The information sought by the Commission is not information customarily disclosed to the public and is generally recognized as confidential and proprietary.

4. There is no significant interest in public disclosure of the attached information. Any public interest in favor of disclosure of the information is outweighed by the competitive interest in keeping the information confidential, thereby enabling Sprint to successfully compete for business in other states. Disclosure of the information sought to be protected would unquestionably put Sprint at a competitive disadvantage.

5. The information sought to be afforded confidential treatment also constitutes a trade secret under the two prong test of KRS 365-880: (a) the economic value of the information is derived by not being readily ascertainable by other persons who might obtain economic value by its disclosure; and (b) the information is the subject of efforts that are reasonable under the

circumstances to maintain its secrecy. Clearly, both of these tests are met in this case. Only Sprint is in a position to know the details of these flow-through reductions. The economic value of this information is derived by Sprint maintaining the secrecy of the information since its competitors could obtain economic value by its disclosure.

6. Pursuant to 807 KAR 5-001, Section 7(3), temporary confidentiality for the enclosed information should be maintained until the Commission enters an order as to this Petition. Once the order regarding confidentiality has been issued, Sprint would have twenty (20) days to seek alternative remedies pursuant to 807 5:001, Section 7(4).

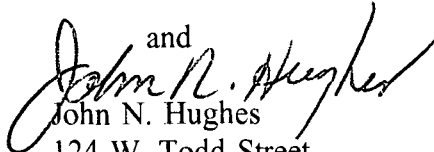
WHEREFORE, Sprint petitions the Commission to treat as confidential all of the material, information and documents submitted, which has been included in one volume marked "confidential".

This 14th day of November, 2000.

Submitted By:

Sprint Communications Company L.P.

William Atkinson
3100 Cumberland Circle - GAATLNO802
Atlanta, GA 30339
(404) 649-6788

and

John N. Hughes
124 W. Todd Street
Frankfort, KY 40601
(502) 227-7270

Confidential and Proprietary

Sprint
Kentucky Access Flow Through
BellSouth

Case No. 94-121 and 99-434

(1)	<u>Access Flow Through Obligation</u>	\$
	Actual Access Savings from BS reductions	
(3)	<u>Sprint's Access Flow Through</u>	\$
	Tariffed Reductions	
(4)	Residential Avg. Rate per Minute Decline ⁽¹⁾	\$
(5)	Total Flow Through	\$

⁽¹⁾ Excess from Case No. 2000-260

Confidential and Proprietary

Printed 11/10/00

Confidential and Proprietary

Sprint
Kentucky Access Flow Through
GTE NTSRR

Case No. 2000-260

(1)	<u>Access Flow Through Obligation</u>	\$
	Actual GTE NTSRR Access Savings	
(3)	<u>Sprint's Access Flow Through</u>	\$
	Tariffed Reductions	
(4)	Residential Avg. Rate per Minute Decline	\$
(5)	Total Flow Through	\$
(6)	Excess Flow Through Amount (Line 5 - Line 1)	\$

Confidential and Proprietary

Printed 11/10/00

Confidential and Proprietary

Sprint
Kentucky - Flow Through of BellSouth Access Reductions
Case No. 94-121 and 94-434

Tariffed Reductions:

Residential MTS
Business Sense
Business Flex 50
Business Flex 500
Real Solutions Option A
Real Solutions Annual
VPN/VPN Premiere
Single Source Solutions

Confidential and Proprietary

Printed 11/10/00

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 31 2000
PUBLIC SERVICE
COMMISSION

In the Matter of:

AT&T COMMUNICATIONS OF THE)
SOUTH CENTRAL STATES, INC.)

) CASE NO. 99-434
)

Review of BellSouth Telecommunications, Inc's
Price Regulation Plan

PETITION FOR CONFIDENTIALITY

Comes now AT&T Communications of the South Central States, Inc., referred to hereinafter as "AT&T" or "Company", by and through counsel, pursuant to KRS 61.870, et. seq., and Kentucky Public Service Commission ("Commission") Rule 807 KAR 5:001. §7, et. seq., and in support of its Petition herein states as follows:

1. The Commission issued an order in this matter on August 3, 2000 ("Order") in which it directed AT&T to file tariffs demonstrating that they have reduced intrastate long distance rates in an amount equal to the access charge reduction ordered by the Commission.
2. In its Petition herein, the Company is seeking confidential treatment of the access flow-through support data..
3. KRS 61.870, et seq., requires that public agencies within the Commonwealth make available for inspection all public records. Certain exceptions to that general requirement are contained in KRS 61.878. KRS 61.878 (1)(c), et seq., provides an exemption for providing personal information. In order to qualify for such an exemption under this

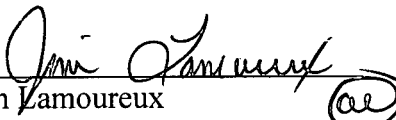
section of the Act, a party must demonstrate that disclosure of such information would permit an unfair commercial advantage to its competitors unless the information is afforded confidential protection. The procedure for requesting confidential treatment from the Commission is outlined at 807 KAR 5:001, §7, et. seq.

4. The information contained in the supporting documentation contains proprietary commercial information and, accordingly, AT&T requests the Commission to afford confidentiality to this information pursuant to the exemption provided in KRS 61.878 (1)(c). A competitor could use the information to obtain market information about the Company, which the competitor would be unable to obtain otherwise. Armed with this information, a competitor could develop entry and/or marketing strategies what would likely ensure it success in competing with the Company. Conversely, the Company is unable to receive such information about its competitors and their customers. Further in a competitive market, any information gained about a competitor can be used to that competitor's detriment. Such an unfair competitive advantage skews the marketplace and prevents the development of true competition to the ultimate detriment of the consumer.
5. Disclosure of confidential information of this nature will be detrimental to the Company because it contains data that is not otherwise available to the Company's competitors. Once supplied with this information, a competitor could use it to target their marketing efforts to the detriment of the Company. The information sought to be protected herein is not known outside the Company, nor is it provided to the public, its internal use is restricted to only those employees who have a legitimate business reason for reviewing such, and the Company attempts to control the dissemination of this material through all

reasonable means. Indeed, by granting the Company's petition the public interest will be served because competition will be enhanced.

Wherefore, AT&T respectfully requests that the honorable Kentucky Public Service Commission issue an order herein granting confidential treatment to the Company's supporting documentation data.

Respectfully submitted this the 30th day of October, 2000.


Jim Lamoureux
AT&T Communications of the
South Central States, Inc.
Room 8068
1200 Peachtree Street, N.E.
Atlanta, GA 30309
(404) 810-4196

KENTUCKY

Access Flow Through Impact Summary

Effective 11-1-2000

Residential Services

Access Reduction (\$5,214,232)

Rate Reductions

Revenue Impact

Basic Schedule Reduction	(\$1,951,772)
Schedule Y Reduction	(\$977,210)
OR5 Reduction	(\$36,469)
OR7 Reduction	(\$476,042)
Off Peak II Reduction	(\$465,022)
800CALLATT	(\$205,308)
Migration to Lower Priced Optional Calling Plans	(\$1,113,913)
Total Annualized Revenue Reductions	(\$5,225,736)

Business Services

Access Reduction (\$2,686,119)

Rate Reductions

Commercial Long Distance (BLD) InterLATA	(\$115,553)
Commercial Long Distance (BLD) IntraLATA	(\$93,133)
SDN Services	(\$113,674)
VTNS	(\$382,316)
CustomNet 800 Plus Plan A InterLATA	(\$47,851)
CustomNet 800 Plus Plan A IntraLATA	(\$80,867)
CustomNet InterLATA	(\$29,062)
CustomNet IntraLATA	(\$20,141)
SBA Plus InterLATA Outbound (Pro WATS / Plan Q)	(\$174,441)
SBA Plus IntraLATA Outbound (Pro WATS / Plan Q)	(\$153,672)
Simply Better InterLATA	(\$19,705)
Simply Better Inbound InterLATA	(\$60,032)
Simply Better Inbound IntraLATA	(\$108,699)
UNIPLAN Services	(\$421,813)
Megacom WATS InterLATA	(\$2,050)
Megacom WATS IntraLATA	(\$4,742)
800 Readyline	(\$329,334)
Megacom 800	(\$732,231)
DNS	(\$48,088)

Total Business Services (\$2,937,404)

Total Revenue Reduction (\$8,163,140)



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

October 13, 2000

Creighton E. Mershon, Sr., Esq.
General Counsel-Kentucky
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
P. O. Box 32410
Louisville, Kentucky 40232

RE: Petition for Confidential Protection
Case No. 99-434

Dear Mr. Mershon:

The Commission has received your petition filed October 9, 2000, to protect as confidential the review of BellSouth Telecommunications Inc.'s P. R. P. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

William H. Bowker
Deputy Executive Director

Mailed on 10/16/2000 L.P.





BellSouth Telecommunications, Inc.
P.O. Box 32410
Louisville, KY 40232

or
BellSouth Telecommunications, Inc.
Room 407
601 West Chestnut Street
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel-Kentucky

502 582-8219
Fax 502 582-1573

October 9, 2000

RECEIVED
OCT 9 2000
PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602


RE: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Dorman:

Enclosed for filing in the above-captioned case is BellSouth Telecommunications, Inc.'s Response to the Commission's Order dated September 18, 2000. Attachment 1 to the Response contains confidential, commercial, or proprietary information and, pursuant to 807 KAR 5:001, Section 7, enclosed is BellSouth's Petition for Confidentiality.

One copy of the proprietary information is provided to the Commission. A copy of the proprietary information is provided to the Attorney General, AT&T, MCI, and Sprint pursuant to the Confidentiality Agreement signed in Case No. 94-121. Requisite edited copies are provided for the public record and to parties who have not signed a Confidentiality Agreement.

Sincerely,


Creighton E. Mershon, Sr.

Enclosures

cc: Parties of Record

231546

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001, SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth" or the "Company"), by counsel, hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to 807 KAR 5:001, Section 7, to treat those numbers highlighted with transparent ink in Attachment 1 to BellSouth's Response to the Commission's Order dated September 18, 2000, as confidential in accordance with the Commission's regulations.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878(1)(b). To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of the party seeking confidentiality if openly discussed. KRS 61.878(1)(b); 807 KAR 5:001, § 7. The Commission has taken the position that the statute and rules require the party to demonstrate actual competition and a likelihood of competitive injury if the information is disclosed.

Attachment 1 to BellSouth's Response contains information as to BellSouth's planned deployment of Digital Subscriber Line Access Multiplexers (DSLAMS) and associated equipment for the next three years. It includes not only the planned number of DSLAMs to be deployed by year, but also BellSouth's investment per unit deployed.

Disclosure of such confidential information could substantially harm the competitive position of BellSouth by assisting competitors in analyzing BellSouth's costs and market opportunities, and in preparing marketing strategies to use in direct competition with BellSouth. BellSouth's competitors who might take advantage of this material are COVAD, BlueStar Communications, DSL.net, etc. Because of this, this material should be protected from disclosure.

As further grounds for this Petition, BellSouth states as follows:

- (1) The information as to which BellSouth is requesting confidential treatment is not known outside of BellSouth;
- (2) The information is not disseminated within BellSouth and is known only by those BellSouth's employees who have a legitimate business need to know and act upon the information;
- (3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices;
- (4) The disclosure of this information would cause competitive injury to BellSouth in that it would provide

BellSouth's competitors with sensitive data with respect to one of BellSouth's services; and

(5) By granting BellSouth's Petition there would be no damage to any public interest in disclosure. In fact, the public would be best served by non-disclosure because competition would thereby be promoted.

For the foregoing reasons, BellSouth asks that its petition for confidential treatment of those numbers highlighted with transparent ink in Attachment 1 to BellSouth's Response be granted.

Respectfully submitted,



Creighton E. Mershon, Sr.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
(502) 582-8219

R. Douglas Lackey
A. Langley Kitchings
Suite 4300, BellSouth Center
675 W. Peachtree Street, N.E.
Atlanta, GA 30375
(404) 335-0765

COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

BELLSOUTH TELECOMMUNICATIONS, INC.'S
RESPONSE TO THE COMMISSION'S ORDER
DATED SEPTEMBER 18, 2000

In its September 18, 2000 Order ("Order") in this case, the Kentucky Public Service Commission ("Commission") granted BellSouth Telecommunications Inc.'s ("BellSouth's") request for reconsideration of the broadband deployment requirements included in the Commission's August 3, 2000 Order ("August Order"). The Commission also stated its intention to hold an informal conference to discuss broadband deployment, and directed the Company to file information concerning its expected costs and projected demand rates. BellSouth was also directed to propose dates for the informal conference (Order, page 2). Following is the information that the Commission requested:

Cost of Broadband Deployment:

The Commission concluded that the identification of the appropriate level of broadband deployment sufficient to offset productivity gains "is an elusive issue dependent upon numerous factors" (See Order, page 1). BellSouth certainly agrees with the Commission's conclusion. The audit report and the record in this case are replete with documentation on the difficulties inherent in both accurately gauging productivity

gains for a company, and in predicting that productivity level for some future period. The added uncertainty of estimating future inflation rates, as included in a price regulation formula, further contributes to the elusiveness. On the contrary, BellSouth's commitment to deploy broadband capabilities in 35 wirecenters is not elusive. It represents a defined commitment with some degree of certainty not available with the productivity offset.

In its August 3, 2000 Order, the Commission accepted BellSouth's broadband proposal "as a surrogate for further rate reductions based upon a specified productivity index" (August Order, page 6). It also stated that, "At the end of the pilot period, the investment and associated carrying charges and attributable revenues will be analyzed." (August Order, pages 6 and 7). BellSouth agrees that the Commission should judge whether BellSouth has satisfactorily met its commitment at the end of the pilot period.

BellSouth submits, however, that what level of deployment is required to offset an assumed level of productivity is the wrong question to be asked. The criterion for evaluation should be whether BellSouth has performed sufficiently for the Commission and the Company to conclude that a real and satisfactory improvement has been made in the provision of broadband capabilities to Kentuckians. BellSouth commits to work with the Commission, staff, and other parties to analyze the existing broadband market in Kentucky, explore new market opportunities, and work toward creative technical and marketing solutions for developing those markets. BellSouth views this project as both an opportunity and a challenge to make a real difference in the quality of life for Kentuckians. BellSouth encourages a cooperative approach, and welcomes a Commission evaluation at the end of the three-year pilot period.

Through a series of informal conferences and meetings, BellSouth would like to work with the Commission, the Commission staff, and other interested parties to develop a strategy for achieving the long-term goal of bringing broadband capability to all Kentuckians who desire it. Neither BellSouth, nor the Commission, can answer how much investment will be required. The proposed deployment plan, however, is significant in terms of testing the rural market and analyzing its characteristics and propensity to purchase broadband services. There are just too many questions to be answered to be able to predict the appropriate level of investment (i.e. How many customers in a given wirecenter have a PC and subscribe to Internet service?, How many customers will want to upgrade their current Internet service to a broadband service?, How many customers already have a broadband service available to them?, Where are the customers who want broadband located?, What is reasonable, in terms of investment and expense, to bring broadband to an individual customer?, Should a customer who wants broadband be required to cover part of any extraordinary cost associated with deploying that capability?, What is the best broadband technology to meet an individual customer's needs?, What additional technologies [such as fixed and mobile wireless data technologies] will be available in the future?, What is the best way to market broadband services in these markets?, What are appropriate incentives to encourage other companies to participate in this effort?, and many more).

BellSouth's broadband commitment in the TRP proposal involves deployment of Digital Subscriber Line Access Multiplexers (DSLAMS) in 35 wirecenters and requires an estimated investment of \$16M. Attachment 1 provides the investment associated with the network components and quantities used in providing BellSouth's initial proposal for

35 Kentucky wire centers. The Base Investment Table provides the planned investment for broadband in Kentucky. The Enhanced Investment Table includes the Base Investment plus the additional broadband investment as proposed in the TRP. The Incremental Investment Table provides the actual investment for each table and the difference between the two plans. This difference represents the incremental investment as proposed in the TRP.

It should be noted that the \$16M investment is the estimated amount of capital investment associated with BellSouth's proposed deployment. Many other costs will be incurred by BellSouth that cannot easily be estimated in this effort. Among these are costs associated with the maintenance of equipment, service installation, marketing training, promotion, regulatory support, and systems support. The cooperative effort BellSouth is recommending will involve these costs as well as additional costs for market research, communication, and interaction with stakeholders (meetings, press releases, etc.). Internet Service Providers that join in this project will also incur costs in the deployment of capital, the marketing of their individual services, and in servicing their sales.

Projected Demand Rate:

Projecting a demand rate that can be expected for broadband technologies is not a precise science. There are a myriad of factors that combine to influence demand, and the strength of each of these factors will vary across wirecenter serving areas. Among the factors that are thought to influence buying decisions are the levels of income, education, PC ownership, and Internet service subscription, as well as the size of families (number

and age of school-aged children in the home), the average price of homes, and the number of additional telephone lines in an area.

In this broadband project, BellSouth will provide broadband capabilities in the targeted geographic areas. The service BellSouth will provide will be a wholesale service. An additional factor in the ultimate demand rate that is achieved in each individual wirecenter service area will be the activity, or inactivity, of internet service providers in taking BellSouth's wholesale broadband service and marketing that capability in the retail market.

To date, BellSouth's experience with demand for broadband service has been in metropolitan environments, with limited experience with broadband demand in more rural settings. As previously stated, BellSouth believes that working with the Commission is the most effective way to bring broadband capability to as many of BellSouth's customers as want it. Identification of a demand level for the proposed locations will involve market research (to identify the strength of the factors of demand listed above), creative marketing plans, delivery of value to the marketplace, and cooperative efforts with state government agencies involved in economic development activities.

An indication of the upper end of the range of demand that might be expected can be gleaned from the market experience of Glasgow, Kentucky. According to a recent Associated Press report (<http://www.msnbc.com/news/452691.asp?cp1=1>), demand for high-speed Internet access (that has been available since 1994) is currently running around 25% among residence customers and 67% among business customers. The report also indicates that most of the demand has developed within the last year or two, but it

does not offer an explanation as to why there has been an apparent delay in market response.

At the lower end of the range of demand that might be expected, BellSouth's experience with providing broadband service in the Pikeville and Bowling Green exchanges is instructive. Although broadband capability has been available in those two central offices since February 2000, there has been virtually no demand for the service.

Based on general knowledge of the industry, and on limited experience in providing broadband service in predominantly urban wirecenters in Kentucky, BellSouth suggests that a reasonable demand rate to expect for this project is around 1-2% of ADSL capable households and business lines.

The demand rate for BellSouth's broadband project should be a factor in the evaluation at the end of the pilot period, in terms of whether the Commission and the Company are satisfied with the progress made in meeting the broadband needs in the Kentucky marketplace. Quantification of actual objectives must wait for the development of data on the factors of demand in the target markets. Broadband deployment is but one of a myriad of issues the team should address at the end of the pilot project.

Proposed Dates for an Informal Conference:

BellSouth recommends a series of informal conferences and meetings, with the initial meeting being held sometime during the week of November 6, 2000. At that first meeting, BellSouth will propose an implementation plan for deployment of the DSLAMS included in the Transition Regulation Plan broadband commitment. BellSouth suggests

that the focus of the first meeting should be to identify issues and questions that need to be answered, to explore options for developing the broadband market, and to discuss a plan for moving forward with this project. A suggested agenda for this first meeting is provided in Attachment 2.

Respectfully submitted,



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COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

231439

BASE INVESTMENT TABLE

Equipment Type	Quantity			Investment per Unit
	Year 1	Year 2	Year 3	
DSLAMs ¹				
Concentrators ²				
Remote Solution ³ - MiniRam				
Remote Solution ³ - Adjunct 96				
Remote Solution ³ - DSLAM Str-48				
Remote Solution ³ - DSLAM Str-96				
Remote Solution ³ - DSLAM Str-144				
Remote Solution ³ - DSLAM 144				
Remote Solution ³ - DSLAM 192				

¹ Digital Subscriber Line Access Multiplexer (DSLAM) investment includes Alcatel CO DSLAM equipped for 35% utilization, ATM switch port and capacity, an OC-3 interoffice transport average of 5 miles to an ATM switch.

² Concentration equipment includes Lucent AX1250 concentrator, ATM switch port and capacity, an OC-3 interoffice transport average of 5 miles to an ATM switch.

³ Remote solution investment includes Alcatel remote equipment, ATM switch port and capacity, an OC-3 interoffice transport average of 5 miles to an ATM switch or DS1 capacity to CO based DSLAM.

ENHANCED INVESTMENT TABLE

Equipment Type	Quantity			Investment per Unit
	Year 1	Year 2	Year 3	
DSLAMs ⁴				
Concentrators ⁵				
Remote Solution ⁶ - MiniRam				
Remote Solution ⁶ - Adjunct 96				
Remote Solution ⁶ - DSLAM Str-48				
Remote Solution ⁶ - DSLAM Str-96				
Remote Solution ⁶ - DSLAM Str-144				
Remote Solution ⁶ - DSLAM 144				
Remote Solution ⁶ - DSLAM 192				

⁴ Digital Subscriber Line Access Multiplexer (DSLAM) investment includes Alcatel CO DSLAM equipped for 35% utilization, ATM switch port and capacity, an OC-3 interoffice transport average of 27 miles to an ATM switch.

⁵ Concentration equipment includes Lucent AX1250 concentrator, ATM switch port and capacity, an OC-3 interoffice transport average of 27 miles to an ATM switch.

⁶ Remote solution investment includes Alcatel remote equipment, ATM switch port and capacity, an OC-3 interoffice transport average of 27 miles to an ATM switch or DS1 capacity to CO based DSLAM.

INCREMENTAL INVESTMENT TABLE

	Year 1	Year 2	Year 3	Total
Base Investment				
Enhanced Investment				
Proposed Incremental Investment				

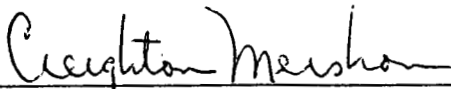
Broadband Deployment Project
BellSouth Telecommunications, Inc.
Case No. 99-434 Informal Conference

AGENDA

- | | | |
|----|--------------------------------|------------------|
| 1. | Introduction | Commission Staff |
| 2. | Definition of Goals | All |
| 3. | Definition of Success Criteria | All |
| 4. | Identification of Issues | All |
| 5. | Proposed Implementation Plan | BellSouth |
| 6. | Assignment of Action Items | All |
| 7. | Schedule Next Meeting | All |

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 9th day of October 2000.



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October 5, 2000

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OCT 09 2000
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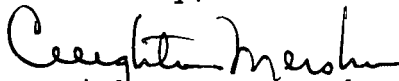
RE: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Application of BellSouth Telecommunications, Inc.
d/b/a South Central Bell Telephone to Modify its Method
of Regulation
PSC 94-121

Dear Mr. Dorman:

Further in connection with BellSouth's September 8, 2000,
filing in these cases, the attached is served on all parties of
record today.

Sincerely,


Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

231175



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Fred L. Gerwing
Regulatory Vice President

October 4, 2000

RECEIVED
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PUBLIC SERVICE
COMMISSION

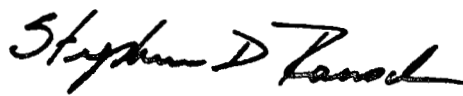
Thomas M. Dorman
Executive Director
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Frankfort, Kentucky 40602-0615

Dear Mr. Dorman:

On September 8, 2000 the company filed tariffs to comply with the Commission's orders in Case Nos. 99-434 and 94-121. It has come to our attention that the first page of Attachment 3 to that filing includes certain dollar amounts which are inconsistent with the remainder of the attachment. The first page is incorrect and the remainder of the attachment is correct. Attached is a corrected first page of Attachment 3 which corrects the inconsistencies. Please replace the current page with the page enclosed.

We apologize for any convenience this may have caused the Commission or its staff. If further information is required please contact Mr. Steve Rausch at 502-582-8180 or via e-mail at stephen.rausch@bellsouth.com.

Very truly yours,

for 
Fred L. Gerwing


Attachment

The touchtone rate for 2-way and outgoing business access lines and trunks and Payphone Service Provider access lines is \$3.00 for all rate groups. We will reduce the rate for TouchTone in rate group 5 by \$0.65. Then we will eliminate the separate charge for business touchtone for all but Payphone access lines. The rate for 2-Way and Outgoing Business Access lines and trunks will increase by \$3.00 for all rate groups except rate group 5. For rate group 5 the increase will be \$2.35. Payphone Service Providers will continue to pay a separate touchtone charge of \$2.35 in rate group 5 and \$3.00 in all other rate groups.

The net revenue effect of these rate changes is a reduction of (\$473,206) per the attached priceouts.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service Lists by mailing a copy thereof, this 5th day of October 2000.



Creighton E. Mershon, Sr.

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Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

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Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

October 3, 2000

To: All Parties of Record

Re: Case Nos. 94-121 and 99-434

We enclose one attested copy of the Commission's Order in the above cases.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BELLSOUTH)
TELECOMMUNICATIONS, INC.,)
D/B/A SOUTH CENTRAL BELL) CASE NO.
TELEPHONE COMPANY TO) 94-121
MODIFY ITS METHOD OF)
REGULATION)

and

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

O R D E R

Sprint Communications Company, L.P., MCI WorldCom, and AT&T of the South Central States, Inc. having jointly moved for an extension of time until November 1, 2000 in which to submit their access charge reduction flow-through tariff filings and the Commission finding good cause, IT IS HEREBY ORDERED that the motion is granted.

Done at Frankfort, Kentucky, this 3rd day of October, 2000.

By the Commission

ATTEST:


Executive Director



William R. Atkinson
Attorney, State Regulatory

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Voice 404 649 6221
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bill.atkinson@mail.sprint.com

September 20, 2000

VIA HAND DELIVERY

Mr. Thomas Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED

SEP 20 2000

PUBLIC SERVICE
COMMISSION

In Re: Case No. 94-121 – Application of BellSouth Telecommunications, Inc. d/b/a
South Central Bell Telephone to Modify its Method of Regulation
Case No. 99-434 – Review of BellSouth Telecommunications Price Regulation
Plan

Dear Mr. Dorman:

Enclosed please find for filing an original and ten (10) copies of a Joint Motion for Extension of Time of Sprint Communications Company L.P., MCI WorldCom, and AT&T of the South Central States in the above referenced proceeding. An extra copy is also included which I ask that you please date stamp and return for my file.

Thank you for your assistance in this matter. Should you have any questions, please feel free to contact me.

Sincerely,

William R. Atkinson

WRA/vbk
Enclosures
cc: Parties of Record

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

SEP 20 2000

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BELLSOUTH)	
TELECOMMUNICATIONS, INC. D/B/A)	
SOUTH CENTRAL BELL TELEPHONE)	CASE NO. 94-121
TO MODIFY ITS METHOD OF REGULATION)	
REVIEW OF BELLSOUTH)	
TELECOMMUNICATIONS PRICE REGULATION)	CASE NO. 99-434
PLAN)	

JOINT MOTION FOR EXTENSION OF TIME

Sprint Communications Company L.P. ("Sprint"), MCI WorldCom ("WorldCom"), and AT&T of the South Central States ("AT&T") (hereinafter "Joint Movants") hereby file this Joint Motion for Extension of Time in the above-styled dockets. Specifically, the Joint Movants respectfully request that the Commission grant a one-month extension of time, or until November 1, 2000, for Joint Movants to file access charge reduction flow-through tariffs in compliance with the Commission's recent Order in these proceedings. In support of their Motion, the Joint Movants show as follows:

1.

On July 31, 2000 and August 29, 2000 the Commission issued Orders in Case No. 94-121 approving proposed tariff revisions filed by BellSouth Telecommunications, Inc. ("BellSouth") that, among other things, reduced intrastate access rates. On August 3, 2000, the Commission issued an Order in Case No. 99-434, which among other provisions, approved certain proposed BellSouth access reductions.

2.

The noted Orders also require all interexchange carriers that pay access to BellSouth to file tariffs demonstrating that they have reduced intrastate long-distance rates in an amount equal to the access charge reductions by October 1, 2000.

3.

Joint Movants are interexchange carriers that pay intrastate access charges to BellSouth.

4.

Joint Movants face numerous similar upcoming required tariff filings in multiple jurisdictions. These filings represent a substantial burden to the relevant personnel of the companies. Additionally, because of summer vacations, Joint Movants face the unavailability of key personnel.

5.

The Joint Movants assert that the rate reductions included in the companies' November 1, 2000 tariff filings will result in the same total reductions in rates as if implemented on October 1, 2000.

WHEREFORE, Joint Movants respectfully request that the Commission grant their Motion for Extension of Time and allow Sprint, WorldCom and AT&T an additional 31 days, or until November 1, 2000, to comply with the relevant requirements of the aforementioned Orders.

Respectfully submitted this 20th day of September 2000.

MCI Telecommunications
Corporation

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-and-

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Attorneys for Sprint Communications
Company L.P.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing Joint Motion for Extension of Time, Case No. 94-121 and 99-434, via United States first class mail, postage pre-paid and properly addressed to the following:

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GTE
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This 20th day of September, 2000.

Virginia Beth Kriebel
Sprint Communications Company L.P.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 18, 2000

To: All parties of record

RE: Case No. 1999-434

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable Creighton E. Mershon
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On August 3, 2000, the Commission entered an Order modifying the regulation plan of BellSouth Telecommunications, Inc. ("BellSouth"). Certain elements of the plan proposed by BellSouth, the Transition Regulation Plan, were adopted by the Commission. BellSouth filed a motion requesting reconsideration of only one issue, the deployment in targeted wire centers of broadband technologies. BellSouth had proposed that digital subscriber loop ("DSL") technology be deployed in 35 wire centers for those customers within 18,000 feet of the central office. The Commission ordered that deployment be expanded to include all customers within the 35 wire centers. BellSouth requests rehearing of this requirement to expand the deployment of DSL. BellSouth also states, however, that if the Commission considers integrated service digital network ("ISDN") to provide sufficient broadband capabilities, then BellSouth can comply with the Commission's Order.

The level of deployment of broadband technologies sufficient to offset productivity gains for BellSouth is an elusive issue dependent upon numerous factors. Consequently, the Commission will grant rehearing so that BellSouth may present information regarding the appropriate level of broadband deployment which should include documentation of its projections regarding cost of deployment and customer

demand. For purposes of this proceeding, the Commission finds that ISDN is not an adequate substitute for DSL as an offset for productivity gains.

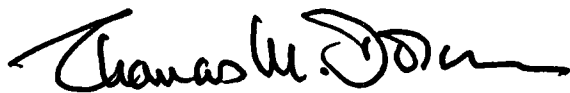
Accordingly, rehearing is granted for the purpose of providing BellSouth an opportunity to present information regarding the appropriate level of broadband deployment, the cost of deploying of DSL technologies, and projected customer demand rates. Within 20 days of the date of this Order, BellSouth shall submit information regarding its costs, projected demand rates, and proposed dates for an informal conference to discuss BellSouth's proposals.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 18th day of September, 2000.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas M. Jordan", written over a horizontal line.

Executive Director



BellSouth Telecommunications, Inc.
P.O. Box 32410
Louisville, KY 40232

or
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Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel-Kentucky

502 582-8219
Fax 502 582-1573

September 5, 2000

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

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SEP 07 2000

PUBLIC SERVICE
COMMISSION

RE: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Dorman:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of tariff pages that were filed under separate cover. This filing is served on all parties of record.

Sincerely,

Creighton E. Mershon, Sr.

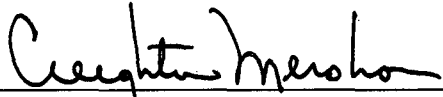
Enclosure

cc: Parties of Record

227293

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 5th day of September 2000.



Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

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Fred L. Gerwing
Regulatory Vice President

September 2, 2000

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
P.O. Box 615
730 Schenkel Lane
Frankfort, Kentucky 40602

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SEP 07 2000

PUBLIC SERVICE
COMMISSION

Dear Mr. Dorman:

Attached are new and revised pages in the Table of Contents, the Subject Index, Section A2, and Section A36 of the General Subscriber Services Tariff. We are filing these pages in compliance with the Commission's August 3, 2000 order in Case No. 99-434.

Included are the approved Economic Development tariff pages (A2) and the Telecommunications Regulation Plan (TRP) tariff pages (A36). Rate adjustments, as approved in the order, will be filed under separate cover. In addition to the specific provisions ordered by the Commission, the attached tariff pages also include several corrections to the TRP's list of services by categories (A36.1.4) as follows:

Industrial Category:

- Movement of "Interconnection for Mobile Services" from the Access Category to the Industrial Category (incorrectly identified in the original filing).
- Addition of "Coin Telephone Service (A7)" (omitted from original filing).

Access Category:

- Addition of the following services that have either been approved but not previously listed in a service category, or are the corresponding access services to services listed in the Retail Category:
 - BellSouth ® Exchange Access Asynchronous Transfer Mode Service (XAATMS),
 - Exchange Access Connectionless Data Service (XACDS) (a.k.a. BellSouth Exchange Access Connectionless Data Service),
 - Exchange Access Frame Relay Service (XAFRS) (a.k.a. BellSouth Exchange Access Frame Relay Service),

Mr. Thomas M. Dorman
September 2, 2000
Page 2 of 2

Retail Category:

- Addition of the following services that have been approved but were not previously listed in a service category:
 - Asynchronous Transfer Mode (ATM) Service,
 - BellSouth ® Essentials,
 - BellSouth ® Remote Access Service,
 - Internet Call Waiting Service,
 - MegaLink ® Light Service.

Should you or your staff have questions regarding this filing, or need additional information, please call Jim Tipton at 502-582-8925.

Very truly yours,



Fred L. Gerwing

cc: Jordan Neel
Enclosures

- ® BellSouth is a registered trademark of BellSouth Intellectual Property Corporation
- ® Registered Service Mark of BellSouth Intellectual Property Corporation

BellSouth Telecommunications, Inc. 502 582-8415
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Fred L. Gerwing
Regulatory Vice President

September 2, 2000

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

Dear Mr. Dorman:

Pursuant to the Rules Governing Tariffs effective August, 1997, I hereby certify that I am the Regulatory Vice President of BellSouth Telecommunications, Inc., a utility, furnishing telephone service within the Commonwealth of Kentucky, which on the Second day of September 2000, issued revised sheets of its Intrastate Tariffs to become effective October 1, 2000 and cancels the previously effective sheets as follows:

GENERAL SUBSCRIBER SERVICES TARIFF

Table of Contents	Fourteenth Revised Page 1 Cancels Thirteenth Revised Page 1
Subject Index	Tenth Revised Page 6 Cancels Ninth Revised Page 6
	Seventh Revised Page 17 Cancels Sixth Revised Page 17
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Mr. Thomas M. Dorman
September 2, 2000
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Section A2 (Continued)

Original Page 22.0.0.1

Original Page 22.0.0.2

Section A36 (Contents)

First Revised Page 1
Cancels Original Page 1

Section A36

First Revised Page 1
Cancels Original Page 1

Second Revised Page 2
Cancels First Revised Page 2

First Revised Page 2.1
Cancels Original Page 2.1

First Revised Page 3
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Ninth Revised Page 4
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Mr. Thomas M. Dorman
September 2, 2000
Page 3 of 3

Section A36 (Continued)

First Revised Page 11
Cancels Original Page 11

First Revised Page 12
Cancels Original Page 12

Notice to the public of the issuing of same is being given in all respects as required by Section 2 of Regulation KAR 5:011.

Given under my hand this Second day of September 2000.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Fred L. Gerwing".

Fred L. Gerwing

Enclosure

BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY
ISSUED: September 2, 2000
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
Fourteenth Revised Page 1
Cancels Thirteenth Revised Page 1
EFFECTIVE: October 1, 2000

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(C)

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(N)

^{*} Service Mark of BellSouth Intellectual Property Corporation
[†] Registered Service Mark of BellSouth Intellectual Property Corporation

BELLSOUTH
 TELECOMMUNICATIONS, INC.
 KENTUCKY
 ISSUED: September 2, 2000
 BY: E.C. Roberts, Jr., President - KY
 Louisville, Kentucky

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
 Seventh Revised Page 17
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(C)

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(N)

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A2. GENERAL REGULATIONS

A2.4 Payment Arrangements And Credit Allowances (Cont'd)

A2.4.8 Variable Term Payment Plan (Cont'd)

O. Renewal Options (Cont'd)

3. If the customer does not elect an additional payment period and does not request discontinuance of service, service will be continued at the monthly rate currently in effect for the one-month payment period under the terms described in 2. preceding.
4. If the expiration date for any service differs from the installed service's existing expiration date, the customer must choose a new payment period for the item (at the time of expiration) according to the terms and conditions as specified in E.3., E.4., F.3., F.4., I.2., I.3., and N.

The Company may discontinue or change any or all renewal options with approval of the appropriate regulatory authority.

P. Transfer Of Service

Service may be transferred to a new customer at the same location, except as prohibited in L.1.a.(5) preceding, upon prior written concurrence by the Company and payment of a transfer charge by the new customer as specified in service tariffs. The new customer will be subject to all provisions currently reflected in the service agreement.

Q. Failure Of Service

In the event that a failure of service is of greater than 24 hours' duration, the Company's liability will be limited to a credit adjustment of monthly billing for the time "out-of-service," prorated on a per diem basis. A 30-day month will be assumed for purpose of proration. The expiration date of the payment period remains unchanged.

A2.4.9 Economic Development Incentive Waivers and Discounts

A. General

1. The purpose of this Tariff offering is to complement and supplement the public policy of this State as set forth in the Kentucky law, KRS 154.22-010 through 154.22-100, and KRS 154.24-010 through 154.24-151 by providing incentive waivers and discounts to qualifying businesses. To the extent that in the Company's judgment the Eligible Company is not participating in good faith in the Kentucky Rural Economic Development and Kentucky Job Development Acts and utilizing the provisions of this Tariff relative to increased employment and the economic development project as provided for therein, the Company reserves the right to refuse to allow the Eligible Company to utilize the provisions of this Tariff. (N)
2. Qualification may be under Option One or Option Two of this Tariff. (N)
3. When the application for service is made, the applicant must advise the Company of their intent to receive the discounts and waivers afforded under either Option One or Option Two of this Tariff. (N)
4. Any qualifying business certifying that it is eligible for the waivers and discounts contained herein shall agree, as a condition of receiving the waivers and discounts, to provide proof satisfactory to the Company of its eligibility under Kentucky law, KRS 154.22-010 through 154.22-100, and KRS 154.24-010 through 154.24-151. If any qualifying business certifying that it is eligible to receive the waivers and discounts set forth herein is subsequently determined not to be eligible for the benefits created by Kentucky law, KRS 154.22-010 through 154.22-100 (KREDA) and KRS 154.24-010 through 154.24-151 (KJDA) as applicable for the Option chosen, that business shall not be eligible for any waiver or discount under this Tariff offering. Upon such occurrence, the business shall immediately cease to be eligible and may be required to provide deposits, pay applicable service connection/installation charges, and pay the full undiscounted tariff charges for any services received pursuant to this offering. (N)

B. Option One

For the purpose of Option One of this Tariff offering, "Eligible Company" as defined as such pursuant to KRS 154.22-010 (10), or any other entity engaged in manufacturing and having final approval by the Kentucky Economic Development Finance Authority (Authority) pursuant to Kentucky law and the provisions of KRS 154.22-010 through 154.22-100 (KREDA). (N)

1. For the purpose of Option One of this Tariff offering, "Qualified County" as defined as such pursuant to KRS 154.22-010 (16) and the provisions of KRS 154.22-010 through 154.22-100 (KREDA). (N)
2. For the purpose of Option One of this Tariff offering, any Eligible Company which meets the following qualifications will qualify for the discounts in this Tariff for 24 months from the date given final approval by the Authority. Examples of the requirements for an Eligible Company include (N)
 - a. a company which has submitted written evidence to the Authority indicating support for the project, and (N)
 - b. a company whose proposed project is used in manufacturing and (N)

A2. GENERAL REGULATIONS

A2.4 Payment Arrangements And Credit Allowances (Cont'd)

A2.4.9 Economic Development Incentive Waivers and Discounts (Cont'd)

B. Option One (Cont'd)

2. Examples of the requirements for an Eligible Company (Cont'd)

- c. a company that has a minimum project investment of \$100,000 and within 24 months of the date of final approval by the Authority will create at least fifteen new full-time jobs at the economic development project site for Kentucky residents employed by the Eligible Company and held by persons subject to the personal income tax of the Commonwealth of Kentucky.

To qualify for the provisions of this Tariff, an Eligible Company must meet all current requirements of the Kentucky Rural Economic Development Act.

3. In order to qualify under Option One of this Tariff, the Eligible Company will be required to certify that it has met the requirements of this Tariff offering as well as the requirements of Kentucky law KRS 154.22-010 through 154.22-100 (KREDA).

C. Option Two

1. For the purpose of Option Two of this Tariff offering, "Eligible Company" as defined as such pursuant to KRS 154.24-010 (8) and having final approval by the Kentucky Economic Development Finance Authority (Authority) pursuant to Kentucky law, and the provisions of KRS 154.24-010 through 154.24-151 (KJDA).

2. For the purpose of Option Two of this Tariff offering, any Eligible Company which meets the following qualifications will qualify for the discounts in this Tariff for 24 months from date given final approval by the Authority. Examples of the requirements for an Eligible Company include

- a. a company which is a service or technology related company that invests in new or expanded non-manufacturing, non-retail projects that provide at least 75% of their services to users located outside of Kentucky, as defined by Kentucky law KRS 154.24-010 through 154.24-151 and

- b. a company which will create within one year of the date of the final resolution authorizing the economic development project at least 25 new full-time jobs for Kentucky residents to be employed by the Eligible Company and to be held by persons subject to personal income tax of the Commonwealth of Kentucky.

- c. a company whose economic development project could reasonably and efficiently locate outside of Kentucky and, without the inducements offered by the Authority, the eligible company would likely locate outside the state.

To qualify for the provisions of this Tariff, an Eligible Company must meet all current requirements of the Kentucky Job Development Act.

3. In order to qualify under Option Two of this Tariff, the Eligible Company will be required to certify that it has met the requirements of this Tariff offering as well as the requirements of Kentucky law KRS 154.24-010 through 154.24-151 (KJDA).

D. Credits, waivers and discounts shall be applicable as follows:

1. Under Option One or Option Two of this Tariff, qualifying businesses will be eligible to receive the waiver of charges listed or credit for newly ordered tariffed services, other than Contract Service Arrangements, Volume and Term Agreements, Special Assembly Arrangements, local usage charges and long distance services (i.e., MTS and WATS).

- a. 100 percent waiver or credit of normal service deposits for telephone service if the business has established a satisfactory credit rating.

- b. Service connection/installation charges for applicable services (excludes inside wiring) will be waived or credited to the business' account.

- c. Monthly charges for applicable services will be eligible for a ten percent discount. The discount shall be applicable for twelve months after the service installation date.

A2. GENERAL REGULATIONS

A2.4 Payment Arrangements And Credit Allowances (Cont'd)

A2.4.10 Payment Plan For Contract Services

A. General

1. The regulations specified herein are applicable to specific services as indicated in each service's respective section of this Tariff. (M)
2. Services furnished under the Payment Plan for Contract Services (PPCS) are subject to all general regulations applicable to the provision of service by the Company as stated elsewhere in this Tariff except as noted herein. (M)
3. The PPCS is a payment plan which allows customers to pay fixed or variable rates for services provided over variable contractual payment periods. A specific monthly rate applies for the duration of each period. (M)
Payment periods for services provided under a PPCS will be described in the services' specific tariff section. The following is an example of payment periods offered. (M)
 - a. Payment Plan A - payment periods may be selected from 24 months to 48 months in length. (M)
 - b. Payment Plan B - payment periods may be selected from 49 months to 72 months in length. (M)
 - c. Payment Plan C - payment periods may be selected from 73 months to 96 months in length. (M)
4. When the customer extends service beyond the longest service period offered, then rates for the longest available service period will apply. (M)
5. When the customer orders service to be provided under a PPCS arrangement, the customer must designate to the Company the payment plan and the service period desired, e.g. Payment Plan B and sixty months. (M)

B. Application of Rates and Charges

1. Rates stabilized under a PPCS arrangement are exempt from Company-initiated increases, however, decreases for any rate element will automatically flow through to the customer. Effective with this Tariff, customers under a PPCS arrangement will be billed the lower of their existing PPCS rates or the current PPCS rates for their service arrangement. (M)
2. When customers renew or change the length of their payment period, the rates applicable for the new period are those currently in effect at the time of the renewal or change in the length of the payment period. A service order charge will not be applicable for such renewals or changes. (M)

A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan

A36.1.1 General

- A. The following rules shall govern the operations of BellSouth Telecommunications, Inc. (the Company) and its regulation by the Kentucky Public Service Commission (the Commission). This Tariff applies to all regulated services filed with the Commission as listed in A36.1.4.
- B. Objectives of the *Transition* Regulation Plan (the Plan).
The objectives of the Plan shall be to:
1. Ensure basic service continues to be available at reasonable rates, and shield the basic ratepayer from significant price increases resulting from the changing marketplace.
 2. Continue to provide high quality service.
 3. Permit the Commission and the Company to direct their energies to meet customer's needs and enhance efficiency in the provision of telecommunications services throughout Kentucky.
 4. Provide enhanced incentives to invest in new technologies and services.
 5. Permit the Company the added flexibility to price competitive services, set depreciation rates, and respond to a changing marketplace.
 6. Permit all Company retail rates to move toward incremental cost or market price.
 7. Ensure that the potential introduction of competition to all markets in Kentucky is not hindered by the Plan.
- C. In addition to the provisions in this section (A36) of the tariff, the Transition Regulation Plan also includes gradual rate rebalancing, infrastructure investments, and the introduction of an Economic Development tariff (A2.4.9).

A36.1.2 Definitions

- A. Term - *The Plan, approved as a three year pilot, will continue until the Commission approves revisions.*
- B. Classification of services - There are three service categories: 1) *Industrial*, 2) *Access*, and 3) *Retail*. See A36.1.4 for the classification of each existing Company service into one of the three service categories.
1. *Industrial* services are those *non-access* services that are provided on a wholesale basis to other telecommunications companies (these include *Unbundled Network Elements [UNEs]* and the *resale discount*). Also included in the *industrial* category are *Lifeline* rates and the *Universal Service Fund (USF)* rate elements.
 2. *Access* services are *Switched and Special Access* services as defined in the *Access Services (E) Tariff*.
 3. *Retail* services are all other services that are not classified as *Industrial* or *Access* services.
- C. New Service - A new service is a function, feature, capability, facility, or combination of these, which previously has not been offered.

A36.1.3 Regulations

- A. Changing Classification
1. The Company is permitted to reclassify services by applying to the Commission. The Commission has thirty (30) days to review the request for reclassification and either approve or suspend the request. If the Commission takes no action within thirty (30) days, the reclassification is deemed approved. When a request for reclassification is suspended, Commission regulations and Kentucky law are applicable to any further Commission action.
- B. Tariff Requirements
1. Terms and conditions of existing tariffed services are deemed approved and govern the contractual relationship between the Company and its customers.
 2. All services must cover long run incremental costs except as noted in A36.1.3.B.3.
 3. The Company may in good faith file for prices below long run incremental cost to meet the equally low price of a competitor. The Company shall file evidence that competitors are charging rates below the Company's long run incremental cost for the service. If the competitive price threat vanishes, within thirty (30) days, the Company shall increase its price to cover the long run incremental cost of the service.

A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.3 Regulations (Cont'd)

B. Tariff Requirements (Cont'd)

4. The Company shall file tariffs stating the rates, terms and conditions for all new services *and for changes to existing services*. Such filings for new services will also designate the proposed category and rationale for the designation. The Company shall file with the Commission a long run incremental cost study, demonstrating that the proposed price does not result in a price below long run incremental cost of the service, except as indicated in A36.1.3.B.3. These tariffs shall be filed at least thirty (30) days prior to the introduction of a new service (M)(C)
 - a. The Commission may, on its own motion, or in response to a petition from an interested party, suspend a new service offering for good cause if the terms and conditions result in public interest concerns. Such investigation shall be initiated within thirty (30) days after the tariff is filed. The Commission shall make a good faith effort to expedite the investigation but shall retain full statutory authority to investigate such issues and to extend the time for the investigation, if necessary.
 - b. New services shall go into effect following the notification period, except if the new service is suspended based on terms and conditions, or public interest concerns. Should the Commission find during the investigation period that a price is inappropriate, the Company may, at the Commission's direction, implement retroactive treatment back to the date the Company offered the service.
5. The Company shall file with the Commission documentation of proposed pricing changes to *Industrial or Access Category* services, other than those *switched access* services with an interstate counterpart, demonstrating the proposed change *adheres to the rules of the category*. (C)
 - a. The Commission may, on its own motion, or in response to a petition from an interested party, investigate proposed changes to tariff prices. Such investigation must be initiated within thirty (30) days after the tariff is filed. The Commission may for good cause suspend the price change if the price violates pricing rules or otherwise is not in the public interest. The Commission shall make a good faith effort to expedite the investigation but shall retain full statutory authority to investigate such changes and to extend the time for the investigation, if necessary.
 - b. The Company shall file with the Commission a long run incremental cost study with price decreases demonstrating that the proposed price does not result in a price below long run incremental cost of the service, except as indicated in A36.1.3.B.2..
6. The Company shall file tariffs for price changes for services in the *Retail* Category. The Company shall file with the Commission a long run incremental cost study with price decreases demonstrating that the proposed price does not result in a price below long run incremental cost of the service, except as indicated in A36.1.3.B.2. The Commission shall retain full statutory authority to investigate such changes and to extend the time for the investigation, if necessary. (C)
7. In the case of CSA arrangements or Special Assembly filings in order to meet a customer desired due date (CDDD), service may be installed upon the signing of the contract by the customer. The contract will contain the following phraseology:

"This contract is subject to the approval of the Kentucky Public Service Commission. In the event the Commission should modify any rate or provision of this agreement, the customer will have the option of accepting the modification(s) or of canceling the contract. If accepted, billing will be rendered from the installation date."

The Company will render billing from the date the service is installed but not until after the Commission has approved the contract. In addition, if the Commission changes the price, the customer will have the right to accept or reject the new price. Customer acceptance of the new price explicitly includes billing the price as of the installation date. Should a customer refuse the service at a PSC authorized price, the Company will be required to disconnect the service.

C. Pricing Rules

1. *Industrial* Category (C)
 - a. Rate changes will take effect following thirty (30) days notice to the Commission.
 - b. The prices in effect on *October 1, 2000* for services in this category will remain in effect until proposed rate adjustments are approved by the Commission. Proposed rate adjustments will be accompanied by supporting cost information. (C)

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A36. TRANSITION REGULATION PLAN

(T)

A36.1 Company *Transition* Regulation Plan (Cont'd)

(T)

A.36.1.3 Regulations (Cont'd)

C. Pricing Rules (Cont'd)

1. *Industrial Category*

(C)

c. (DELETED)

(D)

d. (DELETED)

(D)

e. (DELETED)

(D)

f. (DELETED)

(D)

g. (DELETED)

(D)

A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.3 Regulations (Cont'd)

C. Pricing Rules (Cont'd)

1. *Industrial* Category

h. (DELETED)

i. (DELETED)

2. *Access Service* Category

a. Intrastate switched access rates shall mirror the interstate rates for all future changes effective no later than 30 days of the approved FCC interstate tariffs. *Tariffs will be filed to reflect these changes. These tariffs will be effective on the next business day following their filing dates. Rate changes for all other services in this category will be effective following a thirty (30) day notice to the Commission.*

b. The prices in effect on October 1, 2000 for other services in this category will remain in effect until the Commission approves proposed rate adjustments. Proposed rate adjustments (other than for mirroring interstate rates) will be accompanied by supporting cost information.

3. *Retail* Service Category

a. The Company shall have full discretion to set the rates, terms and conditions for services in this category based on its assessment of market conditions. Price changes will be effective following a thirty (30) day notice to the Commission. See A36.1.3.B.3 and A36.1.3.B.4 for the rules for suspension or review. *Proposed rate adjustments will be accompanied by supporting cost information.*

b. The prices in effect on September 30, 2001 for certain residential services will be increased as ordered by the Commission effective October 1, 2001. The prices in effect for these services on September 30, 2002 will be increased as ordered by the Commission effective October 1, 2002.

D. (DELETED)

E. Financial Reports/Monitoring

1. The Company shall submit a summary of monthly service objectives, by district pursuant to 807 KAR 5:061. *(Effective August 3, 2000, the reporting requirements in 807 KAR 5:061, Section 10(2) and Section 15(1) are eliminated.)* The Company's report will also identify exchanges that do not meet the service objectives. If the Company's performance levels for any exchange fall below minimum service objectives for two consecutive months, the Company shall submit a report setting forth the specific action taken (or planned) to correct its performance.

2. The Company may establish depreciation rates at its discretion. The Company shall submit to the Commission copies of its depreciation filings with the Federal Communications Commission ("FCC").

3. The Company shall file routine quarterly and annual financial reports.

4. (DELETED)

A36. TRANSITION REGULATION PLAN

A36.1 Company Transition Regulation Plan (Cont'd)

A36.1.3 Regulations (Cont'd)

F. (DELETED)

A36.1.4 List of Services by Category

A. Industrial Category

- Coin Telephone Service (A7)
- Interconnection for Mobile Services¹
- Lifeline
- Resale Discount
- Unbundled Network Elements (UNEs) (Not tariffed)
- Universal Service Fund (USF)

B. Access Category

- Access Line Service For Payphone Service Provider Telephones
- BellSouth[®] Exchange Access Asynchronous Transfer Mode Service (XAATMS)
- BellSouth[®] AIN SMS Access Service
- BellSouth[®] AIN Toolkit Service
- BellSouth[®] Billing Name and Address for ANI
- BellSouth[®] Custom Network Service
- BellSouth[®] Customer List Service
- BellSouth[®] Directory Assistance Access Service
- BellSouth[®] SWA 500 Service - Personal Communication Service
- BellSouth[®] SWA LSBSA
- BellSouth[®] SWA Service (Non-BSE)
- BellSouth[®] SWA Transport
- Carrier Common Line Access Services
- Common Switching Optional Features
- Dedicated Network Access Lines
- DID/DOD with BellSouth[®] SWA LSBSA
- Digital Data Access (a.k.a. BellSouth[®] SPA DS0 Digital Data) Service
- Engineering and Miscellaneous Services
- Exchange Access Connectionless Data Service (XACDS) (a.k.a. BellSouth Exchange Access Connectionless Data Service)
- Exchange Access Frame Relay Service (XAFRS) (a.k.a. BellSouth Exchange Access Frame Relay Service)
- High Capacity
- Local Switching
- Network Blocking for BellSouth[®] SWA FGD
- Operator Services Access Service
- Shared Network Arrangement
- Sharing and Resale of Basic Local Exchange Service
- SmartLine[®] for *Customer-provided Public Telephone* Subscribers
- Special Access (a.k.a. BellSouth[®] SPA) Services
- Switched Basic Service Elements (BSEs)

Note 1: A35.1 - A35.3 only.

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A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.4 List of Services by Category (Cont'd)

C. *Retail* Category

911 Emergency System & A Key System	(M)
AccuPulse	(M)
Addition of Blocking Options to ESSX® and Digital ESSX® service Tariffs	(M)
Additional Listing	(M)
Announcement Facilities	(M)
Answer Supervision	(M)
Area Communication Service	(M)
Area Number Calling Service	(M)
Area Plus® Service	(M)
Area Plus® Service with the Complete Choice® Option	(M)
Arrangements for Night, Sunday, Holiday Service	(M)
Asynchronous Transfer Mode (ATM) Service	(N)
Automatic Number Identification	(M)
Back-up Line	(M)
BellSouth® Administrative Management Service	(M)
BellSouth® AIN Virtual Number Call Detail® Service	(M)
BellSouth® Business Choice® Package Service	(M)
BellSouth® Business Plus® Service	(M)
BellSouth® Centrex service	(M)
BellSouth® Channelized Trunks	(M)
BellSouth® Complete Choice® For Business Package	(M)
BellSouth® Dedicated Ring	(M)
BellSouth® Essentials™	(N)
BellSouth® Primary Rate ISDN	(M)
BellSouth® Remote Access Service	(N)
BellSouth® SWA WATS	(M)
BellSouth® Video Conferencing Service	(M)
Billing and Collections Services	(M)
Break in Rotary Number Group	(M)
Broadband Exchange Line Service	(M)
Business State Wide Rate Schedule (Flat, Measured, Message and ACS)	(M)
Call Detail Information	(M)
Charge for Extracting and Processing Call Detail Information for Law Enforcement Subpoena Requests	(M)
Charges for Unusual Installation	(M)
Coin Refund and Repair Referral Service	(M)
Commercial Quality Video (a.k.a. BellSouth SPA Commercial Quality Video)	(M)

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A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.4 List of Services by Category (Cont'd)

C. <i>Retail</i> Category (Cont'd)	(C)
Complete Choice [®] Service	(M)
Conduit Occupancy	(M)
Conference Service	(M)
Connectionless Data Service (CDS)	(M)
CourtesyComplete [®] Service	(M)
CrisisLink [®] Service	(M)
Custom Calling Services	(M)
Customized Code Restrictions	(M)
Data Transport Service Access Channel Service	(M)
Derived Data Channel (a.k.a. BellSouth SPA Derived Data Channel) Service	(M)
Digital Electronic Tandem Switching Features	(M)
Digital ESSX [®] service	(M)
Direct-Inward Dialing (DID) Service	(M)
Directory Assistance - IntraNPA Long Distance Directory Assistance	(M)
Directory Assistance (Local)	(M)
Directory Assistance Call Completion (DACC)	(M)
Directory Assistance Database Services	(M)
Directory Publishers Database Service	(M)
Dual Service	(M)
Electronic White Pages	(M)
Emergency Reporting Services	(M)
Equipment for Disabled Customers	(M)
ESSX [®] ISDN service	(M)
ESSX [®] Multi-Account service	(M)
ESSX [®] Service	(M)
Extension Service (Channels for) and Tie Lines	(M)
Foreign Central Office Service	(M)
Foreign Exchange Service	(M)

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A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.4 List of Services by Category (Cont'd)

C. *Retail* Category (Cont'd)

Frame Relay Service	(M)
Grouping Service	(M)
High Voltage Protection	(M)
Hot Line Service	(M)
Improved Mobile Telephone Service (IMTS)	(M)
Information Delivery Service (976 Dial-It)	(M)
Integration Plus Management Service (IPMS) (FlexServ (a.k.a. BellSouth [®] SPA Customer Reconfiguration), NUIS)	(M)
Interconnection	(M)
Internet Call Waiting Service	(N)
Inter-Switch Simplified Message Desk Interface	(M)
IntraLATA Long Distance Operator Verification/Interruption Service	(M)
IntraNPA LD Operator Service Req. TN Assistance	(M)
Intro Native Mode LAN Interconnection Service	(M)
Introduction of Two-Way WATTSaver [®] service and Two-Way Aggregated Plans	(M)
ISDN Individual Services - Residential and Business	(M)
Joint User Service	(M)
Late Payments	(M)
LightGate (a.k.a. BellSouth SPA Point to Point Network) Service	(M)
Line Out Service Feature	(M)
Local Exceptions	(M)
Local Operator Verification/Interrupt	(M)
MegaLink [®] Channel Service	(M)
MegaLink [®] ISDN Service	(M)(T)
MegaLink [®] Light Service	(N)
MegaLink [®] Service	(M)
MegaLink [®] Plus Service	(M)
Message Waiting Indication - Audible (MWT)	(M)
Miscellaneous Listing	(M)
Multiline Hunt Queuing	(M)
MultiServ [®] Service	(M)
MultiServ [®] Plus Service	(M)
MultiServ [®] Multi-Account Service (MMAS)	(M)
NAR ESSX-1	(M)
Network Access Register Package	(M)

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A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.4 List of Services by Category (Cont'd)

C. *Retail* Category (Cont'd)

Network Interface Equipment	(M)
Non-Competitive Service Connection Charges	(M)
Non-Published (Private) Listing	(M)
Non-Published (Semi-Private) Listing	(M)
Obsolete Telephone Answering Service	(M)
Operator Assisted Calls (Local Operator and Calling Card Services)	(M)
Operator Dialed Surcharge	(M)
Optional Calling Plans	(M)
Pole and Anchor Attachments	(M)
Premises Work Charges	(M)
Premises Work Charges - Complex Residence and Business	(M)
Prestige Communications Service (PCS)	(M)
Private Line Channels Payment Arrangements	(M)
PulseLink® Public Packet Switching (PPSN) Network Service	(M)
Remote Call Forwarding Service	(M)
Residential State Wide Rate Schedule (Flat, Measured, Message and ACS)	(M)
Returned Check Charge	(M)
RingMaster® Service	(M)
Route Diversity and Avoidance	(M)
Selective Class of Call Screening Service	(M)
Service Expediting Charge	(M)
Simplified Message Desk Interface (SMDI)	(M)
SMARTRing® service (a.k.a. BellSouth Dedicated Ring)	(M)
Special Service Arrangements	(M)
Surrogate Client Number	(M)
SynchroNet® Service	(M)
Telecommunication Service Priority (TSP) System	(M)
Telephone Answering Service Facilities	(M)
Toll Restriction (Battery Reversal in C.O.)	(M)
Toll Trunks (Toll Terminals)	(M)
Touch-Tone Calling Service	(M)
TouchStar® Service	(M)
Trouble Determination Charge	(M)

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A36. TRANSITION REGULATION PLAN

(T)

A36.1 Company *Transition* Regulation Plan (Cont'd)

(T)

A36.1.4 List of Services by Category (Cont'd)

C. *Retail* Category (Cont'd)

Trunk Lines

(M)

Trunk Side Access Facility - Local Exchange Service

(M)

Two-Point Service (Long Distance Message Telecommunications Service)

Uniform Access Number (UAN)

(M)

Voice Mail Companion Services Package

VG/Sub VG/Wired Music Service/Commercial Quality Video (a.k.a. BellSouth SPA Commercial Quality Video)

Volume Usage Measured Rate Service

(M)

Warm Line Service

ZipCONNECT® Service

Zone Charges - Business

(M)

Zone Charges - Residential

(M)

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A36. TRANSITION REGULATION PLAN

(T)

A36.1 Company *Transition* Regulation Plan (Cont'd)

(T)

A36.1.5 (DELETED)

(D)

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502 582-8219
Fax 502 582-1573

September 5, 2000

RECEIVED

SEP 5 2000

PUBLIC SERVICE
COMMISSION


Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Dorman:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of Classifications of and Criteria Used to Develop Contract Service Arrangements Offered by BellSouth Telecommunications, Inc.

Sincerely,


Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

227240

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 5 2000
PUBLIC SERVICE
COMMISSION

In the Matter of:

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

CLASSIFICATIONS OF AND CRITERIA USED TO DEVELOP CONTRACT
SERVICE ARRANGEMENTS OFFERED BY BELL SOUTH
TELECOMMUNICATIONS, INC.

By Order dated August 3, 2000, in the above-referenced docket ("Order"), the Kentucky Public Service Commission ("Commission" or "KPSC") required BellSouth Telecommunications, Inc. ("BellSouth") to "describe its classifications for contract service arrangements and the criteria it uses to develop and finalize these arrangements." (See Order, p. 17). BellSouth hereby complies with that requirement of the Commission.

I. CLASSIFICATIONS OF CONTRACT SERVICE ARRANGEMENTS

BellSouth generally has three types of contract or special service arrangements: Contract Service Arrangements ("CSAs"), Special Service Arrangements ("SSAs") and Volume and Term Agreements ("V&T"). Each type is explained in more detail below. These types of arrangements fall under the Kentucky PSC Rules and Administrative Regulation, Part 807 KAR 5:011, Tariff, Section 13: "Special Contracts—Every utility shall file true copies of all special contracts entered into governing utility service which set out rates, charges or conditions of service not included in its general tariff. The provisions of this administrative regulation applicable to tariffs containing rates, rules and

administrative regulations and general agreements, shall also apply to the rates and schedules set out in said special contracts, so far as practicable.”

A. CONTRACT SERVICE ARRANGEMENTS

Contract Service Arrangements (CSAs) are used for offering customers special pricing or discounts on state tariff rates. The CSA enables BellSouth to more effectively compete with service providers whose rates for the same services are lower than BellSouth tariff rates. CSAs are offered when there is reasonable potential for uneconomic bypass of the Company's service. Uneconomic bypass occurs when an alternative service arrangement is utilized, in lieu of Company services, at prices below the Company's rates but above the Company's incremental costs.

BellSouth today remains subject to regulation by the Commission. Companies that compete with BellSouth are not subject to the same regulatory controls. This difference enables BellSouth's competitors to gain market share by discounting their products and services and creates a potentially unfair advantage for these companies.

CSAs were developed to allow BellSouth to compete fairly in a competitive marketplace while still operating in a regulated environment.

B. VOLUME AND TERM AGREEMENTS

A Volume and Term Agreement (V&T) is a customized Contract Service Arrangement (CSA). A V&T contract provides a customer a discount on the rates of various local and intraLATA services based upon the customer's commitment to, and attainment of, an annual revenue target and/or term commitment, in accordance with the

terms and conditions described in the agreement. The purpose for a V&T Agreement is to retain a customer who has made a significant commitment to BellSouth, frequently in more than one state in the BellSouth region. Volume & Term Agreements, like CSAs, are offered to compete with pricing offered by competitive service providers.

C. SPECIAL SERVICE ARRANGEMENTS

Special Service Arrangements (SSAs) are utilized when customers request services that are not currently under tariff or capabilities that differ from tariff offerings. The specific requirements for SSAs are located in Section A5.4 of the General Subscriber Services Tariff.

Where it is practicable and in accordance with the tariff provisions cited above, SSAs are furnished and offered to the customer if they are in accord with authorized service offerings and if they are to be used in connection with, and are not detrimental to, any of the services furnished by BellSouth.

II. CRITERIA USED TO DEVELOP AND FINALIZE CSAs, SSAs AND V&T.

BellSouth offers CSAs in order to compete with the pricing offered by competitive service providers. Prior to developing a CSA for a customer, BellSouth documents the existence of competition from an alternative service provider and verifies that the rate to be offered covers BellSouth's incremental cost for the service. After a CSA is accepted by a customer, BellSouth files a copy with the Kentucky Public Service Commission for approval. BellSouth will make available to any similarly

situated customer the rates, terms and conditions that have been provided under a CSA, so there is no discrimination among customers. The provision of CSAs is not discriminatory to other service providers because BellSouth only offers them in order to meet a lower price offered by a competitor. In addition, a CSA is subject to resale by a local reseller in accordance with the rules of the Kentucky Public Service Commission.

Competition in all facets of the marketplace is the fundamental principle undergirding the Telecommunications Act of 1996. The law, generally, supports the notion that vigorous competition, participated in by all competitors (including incumbent firms) in a market furthers societal goals. Indeed, the Sixth Circuit has held that "It is in the interest of competition to permit dominant firms to engage in vigorous competition, including price competition." *Arthur S. Langenderfer, Inc. V. S.E. Johnson Co.*, 729 F.2d 1050, 1057 (6th Cir. 1984), (See also United States Football League v. National Football League, 842 F.2d 1335, 1361 [2d Cir. 1988].)

BellSouth offers a Special Service Arrangement when the requested service is not available under tariff, or the capability requested differs in some significant way from a tariffed offering. Rates for SSAs are based on the estimated costs of furnishing the service. The costs consist of the following items to the extent they apply:

1. Cost of maintenance
2. Cost of operation.
3. Depreciation of the estimated cost installed of the facilities and equipment provided, based on the anticipated useful service life of the facilities, with an appropriate allowance for the estimated salvage.
4. Administration and taxes on the basis of reasonable average charges for these items.
5. Any other specific items of expense associated with the particular situation.
6. A reasonable amount, computed on the estimated cost installed of the facilities provided, for return and contingencies.

BellSouth will also make available to any similarly situated customer the rates, terms and conditions that have been provided to another customer under a SSA. If there is a sufficient demand, BellSouth will develop a general tariff offering for a service that has been offered pursuant to a SSA. SSAs are also subject to resale in accordance with the rules of the Kentucky Public Service Commission and are, therefore, not discriminatory to other service providers.

III. CONCLUSION

Each of the contract arrangements discussed above is offered to either meet competition or to provide a requested service that is not available under the tariff. Provision of these contracts is not discriminatory to either customers or to other service providers. BellSouth's use of CSAs was also reviewed in the Commission's audit of BellSouth performed by Vantage Consulting, Inc. As a finding in the final audit report, Vantage Consulting, Inc. concluded BST-KY has appropriately utilized CSAs.¹

This 5th day of September, 2000.

Respectfully Submitted,



CREIGHTON E. MERSHON, SR.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
(502) 582-8219

¹ *Focused Management & Operations Audit of BellSouth Telecommunications, Inc. For the Kentucky Public Service Commission.* October, 1999. Vantage Consulting Inc., p. 122, V-F7.

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(404) 335-0765

COUNSEL FOR BELLSOUTH
TELECOMMUNICATIONS, INC.

225717

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 5th day of September 2000.



Creighton E. Mershon, Sr.

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Mr. Larry Callison
GTE
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Lexington, KY 40503

BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY

ISSUED: September 2, 2000
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
First Revised Page 11
Cancels Original Page 11
EFFECTIVE: October 1, 2000

A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.5 (DELETED)

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BELLSOUTH
TELECOMMUNICATIONS, INC.
KENTUCKY

GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A
First Revised Page 12
Cancels Original Page 12
EFFECTIVE: October 1, 2000

ISSUED: September 2, 2000
BY: E.C. Roberts, Jr., President - KY
Louisville, Kentucky

A36. TRANSITION REGULATION PLAN

A36.1 Company *Transition* Regulation Plan (Cont'd)

A36.1.5 (DELETED)

(T)

(T)

(D)



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Creighton E. Mershon, Sr.
General Counsel - Kentucky

or
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
Louisville, Kentucky 40203

August 25, 2000

RECEIVED

AUG 28 2000

PUBLIC SERVICE
COMMISSION

Mr. W. H. Bowker
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Bowker:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of BellSouth Telecommunications, Inc.'s Motion for Clarification or Reconsideration and/or Rehearing.

Sincerely,

Creighton E. Mershon, Sr.


Enclosure

cc: Parties of Record

225960

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 28th day of August 2000.



Creighton E. Mershon, Sr.

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Wayne, PA. 19087

Mr. Larry Callison
GTE
150 Rojay Drive
Lexington, KY 40503

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

BELLSOUTH TELECOMMUNICATIONS, INC.'S MOTION FOR
CLARIFICATION OR RECONSIDERATION AND/OR REHEARING

BellSouth, by counsel, pursuant to KRS 278.400(1) respectfully requests clarification and/or reconsideration of the determination of the Order of August 3, 2000, in this matter for the reason set forth herein.

INTRODUCTION

As the title of the case indicates, this docket was commenced by the Commission to review BellSouth's Price Regulation Plan. This review included a comprehensive audit by an outside firm, Vantage Consulting, Inc., selected by the Commission. Based in large part on the audit firm's recommendation, BellSouth proposed certain modifications that it termed a Transition Regulation Plan (TRP). The BellSouth proposal would make broadband technologies available to a substantial number of the access lines in thirty-five (35) wire centers in the thirty-one (31) targeted counties. Not all lines in these counties would be eligible for DSL service due to their distance from the central office and the cost of providing such service.

In the Order of August 3, 2000, the Commission approved BellSouth's TRP with certain modifications. Among the modifications by the Commission included a

requirement that "BellSouth should expand the deployment of broadband technologies to all subscribers in the identified wire centers rather than only those nearest the central office." (Order, pg. 8)

REQUEST FOR CLARIFICATION

The Commission's order requiring BellSouth to deploy "broadband technologies" to all subscribers in the targeted wire centers does not contain a definition of the term "broadband technologies". If the Commission's definition of broadband technologies would allow BellSouth to employ capabilities such as ISDN (Integrated Service Digital Network) to provide broadband capabilities to customers who want higher bit rates in these wire centers, then a Motion for Reconsideration is not necessary. If, on the other hand, the Commission defines "broadband technologies" as bit rates produced by DSL service then, as explained further herein, BellSouth is facing enormous and uneconomic capital cost to comply with the Commission's order. Therefore, BellSouth respectfully requests further clarification from the Commission on their view of "broadband technologies" and the opportunity to engage the Commission and its staff in further discussions on how to meet a common objective in the most cost effective manner.

MOTION FOR RECONSIDERATION

If the Commission's definition of "broadband technologies" means DSL or equivalent bit rates to all customers in the targeted wire centers, then BellSouth seeks reconsideration of this requirement. In particular, as discussed herein, further discussion is needed on the prudence of deploying substantial capital to equip 100% of access lines in the targeted wire centers when neither BellSouth nor the Commission

knows the market demand for DSL-like services in these wire centers. BellSouth and the Commission obviously share the long-term goal to make broadband capabilities available to Kentuckians. Through cooperative planning with the Commission and other state government entities, BellSouth believes that broadband capabilities can be expanded in the areas served by BellSouth in support of economic development initiatives and market demand.

The record that supports the August 3, 2000, Order contained only capital investment information on the cost to serve those customers located within 18 kft of the thirty-five (35) identified wire centers using current DSL technology. The current DSL technology is limited in its reach to customers located within 18 kft of the central office, without significant investment and re-engineering of the existing network. In support of its Motion for Reconsideration, BellSouth provides the Commission herewith additional estimates of the investment that would be required to expand the Company's original proposal with Digital Subscriber Loop Access Multiplexer (DSLAM) deployment in the thirty-five (35) wire centers to 100 percent capability using, as an example, DSL technologies in these wire centers. In support of its motion, BellSouth attaches the affidavit of Regulatory Manager Tony Taylor who has extensive experience with network deployment. Mr. Taylor describes estimates that BellSouth has made to comply with the Commission's order regarding technology deployment. Mr. Taylor explains, that in the timeframe of this Motion, BellSouth was able to make an estimate of the cost to extend broadband capability to 84% of the lines in the targeted wire centers based on existing technology and network infrastructure. That estimate indicates that BellSouth faces a \$64 million capital investment to extend the capability to 84% of the access lines

in those wire centers.¹ This is an additional capital requirement of nearly \$50 million over the Company's proposal in the TRP.

Mr. Taylor also explains that extensive engineering studies that look at each of the remaining access lines in those wire centers (the remaining 16%) would be necessary to give the Commission an estimate of the cost to deploy DSL capability to 100% of the targeted access lines in those thirty-five (35) wire centers. As a result, Mr. Taylor was not able to study the capital cost to reach the requirement in the Commission's Order. Nevertheless, in order to assist the Commission's understanding of the magnitude of the issue, Mr. Taylor made an estimate using a NECA study, which indicates that BellSouth would have to make a very large additional capital investment, perhaps in excess of \$68 million, to reach the 100% requirement. Thus, using the NECA data BellSouth would likely have to invest over \$132 million to meet the Commission's requirement. On its face, the deployment of DSL technology necessary to comply with the Commission's Order requires a level of capital investment that is clearly uneconomic in its absolute magnitude. The capital risk is even more pronounced because neither BellSouth nor the Commission can estimate the customer demand rate for such service. Therefore, additional cost/benefit and risk analysis is required by both BellSouth and the Commission.

CONCLUSION

As stated previously herein, BellSouth shares with the Commission the goal to expand the availability of broadband capability to Kentuckians. Nevertheless, BellSouth

¹ This \$64 million estimate is the capital investment required to extend DSL capability to the geographic area that encompasses 84% of the lines in the thirty-five (35) wire centers. Actual provision of service to all customers in this geographic area would require additional capital investment.

requests clarification of the Commission's definition of "broadband technologies" and, if necessary, rehearing and reconsideration of the 100 percent deployment requirement in the identified wire centers. In any event, because BellSouth and the Commission share a common goal to expand the availability of broadband services, BellSouth believes that both would benefit from a series of informal conferences to discuss the most feasible way to move toward the common long-term goal of making broadband technology available to Kentuckians who desire such service.

For the foregoing, BellSouth respectfully requests that its Motion for Clarification or Reconsideration and/or Rehearing be granted.

Respectfully submitted,



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COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

AFFIDAVIT OF TONY TAYLOR

Before me, the undersigned authority, personally appeared Tony Taylor, who stated that he is currently Manager-Regulatory in the Regulatory and External Affairs Department of BellSouth Telecommunications, Inc. ("BST"), and further states the following:

1. I am a person over the age of 21 residing in the State of Kentucky. My title is Manager – Regulatory in the Regulatory and External Affairs Department for BellSouth Telecommunications, Inc., a Georgia corporation. I have been in that position as an employee since August 1998. Prior to August 1998 I have held various positions within the Network Planning organization ranging from traffic engineering, facility planning to transmission engineering. In 1997 I became a System Designer for BellSouth Business Systems developing voice, data and Internet solutions for customers. My business address is 601 West Chestnut Street, Room 4NE, Louisville, Kentucky, 40203.

2. I am submitting this Affidavit in regards to the motion for reconsideration before the Kentucky Public Service Commission in this case.

3. The information provided herein is based upon my personal knowledge.

4. As Manager - Regulatory, I have been responsible for coordinating the compilation of the investment dollars necessary to expand broadband capability as proposed in this case.

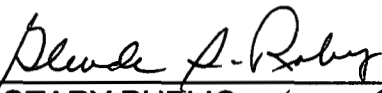
FURTHER, AFFIANT SAYETH NAUGHT.



Tony Taylor

STATE OF KENTUCKY)
)
COUNTY OF JEFFERSON)

SUBSCRIBED AND SWORN TO before me by Tony Taylor on
this 25th day of August, 2000.



NOTARY PUBLIC, Ky., *State-at-Large*
My Commission Expires: Feb-5, 2001

DESCRIPTON OF ANALYSIS FOR ACCELERATED ADSL DEPLOYMENT

This analysis assumes that the Commission's order dated August 3, 2000 requires the deployment of Asynchronous Digital Subscriber Line (ADSL) technology to 100% of the access lines in the 35 wire centers proposed by the company. The requirement to provide broadband capability based upon DSL technology places substantial investment requirements upon BellSouth. As discussed below, this investment would very likely exceed \$132 million. In order to put this requirement into perspective, it is useful to understand what is required to meet the Commission's order as written.

Subscriber local loops may be placed into 2 categories. The first category, see Figure 1, are non-loaded copper loops. Typically non-loaded copper loops are less than 18,000 ft. between the subscriber and either the serving central office or a serving Digital Loop Carrier System (DLC). The second category, see Figure 1, are "loaded" copper loops. Loaded copper loops are generally in excess of 18,000 ft. These long loops require conditioning with load coils to ensure proper voice-frequency characteristics to support Plain Old Telephone Service (POTS).

Local Loop Serving Arrangements

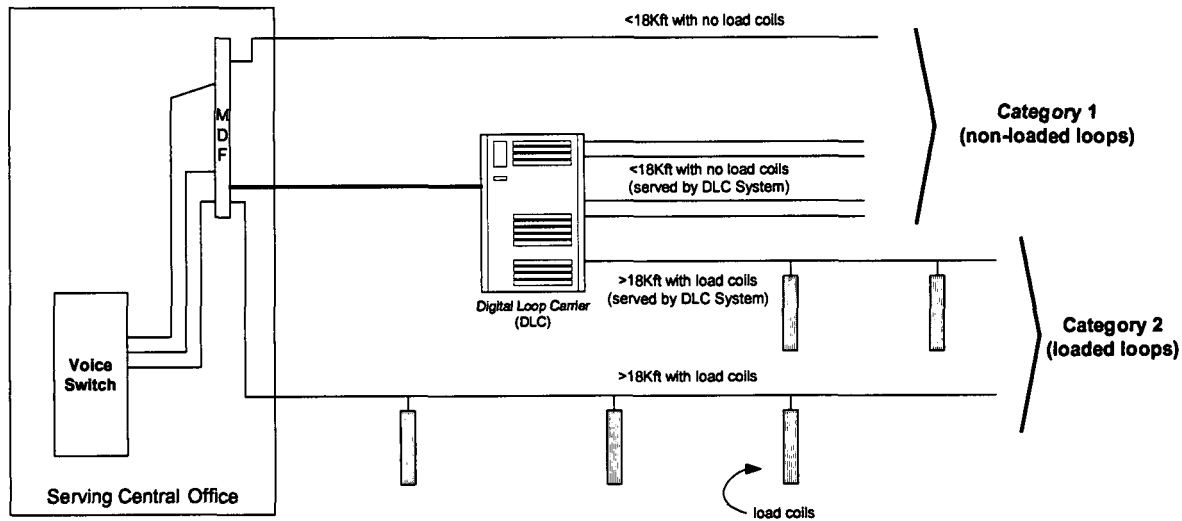


Figure 1

The characteristics of Asymmetric Digital Subscriber Line technology require a non-loaded cable pair. Figure 2 is an adaptation of Figure 1 illustrating the alterations to the network that must be made to provide ADSL service. In bringing ADSL capability to a wire center, a Digital Subscriber Line Multiplexer (DSLAM) must first be installed in the serving central office and networked to an Asynchronous Transfer Mode (ATM) switch. This central office DSLAM brings ADSL capability to non-loaded local loops served directly from the central office (not those non-loaded loops served by a DLC system). This is depicted in the blue shown in Figure 2 and labeled as Section A. This first level of ADSL deployment (Section A in Figure 2) represents 56% of the total access lines in the proposed 35 wire centers. The capital investment to achieve this 56% of the total access lines is \$16 million as originally proposed by BellSouth.

Supporting ADSL on all Local Loops

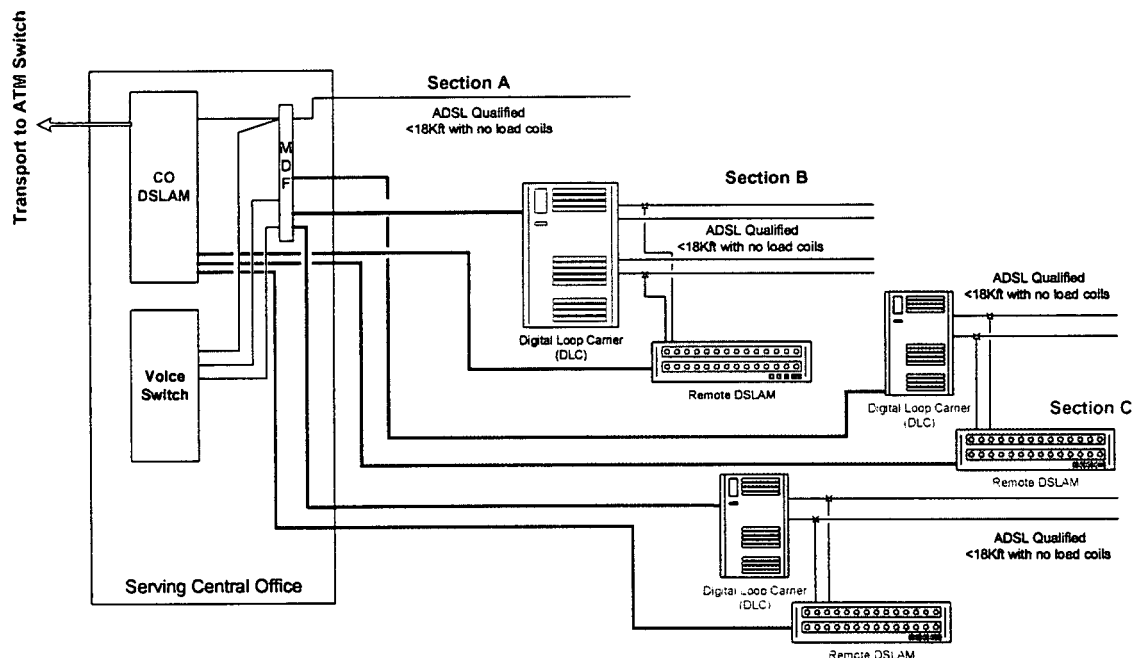


Figure 2

Lines served by a DLC system require additional equipment outside of the central office in order to make them ADSL capable. This is pictured in red on Figure 2 and labeled as Section B. Remote DSLAM equipment is necessary to separate the POTS service from the upper frequency spectrum associated with ADSL. POTS services remain served by the DLC while the broadband services are provided over the remote DSLAM equipment. This requirement of remote DSLAM equipment and transmission capacity for the remote DSLAM back to a central office DSLAM becomes capital intensive when extended to the entire wire center. Lines served by DLC systems (Section B in Figure 2) represent 28% of the total access lines in the 35 proposed wire centers. To serve these lines, additional remote equipment along with some level of transport connectivity

must be added at each DLC site. The incremental capital investment necessary to extend ADSL capability to this 28% of access lines is \$48 million above the \$16 million originally proposed by BellSouth.

The Commission's order requires BellSouth to provide broadband capability to 100% of the access lines in the proposed 35 wire centers. Provision of equipment for access lines in Sections A and B of Figure 2 extends ADSL capability to about 84% of the total lines served by these offices. Estimating the capital investment to provide ADSL capability to this remaining 16% of access lines is an extensive engineering exercise. This exercise would take several months to provide data to show the incremental capital to qualify these loops for ADSL. Each cable section within these wire centers would have to be reviewed and engineered to add DLC equipment at the appropriate locations to remove load coils from these loops. Additional transport capacity would be required to serve these new DLC systems. This scenario of deploying new DLC systems and ADSL equipment is depicted in green on Figure 2 and labeled as Section C. This is the primary obstacle that limits deployment of this technology in rural areas of the nation.

The National Exchange Carriers Association (NECA) broadband study¹ may provide some insight into the level of capital investment that might be required to condition loaded loops described as Section C above. Of the total estimated capital dollars to condition rural telephone facilities for broadband, the NECA study indicates 51.4% of

¹ *NECA Rural Broadband Cost Study: Summary of Results*
Dated 6/21/00 and available at <http://www.neca.org/broadban.asp>

the total capital was used to condition 18% of the access lines represented as loaded cable pairs. For the 35 proposed BellSouth wire centers, loops covered by Section C represent 16% of the total access lines. This closely correlates to the same percentage of lines in the NECA study. Using this information, it is possible to project at the very minimum an additional \$68 million in capital to provide ADSL capability to those 16% of BellSouth access lines in these 35 wire centers served by loaded local loops. This \$68 million was derived based upon the allocation of capital among the line categories from the NECA study. Through the NECA study one can determine that 48.6% of capital was required to condition lines that are not loaded and are served either from the central office or a DLC system. BellSouth estimates the capital to make its same category of lines ADSL capable is \$64 million. Applying this ratio from the NECA study to the \$64 million estimated by BellSouth, one can derive that \$68 million ($\$64 \text{ million} / 48.6\% \times 51.4\% = \67.687 million) would be required to condition the loaded loops to make them ADSL capable. BellSouth again points out this \$68 million would likely be exceeded if the Company were able to complete a more detailed analysis to review these 35 wire centers.

In summary, the Company originally proposed a capital investment of \$16 million to provide ADSL capability to 56% of the total access lines in the proposed wire centers. To bring ADSL to an additional 28% of access lines in these 35 wire centers requires an additional \$48 million above that originally proposed by the company. ADSL capability for the remaining 16% of access lines requires yet another capital investment estimated at \$68 million. Therefore, based on the analysis that BellSouth has been able to make

since the Commission's order, the total capital investment to provide ADSL capability to 100% of the access lines most likely would exceed \$132 million.

NECA RURAL BROADBAND Cost Study: SUMMARY OF RESULTS

Project Manager: Victor Glass, Ph.D

Associates: Bill Cook, M.S., P.E.
Chris Babb, Ph.D
Martha West
Romita Biswas, Ph.D

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NECA Rural Broadband Cost Study: Summary of Results

Executive Summary

This study estimates the investment dollars needed to upgrade rural study area lines in NECA's Common Line pool¹ to broadband capability. Included in the estimate are plant upgrades on the customer side of the switch. Not included in the estimate are investment expenditures on DSL equipment, switch and backbone transport to other service areas or the ongoing maintenance of the upgraded network necessary to provide broadband services.

The results confirm two widely held beliefs about wiring rural America for broadband service² that seem contradictory on the surface. First, the estimated bill for completing the job is enormous, about \$10.9 billion. Second, rural telephone companies are rapidly deploying a broadband capable network. According to the study's respondents, about 65% of rural lines will be capable³ of providing broadband service by 2002. This fact, coupled with the ambitious rollout of data-network services documented in NECA's Access Market Survey⁴, show that rural telephone companies are trying to meet their customers' needs for high-speed lines. Whether the pace is quick enough for policy-makers, or the targeted penetration rates are high enough for them to accept, will determine the funding needed to reach public policy objectives.

¹ Based on the 1996 Telecommunications Act, the FCC has recognized 95 non-rural and 1301 rural LEC's (The latter includes both NECA and non-NECA companies.) Of the 1301 LEC's, 111 are companies NOT in the CL pool. A further investigation indicates that an additional 49 NECA LEC's were omitted from the FCC's rural/nonrural list. Therefore, a total of 1239 (1301-111+49) of NECA's CL pool members are Rural.

² The FCC defines broadband as "having the capability of supporting, in both the provider-to-consumer (downstream) and the consumer-to-provider (upstream) directions, a speed (in technical terms, 'bandwidth') in excess of 200 kilobits per second (kbps) in the last mile." Inquiry Concerning the Deployment of Advanced Telecommunications Capabilities, cc Docket No. 98-146, Report, 14FCCRcd 2398,2406(1999).

³ A broadband capable line can potentially handle high-speed services. If the telephone company does not offer these services the line is still defined as broadband capable.

⁴ National Exchange Carrier Association, Inc., Access Market Survey of NECA's Traffic Sensitive Pool Members - Keeping America Connected: The Broadband Challenge (1999)

Background

The FCC and several members of Congress have suggested the need for a targeted initiative aimed at deploying advanced telecommunications services in rural America. As defined by the Telecommunications Act of 1996 (Act), advanced telecommunications capability refers to “high speed, switched broadband telecommunications capability that enables users to originate and receive high quality voice, data, graphics, and video telecommunications using any technology.”⁵ A key concern is the ability to provide broadband capability in rural areas, where the cost of implementing necessary telephone network upgrades is expected to be significant.

There are a number of factors which typically increase the cost of serving customers in rural areas, such as large size of exchange areas, low line density, and scattered distribution of telephone customers. The exchanges of rural companies in NECA’s Common Line pool cover 35% of the land area of the 48 contiguous states plus Hawaii, but serve just under 6% of 1990 households, or roughly 5% of 1998 USF loops.⁶

Report Highlights

The cost of upgrading rural local exchange carrier networks of NECA Common Line pool members was derived from two studies. The first was a detailed engineering study that was completed by a sample of companies that had or were in the process of upgrading their exchanges to broadband capability. This study measured the cost of upgrading lines. The second was a deployment study completed by a sample of other companies to estimate the percentage of lines that would not be upgraded to broadband capability by 2002.

⁵ Section 706 of the Pub.L. 104-104, Title VII, § 706, Feb. 8, 1996, 110 Stat. 153, reproduced in the notes under 47 USC § 157.

⁶ Universal Service Fund (USF) 1999 Submission of 1998 Study Results by the National Exchange Carrier Association (Oct. 1, 1999).

The engineering study was completed by 36 study areas for 136 exchanges, representing 2.4% of all rural exchanges in NECA's common line pool. These companies split their subscriber lines into three geographic categories:

- Within the Central Dial Office Serving Area (CDOSA) - This is the area directly surrounding a central or remote dial office. Customers in this area may be served out of the central dial office on copper loops less than 18 kft. in length.
- Outside the Central Dial Office Serving Area (CDOSA) - This is the area beyond 18 kft. from the central or remote dial office but still broadband capable because distribution lines are within 18 kft. of a digital loop carrier (DLC) terminal.
- Isolated territory - This is the area where factors such as distance, sparse population, or difficult terrain make it uneconomical to upgrade loops to the DLC and copper configuration generally used to provide broadband capability for loops Outside the CDOSA.

The deployment study was completed by 88 study areas, for 108 exchanges, representing 1.9% of all rural exchanges in NECA's common line pool.

Based on the survey study results, NECA estimated the rural lines that will not be upgraded by 2002.

- Total Rural Lines not upgraded by 2002 3,333,290
 - This number is 35.0 % of the 9,520,279⁷ rural lines in the Common Line Pool

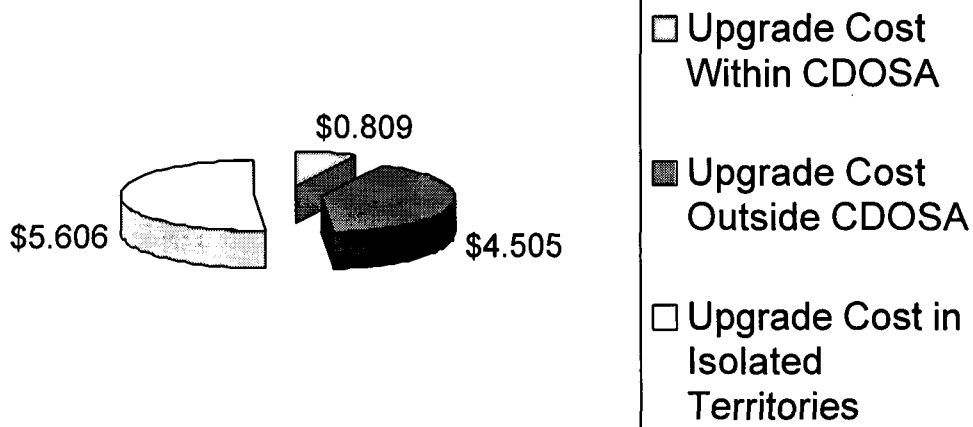
Matching these exchanges to those in the engineering study by line size and density, NECA estimated the cost of upgrading all these lines to broadband capability.

- Total Estimated Upgrade Cost ⁸ \$10.9B
 - Estimated cost within CDOSA 1,639,283@ \$493/line \$0.809B
 - Estimated cost outside CDOSA 1,093,051@ \$4,121 /line \$4.505B
 - Estimated cost of Isolated Territory 600,957 @ \$9,328/ line \$5.606B

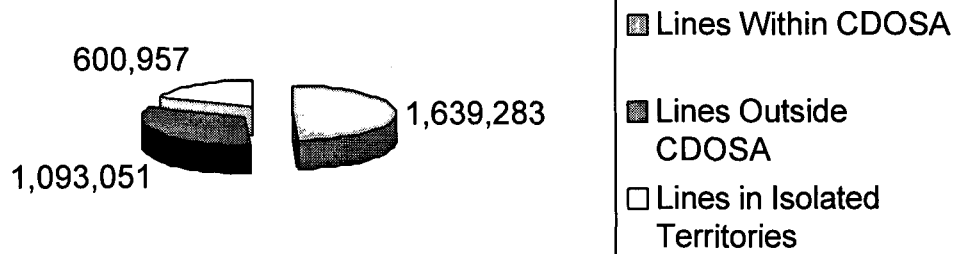
⁷ Density and distance information were not available for 790 exchanges. Averages for the exchanges that did have detailed information were used to apportion the lines to the within CDOSA, outside CDO, and isolated territories categories.

⁸ Cost per line based on average characteristics such as line size and customer density of rural exchanges not upgraded.

Distribution of \$10.9B Upgrade Costs (in \$B)



Distribution of Lines



The engineering studies show that cable costs are by far the biggest cost component of network upgrades. Within the CDOSA they represent 63.6% of the cost upgrades and outside the CDOSA the percentage rises to 71.1%.

	Cable	Other ⁹	DLC
Within CDOSA	63.6%	36.4%	0.0%
Outside CDOSA ¹⁰	71.1%	4.0%	24.9%

⁹ The category "Other" includes central office equipment within the CDOSA and miscellaneous costs (e.g. drops, NIDs, splicing, rights of way) for the outside CDOSA category.

¹⁰ Excludes DSL equipment (e.g. DSLAM's, etc.). This exclusion applies to both within and outside the CDOSA.

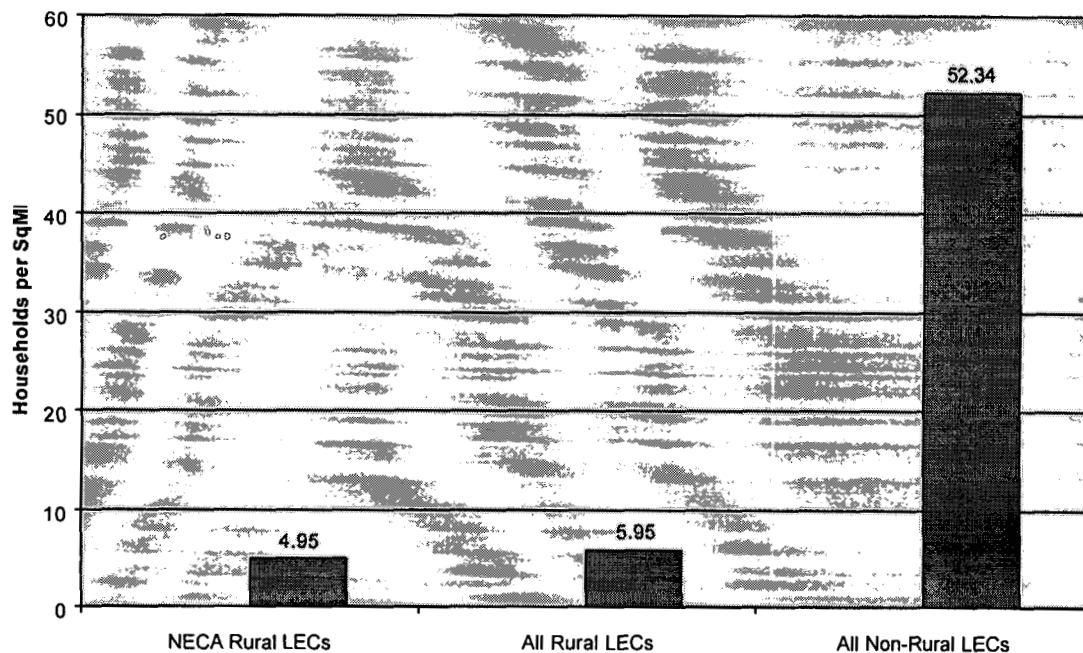
Contrasts

The average values given so far only tell part of the story. Upgrade costs will differ enormously among rural telephone companies because of differences in size of customer bases, locations, age and condition of their networks. These graphs, tables, and individual facts are intended to show this diversity.

1. Households Per Square Mile – Rural vs. Non-Rural

Using 1997 Claritas exchange boundary maps, plus census block maps with 1990 household counts, the average density of households in NECA's rural LEC exchanges (Telecom Act of 1996 Definition) is 4.95 per square mile. This is roughly the same household density as the 5.95 per square mile for all rural exchanges in the 48 contiguous states plus Hawaii. In comparison, the density for all non-rural exchanges is 52.34, a roughly ten to one difference.

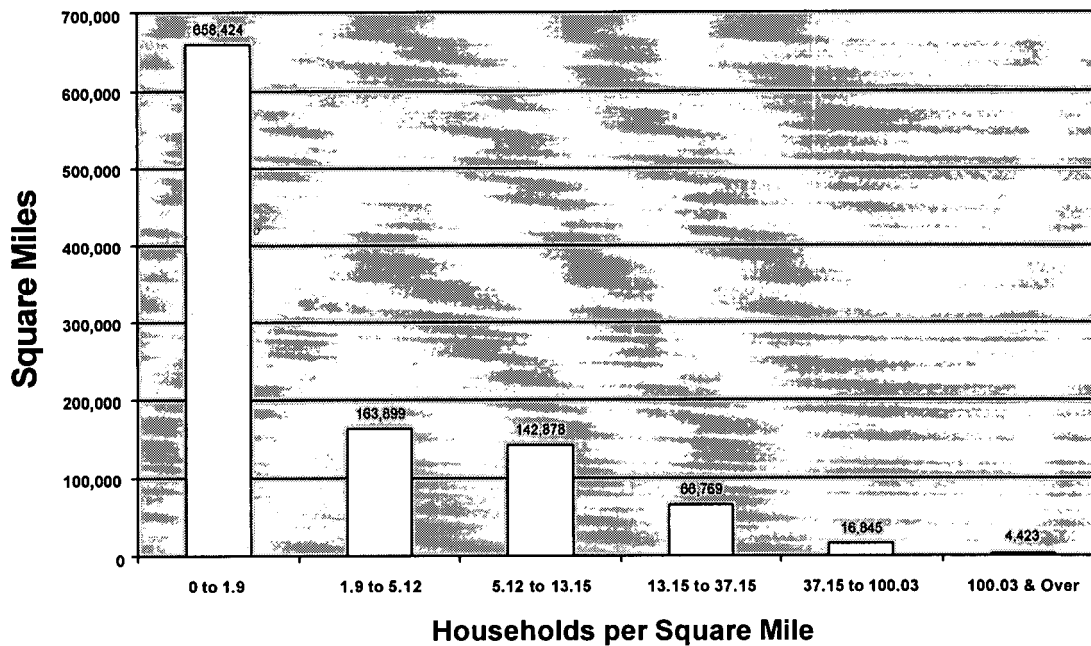
Households per Sq.Mi. in Exchanges of Rural & Non-Rural LECs



2. Square Miles of Areas Served by Household Density Grouping

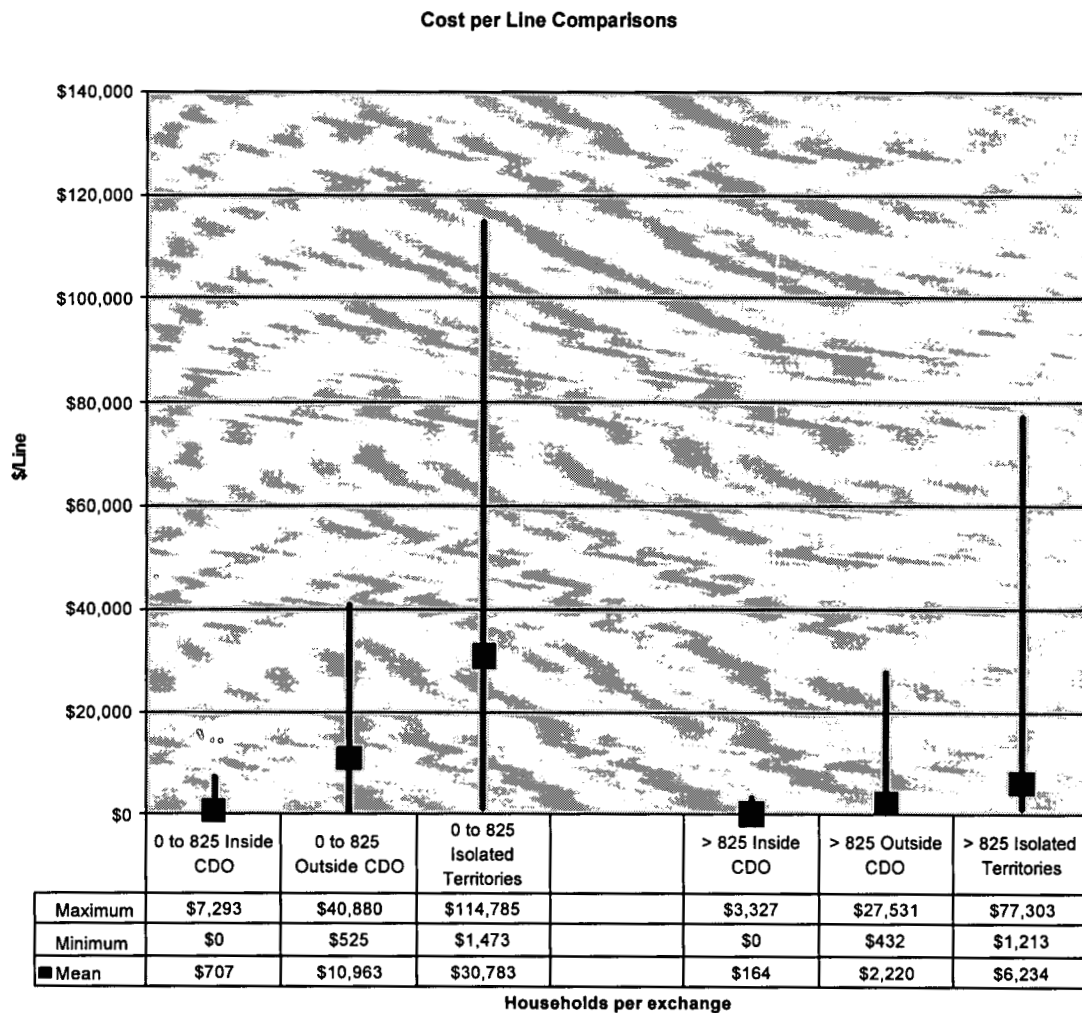
Areas served by all the exchanges of NECA's rural LECs cover just over one-third of the land area of the 48 contiguous states plus Hawaii, 1,053,239 sq. miles out of 2,986,026 sq. miles. Of the NECA rural exchanges, the ones serving fewer than 2 households per sq. mile cover 658,424 sq. miles of territory. This is about 62% of the serving territory of all rural NECA exchanges.

Areas Served by Exchanges of NECA Rural LECs



3. Upgrade Costs by Category Graph

The effects of low density and long loops in rural areas show clearly in the average cost of broadband upgrades. Data from the engineering study show that upgrade cost per line declines, on average, as lines per exchange increase and distance from the central dial office decreases. The tick marks on the following graph show these average declines for two exchange size groupings: exchanges with fewer than 825 households and exchanges with more than 825 households.



The graph also portrays the striking cost variability in upgrading exchanges that is not captured in average profiles. The tips of the spikes show the high and low values for a particular grouping. Within relatively uniform categories, the range of the upgrade costs per line almost completely overshadows the average, especially for the 0-825 household category.

4. Other observations:

Variability is a persistent theme in this study.

- Average customers per Digital Loop Carrier (DLC) range from 3 to 290.
- Minimum customers per DLC range from 1 to 120.
- 47 of 136 exchanges did not require an upgrade to the Outside Plant Network within the CDOSA.

Unusual expenses were also reported

- Payments for crop damage
- Archaeological surveys
- Lack of AC power

The timing of upgrades is strongly related to the age of the plant. The engineering study showed that an upgrade occurs when outside cable is at least 12-years old. Typically the age is 20-years at when the outside cable is replaced. This explains the delays in upgrading networks.

Additional Observations

- This study will be an ongoing one to keep abreast of the progress and cost of deploying broadband capability in NECA's Common Line pool.
 - NECA will continue to add new exchanges to its sample to ensure that the results are fully representative of rural wire centers in NECA's Common Line pool.
 - Isolated territory estimates are the opinions of company experts. They are not derived from actual upgrades or planned upgrades based on detailed cost analysis. The experts did not base their estimates on a predefined technology. These estimates are subject to continuing review.

APPENDIX

Study Methodology

- The study covers rural study areas that belong to NECA's Common Line Pool excluding the non-rural Common Line LECs - Puerto Rico Telephone, Roseville Telephone, Anchorage Telephone, and North State Telephone (NC).
- The total cost of upgrading rural study area lines within NECA's Common Line pool to broadband capability is based on the data collected from two complementary data requests:
 - Survey I asked for detailed cost information from exchanges with completed or planned network upgrades.
 - Responses have been received so far from 36 companies for 136 of their exchanges. This information was used to calculate Average Estimated Per Line Network Upgrade Cost
 - These LECs were asked to identify the costs of upgrading their plant to be broadband capable.
 - For the purposes of this study, broadband capability means a line speed in excess of 200 Kbps both in the upstream and downstream directions.
 - Survey I assumes that rural LECs will implement CSAs in preparation for providing broadband via DSL technology.
 - Survey II asked for the status of outside plant network upgrades from a sample of study areas that were not part of the Survey I sample
 - To date, responses have been received from 88 companies for 108 exchanges. This information was used to calculate the cost of Total Rural Lines not yet upgraded.
- Incremental Cost for upgrading isolated territory is based on responses received from both surveys which indicate that 18.0% of upgraded lines (5.7% in exchanges not upgraded, and 12.3% in exchanges that have had major upgrades) are in isolated territory, and are estimated to cost 2.80 times more to upgrade than lines upgraded outside the CDOSA.
- Isolated territory is defined as the area where factors such as distance, sparse population, or difficult terrain make it uneconomical to upgrade loops to the DLC and copper configuration generally used to provide broadband capability for loops Outside the CDOSA.

- Existence of Isolated Territory is attributed to factors such as low line density or terrain, which could make network upgrades prohibitively expensive for exchanges.

- For two different line size groupings, sample LECs were assigned to one of nine strata based on population density and average customer distance from the wire center. Costs from the sample were then calculated for each of the nine strata and then applied to the universe of rural LECs in the Common Line pool.



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CERTIFICATE OF SERVICE

RE: Case No. 1999-434
BELLSOUTH TELECOMMUNICATIONS, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on August 3, 2000.

See attached parties of record.

Stephanie J. Bell
Secretary of the Commission

SB/hv
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

This proceeding was established to review the terms of the Price Regulation Plan of BellSouth Telecommunications, Inc. ("BellSouth") and to examine options for modifications to it. This review of BellSouth's Price Regulation Plan was originally contemplated in the July 20, 1995 Order of Case No. 94-121.¹ That Order also required BellSouth to undergo a focused management audit pursuant to KRS 278.255. The Audit Report compiled by Vantage Consulting, Inc. ("Audit Report") was filed into the record October 25, 1999. BellSouth filed its response to the Audit Report on December 17, 1999. In addition, BellSouth proposed changes to its Price Regulation Plan, which it calls the Transition Regulation Plan. It submitted a tariff containing the elements of the proposed Transition Regulation Plan which the Commission suspended for further review.

The Audit Report includes a review of BellSouth's investment decisions, service levels, and financial performance under price regulation. The Audit Report also examines BellSouth's productivity trends, assesses the competitive environment in

¹ Case No. 94-121, BellSouth Telecommunications, Inc., d/b/a/ South Central Bell Telephone Company to Modify its Method of Regulation, Order dated July 20, 1995.

Kentucky, and evaluates BellSouth's response to competition in terms of its network marketing and operating plans and decisions. It recommends several changes to the manner in which BellSouth is regulated.

An informal conference was held April 10, 2000. A public hearing was held June 6, 2000. Prior to the public hearing BellSouth submitted a document entitled "Settlement Agreement," which indicated that AT&T Communications of the South Central States, Inc. ("AT&T") and Sprint Communications Company, L.P. ("Sprint") supported its proposals.

MCI WorldCom Communications, Inc. ("MCI"), also a party, did not participate in the "Settlement Agreement." In addition, the Attorney General's Office of Utility and Rate Intervention ("Attorney General"), a party to this case, has consistently opposed certain proposals made in the Audit Report and certain elements of the "Settlement Agreement."

In this docket, the Commission has reviewed the appropriateness of the components of BellSouth's Price Regulation Plan in the current telecommunications environment and has determined that certain modifications to the plan are warranted. The Commission adopts many components of BellSouth's proposed Transition Regulation Plan as a 3-year pilot plan. The Commission concludes that these elements are in the public interest at this time, but should again be reviewed in 3 years.

This Commission has adopted innovative regulatory changes when circumstances dictated. For example, BellSouth was permitted to implement an incentive plan in the late 1980s and a price cap regulation in the mid 1990s. The Commission's goals have been met in the past through these alternative regulation

methods, and it now appears that additional innovations are necessary to enable BellSouth to adjust to the changing telecommunications environment. Competition is becoming more prevalent, business rates have moved much closer to competitive market rates, and new technologies have produced services no one envisioned only a decade ago.

One change proposed by the Audit Report and supported by BellSouth is to modify the objectives of the regulation plan itself. The Price Regulation Plan has five objectives: (1) to ensure that basic service is available at reasonable rates and that basic ratepayers are shielded from significant increases resulting from market changes; (2) to ensure that BellSouth provides quality service; (3) to ensure that customers' needs are met and to enhance efficiency in the provision of service; (4) to provide incentives for BellSouth to invest in new technologies and services; and (5) to ensure that BellSouth has flexibility to price its competitive services, to set depreciation rates, and to respond to the market. The Audit Report concludes, and the Commission agrees, that these objectives have generally been met and should continue to be goals of this Commission in future regulation of BellSouth.

The Audit Report proposes two additional objectives. The first is to permit BellSouth to adjust the prices of its retail services toward incremental costs based on market price. The second is to ensure that the introduction of competition to all markets in Kentucky is not hindered by the method of regulation. The Commission agrees that these goals must be adopted. To further these objectives, the Commission institutes changes to BellSouth's regulation, pursuant to KRS 278.512 and KRS 278.514.

ELIMINATION OF THE TOTAL FACTOR PRODUCTIVITY INDEX

In adopting the Price Regulation Plan nearly 5 years ago, this Commission included a total factor productivity ("TFP") offset for services in the non-competitive basket at the level of 4 percent based on the change of the Gross Domestic Product-Price Index ("GDP-PI") as measured by the federal government. The Audit Report questions the effectiveness of the TFP, presenting alternatives that could prove more appropriate in the competitive telecommunications market.

In its discussion of TFP, the Audit Report gives a brief history and definition of this complex economic term, which is defined as the ratio of the percentage change in unit of output to the percentage change in the unit of input.² Economists have employed this theoretical measure of productivity for many years and used it in concert with other economic measures to control economic activity. The Audit Report points to ways in which a firm's productivity can be improved, including the reduction of input costs (including downsizing), technological advances, increasing sales, and economies of scale. TFP measures productivity gains resulting from any combination of these factors acting in concert upon a firm's production processes.

As with all subjective measures, TFP has been debated by economists and non-economists alike regarding the accuracy of the measure relative to a specific utility, the gains from labor versus investment, and appropriate differentiation between scale economies and management initiatives. Certainly, TFP is more accurate when measuring an entire industry or single-product firms, where differences from the full economy or similar firms might be more readily identified and recognized. When

² Audit Report at Chapter 5.

applying TFP to a multi-product, multi-regional firm such as BellSouth, accuracy diminishes as there are too many variables to identify these differences. For these reasons, the Audit Report surmises that the TFP was never intended to predict future changes in productivity gains or specific services at a state level.

The Audit Report states that BellSouth raised several concerns that it believes result from the TFP index having been set too high. BellSouth asserts that the continued reduction in revenue has resulted in reduced capital available for investment in new technologies. BellSouth also argues that for it to become competitive, the price of subsidized, below-cost services must be raised. The Audit Report concludes that such assertions are only valid if BellSouth cannot achieve the level of productivity gains necessary to meet the Commission's established criteria. BellSouth contends that large productivity gains achieved from its downsizing and from increases in sales are not expected to continue, as its market becomes more competitive. Although these productivity enhancements may be diminished, other factors such as continued innovative technological advances and enhanced economies of scale might still be sufficient for productivity gains to flourish. The addition of more products and services has led BellSouth to increase revenues rather than decrease revenues.

The TFP index in the current plan, the Audit Report concludes, should be eliminated, and rates for services in the non-competitive basket should be capped by inflation. The Audit Report further recommends that the elimination of the productivity index be accompanied by a directive that BellSouth invest in ways to achieve specific policy objectives such as enhancing quality of service, expanding economic development, providing greater rural access to innovative services, and accelerating

competition. Each of these objectives can be met through a management strategy of investing in technologies necessary to achieve the highest degree of productivity gains.

BellSouth agreed with the findings of the Audit Report on these productivity issues. BellSouth proposed certain infrastructure improvements and economic development endeavors to further the Commission's objectives. Specifically, BellSouth offered to develop a framework of improving economic development incentives, high-speed Internet access in non-urban areas, and enhanced educational opportunities.

The Audit Report and BellSouth correctly conclude that the TFP index is imprecise. Moreover, the TFP index is not company-specific, and it may not be the best indicator of future benefits. To date, it has served its purpose well, allowing for substantial adjustments to BellSouth's revenues that were necessary to begin the process of rate restructuring. Furthermore, the Commission recognizes that productivity gains may still be achievable. Nevertheless, we will dispense with the current TFP index for the pilot period, while accepting BellSouth's commitment to invest in infrastructure as a surrogate for further rate reductions based upon a specified productivity index. The proposed investment is necessary to develop a framework of improving economic development incentives to all areas of the state, high-speed Internet access and broadband deployment in non-urban areas of BellSouth's service area, and enhanced educational opportunities for our communities.

BellSouth should understand that the level of investment necessary to "offset" the productivity gains would not be the same as if revenue reductions were used to capture the productivity gains. At the end of the pilot period, the investment and associated

carrying charges and attributable revenues will be analyzed. Specific details concerning the investment in infrastructure will be discussed herein.

INFRASTRUCTURE DEPLOYMENT

BellSouth has proposed to capture the benefits of its productivity gains by channeling investment into BellSouth's broadband infrastructure deployment commitments and expanded economic development initiatives.

As part of its proposed enhanced infrastructure broadband deployment plan, BellSouth has identified 35 wirecenters encompassing portions of 31 Kentucky counties and constituting approximately 75 percent of the infrastructure lines for future deployment of broadband technologies. BellSouth's rationale for the proposed deployment plan includes the following economic development initiatives: (1) deployment of broadband to core cities in approximately 40 percent of the BellSouth-served counties listed in the Kentucky Rural Economic Development Act as consistently suffering above-average unemployment; (2) promotion of jobs in counties identified by the Kentucky economic development agencies; and (3) deployment of broadband to BellSouth exchanges representing approximately 90 percent of BellSouth cities that are part of the Kentucky Community and Technical College System.

BellSouth's proposed enhanced broadband deployment plan would bring Kentucky access lines in broadband capable central offices to 75 percent by the end of December 2002. However, the broadband services would be available only in a limited coverage area nearest to the central office location.³ The Commission is concerned

³ See response to Commission's Oral Data Request filed June 21, 2000, Item No. 4. BellSouth identified 35 wirecenters and proposed coverage areas for ADSL service.

that BellSouth's proposed broadband deployment plan may not provide an adequate level of capital investment commensurate with the amount necessary to capture gains in productivity.⁴ Furthermore, the Commission questions whether or not some level of the proposed investment in broadband deployment would occur absent any change in the current Price Regulation Plan.⁵ In light of these concerns, the Commission finds that BellSouth's proposed enhanced infrastructure broadband deployment plan should be modified. BellSouth should expand the deployment of broadband technologies to all subscribers in the identified wirecenters rather than only to those nearest the central office. Such deployment will more adequately capture gains in productivity. In addition, this investment will expand the availability of enhanced services to Kentucky consumers, thereby increasing the potential for economic development in more rural areas.

ECONOMIC ZONE DISCOUNT TARIFF

BellSouth has proposed an economic zone discount tariff in conjunction with its proposed broadband deployment.⁶ Under the tariff, qualifying entities will be provided a waiver or credit of service deposits and service connection installation charges and will be provided a 10 percent discount on the monthly charges for 12 months of applicable service. The Commission finds that this proposed tariff may assist the Kentucky Economic Development Finance Authority further its goals without harming the

⁴ Obviously, some revenue will be derived from the capital investment that will offset the actual monies used to capture productivity gains.

⁵ BellSouth admits that it has already deployed digital subscriber line service in Frankfort, Bowling Green and Pikeville. T.E. at 17.

⁶ Attachment 7 to the December 17, 1999 filing of BellSouth.

Kentucky ratepayers. Thus, the tariff is reasonable and should be approved. However, the Commission intends to monitor the effect of this tariff including the quantification of lost revenues to BellSouth. Accordingly, BellSouth should file, on an annual basis, information on the use of this economic development tariff to include any associated revenues lost to BellSouth. If BellSouth loses revenues as a result of this tariff, such losses shall not be recovered from future increases to regulated services.

ACCESS CHARGE REDUCTIONS

The "Settlement Agreement" of BellSouth, AT&T, and Sprint seeks to resolve several important competitive issues. These parties propose to restructure BellSouth's rates. The twin goals of this restructuring are to price BellSouth's services more closely to their costs and to continue the process of removing cross-subsidies.

Under the Agreement, the switched access charge will be reduced to \$0.0055 for originating and terminating traffic and the Non-Traffic Sensitive Revenue Requirement ("NTSRR") would be eliminated. The reduction of intrastate switched access is an amount equal to the rates adopted by the Federal Communications Commission ("FCC") in its Access Reform proceeding.⁷

BellSouth filed tariffs on July 3, 2000 to implement its proposed changes as necessitated in its annual filing of the Price Regulation Plan. On August 1, 2000, BellSouth filed its annual access charge filing in accordance with the requirements of Case No. 94-121 to mirror its intrastate access rates to its interstate access rates.

⁷ See Access Charge Reform, CC Docket No. 96-262, Sixth Report and Order, rel. May 31, 2000.

The Commission finds that these access reductions are in the public interest and should be adopted. BellSouth should file tariffs to implement these access reductions within 30 days of the date of this Order. All inter-exchange carriers that pay NTS rates to BellSouth must file tariffs demonstrating that they have reduced intrastate long-distance rates in an amount equal to the access charge reduction associated with this filing.

LIMITED RATE RESTRUCTURE

BellSouth proposes a schedule of rate changes to occur in two annual steps. These changes would increase most basic residential rates by 10 percent each year, except that Rate Group 5 rates would increase 4.84 percent in one step. Other rates that would increase include certain vertical features, directory assistance rates, toll rates, and some business rates, all within the parameters of the current plan. Those rates that would decrease would be access charges including the NTSRR discussed previously. The total effect of all rate changes proposed by BellSouth is revenue-neutral.

The Commission herein adopts a modified version of BellSouth's proposal. In the first year, residential rates will increase in all rate groups, with the exception of Rate Group 5, by 5 percent for a total of \$6,372,490. The rates in Rate Group 5 will only increase by 4.84 percent (\$0.85) in the first year of the plan. We will also eliminate the message toll service discount, as proposed by BellSouth, which will cause an increase to revenues of \$1,879,000. Offsetting rate decreases will occur in business touch-tone

rates. These rates will decrease from \$3.00 to \$2.80, for a total of \$552,000. The NTSRR access charges will be eliminated for a total of \$7,726,800.⁸

In the second and third years of this pilot plan the Commission will allow BellSouth to make additional rate changes to its residential rates on a revenue neutral basis. The amount of the increase for residential rates in the second and third years will be limited to \$5,000,000 annually. This restructuring of residential rates should be targeted to those areas of highest cost. The Commission's goal is to permit the retail rates of BellSouth to move toward incremental cost or market price. The Commission has reviewed many different cost models that demonstrate that, in varying degrees, residential rates are below cost and other rates provide subsidy. BellSouth's rate changes should be based on a review of those subsidies that may exist, and, based on that review, should consider increases and decreases as appropriate. This process may include redefining the current rate group structure. Further, the Commission will schedule informal conferences with BellSouth in the future to discuss and formulate future rate changes. It is anticipated that the cost studies filed in Administrative Case No. 382⁹ will be valuable in the evaluation of future rate adjustments.

BellSouth should file tariffs to conform to this schedule within 30 days of the date of this Order. BellSouth should also file with those tariffs supporting calculations and revenues that show these tariffs to be revenue-neutral. BellSouth's supporting exhibits

⁸ The NTSRR prior to the Commission's Order in Case No. 94-121, dated July 31, 2000 was \$14,764,068. In that Order it was ordered to be reduced by \$7,037,268 leaving a balance of \$7,726,800.

⁹ Administrative Case No. 382, An Inquiry Into the Development of Deaveraged Rates for Unbundled Network Elements.

should use line count and revenue data that is no older than May 2000. BellSouth may propose minor adjustments that follow the intent of the Commission's decision to ensure revenue neutrality.

UNIVERSAL SERVICE FUND WAIVER

In addition, BellSouth agreed to waive its share of funding from the intrastate universal service fund ("USF") and assess a line item on its customers' bills only if BellSouth's customers are required to pay for the high cost USF areas of GTE South Incorporated and Cincinnati Bell Telephone Company. The Commission will not adopt this portion of BellSouth's proposal. Having not yet determined USF funding issues,¹⁰ BellSouth's proposal is too uncertain to be in the public interest at this time.

DEAVERAGED UNE RATES

The parties have agreed that permanent deaveraged rates for unbundled network elements will be determined in Administrative Case No. 382, in which BellSouth soon will file cost studies for all unbundled network elements ("UNEs").¹¹ They have also agreed on an interim basis that BellSouth will provide new deaveraged UNE rates that are lower than those adopted on an interim basis in the Stipulation in Administrative Case No. 382. The Commission adopts this proposal and will mandate that the UNE rates proposed by BellSouth be adopted on a prospective basis by Order in Administrative Case No. 382, to be entered shortly.

¹⁰ USF funding is pending Commission review in Administrative Case No. 360, an Inquiry Into Universal Service and Funding Issues.

¹¹ The informal conference on July 12, 2000, BellSouth requested that it be allowed to defer filing its cost studies in September 2000.

SERVICE OBJECTIVES

BellSouth proposes to change or eliminate reporting requirements for several of the Commission's service objectives contained in 807 KAR 5:061. BellSouth bases its proposal on recommendations contained in the Audit Report.

The Audit Report recommended that reporting requirements for various service objectives relating to provision of service, dial service requirements, answering time, and service interruption be eliminated.

The Commission finds that the reporting requirements for 807 KAR 5:061, Section 10(2) and Section 15(1), are no longer necessary. Requests for re-grades have been eliminated since the conversion to one-party service. Electronic switching systems have eliminated systemic delays to obtaining dial tone.

However, at this time the Commission finds that the reporting requirements for the other service objectives should not be modified. These minimal reporting requirements provide the Commission necessary information regarding the essential services. Furthermore, the reporting requirements proposed to be eliminated continue to be required by other jurisdictions in which BellSouth operates. Pursuant to KRS 278.512, the Commission concludes that the deviations requested, except for those concerning 807 KAR 5:061, Sections 10(2) and 15(1), are not in the public interest and should therefore be denied.

SERVICE CATEGORY CHANGES: CLASSIFICATIONS AND TERMS

Currently BellSouth's services are divided into three categories: non-competitive services, interconnection services, and competitive services. The non-competitive service category includes basic residential and business services, as well as services

closely associated with or considered an extension of these basic services. The interconnection service category includes carrier access services. The competitive service category consists of Centrex; ISDN; billing and collection services; interconnection; operator-assisted and calling card services; optional calling plans; toll trunks and packet switching network services and other competitive services. Each of these service categories has been regulated by unique terms and pricing formulas.

For the non-competitive category, rate changes have taken effect on 30 days' notice to the Commission. There has been a price freeze on basic residential services pending the creation of a universal service fund. Aggregate rates for the services in this category other than basic residential service have been adjusted according to changes in inflation as measured by the GDP-PI, minus a productivity factor. Increases to individual services in this category have been limited to 10 percent each year. Reductions have been required when based on a given formula.

For the interconnection services category, switched access rates mirror interstate access rates and are effective within 30 days of the approval of an FCC tariff.

As to the services in the competitive category, BellSouth has full discretion to set their rates, terms, and conditions, but it has given the Commission 30 days' notice on price changes. These proposed price changes are subject to suspension and review.

BellSouth now proposes that the service categories for its Price Regulation Plan be entirely revamped. It proposes three categories: Retail, Access and Industrial. The Retail category includes basic exchange and vertical services with a cap on increases limited to inflation. The Access category includes carrier common line, high capacity, and switched access. Switched access charges would continue to mirror interstate

levels on a going-forward basis. The Industrial category consists of UNE rates and resold services. BellSouth proposes that it be controlled by UNE rate policies and resale requirements.

The Commission believes that these proposed categories are acceptable, but finds that the pricing structure and the terms within the retail and the industrial categories are inappropriate at this time, as discussed infra.

TERMS AND CONDITIONS OF TRANSITION REGULATION

In conjunction with its transition regulation plan, BellSouth proposes a tariff containing the terms and conditions of its regulation. The Commission has reviewed this tariff in detail and finds that the following changes to the proposed conditions are required to ensure that BellSouth's regulation is in the public interest.

BellSouth has proposed that no cost studies be required for new services or proposed changes to existing services in its retail category.¹² Services in the retail category are those for which BellSouth experiences the least amount of competition. In order for the Commission to evaluate the public interest associated with the pricing of these services, cost studies must be furnished.

BellSouth proposes that tariffs and promotions be presumed valid on one day's notice to the Commission.¹³ While BellSouth has provided information to the Commission sufficient to justify modifying regulatory requirements applicable to it, the most essential services BellSouth provides, including dial tone for basic residential and business customers, remain largely a monopoly. Accordingly, the Commission and

¹² BellSouth's General Subscriber Services Tariff ("GSST") A36.1.3.B.4.

¹³ GSST A36.1.3.B.5.

other interested parties must have adequate time to review proposed changes in prices and other conditions of service. All rate changes for the industrial and retail categories shall continue to require 30 days' notice to the Commission, and proposed price increases shall continue to require customer notice. Rate changes in the access service category, which are designed to mirror interstate rates, may be made on one day's notice to the Commission.

Certain proposals in the retail service category shall also be modified.¹⁴ BellSouth's proposed changes to residential prices are specifically denied. For reasons stated elsewhere, BellSouth may increase its residential rates no more than 5 percent for the first year and as determined by the Commission in the second and third years. However, at the conclusion of the pilot program, prices of basic residential services shall be frozen until further Commission Order.

BellSouth proposes certain changes to its financial reports and monitoring.¹⁵ BellSouth's proposal that service objectives (other than the three it proposes) shall not be required is specifically rejected. Also rejected is BellSouth's proposal that it shall file the same annual financial reports as all the telecommunications companies.

BellSouth proposes that the method of Commission review for contract service arrangements or special assembly filings be unchanged.¹⁶ The Audit Report finds that the contract service arrangement filings were appropriate. However, given the steady volume of such arrangements and the potential for discriminatory practices through

¹⁴ GSST A36.1.3.C.3.

¹⁵ GSST A36.1.3.E.

¹⁶ GSST A36.1.3.B.7.

such individual rate determinations, the Commission finds that BellSouth should, through a separate filing due 30 days from the date of this Order, describe its classifications for contract service arrangements and the criteria it uses to develop and finalize these arrangements.

CONCLUSION

Accordingly, the Commission, having considered BellSouth's proposed modifications to its regulation plan and all responses thereto, HEREBY ORDERS that:

1. Certain elements of the transition regulation plan proposed by BellSouth are adopted as described herein.
2. Elements of the proposed transition plan that have not specifically been adopted herein are denied.
3. The TFP index as a measure of productivity gains for BellSouth is eliminated.
4. BellSouth shall deploy broadband services as described herein within 3 years from the date of this Order.
5. BellSouth shall file reports and meet from time to time with the Commission Staff and others regarding deployment of broadband as directed by the Commission.
6. The economic zone discount tariff is approved.
7. Within 12 months of the date of this Order and continuing annually thereafter, BellSouth shall file information regarding its use of the economic development tariff and shall include information regarding lost revenues, if any.

8. BellSouth shall implement the rate increases and rate decreases as described herein.

9. Within 30 days of the date of this Order, BellSouth shall file a tariff containing the rate reductions and rate increases and other terms and conditions as specified herein, giving the Commission 30 days' notice for review of the tariff.

10. BellSouth may eliminate the reporting requirements contained in 807 KAR 5:061, Sections 10(2) and 15(1).

11. Within 6 months of the date of this Order, BellSouth shall file its proposal for the implementation of the rate increases ordered herein for the second and third years of this trial transition plan.

12. Within 30 days of the date of this Order, BellSouth shall file the information ordered herein regarding its contract service arrangement filings.


13. Within 3 years of the date of this Order, BellSouth shall file information regarding the method of regulation that it proposes at the conclusion of this pilot program.

14. By October 1, 2000, all inter-exchange carriers that pay NTS rates to BellSouth shall file tariffs demonstrating that they have reduced intrastate long-distance rates in an amount equal to the access charge reduction associated with this Order and with Case No. 94-121.

Done at Frankfort, Kentucky, this 3rd day of August, 2000.

By the Commission

ATTEST:



Executive Director, Acting

BellSouth Telecommunications, Inc.
P.O. Box 32410
Louisville, KY 40232

or
BellSouth Telecommunications, Inc.
Room 407
601 West Chestnut Street
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel-Kentucky

502 582-8219
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June 23, 2000

RECEIVED
JUN 26 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Reference is made to BellSouth's June 21, 2000, filing of Responses to the Oral Requests from the Commission at the June 6, 2000, hearing. BellSouth advises the Commission that page 4 of the Attachment to Response No. 6 was inadvertently filed on yellow paper, albeit without a proprietary stamp, which might indicate BellSouth considers it to be proprietary information. The first three pages of the Attachment do contain proprietary information and are covered in BellSouth's Confidentiality Petition filed simultaneously with the Responses, but page 4 of the Attachment does not contain proprietary information and can be placed in the public record.

BellSouth regrets any inconvenience.

Sincerely,



Creighton E. Mershon, Sr.

cc: Parties of Record

BellSouth Telecommunications, Inc.
P.O. Box 32410
Louisville, KY 40232

or
BellSouth Telecommunications, Inc.
Room 407
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502 582-8219
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RECEIVED
JUN 21 2000
PUBLIC SERVICE
COMMISSION

June 21, 2000

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602


RE: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Enclosed for filing in this case are the original and ten (10) copies of BellSouth Telecommunications, Inc.'s Responses to the Commission's Oral Data Requests made in the June 6, 2000, hearing. Attachment 1 of BellSouth's Response to Item #6 contains confidential, commercial, or proprietary information and, pursuant to 807 KAR 5:001, Section 7, enclosed is BellSouth's Confidentiality Petition.

One copy of the proprietary information is provided to the Commission. A copy of the proprietary information is provided to the Attorney General, AT&T, MCI, and Sprint pursuant to a Confidentiality Agreement signed in Case No. 94-121, Application of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company to Modify its Method of Regulation. Requisite edited copies are provided for the public record.

Sincerely,


Creighton E. Mershon, Sr.

Enclosures

cc: Parties of Record

217429

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 21st day of June 2000.



Creighton E. Mershon, Sr.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001 SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth"), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to KRS 61.878 and 807 KAR 5:001, §7, to classify as confidential the following described information:

Those numbers highlighted with transparent ink in Attachment 1 of BellSouth's Response to Item #6 of the Commission's Oral Data Requests made in the June 6, 2000, hearing in this case.

The information for which BellSouth seeks confidentiality is access line information and revenue data by wire center.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878 (1)(b). To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of the party seeking confidentiality if openly disclosed. KRS

61.878 (1) (b); 807 KAR 5:001, §7. The Commission has taken the position that the statute and rules require the party to demonstrate actual competition and a likelihood of competitive injury if the information is disclosed.

In the present case, BellSouth would suffer competitive harm if the commercial information it seeks to protect were disclosed. BellSouth's competitors for local exchange services include alternate access providers and resellers. The Commission has approved interconnection and resale agreements between BellSouth and numerous other telecommunications carriers. Disclosure of this information would give BellSouth's competitors an unfair business advantage over BellSouth since they could determine where the most lucrative markets are served by BellSouth in Kentucky and focus their marketing efforts in these wire centers. This information could be used by BellSouth's competitors to market their competitive service to the detriment of BellSouth. Because of this, BellSouth's access line and revenue data should be protected from disclosure.

BellSouth recognizes that this information may be helpful to the Commission. However, to require that this information be divulged to BellSouth's competitors creates substantial unfair disadvantage to BellSouth. In addition, the Commission should accord confidential treatment to this information for the following reasons:

(1) The information as to which BellSouth is requesting confidential treatment is not known outside of BellSouth;

(2) The information is not disseminated within BellSouth and is known only by those of BellSouth's employees who have a legitimate business need to know and act upon the information;

(3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices;

(4) The disclosure of this information would cause competitive injury to BellSouth in that it would provide BellSouth's competitors with sensitive financial data with respect to certain of BellSouth's services; and

(5) By granting BellSouth's petition, there would be no damage to any public interest in disclosure. In fact, the public would be best served by non-disclosure because competition would thereby be promoted.

For these reasons, the Commission should grant BellSouth's request for confidential treatment of the access line and revenue

data highlighted with transparent ink in Attachment 1 of
BellSouth's Response to Item #6 of the Commission's Oral Data
Requests made in the June 6, 2000, hearing in this case.

Respectfully submitted,

Creighton Mershon

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COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

217425

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Oral Requests Made at Hearing
June 6, 2000
Item No. 1
Page 1 of 1

REQUEST: Of the \$19M of rate reductions BellSouth made over the last four years, how much was in access charges?

RESPONSE: The access charge reductions associated with the four annual filings were as follows:

1996 Annual Filing	\$11,969
1997 Annual Filing	\$1,722,000
1998 Annual Filing	\$607,330
1999 Annual Filing	<u>\$11,952,609</u>
Total	\$14,314,908

There have been other access charge changes as a result of the Plan's mirroring requirement as well as decreases in access charges used to offset increases in other rates. All of these effects are not included in the above.

REQUEST: How much would it cost to deploy broadband capability in 100% of BellSouth's central offices?

RESPONSE:

Broadband Capital Investment for Central Offices serving % of BellSouth Kentucky Access Lines		
Percentage	Incremental Amount Above Proposed Plan	Total Capital Investment
Proposed Plan (~75%)	\$ -	\$ 15,977,344
100%	\$ 72,945,133	\$ 88,922,477

The average line size of central offices representing the remaining 25% of BellSouth Kentucky access lines is small thereby requiring a significant quantity of broadband equipment and investment to equip central offices serving the remaining 25% of access lines. This is the reason why the capital investment to equip central offices serving 100% of BellSouth Kentucky access lines is so high.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Oral Requests Made at Hearing
June 6, 2000
Item No. 3
Page 1 of 1

REQUEST: What kind of time schedule would be required for 100% deployment?

RESPONSE: Please see the response to Item No. 2 for the amount of investment required for 100% deployment.

Due to the number of central offices involved and the extremely large investment required to equip those offices, it is difficult to estimate a time frame for total deployment. A deployment schedule would hinge on numerous factors including dollars available for investment, other demands for those same dollars, the cost and availability of evolving technology, available manpower, and vendor scheduling.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Oral Requests Made at Hearing
June 6, 2000
Item No. 4
Page 1 of 1

REQUEST: Please provide a list of counties and wirecenters in the 75% deployment plan.

RESPONSE: Please see the attached list of counties and the map showing the proposed deployment plan.

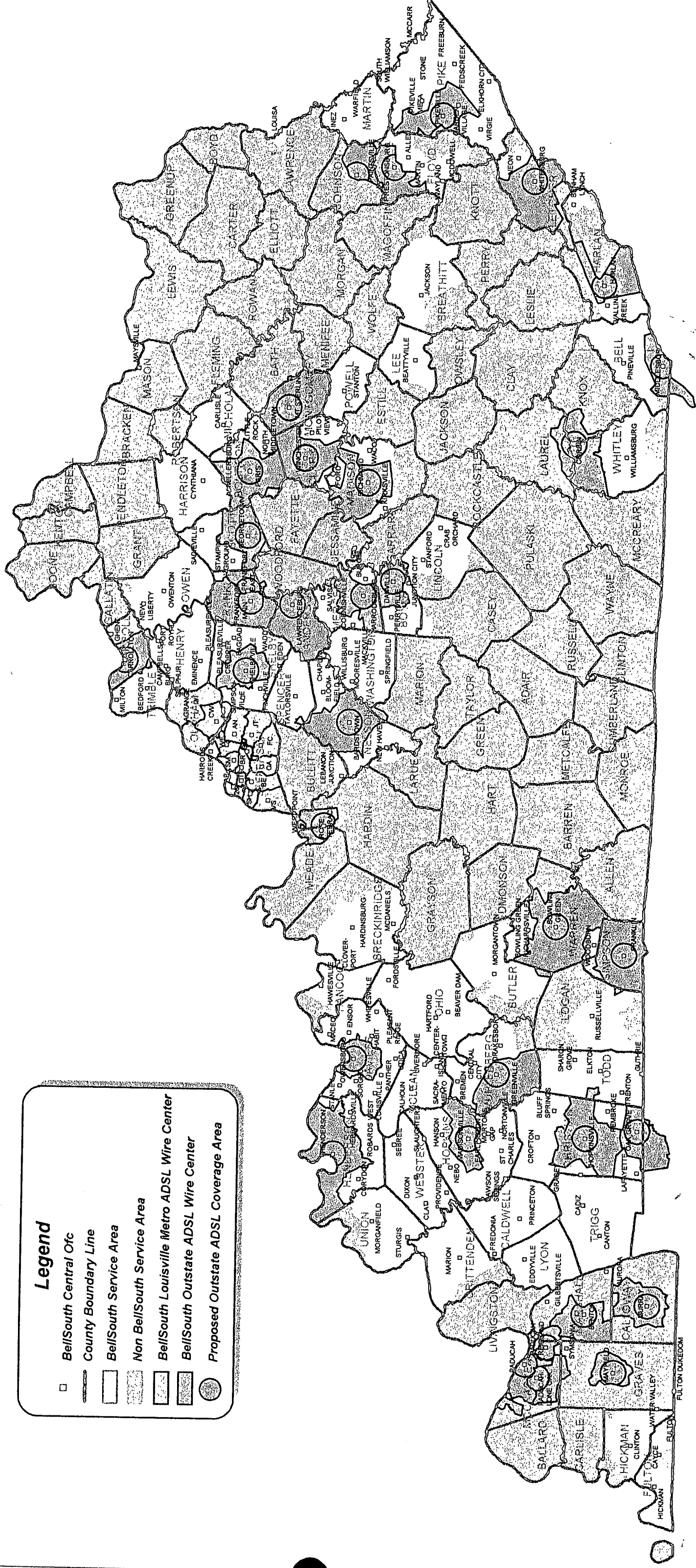
**BellSouth Transition Regulation Plan
Proposed Infrastructure Deployment**
(Sort by County)

County No.	County	Wire Center	GLLI Codes	Deployment Year	KREDA County	KCTCS Location
1	Anderson	LAWRENCEBURG	LRBGKYMA	2002		Y
2	Bell	MIDDLESBORO	MDBOKYMA	2001	Y	Y
3	Bourbon	PARIS	PARSKYMA	2002		
4	Boyle	DANVILLE	DAVLKYMA	2001		Y
5	Calloway	MURRAY	MRRYKYMA	2001		
6	Carroll	CARROLLTON	CRTNKYMA	2002		Y
7	Christian	HOPKINSVILLE	HPVLKYMA	2000		Y
	Christian	OAK GROVE	OKGVKYES	2001		Y
8	Clark	WINCHESTER	WNCHKYMA	2000		
9	Daviess	OWENSBORO	OWBOKYMA	2000		Y
10	Floyd	PRESTONSBURG	PRBGKYES	2002	Y	Y
11	Franklin	FRANKFORT-EAST	FRFTKYES	2002		
	Franklin	FRANKFORT-MAIN	FRFTKYMA	2000		
12	Graves	MAYFIELD	MYFDKYMA	2001	Y	
13	Hardin	ROSE TERRACE	RSTRKYES	2002		Y
14	Harlan	HARLAN	HRLNKYMA	2002	Y	Y
15	Henderson	HENDERSON	HNSNKYMA	2000		Y
16	Hopkins	MADISONVILLE	MDVIKYMA	2000	Y	Y
17	Johnson	PAINTSVILLE	PNVLKYMA	2001	Y	Y
18	Letcher	WHITESBURG	WHBGKYMA	2002	Y	Y
19	Madison	RICHMOND	RCMDKYMA	2000		
20	Marshall	BENTON	BNTNKYMA	2002	Y	
21	McCracken	PADUCAH-LONE OAK	PDCHKYLO	2001		Y
	McCracken	PADUCAH-MAIN	PDCHKYMA	2000		Y
	McCracken	PADUCAH-REIDLAND	PDCHKYRL	2002		Y
22	Mercer	HARRODSBURG	HDBGKYMA	2002		
23	Montgomery	MOUNT STERLING	MTSTKYMA	2001		
24	Muhlenberg	GREENVILLE	GNVLKYMA	2002	Y	Y
25	Nelson	BARDSTOWN	BRTWKYES	2002	Y	
26	Pike	PIKEVILLE-MAIN	PKVLKYMA	2000	Y	Y
27	Scott	GEORGETOWN	GRTWKYMA	2002		
28	Shelby	SHELBYVILLE	SHVLKYMA	2001		
29	Simpson	FRANKLIN	FKLNKYMA	2002		
30	Warren	BOWLING GREEN	BWLGKYMA	2000		Y
31	Whitley	CORBIN	CRBNKYMA	2001	Y	

BellSouth Transition Regulation Plan Proposed Enhanced Infrastructure Deployment

Legend

- BellSouth Central Ofc
- County Boundary Line
- ▭ BellSouth Service Area
- ▨ Non BellSouth Service Area
- ▩ BellSouth Louisville Metro ADSL Wire Center
- BellSouth Outstate ADSL Wire Center
- Proposed Outstate ADSL Coverage Area



BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Oral Requests Made at Hearing
June 6, 2000
Item No. 5
Page 1 of 1

REQUEST: Please provide a matrix of service objectives required by Commissions in the nine BellSouth states.

RESPONSE: Please see attached.

PSC Service Standards

<u>Installation</u>	AL @ (PR)	FL	GA	KY	LA	MS (PR)	NC	SC	TN
Regular Orders Within 3 Days		90%							
Regular Orders Within 5 Days			85%	90%			90%	85%	
<3000 lines									75%
>3000 lines									85%
Orders Requiring Construction-Within 30 days		95%	85%						
Appointments Offered Within 5 Days					xx				
Appointments/Commitments Met		95%	90%		xx		95%	85%	90%
Held Applications - Over 30 Days	.015%						.1%		
Held Applications - Over 6 Months		xx							
Residential Regrades Completed Within 5 days				90%			99%		
Regrades Completed Within 30 Days									100%
Regrades Completed Within 60 Days		xx							
<u>Maintenance</u>									
Trouble Reports per 100 Lines	2.43	6.0	6.0	8.0	xx	3.0	4.75		
<3000									9.5
3000-14000									6.5
>14000									6.0
<7500								7.0	
>7500								5.0	
By Exchange						**			
Wire Centers With Trouble Reports Rates >5%	1					**			
Repeat Trouble Reports Per 100 Lines		20%					1.0		
Out of Service - Cleared Within 24 Hours		95%		85%	xx		95%	85%	
Out of Service - Cleared Within 36 Hours	72%					75%			
Service Affecting - Within 72 Hours		95%							
Repair Appointments Met		95%							
Average Duration - Special Services Complex					xx				xx
<u>Customer Services</u>									
Commission Complaints/Cust Appeals					xx				
Business Office Calls Answered <20 Seconds		80%	90%				90%		
<u>Operator Services</u>									
Average Speed of Answer				8 sec					
Intercept Calls Answered < 20 Seconds									
Directory Calls Answered < 10 Seconds			90%				85%		85%
Directory Calls Answered < 20 Seconds		90%	90%						
Directory Calls Answered < 30 Seconds								80%	
Toll/Asst Calls Answered < 10 Seconds		90%	90%				90%	90%	90%
Repair Service Average Speed of Answer				20sc					
Repair Service Speed of Answer < 20 sec.			90%				90%	90%	
Repair Service Speed of Answer <30 sec.		90%							
Public Pay Stations Out-of Order							10%		
<u>Switched/Switching</u>									
Dial Tone Within 3 Seconds		95%	98%	95%				98%	98%
Local Calls Comp W/O Blocking			97%				99%		97%
Local InterOffice Calls Comp W/O Blocking		95%		95%			98%		
Toll/IEC Calls Completed Without Blocking		95%	97%	97%					
DDD Calls - Without Blocking		97%					95%		98%
EAS Transmission Loss Between 2 - 10 db							95%		98%
Toll Transmission Loss Between 3 - 12 db							95%		
EAS Trunks Noise 30 dbmrc or less							95%		
Toll Trunks Noise 33 dbmrc or less							95%		
<u>EXCEL Measurements</u>									
Overall EXCEL Measurements				**					
Customer Satisfaction - Consumer					xx	94%			
Customer Satisfaction - Small Business						96.5			

PR Measurements established in Price Regulation Plan.

** Provided as information only to the Commission.

xx There is no established objective for these measurements. Our earnings, however, are tied to results.

@ Alabama is reported as 12 month rolling average.

REQUEST: Please provide a worksheet showing how the \$32M USF number was calculated.

RESPONSE: The attached spreadsheet shows the derivation of the new UNE deaveraged rates referenced on line 17, page 3, of Steve Rausch's testimony. The cost per access line, shown in Column D on pages 1-3 of the spreadsheet, were derived by subtracting \$.35 for Local Number Portability from the cost produced by the January run of the Hybrid Cost Proxy Model. The Local Number Portability cost is recovered through a line item charge.

The access lines in columns E, F, and G of the spreadsheet, and the residence and business revenue in columns I and J, were provided by the BellSouth Pricing group in Headquarters.

The data in Columns A through J on sheets 1-3 were accumulated based on the rate group of each wirecenter, so that:

UNEZONE 1 = Rate Group 5
UNEZONE 2 = Rate Groups 3, 4, and 4.5 (Exception Rate Group)
UNEZONE 3 = Rate Groups 1 and 2

The development of the deaveraged loop prices is shown on page 4, lines 11-13, and development of the cost for the "package" of UNEs is shown on lines 1-7.

The UNE "package" rates were compared to the average revenues in the individual wirecenters. If the UNE "package" rate was higher than the average revenue, a support requirement was calculated. Federal support was subtracted from the calculated support requirements, and if an amount remained, it was multiplied by the number of access lines, and then by 12, to get an annualized support requirement. The results of these calculations are shown in columns L-Q on pages 1-3 of the spreadsheet. The total requirement of \$32,735,662 is shown on page 3, line 197. This is the amount referenced in Mr. Rausch's testimony on page 6, line 18.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	CLU	RI GRP	density	cost/al	res	other	total	total	res rev	bus rev		LINE rate	Residual revenue	Support Requirement	Federal Support	final per line support	annual support required
17	WSPNKYMA	5	341.33	\$ 40.39								\$ 23.71	\$ 31.44	\$ -	\$ 0.12		
18	LGRNKYES	5	123.35	\$ 33.17								\$ 23.71	\$ 33.70	\$ -	\$ 0.03		
19	LSVLKYHA	5	271.41	\$ 29.84								\$ 23.71	\$ 31.99	\$ -	\$ -		
20	LSVLKYCW	5	369.72	\$ 29.18								\$ 23.71	\$ 32.54	\$ -	\$ -		
21	LSVLKYFC	5	1000.92	\$ 25.08								\$ 23.71	\$ 30.79	\$ -	\$ -		
22	LSVLKYVS	5	1401.01	\$ 23.41								\$ 23.71	\$ 31.66	\$ -	\$ -		
23	LSVLKYJT	5	1172.69	\$ 24.31								\$ 23.71	\$ 32.51	\$ -	\$ -		
24	LSVLKYAN	5	2544.04	\$ 21.80								\$ 23.71	\$ 32.30	\$ -	\$ -		
25	LSVLKYSH	5	1784.70	\$ 21.87								\$ 23.71	\$ 33.26	\$ -	\$ -		
26	LSVLKYOA	5	2123.95	\$ 21.46								\$ 23.71	\$ 34.47	\$ -	\$ -		
27	LSVLKYBE	5	2594.14	\$ 21.08								\$ 23.71	\$ 33.20	\$ -	\$ -		
28	LSVLKY28	5	2971.80	\$ 20.84								\$ 23.71	\$ 36.68	\$ -	\$ -		
29	LSVLKYWE	5	2865.99	\$ 20.27								\$ 23.71	\$ 31.99	\$ -	\$ -		
30	LSVLKYSL	5	2801.13	\$ 19.79								\$ 23.71	\$ 32.34	\$ -	\$ -		
31	LSVLKYBR	5	4178.49	\$ 19.88								\$ 23.71	\$ 31.42	\$ -	\$ -		
32	LSVLKYSM	5	3782.53	\$ 19.61								\$ 23.71	\$ 32.40	\$ -	\$ -		
33	LSVLKYTS	5	4184.88	\$ 19.31								\$ 23.71	\$ 32.85	\$ -	\$ -		
34	LSVLKYAP	5	1077.58	\$ 16.13								\$ 23.71	\$ 35.29	\$ -	\$ -		
35	SDVLKYMA	4.5	16.14	\$ 98.51								\$ 29.90	\$ 33.26	\$ -	\$ -		
36	SDVLKYMA	4.5	34.84	\$ 58.94								\$ 29.90	\$ 31.23	\$ -	\$ 0.87		
37	STGRKYMA	4.5	984.74	\$ 28.64								\$ 29.90	\$ 36.67	\$ -	\$ 0.36		
38	GRTWKYMA	4	681.22	\$ 30.08								\$ 29.90	\$ 32.82	\$ -	\$ -		
39	OKGVKYES	3	5.39	\$ 142.39								\$ 29.90	\$ 32.82	\$ -	\$ -		
40	LFTKYMA	3	12.55	\$ 109.70								\$ 29.90	\$ 29.77	\$ 0.14	\$ 1.44		
41	KVLKYMA	3	9.39	\$ 108.61								\$ 29.90	\$ 30.96	\$ -	\$ 1.02		
42	BLSPKYMA	3	8.58	\$ 95.81								\$ 29.90	\$ 33.58	\$ -	\$ 0.98		
43	GRACKYMA	3	18.31	\$ 84.56								\$ 29.90	\$ 33.58	\$ -	\$ 0.84		
44	PMBRKYMA	3	36.37	\$ 80.54								\$ 29.90	\$ 30.47	\$ -	\$ 0.69		
45	FOPDKYMA	3	17.10	\$ 80.58								\$ 29.90	\$ 31.71	\$ -	\$ 0.64		
46	BVLGRYV	3	17.82	\$ 80.10								\$ 29.90	\$ 31.76	\$ -	\$ 0.64		
47	SRGHKYMA	3	15.74	\$ 78.49								\$ 29.90	\$ 27.81	\$ 2.09	\$ 0.63	\$ 1.48	8,206
48	UTICKYMA	3	17.85	\$ 76.20								\$ 29.90	\$ 31.69	\$ -	\$ 0.61		
49	WLVLKYMA	3	16.09	\$ 72.74								\$ 29.90	\$ 31.56	\$ -	\$ 0.58		
50	COTNKYMA	3	14.49	\$ 70.43								\$ 29.90	\$ 32.99	\$ -	\$ 0.54		
51	STNLKYMA	3	19.49	\$ 67.03								\$ 29.90	\$ 30.34	\$ -	\$ 0.51		
52	PKVLKYMT	3	16.40	\$ 66.52								\$ 29.90	\$ 35.61	\$ -	\$ 0.48		
53	PNTRKYMA	3	16.82	\$ 65.81								\$ 29.90	\$ 30.57	\$ -	\$ 0.46		
54	WACOKYMA	3	21.82	\$ 65.81								\$ 29.90	\$ 31.72	\$ -	\$ 0.45		
55	PLRGKYMA	3	28.41	\$ 63.41								\$ 29.90	\$ 31.17	\$ -	\$ 0.42		
56	WHVLKYMA	3	52.49	\$ 59.00								\$ 29.90	\$ 30.22	\$ -	\$ 0.41		
57	PCHKYIP	3	35.58	\$ 56.72								\$ 29.90	\$ 29.15	\$ 0.75	\$ 0.33	\$ 0.42	2,754
58	MACCKYMA	3	42.94	\$ 52.15								\$ 29.90	\$ 30.73	\$ -	\$ 0.35		
59	HABTKYMA	3	63.48	\$ 52.08								\$ 29.90	\$ 31.04	\$ -	\$ 0.27		
60	ENSRKYMA	3	243.40	\$ 38.52								\$ 29.90	\$ 30.84	\$ -	\$ 0.27		
61	PCHKYRL	3	709.25	\$ 34.85								\$ 29.90	\$ 30.00	\$ -	\$ 0.10		
62	PKVLKYMA	3	58.84	\$ 33.60								\$ 29.90	\$ 34.03	\$ -	\$ 0.05		
63	RSRKYES	3	433.23	\$ 32.05								\$ 29.90	\$ 33.27	\$ -	\$ 0.03		
64	PCHKYLO	3	1599.29	\$ 29.25								\$ 29.90	\$ 31.57	\$ -	\$ 0.01		
65	RCMDKYMA	3	131.84	\$ 27.69								\$ 29.90	\$ 30.69	\$ -	\$ -		
66	HPVLKYMA	3	1377.59	\$ 26.76								\$ 29.90	\$ 31.95	\$ -	\$ -		
67	BVLGRKYMA	3	2095.47	\$ 26.55								\$ 29.90	\$ 31.47	\$ -	\$ -		
68	FRFTKYMA	3	1573.71	\$ 25.72								\$ 29.90	\$ 30.48	\$ -	\$ -		
69	FRFTKYES	3	1633.78	\$ 23.72								\$ 29.90	\$ 29.58	\$ 0.32	\$ 0.32	\$ 23,406	
70	OWBOKYMA	3	1816.47	\$ 22.71								\$ 29.90	\$ 29.20	\$ 0.70	\$ 0.70	\$ 245,069	
71	PCHKYMA	2	12.39	\$ 101.94								\$ 29.90	\$ 30.87	\$ -	\$ -		
72	WNCNKYV	2	9.99	\$ 87.72								\$ 38.45	\$ 32.07	\$ 6.38	\$ 0.92	\$ 5,446	23,003
73	NEBOKYMA	2	16.78	\$ 80.21								\$ 38.45	\$ 31.55	\$ 6.88	\$ 0.73	\$ 6,166	62,386
74	HBLVKYMA	2	16.23	\$ 83.86								\$ 38.45	\$ 30.35	\$ 8.09	\$ 0.53	\$ 7,448	51,640
75	RBRDKYMA	2	9.15	\$ 73.13								\$ 38.45	\$ 28.32	\$ 6.42	\$ 0.88	\$ 6,774	46,196
76	STCHKYMA	2	332.75	\$ 69.58								\$ 38.45	\$ 28.32	\$ 10.12	\$ 0.54	\$ 9,558	36,550
77	CYDNKYMA	2	27.55	\$ 61.70								\$ 38.45	\$ 31.35	\$ 7.10	\$ 0.50	\$ 6,600	116,830
78	FDCKKYES	2		\$ 61.70								\$ 38.45	\$ 34.77	\$ 3.68	\$ 0.40	\$ 3,228	111,969

	A	B	C	D	E	F	G	H	I	J	K
1		zone 1	zone 2	zone 3		Non-recurring Charges		first	additional	25/75 weight	
2	\$	13.54	\$ 19.73	\$ 28.28		UNE Loop & NID		70.44	44.05		
3	\$	2.61	\$ 2.61	\$ 2.61		UNE Port		24.98	24.98		
4	\$	5.46	\$ 5.46	\$ 5.46		Total non-recurring		95.42	69.03	75.6275	
5	\$	2.10	\$ 2.10	\$ 2.10		3 year loc life/mo				\$ 2.10	
6	\$	-	\$ -	\$ -							
7	\$	23.71	\$ 29.90	\$ 38.45							
8											
9	Approved UNE loop & NID rate	\$ 20.00									
10		cumulative cost	cum acc ins	cost/acc ln	prorate %	UNE loop rate					
11	UNE ZONE 1	\$ 12,229,851	584,853	\$ 20.91	67.72%	\$ 13.54					
12	UNE ZONE 2	\$ 9,070,351	297,704	\$ 30.47	98.67%	\$ 19.73					
13	UNE ZONE 3	\$ 20,338,346	465,878	\$ 43.66	141.38%	\$ 28.28					
14		\$ 41,638,547	1,348,435	\$ 30.88							



REQUEST: Please provide a worksheet showing how the \$28M USF number was calculated.

RESPONSE: BellSouth filed comments dated February 3, 2000 in Administrative Case 360. In those comments, at page 9, BST determines the assessment percentage required to collect the intrastate universal service fund from intrastate end user revenues, as follows:

Step 1: Total intrastate end user revenues for Kentucky from the *State-By-State Telephone Revenue and Universal Service Data*, January 2000, Table 2.17, Published by the FCC (copy attached) \$1.492B

Step 2: USF total requirement taken from Attachment 1 to the comments. The attachment is extracted from the wcsupport.xls file generated by the FCC in January 2000 using the Hybrid cost Proxy Model (HCPM)	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Company</u></th> <th style="text-align: left;"><u>Dollars</u></th> </tr> </thead> <tbody> <tr> <td>CBT</td> <td>\$5,072,739</td> </tr> <tr> <td>GTE</td> <td>\$24,781,709</td> </tr> <tr> <td>BST</td> <td><u>\$61,359,001</u></td> </tr> <tr> <td>Total</td> <td><u>\$91,213,449</u></td> </tr> </tbody> </table>	<u>Company</u>	<u>Dollars</u>	CBT	\$5,072,739	GTE	\$24,781,709	BST	<u>\$61,359,001</u>	Total	<u>\$91,213,449</u>
<u>Company</u>	<u>Dollars</u>										
CBT	\$5,072,739										
GTE	\$24,781,709										
BST	<u>\$61,359,001</u>										
Total	<u>\$91,213,449</u>										

Step 3: $\$.91B / \$1.492B =$ 6.1%

At page 11 of the comments, BST's net receipts from the USF are determined as follows:

Step 4: BST's estimated intrastate end user revenues are determined (see attached spreadsheet). \$541M

Step 5: BST's payment to the USF ($\$541M \times 6.1\% =$) \$33M

Step 6: BST's net receipts from the USF ($\$61M$ from Step 2 - $\$33M =$) \$28M



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Creighton E. Mershon, Sr.
 General Counsel - Kentucky

BellSouth Telecommunications, Inc.
 601 West Chestnut Street, Room 407
 Louisville, Kentucky 40203

February 3, 2000

Mr. Martin J. Huelsmann, Jr.
 Executive Director
 Public Service Commission
 211 Sower Boulevard
 P. O. Box 615
 Frankfort, KY 40602

Re: An Inquiry Into Universal Service and Funding Issues
 Administrative Case No. 360

Dear Mr. Huelsmann:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of Comments of BellSouth Telecommunications, Inc.

Parties of Record on Service List B are served with a copy of this letter only.

Sincerely,

Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

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CC FC DC scanned
 J BR 195894
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMENTS OF BELLSOUTH TELECOMMUNICATIONS, INC.

In its December 10, 1999, Order in this case, the Kentucky Public Service Commission ("Commission") requested comments and suggestions on the tentative proposals specified in the Order and other proposals necessary to conclude the establishment of the Kentucky Intrastate Universal Service Fund ("KY USF"). BellSouth Telecommunications ("BellSouth") respectfully submits the following comments and proposals regarding the establishment of the KY USF.

Cost Model and Inputs

The Commission requested comments regarding a universal service cost model and appropriate inputs. The Commission recognized that the FCC adopted a synthesis model, the Hybrid Cost Proxy Model ("HCPM"), as the platform for the forward-looking mechanism to calculate high cost support for non-rural carriers.¹ This decision was the first step in the FCC's move away from (1) the selection of either the Benchmark Cost Proxy Model ("BCPM") or the Hatfield Model ("HAF") model for calculating support and (2) the adoption of the state filed cost studies and inputs² for calculating federal

¹ Fifth Report and Order, CC Docket No. 96-45, October 28, 1998.

² Report and Order, CC Docket No. 96-45, May 8, 1997, para. 26. Public Notice, Released July 27, 1997, DA Number 97-1501. Public Notice Released August 7, 1997, CC Docket Nos. 96-45 and 97-160, DA 97-1677.

universal service support.³ BellSouth agrees with the Commission that the FCC's recent orders on universal service⁴ provide good cause for the Commission to reevaluate universal service in Kentucky.

In regards to calculating universal service support, BellSouth continues to believe that the BCPM model is the best model for calculating universal service costs. However, when offered a choice between the HAI and the HCPM, BellSouth believes the HCPM to be far superior to the HAI. BellSouth has reviewed the results of the HCPM runs for Kentucky, and it tentatively agrees with the Commission's finding that the new federal universal service platform appears to produce results that represent a viable starting point for intrastate universal service purposes. However, BellSouth would caution the Commission against using the FCC's model for any other purpose, specifically as the basis for establishing rates for unbundled network elements ("UNE"). Indeed, in October 1998 when the FCC selected the model platform for calculating non-rural carriers' forward-looking costs, the FCC emphatically stated in its Fifth Report and Order:

"... Moreover, we note that the selection of the synthesis platform is based solely on our evaluation of its performance for determining non-rural carriers forwarding looking costs for universal service purposes. We have not evaluated it for any other purpose." (para. 12)

The FCC clearly articulated that it has not evaluated the HCPM cost model platform for any other purposes but universal service. Subsequently, the FCC is on the public record stating that they have not made any determinations as to whether nationwide values would be appropriate for purposes other than determining federal universal service

³ However, the HCPM includes aspects of both the BCPM and the HAI Models.

⁴ Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45, November 2, 1999 and Tenth Report and Order, CC Docket No. 97-160, November 2, 1999.

support.⁵ Finally, and most recently, the FCC reiterated in its Tenth Report and Order, dated November 2, 1999, the purpose for which it evaluated and approved the HCPM and nationwide inputs:

32. For universal service purposes, we find that using nationwide averages is appropriate. The Commission has not considered what type of input values, company-specific or nationwide, nor what specific input values, would be appropriate for any other purposes. The federal cost model was developed for the purpose of determining federal universal service support, and it may not be appropriate to use nationwide values for other purposes, such as determining prices for unbundled network elements. We caution parties from making any claims in other proceedings based upon the input values we adopt in this Order.

The FCC is clear that the HCPM was not evaluated for any other purpose than universal service. Therefore, the public record in the FCC universal service dockets does not support the adoption of HCPM results for UNE costs.

Based on (1) the Commission's desire to use the same model as the FCC for universal service, (2) the Commission's belief that the HCPM produces reasonable results when calculating universal service costs, and (3) in an effort to provide an expeditious closure to the establishment of a high-cost universal service plan for Kentucky, BellSouth recommends that the Commission adopt the HCPM and national inputs as approved by the FCC to calculate universal service support for the KY USF. In so doing, the Commission can quickly move forward in the establishment of an intrastate universal service fund without undergoing continued debate over the appropriate model platform and input values. Such an approach should also help harmonize the federal and state universal service programs for Kentucky.

⁵ Further Notice of Proposed Rulemaking, CC Docket No. 97-160, May 28, 1999, para 22.

Like many parties to the federal docket,⁶ BellSouth has been concerned over the use of HCPM for universal service costing and more importantly for UNE calculations. Since the FCC's adoption of the HCPM for universal service costing, BellSouth and other parties have made numerous filings expressing concerns over the model platform and the national input values. The FCC has repeatedly, on a bimonthly basis at least, modified the model and input values. Even though the model needs additional verification and may undergo more changes in 2000,⁷ BellSouth believes that the model and FCC inputs provide a viable starting point upon which this Commission can establish the KY USF. Additionally, the HCPM model and input development have not progressed in isolation to the parties in Administrative Case No. 360. Many of these same parties have filed comments and ex partes regarding this model and inputs in the federal jurisdiction.

Regarding the inputs into the model (cost of cable, labor, materials, etc.), BellSouth has stated its opposition on numerous occasions to many of the FCC recommended inputs.⁸ For instance, the inputs that the FCC proposed for cable costs, switching costs, fill factors, structure sharing, and others produce a significant understatement of BellSouth's forward-looking costs. BellSouth believes these inputs are not reasonable and bear little relationship to real world costs. However, BellSouth, in an effort to provide closure to this issue, does not object to the FCC's set of national inputs

⁶ Comments of Sprint Corporation, CC Docket No. 97-160, July 23, 1999 at page 7; Comments of U S WEST, Inc., CC Docket No. 97-160, July 23, 1999, starting at page 4; Comments of Ameritech on Further Notice of Proposed Rulemaking, CC Docket No. 97-160, July 23, 1999, at page 34; Comments of SBC Communications, Inc., CC Docket No. 97-160, July 23, 1999, at page 3; Comments of GTE, CC Docket No. 97-160, July 23, 1999, at vii; Comments of Bell Atlantic (Public Version), CC Docket No. 97-160, at page 5.

⁷ Tenth Report and Order, CC Docket No. 97-160, November 2, 1999, para. 28.

⁸ Reply Comments, BellSouth Corporation, CC Docket No. 97-160, August 6, 1999; Comments of BellSouth, CC Docket No. 97-160, July 23, 1999; Ex Parte Letter to Ms. Magalie Roman Salas from Richard M. Sbaratta dated December 16, 1998 in CC Docket No. 97-160; Ex Parte Letter to Ms. Magalie Roman Salas from Richard M. Sbaratta dated January 6, 1999 in CC Docket No. 97-160.

in order to move forward in establishing a KY USF. However, if the Commission, or any other party, prefers to propose alternative input values, BellSouth respectfully reserves the right to propose its own input values.

In both the FCC universal service docket and the Kentucky universal service docket, parties agree with some of the input values approved by the FCC and they have fought adoption of other input values. With the exception of the model platform itself, parties to the FCC proceeding have had no fewer than three opportunities for comments and reply comments regarding appropriate inputs for a forward-looking universal service mechanism. Therefore, it is acceptable to BellSouth that the Commission adopt the FCC approved input values in order to expedite the establishment of a universal service fund in Kentucky.

National Cost Benchmark

The Commission also requested comments on the use of a national cost benchmark for the KY USF or whether the Commission should develop some other benchmark. The Commission has several benchmark options available. One option is to use the FCC's national cost benchmark of 135% of the average forward-looking cost as calculated by the HCPM at the wire center level. A second option would be the continued use of a revenue benchmark. However, the use of a revenue benchmark would conflict with the Commission's stated desire to use methodologies similar to the federal universal service mechanism. A third benchmark option, as advocated by BellSouth, is the use of the rate paid for universal service. Finally, the Commission could choose the

use of an affordability benchmark that would suggest that consumers can afford a certain amount for universal service.⁹

The Commission correctly pointed out that the FCC reconsidered its use of a revenue benchmark.¹⁰ The FCC adopted a recommendation from the Joint Board ("JB") on Universal Service. The JB recommended that the FCC use the *cost* of providing supported services, rather than local rates, to evaluate rate comparability, because rate setting methods and goals may vary across jurisdictions.¹¹ The use of a cost benchmark is another reasonable alternative for identifying high cost areas for purposes of universal service. Previously, BellSouth advocated that the appropriate benchmark was the rate paid for universal service - the residential basic rate, Touch-tone and the subscriber line charge. BellSouth still believes that a comparison of the cost of universal service against the universal service rate identifies the total amount of universal service support. However, since the FCC has adopted a cost benchmark and the Commission desires a program similar to the federal program, BellSouth agrees that the national cost benchmark could be used at least initially for the KY USF.

BellSouth recommends the use of the national cost benchmark initially for establishing Kentucky's USF for several reasons. First, the use of a national average cost benchmark meets the Commission's desired goal of using a methodology similar to the federal mechanism. Second, the numbers underlying the national cost benchmark have already been debated at the federal level. Also, the calculation of support using this

⁹ An affordability benchmark would not necessarily reflect current rates for universal service. If the affordability benchmark was set at a level higher than the current rate for universal service, then the Commission could use this benchmark as a target to which rates could rise over time.

¹⁰ Seventh Report and Order and Thirteenth Order on Reconsideration, CC Docket No. 96-4, para. 58

¹¹ Second Recommended Decision, CC Docket 96-45, November 25, 1998, para. 43.

method in combination with the HCPM and the FCC inputs is a simple process. Finally, use of the national cost benchmark as described in the following proposal is in line with the Commission's goal to minimize the impact on Kentucky ratepayers and the Commission's view of an appropriate fund size.

BellSouth's Proposal

For the reasons stated previously herein, BellSouth supports the Commission's proposal to calculate the Kentucky Universal Service Fund using the HCPM in conjunction with the FCC's approved inputs and the FCC's national cost benchmark of 135% of the national average cost as calculated by the HCPM at the wire center level. The KY USF would provide support to any wire center with costs above the 135 % cost benchmark.

The size of the KY USF would be approximately \$91 million annually.¹² (See Attachment 1)

The Kentucky USF would be calculated as follows. The total monthly universal service support requirement for each wire center would be calculated based on the difference between the forward-looking cost as calculated by the HCPM with the FCC inputs and the national cost benchmark of \$ 31.53. Next, the monthly USF support required for the intrastate jurisdiction must be calculated. Similar to the federal mechanism, the KY USF should only cover the costs assigned to the intrastate jurisdiction.¹³ Therefore, the KY USF should cover 76% of the total amount of support

¹² This fund size represents universal service support for BellSouth, Cincinnati Bell and GTE South per the FCC methodology and calculations posted on the FCC website. It does not include Contel.

¹³ The FCC calculates that 76% of universal service costs are currently assigned to the intrastate jurisdiction in the Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45, November 2, 1999, para. 62, 63.

required. Any new forward-looking federal universal service support provided to the carriers for intrastate rate comparability purposes is next subtracted from this amount to arrive at the required monthly state support per line for each wire center. This per line amount is multiplied by the total number of switched lines and also by twelve to determine the total annual support for each wire center.

For example, in Attachment 1 on page 4, the HCPM calculates a total monthly cost per line (Column A) of \$63.89 for BellSouth's Wire Center CLLI Code "CRLSKYMA". Subtracting the national benchmark of \$31.53 (Column C) from this amount provides the total monthly support of \$32.36 (Column D). Next, the intrastate portion of this monthly cost must be calculated by multiplying \$32.36 by 76% or \$24.60 (Column E). This \$24.60 represents the total intrastate monthly universal service support per line for this wire center. Since the FCC provides per line universal service support to this wire center, the federal high cost per line support amount of \$0.42 (Column F) must be subtracted from this total amount to arrive at the per line amount for calculating the KY USF or \$24.18 (Column G) ($\$24.60 - \0.42). The State Total Annual Support (Column H) for this wire center is calculated by multiplying the Total Switched Lines (Column B) or 3,024 lines by the State Monthly Support (Column G) of \$24.18 and by twelve months which results in \$877,383 in Total Annual State Support (Column H).

The Commission also requested comments on the collection of monies for the fund. Since the Telecommunications Act of 1996 requires that all telecommunications providers contribute to universal service, BellSouth believes that the basis for assessments to the fund would be intrastate retail revenues. Previously in this docket, BellSouth advocated that the basis of assessment for the KY USF should be all retail end

user revenues. All retail end user revenues, both intrastate and interstate, would sufficiently broaden the assessment base thereby lowering the percent assessment which ultimately impacts the local ratepayer. However, in the interim, the Fifth Circuit Court¹⁴ has ruled that the FCC can only assess carriers based on their interstate revenues for federal universal service, which seemingly places only intrastate revenues within the Commission's jurisdiction for universal service assessment purposes. Based on an estimated assessment base of \$1.492 billion in intrastate revenues¹⁵ and an \$91 million fund, the assessment percentage would be 6.1 %.

Additionally, BellSouth recommends that the Commission modify the FCC's form 499 that is used by the FCC to determine carrier contributions to the federal USF. Instead of reporting interstate and international revenues, the carriers could report intrastate revenues. By doing so, the Commission would insure consistency in the calculation of these revenues. This standard would not only reduce the administrative burden on the administrator of the fund to verify the revenue amounts but also reduce compliance costs of the carriers.

The Commission also requested suggestions for other proposals regarding ways to reduce the incidence of rate increases. As recommended previously to this Commission, BellSouth continues to support the concept of "netting" for all LECs. Netting receipts and payments to the KY USF by the LECs would not only simplify the administration of the fund but more importantly, netting would minimize the need for LECs to impose end user surcharges on their customers.

¹⁴ *Texas Office of Public Utility Counsel v. FCC*, 183 F.3rd at 433-435 and 446-448 (5th Circuit Court Decision).

¹⁵ State-By-State Telephone Revenue and Universal Service Data, James Eisner, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, January 2000.

The netting process works as follows. First, the LEC determines its receipts from the KY USF. Second, the LEC calculates its payments to the fund. Next, the LEC calculates its net receipts from the fund by subtracting its payments into the fund from its receipts due it from the fund or determines its net payments by subtracting its receipts from the fund from its payments into the fund. Finally, the LEC reduces intrastate rates or uses the net proceeds to make improvements in the universal service network infrastructure as provided for in section 254(e) of the Telecommunications Act of 1996 ("TA 96").¹⁶ Thus, in instances where an incumbent LEC receives net funding from the KY USF, a netting approach would minimize, if not eliminate, any new surcharge for incumbent LEC customers. If an incumbent LEC is a net payer into the KY USF, it should have the ability to recover its contribution through an end user charge or the ability to raise rates.

BellSouth disagrees with some parties who argue that the use of a voluntary netting concept does not meet the explicit nature of universal service support as specified in Section 254(e). The necessary figures used in the netting process will be detailed in the Commission's Order setting forth the Commission's selected model, benchmark and assessment. Therefore, netting is quite explicit and could hardly be argued as implicit in nature. However, to help avoid legal challenges BellSouth believes that netting should be made optional to incumbent LECs. BellSouth would voluntarily commit to use a netting approach if afforded the opportunity. This optional approach is consistent with the Fifth

¹⁶ In the case where an ILEC, does not have receive enough revenues from the KY USF to eliminate NTSRRR or is a net payer, the ILEC should not be prohibited from utilizing an end user surcharge to recover the short fall.

Circuit Court's decision. BellSouth believes that all other carriers should have the flexibility to recover their contributions in any reasonable manner.

For an example of how netting would work, BellSouth provides the following illustration. According to BellSouth's calculations in Attachment 1, it is estimated that BellSouth's draw against the KY USF will be \$61 million annually in universal service support. However, based on an explicitly defined assessment methodology (intrastate end user retail revenues) estimated at 6.1% percent, BellSouth will contribute approximately \$33 million annually to the KY USF. BellSouth's net receipts from the fund are \$28 million (\$61 M - \$33 M). A netting methodology would eliminate the need to place an end user surcharge on each customer's bill to collect the \$33 million annual amount. Netting would fulfill the Commission's goal to "dramatically" reduce the impact to individual consumers by eliminating the need for an end user surcharge. An incumbent LEC's net draw from the fund could be used to decrease implicit subsidies in intrastate rates or be spent on universal service network infrastructure as provided for in section 254(e) of TA 96.

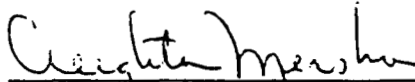
BellSouth agrees with the Commission that any receipts from the KY USF could be used to eliminate the NTSRRR. Therefore, BellSouth will target the elimination of NTSRRR with its net receipts from the fund. While this approach to the KY USF is different than that in the Company's rebalance proposal, the Company's net amount could be handled through rate rebalancing.

The Commission also requested comments on the methodology for collecting monies for the fund, i.e., flat-rated, usage based, or some combination. BellSouth recommends that the Commission allow carriers to use a flat rated charge or a percentage

charge to its customers. All carriers should have flexibility to recover their assessments in any reasonable manner. Uniform per line charges and percentage surcharges are both reasonable approaches. For BellSouth, a per line approach is much easier to implement and would likely lead to fewer customer complaints than a percentage surcharge. As discussed above, however, BellSouth recommends that the KY USF allow a netting methodology, which would significantly reduce, if not eliminate, end user surcharges for incumbent LEC customers. Such an approach would also lessen the impact on low volume consumers.

BellSouth respectfully submits this proposal for the Commission's consideration in establishing an intrastate universal service fund.

Respectfully submitted,



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COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

State	Wire Center GLI Code	Local Monthly Costing Lines	Total Switched Lines	135% National Benchmark	Total Monthly Support	Monthly Support	Total
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
KY	Cincinnati Bell-Ky	38.18	8,608	\$ 31.53	6.65	\$ 5.06	\$ 522,438
KY	Cincinnati Bell-Ky	73.47	1,903	\$ 31.53	41.94	\$ 31.88	\$ 621,911
KY	Cincinnati Bell-Ky	33.76	7,983	\$ 31.53	2.23	\$ 1.70	\$ 162,707
KY	Cincinnati Bell-Ky	52.39	1,418	\$ 31.53	20.86	\$ 15.86	\$ 269,827
KY	Cincinnati Bell-Ky	21.11	44,537	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	57.53	3,327	\$ 31.53	26.00	\$ 19.76	\$ 789,045
KY	Cincinnati Bell-Ky	21.82	37,706	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	24.08	20,796	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	81.87	1,196	\$ 31.53	50.34	\$ 38.26	\$ 361,926
KY	Cincinnati Bell-Ky	34.15	12,008	\$ 31.53	2.62	\$ 1.99	\$ 287,454
KY	Cincinnati Bell-Ky	22.71	26,295	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	38.80	2,770	\$ 31.53	7.27	\$ 5.53	\$ 183,780
KY	Cincinnati Bell-Ky	42.63	2,945	\$ 31.53	11.10	\$ 8.44	\$ 298,258
KY	Cincinnati Bell-Ky	51.74	6,738	\$ 31.53	20.21	\$ 15.36	\$ 1,242,213
KY	Cincinnati Bell-Ky	57.96	1,382	\$ 31.53	23.43	\$ 17.81	\$ 811,303
KY	Cincinnati Bell-Ky	54.96	3,796	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	21.48	21,726	\$ 31.53	0.33	\$ 0.25	\$ 28,628
KY	Cincinnati Bell-Ky	31.86	9,375	\$ 31.53	16.56	\$ 12.59	\$ 555,489
KY	Cincinnati Bell-Ky	48.09	3,677	\$ 31.53	85.57	\$ 65.04	\$ 118,265
KY	Cincinnati Bell-Ky	117.10	307	\$ 31.53	15.60	\$ 11.86	\$ 244,072
KY	Cincinnati Bell-Ky	47.13	1,715	\$ 31.53	26.17	\$ 19.89	\$ 305,793
KY	Cincinnati Bell-Ky	57.70	1,281	\$ 31.53	41.09	\$ 31.23	\$ 961,698
KY	Cincinnati Bell-Ky	72.62	2,566	\$ 31.53	12.58	\$ 9.56	\$ 732,715
KY	Cincinnati Bell-Ky	44.11	6,384	\$ 31.53	2.15	\$ 1.64	\$ 289,574
KY	Cincinnati Bell-Ky	33.68	14,735	\$ 31.53	4.12	\$ 3.13	\$ 144,982
KY	Cincinnati Bell-Ky	35.65	3,854	\$ 31.53	53.76	\$ 40.86	\$ 356,199
KY	Cincinnati Bell-Ky	85.29	747	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	26.11	24,081	\$ 31.53	17.31	\$ 13.16	\$ 621,697
KY	Cincinnati Bell-Ky	48.84	3,937	\$ 31.53	-	\$ -	\$ -
KY	Cincinnati Bell-Ky	20.62	9,238	\$ 31.53	21.41	\$ 16.28	\$ 875,545
KY	Cincinnati Bell-Ky	52.94	4,483	\$ 31.53	30.91	\$ 23.50	\$ 1,144,972
KY	Cincinnati Bell-Ky	62.44	4,061	\$ 31.53	62.21	\$ 47.28	\$ 357,025
KY	Cincinnati Bell-Ky	93.74	789	\$ 31.53	19.49	\$ 14.82	\$ 1,107,472
KY	Cincinnati Bell-Ky	51.02	6,229	\$ 31.53	8.72	\$ 6.63	\$ 311,996
KY	Cincinnati Bell-Ky	40.25	3,921	\$ 31.53	75.08	\$ 57.06	\$ 329,442
KY	Cincinnati Bell-Ky	106.61	793	\$ 31.53	51.63	\$ 39.24	\$ 669,163
KY	Cincinnati Bell-Ky	83.16	1,421	\$ 31.53	-	\$ -	\$ -

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	(W)	(X)	(Y)	(Z)
	Wire Center Code	Total Monthly Cost per Line	Total Switching Lines																							
KY	HZRDKYXA	39.22	9,870	\$	31.53	7.69	5.85	\$	-	\$	5.85	\$	692,646													
KY	LBNNKYXA	43.99	6,174	\$	31.53	12.46	9.47	\$	-	\$	9.47	\$	701,856													
KY	LBRTKYXA	77.08	4,463	\$	31.53	45.55	34.62	\$	-	\$	34.62	\$	1,854,198													
KY	LNCSKYXA	44.09	4,160	\$	31.53	12.56	9.55	\$	-	\$	9.55	\$	476,700													
KY	LRTTKYXA	83.35	754	\$	31.53	51.82	39.39	\$	-	\$	39.39	\$	356,372													
KY	LTFDKYXA	33.28	6,322	\$	31.53	1.75	1.33	\$	-	\$	1.33	\$	101,178													
KY	LTDWKYXA	104.14	415	\$	31.53	72.61	55.19	\$	19.97	\$	35.21	\$	175,359													
KY	LXTNKYUK	135.10	63	\$	31.53	103.57	78.72	\$	50.93	\$	27.78	\$	21,003													
KY	LXTNKYXA	19.23	53,285	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	LXTNKYXB	20.15	25,936	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	LXTNKYXC	21.48	32,452	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	LXTNKYXD	19.04	25,313	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	LXTNKYXE	26.43	14,552	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	LXTNKYXF	23.53	13,223	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	LXTNKYXG	23.66	8,399	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	MDWYKYXA	40.37	1,099	\$	31.53	8.84	6.72	\$	-	\$	6.72	\$	88,651													
KY	MEDSKYXA	36.67	6,776	\$	31.53	5.14	3.91	\$	-	\$	3.91	\$	317,936													
KY	MNTKYXA	55.16	6,962	\$	31.53	23.63	17.96	\$	-	\$	17.96	\$	1,500,657													
KY	MRHDKYXA	38.73	9,563	\$	31.53	7.20	5.48	\$	-	\$	5.48	\$	628,367													
KY	NANCKYXA	69.99	684	\$	31.53	38.46	29.23	\$	-	\$	29.23	\$	239,947													
KY	NCVLKYXA	28.33	14,079	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	OLHLKYXA	68.43	3,470	\$	31.53	36.90	28.05	\$	-	\$	28.05	\$	1,167,905													
KY	OWVLKYXA	62.13	2,077	\$	31.53	30.60	23.26	\$	-	\$	23.26	\$	579,724													
KY	PNLCKYXE	89.77	655	\$	31.53	58.24	44.27	\$	5.60	\$	38.66	\$	303,879													
KY	RSSLKYXB	25.10	9,575	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	SCVLKYXA	53.68	7,611	\$	31.53	22.15	16.84	\$	-	\$	16.84	\$	1,537,819													
KY	SHBGKYXA	105.36	662	\$	31.53	73.83	56.11	\$	21.19	\$	34.92	\$	277,403													
KY	SHDNKYXA	63.41	2,415	\$	31.53	31.88	24.23	\$	-	\$	24.23	\$	702,257													
KY	SLCLKYXA	87.70	636	\$	31.53	56.17	42.69	\$	3.53	\$	39.16	\$	298,856													
KY	SMRTKYXA	24.20	17,316	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	SSHRKYXA	47.77	2,715	\$	31.53	16.24	12.35	\$	-	\$	12.35	\$	402,235													
KY	TLBOKYXA	100.68	969	\$	31.53	69.15	52.56	\$	16.51	\$	36.04	\$	419,108													
KY	TMVLKYXA	45.50	4,064	\$	31.53	13.97	10.62	\$	-	\$	10.62	\$	517,959													
KY	VICCKYXA	69.55	1,397	\$	31.53	38.02	28.90	\$	-	\$	28.90	\$	484,461													
KY	VNBGKYXA	72.59	2,587	\$	31.53	41.06	31.21	\$	-	\$	31.21	\$	968,861													
KY	VRSLKYXA	31.43	11,321	\$	31.53	-	-	\$	-	\$	-	\$	-													
KY	WVEMKYXA	31.54	2,526	\$	31.53	-	-	\$	-	\$	-	\$	-													

State	Local Exchange	Wire Center	Area Code	Total Monthly Cost per Line	Total Switched	166% National	Total Monthly	Monthly	Monthly	Monthly	
KY	South Central Bell-Ky	ALLNKYMA		52.54	2,002	\$ 31.53	21.01	15.97	\$ 0.27	\$ 15.70	\$ 377,159
KY	South Central Bell-Ky	AURRKYMA		118.89	307	\$ 31.53	87.36	66.40	\$ 1.13	\$ 65.27	\$ 240,441
KY	South Central Bell-Ky	BDFRKYMA		72.66	1,360	\$ 31.53	41.13	31.26	\$ 0.53	\$ 30.73	\$ 501,514
KY	South Central Bell-Ky	BGDDKYMA		98.44	501	\$ 31.53	66.91	50.86	\$ 0.87	\$ 49.99	\$ 300,534
KY	South Central Bell-Ky	BLFDKYMA		68.23	1,135	\$ 31.53	36.70	27.90	\$ 0.48	\$ 27.42	\$ 373,468
KY	South Central Bell-Ky	BLSPKYMA		106.96	678	\$ 31.53	75.43	57.33	\$ 0.98	\$ 56.35	\$ 458,496
KY	South Central Bell-Ky	BNLYKYMA		84.67	341	\$ 31.53	53.14	40.39	\$ 0.69	\$ 39.70	\$ 162,461
KY	South Central Bell-Ky	BNTNKYMA		42.73	6,167	\$ 31.53	11.20	8.52	\$ 0.15	\$ 8.37	\$ 619,460
KY	South Central Bell-Ky	BRGNKYMA		50.29	1,082	\$ 31.53	18.76	14.26	\$ 0.24	\$ 14.02	\$ 182,015
KY	South Central Bell-Ky	BRMNKYMA		65.42	1,144	\$ 31.53	33.89	25.76	\$ 0.44	\$ 25.32	\$ 347,611
KY	South Central Bell-Ky	BRTWKYES		33.82	13,001	\$ 31.53	2.29	1.74	\$ 0.03	\$ 1.71	\$ 267,462
KY	South Central Bell-Ky	BVDMKYMA		45.62	4,396	\$ 31.53	14.09	10.71	\$ 0.18	\$ 10.53	\$ 555,459
KY	South Central Bell-Ky	BWLGKYMA		27.11	47,334	\$ 31.53	-	-	\$ -	\$ -	\$ -
KY	South Central Bell-Ky	BWLGKRV		80.93	1,144	\$ 31.53	49.40	37.55	\$ 0.64	\$ 36.91	\$ 506,675
KY	South Central Bell-Ky	BYVLKYMA		67.58	2,595	\$ 31.53	36.05	27.40	\$ 0.47	\$ 26.93	\$ 838,755
KY	South Central Bell-Ky	CADZKYMA		53.66	4,201	\$ 31.53	22.13	16.82	\$ 0.29	\$ 16.54	\$ 833,610
KY	South Central Bell-Ky	CHPLKYMA		87.18	559	\$ 31.53	55.65	42.30	\$ 0.72	\$ 41.58	\$ 278,900
KY	South Central Bell-Ky	CLAYKYMA		61.47	1,085	\$ 31.53	29.94	22.76	\$ 0.39	\$ 22.37	\$ 291,263
KY	South Central Bell-Ky	CLHNKYMA		68.37	1,743	\$ 31.53	36.84	28.00	\$ 0.48	\$ 27.53	\$ 575,716
KY	South Central Bell-Ky	CLPTKYMA		55.49	783	\$ 31.53	23.96	18.21	\$ 0.31	\$ 17.90	\$ 168,217
KY	South Central Bell-Ky	CLTNKYES		61.17	1,877	\$ 31.53	29.64	22.53	\$ 0.38	\$ 22.15	\$ 498,824
KY	South Central Bell-Ky	CMBGKYMA		61.20	942	\$ 31.53	29.67	22.55	\$ 0.38	\$ 22.17	\$ 250,595
KY	South Central Bell-Ky	CNCYKYMA		36.27	3,974	\$ 31.53	4.74	3.61	\$ 0.06	\$ 3.54	\$ 169,037
KY	South Central Bell-Ky	CNTNKYMA		65.10	962	\$ 31.53	33.57	25.52	\$ 0.43	\$ 25.08	\$ 289,550
KY	South Central Bell-Ky	CNTWKYMA		73.12	495	\$ 31.53	41.59	31.61	\$ 0.54	\$ 31.07	\$ 184,577
KY	South Central Bell-Ky	COTNKYMA		73.09	1,141	\$ 31.53	41.56	31.59	\$ 0.54	\$ 31.05	\$ 425,153
KY	South Central Bell-Ky	CRBNKYMA		34.66	14,079	\$ 31.53	3.13	2.38	\$ 0.04	\$ 2.34	\$ 395,659
KY	South Central Bell-Ky	CRBOKYMA		67.17	1,493	\$ 31.53	35.64	27.09	\$ 0.46	\$ 26.63	\$ 477,079
KY	South Central Bell-Ky	CRLSKYMA		63.89	3,024	\$ 31.53	32.36	24.60	\$ 0.42	\$ 24.18	\$ 877,383
KY	South Central Bell-Ky	CRTNKYMA		38.66	3,583	\$ 31.53	7.13	5.42	\$ 0.09	\$ 5.33	\$ 229,174
KY	South Central Bell-Ky	CYDNKYMA		69.93	1,590	\$ 31.53	38.40	29.19	\$ 0.50	\$ 28.69	\$ 547,415
KY	South Central Bell-Ky	CYNTKYMA		51.67	7,142	\$ 31.53	20.14	15.31	\$ 0.26	\$ 15.05	\$ 1,289,786
KY	South Central Bell-Ky	DAVLKYMA		27.50	11,822	\$ 31.53	-	-	\$ -	\$ -	\$ -
KY	South Central Bell-Ky	DIXNKYMA		78.19	1,186	\$ 31.53	46.66	35.47	\$ 0.60	\$ 34.86	\$ 496,145
KY	South Central Bell-Ky	DRBOKYES		60.10	1,557	\$ 31.53	28.57	21.72	\$ 0.37	\$ 21.35	\$ 398,847
KY	South Central Bell-Ky	DWSPKYES		43.75	3,314	\$ 31.53	12.22	9.29	\$ 0.16	\$ 9.13	\$ 363,186
KY	South Central Bell-Ky	EDVLKYMA		53.00	3,194	\$ 31.53	21.47	16.32	\$ 0.28	\$ 16.04	\$ 614,892

State	ILEC	Wire Center CLI Code	Total Monthly Cost per Line	Total Switched Minutes	Total Switched Minutes per Line	Monthly Per Line Summary				
						(A)	(B)	(C)	(D)	(E)
KY	South Central Bell-Ky	EKTNKYMA	54.89	2,667	\$ 31.53	23.36	17.76	\$ 0.30	\$ 17.45	\$ 558,624
KY	South Central Bell-Ky	ELCYKYES	57.66	2,464	\$ 31.53	26.13	19.86	\$ 0.34	\$ 19.52	\$ 577,291
KY	South Central Bell-Ky	EMNKKYES	54.85	3,570	\$ 31.53	23.32	17.73	\$ 0.30	\$ 17.42	\$ 746,484
KY	South Central Bell-Ky	EMNKKYPL	78.81	755	\$ 31.53	47.28	35.94	\$ 0.61	\$ 35.32	\$ 320,039
KY	South Central Bell-Ky	ENSRKYMA	52.43	1,933	\$ 31.53	20.90	15.89	\$ 0.27	\$ 15.62	\$ 362,254
KY	South Central Bell-Ky	ERTNKYMA	33.26	939	\$ 31.53	1.73	1.32	\$ 0.02	\$ 1.30	\$ 14,604
KY	South Central Bell-Ky	FDCKKYES	62.05	3,033	\$ 31.53	30.52	23.20	\$ 0.40	\$ 22.80	\$ 829,965
KY	South Central Bell-Ky	FDVLKYMA	101.60	1,021	\$ 31.53	70.07	53.26	\$ 0.91	\$ 52.35	\$ 641,389
KY	South Central Bell-Ky	FEBRKYMA	59.42	2,629	\$ 31.53	27.89	21.20	\$ 0.36	\$ 20.84	\$ 657,428
KY	South Central Bell-Ky	FKLNKYMA	36.76	8,434	\$ 31.53	5.23	3.98	\$ 0.07	\$ 3.91	\$ 395,795
KY	South Central Bell-Ky	FLTNKYMA	44.07	4,970	\$ 31.53	12.54	9.53	\$ 0.16	\$ 9.37	\$ 558,927
KY	South Central Bell-Ky	FNLKYMA	86.21	650	\$ 31.53	54.68	41.56	\$ 0.71	\$ 40.85	\$ 318,850
KY	South Central Bell-Ky	FORDKYMA	80.89	531	\$ 31.53	49.36	37.52	\$ 0.64	\$ 36.88	\$ 234,988
KY	South Central Bell-Ky	FDRNKYMA	90.77	428	\$ 31.53	59.24	45.03	\$ 0.77	\$ 44.26	\$ 227,315
KY	South Central Bell-Ky	FRFTKYES	26.07	8,302	\$ 31.53	-	-	-	-	-
KY	South Central Bell-Ky	FRFTKYMA	26.90	20,465	\$ 31.53	-	-	-	-	-
KY	South Central Bell-Ky	GBVLKYMA	45.69	1,609	\$ 31.53	14.16	10.77	\$ 0.18	\$ 10.58	\$ 204,316
KY	South Central Bell-Ky	GHNTKYMA	95.49	525	\$ 31.53	63.96	48.61	\$ 0.83	\$ 47.79	\$ 301,047
KY	South Central Bell-Ky	GNVLKYMA	42.96	6,574	\$ 31.53	11.43	8.69	\$ 0.15	\$ 8.54	\$ 673,897
KY	South Central Bell-Ky	GRACKYMA	96.16	747	\$ 31.53	64.63	49.12	\$ 0.84	\$ 48.29	\$ 432,834
KY	South Central Bell-Ky	GRTWKYMA	28.99	13,732	\$ 31.53	-	-	-	-	-
KY	South Central Bell-Ky	GTHRKYMA	57.19	1,045	\$ 31.53	25.66	19.51	\$ 0.33	\$ 19.17	\$ 240,430
KY	South Central Bell-Ky	HABTKYMA	52.50	1,527	\$ 31.53	20.97	15.94	\$ 0.27	\$ 15.67	\$ 287,125
KY	South Central Bell-Ky	HANSKYMA	60.75	1,052	\$ 31.53	29.22	22.21	\$ 0.38	\$ 21.83	\$ 275,614
KY	South Central Bell-Ky	HBVLKYMA	80.56	693	\$ 31.53	49.03	37.27	\$ 0.63	\$ 36.63	\$ 304,629
KY	South Central Bell-Ky	HCMNKYMA	59.85	1,833	\$ 31.53	28.32	21.53	\$ 0.37	\$ 21.16	\$ 465,440
KY	South Central Bell-Ky	HDBGKYMA	33.74	8,588	\$ 31.53	2.21	1.68	\$ 0.03	\$ 1.65	\$ 170,517
KY	South Central Bell-Ky	HNSNKYMA	28.81	21,712	\$ 31.53	-	-	-	-	-
KY	South Central Bell-Ky	HPVLKYMA	28.04	22,936	\$ 31.53	-	-	-	-	-
KY	South Central Bell-Ky	HRBGKYES	69.75	2,254	\$ 31.53	38.22	29.05	\$ 0.49	\$ 28.56	\$ 772,384
KY	South Central Bell-Ky	HRFRKYMA	49.51	2,834	\$ 31.53	17.98	13.67	\$ 0.23	\$ 13.44	\$ 456,920
KY	South Central Bell-Ky	HRLNKYMA	39.40	5,711	\$ 31.53	7.87	5.98	\$ 0.10	\$ 5.88	\$ 403,169
KY	South Central Bell-Ky	HWVLKYMA	73.25	1,701	\$ 31.53	41.72	31.71	\$ 0.54	\$ 31.17	\$ 636,258
KY	South Central Bell-Ky	INEZKYMA	65.27	2,374	\$ 31.53	33.74	25.65	\$ 0.44	\$ 25.21	\$ 718,161
KY	South Central Bell-Ky	ISLDKYMA	51.29	493	\$ 31.53	19.76	15.02	\$ 0.26	\$ 14.77	\$ 87,352
KY	South Central Bell-Ky	JCSNKYMA	64.88	4,528	\$ 31.53	33.35	25.35	\$ 0.43	\$ 24.92	\$ 1,353,939
KY	South Central Bell-Ky	JNCYKYMA	45.78	1,706	\$ 31.53	14.25	10.83	\$ 0.18	\$ 10.65	\$ 218,009

State	Wires Center	Total Monthly Cost per Line	(A)	(B)	(C)	Support			(G)	(H)
						(D)	(E)	(F)		
KY	South Central Bell-Ky	110.05	389	\$ 31.53	78.52	59.68	1.02	\$ 58.66	\$ 273,836	
KY	South Central Bell-Ky	45.54	1,845	\$ 31.53	14.01	10.65	0.18	\$ 10.47	\$ 231,803	
KY	South Central Bell-Ky	142.74	194	\$ 31.53	111.21	84.52	1.44	\$ 83.08	\$ 193,419	
KY	South Central Bell-Ky	33.52	7,203	\$ 31.53	1.99	1.52	0.03	\$ 1.49	\$ 128,811	
KY	South Central Bell-Ky	36.59	2,457	\$ 31.53	5.06	3.85	0.07	\$ 3.78	\$ 111,559	
KY	South Central Bell-Ky	39.34	7,962	\$ 31.53	7.81	5.94	0.10	\$ 5.84	\$ 557,797	
KY	South Central Bell-Ky	21.19	33,053	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	21.95	24,966	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	16.48	52,006	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	21.43	48,698	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	20.33	55,455	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	29.53	10,011	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	25.41	14,787	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	30.19	7,635	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	23.79	12,892	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	21.81	43,710	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	22.22	23,494	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	20.14	23,485	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	19.96	39,945	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	19.66	28,675	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	24.66	27,922	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	20.62	37,846	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	52.71	1,058	\$ 31.53	21.18	16.10	0.27	\$ 15.83	\$ 200,930	
KY	South Central Bell-Ky	58.35	1,178	\$ 31.53	26.82	20.39	0.35	\$ 20.04	\$ 283,280	
KY	South Central Bell-Ky	56.42	3,872	\$ 31.53	24.89	18.92	0.32	\$ 18.60	\$ 864,129	
KY	South Central Bell-Ky	50.39	1,452	\$ 31.53	18.86	14.34	0.24	\$ 14.09	\$ 245,558	
KY	South Central Bell-Ky	99.61	1,117	\$ 31.53	68.08	51.74	0.88	\$ 50.86	\$ 681,769	
KY	South Central Bell-Ky	63.34	1,220	\$ 31.53	31.81	24.18	0.41	\$ 23.77	\$ 347,955	
KY	South Central Bell-Ky	29.75	6,878	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	27.87	15,264	\$ 31.53	-	-	-	-	-	
KY	South Central Bell-Ky	44.93	3,275	\$ 31.53	13.40	10.19	0.17	\$ 10.01	\$ 393,556	
KY	South Central Bell-Ky	57.31	4,583	\$ 31.53	25.78	19.60	0.33	\$ 19.26	\$ 1,059,371	
KY	South Central Bell-Ky	73.02	657	\$ 31.53	41.49	31.54	0.54	\$ 31.00	\$ 244,396	
KY	South Central Bell-Ky	66.39	914	\$ 31.53	34.86	26.50	0.45	\$ 26.05	\$ 285,672	
KY	South Central Bell-Ky	54.50	468	\$ 31.53	22.97	17.46	0.30	\$ 17.16	\$ 96,390	
KY	South Central Bell-Ky	31.61	12,600	\$ 31.53	0.08	0.06	0.00	\$ 0.06	\$ 9,583	
KY	South Central Bell-Ky	105.48	613	\$ 31.53	73.95	56.21	0.96	\$ 55.25	\$ 406,407	

KY	County	City	WPA	Total Monthly	C/L	C/L	A		B		C		D		E		Total
							WPA	City	WPA	City	WPA	City	WPA	City	WPA	City	
South Central Bell-Ky	MTSTKYMA	37.11	10,260	\$	31.53		5.58	4.24	\$	0.07	\$	4.17	\$	513,679			
South Central Bell-Ky	MYFDKYMA	27.73	9,582	\$	31.53												
South Central Bell-Ky	MYVLKYMA	26.54	6,232	\$	31.53												
South Central Bell-Ky	NEBOKYMA	88.07	866	\$	31.53		56.54	42.97	\$	0.73	\$	42.24	\$	438,980			
South Central Bell-Ky	NEONKYES	60.61	1,010	\$	31.53		29.08	22.10	\$	0.38	\$	21.73	\$	263,343			
South Central Bell-Ky	NRVLKYMA	45.75	1,925	\$	31.53		14.22	10.81	\$	0.18	\$	10.63	\$	245,478			
South Central Bell-Ky	NW-HNKYMA	57.52	1,921	\$	31.53		25.99	19.76	\$	0.34	\$	19.42	\$	447,660			
South Central Bell-Ky	OKGVKYES	30.43	7,159	\$	31.53												
South Central Bell-Ky	OWBOKYMA	24.07	42,078	\$	31.53												
South Central Bell-Ky	OWTNKYMA	72.63	3,147	\$	31.53		41.10	31.24	\$	0.53	\$	30.71	\$	1,159,641			
South Central Bell-Ky	PARSKYMA	36.51	8,753	\$	31.53		4.98	3.79	\$	0.06	\$	3.72	\$	391,149			
South Central Bell-Ky	PDCHKYJP	57.07	608	\$	31.53		25.54	19.41	\$	0.33	\$	19.08	\$	139,233			
South Central Bell-Ky	PDCHKYLO	32.40	9,481	\$	31.53		0.87	0.66	\$	0.01	\$	0.65	\$	74,356			
South Central Bell-Ky	PDCHKYMA	23.06	25,748	\$	31.53												
South Central Bell-Ky	PDCHKYRL	38.87	5,670	\$	31.53		7.34	5.58	\$	0.10	\$	5.49	\$	373,335			
South Central Bell-Ky	PIVLKYMA	56.23	5,599	\$	31.53		24.70	18.78	\$	0.32	\$	18.46	\$	1,240,014			
South Central Bell-Ky	PKVLKYMA	35.20	11,559	\$	31.53		3.67	2.79	\$	0.05	\$	2.75	\$	380,796			
South Central Bell-Ky	PKVLKYMT	67.38	1,256	\$	31.53		35.85	27.25	\$	0.46	\$	26.79	\$	403,712			
South Central Bell-Ky	PLRGKYMA	63.76	1,020	\$	31.53		32.23	24.50	\$	0.42	\$	24.08	\$	294,754			
South Central Bell-Ky	PMBRKYMA	84.93	775	\$	31.53		53.40	40.59	\$	0.69	\$	39.90	\$	371,036			
South Central Bell-Ky	PNTHKYMA	66.87	568	\$	31.53		35.34	26.86	\$	0.46	\$	26.40	\$	179,973			
South Central Bell-Ky	PNVLYKYMA	34.54	6,229	\$	31.53		3.01	2.29	\$	0.04	\$	2.25	\$	168,351			
South Central Bell-Ky	PRBGKYES	38.48	6,116	\$	31.53		6.95	5.29	\$	0.09	\$	5.20	\$	381,319			
South Central Bell-Ky	PRTNKYES	46.14	5,880	\$	31.53		14.61	11.11	\$	0.19	\$	10.92	\$	770,380			
South Central Bell-Ky	PRVDKYMA	39.16	2,278	\$	31.53		7.63	5.80	\$	0.10	\$	5.70	\$	155,915			
South Central Bell-Ky	PRVLKYMA	65.63	1,234	\$	31.53		34.10	25.92	\$	0.44	\$	25.48	\$	377,281			
South Central Bell-Ky	PTRYKYMA	109.70	416	\$	31.53		78.17	59.41	\$	1.01	\$	58.40	\$	291,537			
South Central Bell-Ky	RBRDKYMA	84.21	709	\$	31.53		52.68	40.04	\$	0.68	\$	39.36	\$	334,862			
South Central Bell-Ky	RCMDKYMA	29.60	18,561	\$	31.53												
South Central Bell-Ky	RLVLKYMA	36.93	7,952	\$	31.53		5.40	4.11	\$	0.07	\$	4.04	\$	385,295			
South Central Bell-Ky	RSTRKYES	33.95	4,263	\$	31.53		2.42	1.84	\$	0.03	\$	1.81	\$	92,668			
South Central Bell-Ky	SCRMKYMA	63.00	771	\$	31.53		31.47	23.92	\$	0.41	\$	23.51	\$	217,546			
South Central Bell-Ky	SDVLKYMA	98.86	908	\$	31.53		67.33	51.17	\$	0.87	\$	50.30	\$	548,100			
South Central Bell-Ky	SEBRKYMA	54.23	833	\$	31.53		22.70	17.26	\$	0.29	\$	16.96	\$	169,550			
South Central Bell-Ky	SHGVKYMA	97.88	687	\$	31.53		66.35	50.43	\$	0.86	\$	49.57	\$	408,661			
South Central Bell-Ky	SHVLKYMA	29.08	9,732	\$	31.53												
South Central Bell-Ky	SLGHKYMA	106.68	714	\$	31.53		75.15	57.12	\$	0.97	\$	56.14	\$	481,049			

State	Wire Center Bell Code	(A) Total Monthly Cost per Line	(B) Total Switched Revenue	(C) 35% Contribution	(D) State Contribution	(E) Federal Contribution	(F) Monthly State Contribution	(G) Monthly Federal Contribution
KY	South Central Bell-Ky	53.93	864	\$ 31.53	22.40	\$ 17.03	\$ 0.29	\$ 16.74
KY	South Central Bell-Ky	74.79	926	\$ 31.53	43.26	32.88	\$ 0.56	\$ 32.32
KY	South Central Bell-Ky	47.97	4,360	\$ 31.53	16.44	12.50	\$ 0.21	\$ 12.29
KY	South Central Bell-Ky	48.94	2,737	\$ 31.53	17.41	13.24	\$ 0.23	\$ 13.01
KY	South Central Bell-Ky	80.45	480	\$ 31.53	48.92	37.18	\$ 0.63	\$ 36.55
KY	South Central Bell-Ky	46.25	1,644	\$ 31.53	14.72	11.19	\$ 0.19	\$ 11.00
KY	South Central Bell-Ky	73.48	336	\$ 31.53	41.95	31.89	\$ 0.54	\$ 31.34
KY	South Central Bell-Ky	50.08	4,815	\$ 31.53	18.55	14.10	\$ 0.24	\$ 13.86
KY	South Central Bell-Ky	59.29	1,346	\$ 31.53	27.76	21.10	\$ 0.36	\$ 20.74
KY	South Central Bell-Ky	70.78	669	\$ 31.53	39.25	29.83	\$ 0.51	\$ 29.33
KY	South Central Bell-Ky	50.75	2,662	\$ 31.53	19.22	14.61	\$ 0.25	\$ 14.36
KY	South Central Bell-Ky	52.39	2,799	\$ 31.53	20.86	15.86	\$ 0.27	\$ 15.59
KY	South Central Bell-Ky	48.48	2,521	\$ 31.53	16.95	12.89	\$ 0.22	\$ 12.67
KY	South Central Bell-Ky	85.48	426	\$ 31.53	53.95	41.01	\$ 0.70	\$ 40.31
KY	South Central Bell-Ky	66.47	2,495	\$ 31.53	34.94	26.56	\$ 0.45	\$ 26.11
KY	South Central Bell-Ky	78.84	930	\$ 31.53	47.31	35.96	\$ 0.61	\$ 35.35
KY	South Central Bell-Ky	54.14	3,481	\$ 31.53	22.61	17.19	\$ 0.29	\$ 16.89
KY	South Central Bell-Ky	66.16	1,345	\$ 31.53	34.63	26.32	\$ 0.45	\$ 25.87
KY	South Central Bell-Ky	91.51	764	\$ 31.53	59.98	45.59	\$ 0.78	\$ 44.81
KY	South Central Bell-Ky	52.51	6,305	\$ 31.53	20.98	15.95	\$ 0.27	\$ 15.68
KY	South Central Bell-Ky	63.52	1,615	\$ 31.53	31.99	24.32	\$ 0.41	\$ 23.90
KY	South Central Bell-Ky	51.62	7,181	\$ 31.53	20.09	15.27	\$ 0.26	\$ 15.01
KY	South Central Bell-Ky	53.91	1,815	\$ 31.53	22.38	17.01	\$ 0.29	\$ 16.72
KY	South Central Bell-Ky	76.55	681	\$ 31.53	45.02	34.22	\$ 0.58	\$ 33.64
KY	South Central Bell-Ky	29.65	15,733	\$ 31.53	-	-	\$ -	\$ -
KY	South Central Bell-Ky	102.29	368	\$ 31.53	70.76	53.78	\$ 0.92	\$ 52.87
KY	South Central Bell-Ky	68.53	1,530	\$ 31.53	37.00	28.12	\$ 0.48	\$ 27.64
KY	South Central Bell-Ky	120.33	663	\$ 31.53	88.80	67.49	\$ 1.15	\$ 66.34
KY	South Central Bell-Ky	40.74	1,532	\$ 31.53	9.21	7.00	\$ 0.12	\$ 6.88
KY	South Central Bell-Ky	61.97	1,552	\$ 31.53	30.44	23.74	\$ 0.37	\$ 23.37
								\$ 91,213,449

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 3rd day of February 2000.

Creighton Mershon
Creighton E. Mershon, Sr.

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1999

	Total Business Rev	Total Residence Rev	Total Res & Bus Rev	Bus EUCL Rev	Res EUCL Rev	Avg Rates Report	EUCL Rev / Ln	Estimated Intrastate Rev	Estimated Interstate Rev
AL	\$ 418,612,662	\$ 498,769,404	\$ 917,382,066	\$ 49,628,042	\$ 85,121,828	2,002,142	1,397,120	\$ 890,098,430	\$ 124,302,966
FL	\$ 1,236,520,472	\$ 1,155,960,654	\$ 2,392,481,126	\$ 185,450,353	\$ 226,566,993	6,779,591	4,622,779	\$ 2,331,102,880	\$ 446,324,308
GA	\$ 1,137,812,824	\$ 916,005,333	\$ 2,053,818,157	\$ 133,181,857	\$ 134,457,887	4,340,480	2,770,051	\$ 2,001,462,699	\$ 289,925,052
KY	\$ 256,408,733	\$ 298,070,225	\$ 554,478,958	\$ 30,218,344	\$ 40,701,896	1,244,605	888,625	\$ 540,828,069	\$ 76,825,547
LA	\$ 511,671,330	\$ 556,472,669	\$ 1,068,144,000	\$ 62,546,553	\$ 79,314,344	2,493,863	1,740,841	\$ 1,041,110,122	\$ 153,673,210
MS	\$ 311,459,571	\$ 403,748,785	\$ 715,208,356	\$ 32,414,045	\$ 41,533,177	1,325,828	928,286	\$ 698,976,500	\$ 80,104,578
NC	\$ 591,136,118	\$ 474,183,228	\$ 1,065,319,347	\$ 76,251,713	\$ 79,850,704	2,577,929	1,667,247	\$ 1,038,162,578	\$ 169,100,577
SC	\$ 352,818,549	\$ 356,988,029	\$ 709,806,578	\$ 39,759,293	\$ 48,389,107	1,516,326	1,039,854	\$ 691,320,670	\$ 95,455,744
TN	\$ 599,050,154	\$ 568,819,814	\$ 1,167,870,068	\$ 65,560,470	\$ 83,878,252	2,745,185	1,946,845	\$ 1,137,124,600	\$ 172,714,866
BST	\$ 5,414,690,413	\$ 5,224,816,239	\$ 10,639,506,652	\$ 675,008,470	\$ 809,783,768	25,025,969	16,999,648	\$ 10,368,287,644	\$ 1,808,426,265

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	Total Revenues	Interstate Revenue
Line 232 X 2	\$ 11,846,553,354	\$ 1,559,282,146
Line 230 X 2	\$ 1,417,515,100	\$ 109,485,028
Line 231 X 2	\$ 16,959,719,316	\$ 4,215,433,466
CXR to CXR Revenues	\$ 3,895,650,862	\$ 2,548,688,290

9 Form 499 (Jan-

	Total Revenues	Interstate Revenue
Line 420	\$ 11,976,714,109	\$ 1,808,426,265
Line 418	\$ 1,493,589,902	\$ -
Line 419	\$ 17,379,678,129	\$ 4,135,476,763
CXR to CXR Revenues	\$ 3,909,374,118	\$ 2,527,050,518

1998

	Total Business Rev	Total Residence Rev	Total Res & Bus Rev	Bus EUCL Rev	Res EUCL Rev	Avg Rates Report	EUCL Rev / Ln	Estimated Intrastate Rev	Estimated Interstate Rev
AL	\$ 388,943,222	\$ 477,214,053	\$ 866,157,275	\$ 47,637,706	\$ 59,289,079	1,955,672	1,371,004	\$ 843,755,686	\$ 115,386,595
FL	\$ 1,071,460,037	\$ 979,121,167	\$ 2,050,581,204	\$ 174,408,089	\$ 195,113,435	6,560,525	4,475,089	\$ 1,997,546,641	\$ 398,755,737
GA	\$ 1,054,760,784	\$ 837,635,559	\$ 1,892,396,353	\$ 126,323,433	\$ 118,451,191	4,184,408	2,666,348	\$ 1,843,452,954	\$ 281,982,414
KY	\$ 238,019,711	\$ 280,485,790	\$ 518,485,501	\$ 28,214,318	\$ 36,999,206	1,204,573	866,333	\$ 505,073,814	\$ 70,373,073
LA	\$ 470,246,040	\$ 528,529,374	\$ 998,775,414	\$ 58,780,599	\$ 71,251,588	2,387,362	1,673,507	\$ 972,943,900	\$ 140,370,045
MS	\$ 279,393,086	\$ 388,253,673	\$ 667,646,759	\$ 30,383,757	\$ 38,547,953	1,274,338	903,632	\$ 650,379,287	\$ 74,385,434
NC	\$ 547,354,418	\$ 439,170,023	\$ 986,524,441	\$ 71,256,875	\$ 89,636,702	2,475,655	1,599,799	\$ 961,009,776	\$ 152,040,765
SC	\$ 322,265,848	\$ 343,557,734	\$ 665,823,582	\$ 37,394,991	\$ 45,117,297	1,464,304	1,009,914	\$ 648,603,068	\$ 86,892,242
TN	\$ 568,783,724	\$ 541,061,227	\$ 1,109,844,951	\$ 63,918,587	\$ 83,780,595	2,685,593	1,896,509	\$ 1,081,140,825	\$ 159,363,210
BST	\$ 4,941,226,680	\$ 4,815,008,600	\$ 9,756,235,280	\$ 636,316,935	\$ 714,167,046	24,192,400	16,464,135	\$ 9,503,907,953	\$ 1,459,489,516

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	Total Revenues	Interstate Revenue
Line 49	\$ 10,963,397,469	\$ 1,459,489,516
Line 50	\$ 1,281,281,757	\$ -
Line 51	\$ 15,918,474,790	\$ 3,953,716,810
CXR to CXR Revenues	\$ 3,673,795,564	\$ 2,494,229,294



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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F 2d 385 (D.C. Cir. 1974).

FOR IMMEDIATE RELEASE
January 20, 2000

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COMMON CARRIER ACTION

FCC RELEASES REPORT ON STATE-BY-STATE TELEPHONE REVENUE AND UNIVERSAL SERVICE DATA

Washington D.C. -- The FCC has released a new staff report titled State-by-State Telephone Revenue and Universal Service Data. This report contains estimates of intrastate and interstate telephone revenue by state for 1998. Estimates of local exchange, wireless, access and toll revenue by state are also included. Telephone revenue by state for 1998 is estimated primarily using data from Telecommunications Industry Revenue and from the *Statistics of Communications Common Carriers*.

This report also summarizes universal support mechanisms by state for 1999. Data on universal support payments comes primarily from reports filed by the National Exchange Carrier Association and the Universal Service Administrative Company. The report also presents estimates, based primarily on the telecommunications revenue in each state, of amounts collected from telecommunication users in each state to fund universal service mechanisms. This report does not include information on the new programs for schools, libraries, and rural health care providers.

The *State-by-State Telephone Revenue and Universal Service Data* report is prepared by the Common Carrier Bureau's Industry Analysis Division. The report is available for reference in the FCC's Reference Information Center, Courtyard Level, 445 12th Street, S.W., Washington, D.C. 20554. Copies may be purchased by calling International Transcription Services, Inc. (ITS) at (202) 857-3800. The report, including the spreadsheets containing the report's statistical tables and the figures, can be downloaded [file name: STREV-98.PDF or STREV-98.ZIP] from the **FCC-State Link** internet site at (<http://www.fcc.gov/ccb/stats>) on the World Wide Web.

-- FCC --

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**STATE-BY-STATE TELEPHONE REVENUE AND UNIVERSAL
SERVICE DATA**

James Eisner

Industry Analysis Division
Common Carrier Bureau
Federal Communications Commission
January 2000

This report is available for reference in the FCC's Reference Information Center, Courtyard Level, 445 12th Street, SW, Washington, D.C. 20054. Copies may be purchased by calling International Transcription Services, Inc. (ITS) at (202) 857-3800. The report can be downloaded [file name STREV-98.ZIP and STREV-98.PDF] from the **FCC-State Link** internet site at <http://www.fcc.gov/ccb/stats>. For additional information, contact the Common Carrier Bureau's Industry Analysis Division at (202) 418-0940, or for user of TTY equipment, call (202) 418-0484.

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I. Introduction

In January 1997, the Industry Analysis Division of the FCC's Common Carrier Bureau first released state-by-state information on telephone service revenues.¹ That information, based on 1995 data, was prepared so that all parties in the universal service proceedings would have access to the same set of data disaggregated at the state level. In January 1998 and January 1999, similar information, including universal service data, was published for calendar years 1996 and 1997, respectively.² These state-by-state estimates have been used both by the FCC and by the states in analyzing changes to the universal service fund.³

This report presents state-by-state revenue for 1998 and universal service data for 1999. Industry-wide telephone revenue by state is estimated primarily using data from *Telecommunications Industry Revenue*,⁴ and from the *Statistics of Communications Common Carriers (SOCC)*.⁵ The universal service data come primarily from reports filed with the Commission by the National Exchange Carrier Association (NECA) and the Universal Service Administrative Company (USAC).

The payments, or "support," received by telephone companies in each state from universal service mechanisms are generally identified as "payments" in the statistical tables in this report. The report also presents estimates, based primarily on the telecommunications revenues in each state, of amounts collected from telecommunications users in each state to fund the universal service mechanisms. The amounts paid to support the universal service mechanisms are identified as "contributions." It may be useful to note that rural states (Wyoming, for example) receive more payments from the universal service support mechanisms than they contribute. In contrast, urban states tend to contribute more than they receive. It may also be helpful to note that the sum

¹ Industry Analysis Division, *Distribution of Intrastate and Interstate Telephone Revenue by State*, January 1997.

² Industry Analysis Division, *Universal Service Support and Telephone Revenue by State*, January 1998; and Industry Analysis Division, *State-By-State Telephone Revenue and Universal Service Data*, January 1999.

³ See, for example, Bob Rowe, Commissioner of the Montana Public Service Commission and chair of the NARUC Communications Committee and, *Meeting the Telecommunications High-Cost Fund Obligations*, presented at the Boston NARUC Convention, November 14, 1997; and Carol Weinhaus, Sandra Makeeff, Brian Roberts, et al, *Options for the Universal Service Fund*, Telecommunications Industry Analysis Project: Boston, Massachusetts (www.tiap.org), October 15, 1997.

⁴ Industry Analysis Division, *Telecommunications Industry Revenue : 1998*, September 1999.

⁵ Industry Analysis Division, *Statistics of Communications Common Carriers*, 1998/1999 edition, December 1999.

B. High-Cost Loop Support

One way in which local rates have been maintained at an affordable level is to provide high-cost loop (HCL) assistance to companies with above average non-traffic-sensitive (NTS) "local loop costs" -- a term that refers to the costs of providing the loop connection between the customers and the central office. NTS costs are allocated to both the state and the interstate jurisdiction because all local loops can be used for making and receiving both state and interstate telephone calls. In 1999, 25% of these costs are allocated to the interstate jurisdiction for almost all companies. The expense adjustment allows those study areas¹⁰ with an average cost per loop that exceeds 115% of the national average to allocate an additional portion of their NTS costs to the interstate jurisdiction and have those costs covered by the USF. The expense adjustment depends upon both the difference in the average cost per loop of the study area and the nationwide average, and the size of the study area.¹¹

Table 1.2 presents data on the HCL mechanism. The first column presents the projected sum of annual support payments that are made in 1999 to local telephone companies in each state. The second column expresses the same payments on a per-loop per-month basis. Column 3 shows estimated contributions by state. These are computed by multiplying the total support payments for USF high-cost support by the ratio of the interstate end-user revenues subject to USF in each state to total interstate end-user revenues subject to USF nationwide.¹² The fourth column expresses those contributions on a per-loop per-month basis. The fifth column shows, for each state, the difference between the support and contributions on a total annual basis. The final column shows these amounts on a per-loop per-month basis.

C. Long-Term Support

The second high-cost support mechanism, long-term support (LTS), is also related to non-traffic-sensitive costs. LTS provides support to members of the NECA common line pool, to allow them to charge a below-cost carrier common line (CCL) rate that is uniform for all

¹⁰ A study area is generally a local carrier's operation in one state.

¹¹ The expense adjustment for study areas with under 200,000 lines is 65% of NTS costs for costs between 115% and 150% of the nationwide average, and 75% of NTS costs for costs 150% above the nationwide average. The expense adjustment for study areas with 200,000 or more lines increases from 10% of NTS costs for cost between 115% and 160% of the nationwide average to 75% of NTS costs for cost above 250% of the nationwide average. Refer to Table 3.1 of the *Monitoring Report* for more details on the percentage of additional allocations of NTS costs to the interstate jurisdiction.

¹² Administrative expenses and interest earnings of the administrator have been ignored in determining total contributions necessary to support the HCL mechanism. This same assumption also applies to LTS, LSS and low-income support funding estimates in Tables 1.3 – 1.9.

companies in the pool. The amount of LTS that a NECA pool member is eligible to receive in 1999 is the 1997 level of LTS (the difference between the 1997 CCL revenue requirements and the sum of 1997 CCL revenues using the NECA pool rate and 1997 subscriber line charge revenues) multiplied by the rate of growth of the national average NTS cost per loop.¹³

Table 1.3 presents data on the LTS mechanism. The first column presents the projected sum of annual support payments that are made in 1999 to local telephone companies in each state. The second column expresses the same payments on a per-loop per-month basis. Column 3 shows estimated contributions by state. These are computed by multiplying the total LTS payments by the ratio of the interstate end-user revenues subject to USF in each state to total interstate end-user revenues subject to USF nationwide. The fourth column expresses those contributions on a per-loop per-month basis. The fifth column shows, for each state, the difference between the support and contributions on a total annual basis. The final column shows these amounts on a per-loop per-month basis.

D. Local Switching Support

Local switching support (LSS) is related to traffic-sensitive local switching costs. LSS provides support to local exchange carriers (LECs) with study areas of 50,000 or fewer access lines, to help defray the higher switching cost of small LECs. In 1999, LSS is the product of switching cost and the LSS factor. The LSS factor is the difference between the 1996 weighted DEM factor and the 1996 unweighted DEM factor. The unweighted DEM factor is the ratio of interstate dial equipment minutes to total dial equipment minutes. The weighted DEM factor is the product of the unweighted DEM factor and the weighting factor. The weighting factor ranges from one for carriers with over 50,000 lines to three for carriers with fewer than 10,000 lines. Thus, carriers with over 50,000 do not receive LSS.¹⁴

Table 1.4 presents data on the LSS mechanism. The first column presents the projected sum of annual support payments that are made in 1999 to local telephone companies in each state. The second column expresses the same payments on a per-loop per-month basis. Column 3 shows estimated contributions by state. These are computed by multiplying the total LSS payments by the ratio of the interstate end-user revenues subject to USF in each state to total interstate end-user revenues subject to USF nationwide. The fourth column expresses those contributions on a per-loop per-month basis. The fifth column shows, for each state, the difference between the support and contributions on a total annual basis. The final column shows these amounts on a per-loop per-month basis.

¹³ The base level of support is frozen at 1997 levels.

¹⁴ Note that the sum of the LSS factor and the unweighted DEM factor shall not exceed 0.85. The weighting factors are based on line counts in 1998. The weighting factors are frozen at 1996 levels. For more details on weighting factors, refer to Table 3.6 of the *Monitoring Report*.

E. All High-Cost Support Mechanisms Combined

Table 1.5 summarizes the combined support and contributions for the three existing high-cost support mechanisms: HCL, LTS and LSS. The first column in Table 1.5 shows the total support payments of all the existing high-cost support mechanisms, and is the sum of the first columns of Tables 1.2 through 1.4. The total contributions are shown in the second column of Table 1.5, which is the sum of the third columns of Tables 1.2 to 1.4. The amount of the support received minus the amount of contributions paid are shown in the third column of Table 1.5, which is the sum of the fifth columns of Tables 1.2 through 1.4. The fourth column expresses total high-cost support on a per-loop per-month basis. The fifth column expresses total contributions to high-cost support mechanisms on a per-loop per-month basis. The final column shows the amount of support received minus the amount of contribution paid on a per-loop per-month basis.

F. Low-Income Support Mechanisms

Low-income consumers have historically been assisted through the lifeline and link-up mechanisms.¹⁵ The lifeline mechanism provides reduced monthly service charges to eligible low-income households. The link-up mechanism provides reduced connection charges for new low-income subscribers to establish service.

Table 1.6 presents data on low-income support mechanisms. The first column presents estimated 1999 payments from low-income support mechanisms. Payments for 1999 are annualized based on the first eight months of the year. The second column expresses the same payments on a per-loop per-month basis. Column 3 shows estimated contributions by state. These are computed by multiplying the total support payments for these mechanisms by the ratio of the interstate end-user revenues subject to USF in each state to total interstate end-user revenues subject to USF nationwide. The fourth column expresses those contributions on a per-loop per-month basis. The fifth column shows, for each state, the difference between the support and contributions on a total annual basis. The final column shows these amounts on a per-loop per-month basis.

G. All High-Cost and Low-Income Support Mechanisms Combined

Table 1.7 summarizes the combined support and contributions for the high-cost and low-income support mechanisms. The first column in Table 1.7 shows the total support payments of all the existing high-cost and low-income support mechanisms, and is the sum of the first columns of Tables 1.2, 1.3, 1.4 and 1.6. The total contributions are shown in the second column of Table 1.7, which is the sum of the third columns of Tables 1.2, 1.3, 1.4 and 1.6. The amount of the

¹⁵ Two other low-income support mechanisms, toll limitation and PICC reimbursement, were put in place in 1998 and are included in the analysis.

support received minus the amount of contributions paid are shown in the third column of Table 1.7, which is the sum of the fifth columns of Tables 1.2, 1.3, 1.4 and 1.6. The fourth column expresses total high-cost and low-income support on a per-loop per-month basis. The fifth column expresses total contributions to high-cost and low-income support mechanisms on a per-loop per-month basis. The final column shows the amount of support received minus the amount of contributions paid on a per-loop per-month basis.

H. High-Cost Support Mechanism : Rural Versus Non-Rural Carriers

1. Rural Carriers

Table 1.8 presents data on high-cost support mechanisms for rural carriers.¹⁶ The first column presents projected HCL payments to rural carriers in 1999. The second column presents projected LTS payments to rural carriers in 1999. The third column presents projected LSS payments to rural carriers in 1999. The fourth column shows the total support payment of all existing high-cost support mechanisms for rural carriers and is the sum of the first three columns of this table. Column 5 shows estimated contributions by state. The sixth column shows, for each state, the difference between high-cost support to rural carriers and contributions.

2. Non-Rural Carriers

Table 1.9 presents data on high-cost support mechanisms for non-rural carriers. The first column presents projected HCL payments to non-rural carriers in 1999. The second column presents projected LTS payments to non-rural carriers in 1999. The third column presents projected LSS payments to non-rural carriers in 1999. The fourth column shows the total support payment of all existing high-cost support mechanisms for non-rural carriers and is the sum of the first three columns of this table. Column 5 shows estimated contributions by state. The sixth column shows, for each state, the difference between high-cost support to non-rural carriers and contributions.

I. High-Cost Support per Loop

1. Rural Carriers

Table 1.10 summarizes high-cost support payments for rural carriers on a per rural-carrier, per-loop, per-month basis. The first column expresses the HCL payments. The second column

¹⁶ The sum of rural carriers and non-rural carriers high-cost support payment reported in Tables 1.8 and 1.9 do not equal total high-cost support reported in Tables 1.5. The total support in Table 1.5 includes a small amount of competitive local exchange carriers (CLEC) support payments in addition to rural and non-rural carrier support payments.

expresses the LTS payments. The third column expresses the LSS payments. The fourth column expresses total high-cost support payments of rural carriers.

2. Non-Rural Carriers

Table 1.11 summarizes high-cost support payments for non-rural carriers on a per non-rural-carrier, per loop, per month basis. The first column expresses the HCL payments. The second column expresses the LTS payments. The third column expresses the LSS payments. The fourth column expresses total high-cost support payments of rural carriers

III. Telephone Revenue by State

A. Industry and End-User Telephone Revenue

This report contains estimates, by state, of industry-wide billed telephone revenue and end-user revenue. End-user revenue is a subset of industry-wide billed telephone revenue. End-user revenue includes revenues associated with services to end-users and does not include resale (carrier's carrier) revenue.

The *Telecommunications Industry Revenue* report presents nationwide data on telephone revenues that are derived from information filed on USF and TRS (Telecommunications Relay Service) worksheets.¹⁷ Revenue from carriers that submitted USF worksheets is divided among incumbent local exchange carrier (except wireless), competitive local exchange carrier (CLEC), wireless, subscriber line charge (SLC), non-SLC access, and toll using information from the *Telecommunications Industry Revenue* report. Other revenue, including international-to-international revenue and revenue reported by carriers that filed TRS worksheets but not USF worksheets, is divided the same way. Figures 1 and 2 show industry-wide and end-user telecommunication revenue by these categories.¹⁸ Table 2.1 shows industry-wide and end-user revenue as well as carrier's carrier revenue.

¹⁷ On July 14, 1999, the Commission amended its rules so that contributors to the universal service support mechanisms and to the TRS Fund need only file one consolidated form -- the Telecommunications Reporting Worksheet -- rather than filing both the Universal Service Worksheet and the TRS Worksheet. *1998 Biennial Regulatory Review -- Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms*, Report and Order, FCC 99-175, CC Docket No. 98-171 (rel. July 14, 1999) (the new worksheet will also be used to calculate contributions to the cost-recovery mechanisms for numbering administration and local number portability). Thus, on April 1, 2000, all telecommunications carriers and certain other telecommunications providers will file their 1999 year-end revenue data in accordance with the Telecommunications Reporting Worksheet.

¹⁸ LEC toll and non-LEC intrastate toll are estimated. Refer to Section III.H.2.

Information from the *SOCC* is used to allocate nationwide revenue for local exchange service (excluding wireless), access revenue and toll revenue to each state. Information from access filings to the Commission is used to allocate SLC revenue. Nationwide CLEC revenue is allocated using data on CLEC numbering codes, numbers ported and incumbent LEC resold lines. Nationwide wireless revenue is allocated to each state by data on personal income in each state from the 1998 *Statistical Abstract of the United States*.

Revenues for Alaska, Guam, Northern Mariana Islands and the Virgin Islands are not estimated using data from the *SOCC* because these jurisdictions have no telephone companies subject to the FCC's ARMIS 43-01 and 43-08 reporting requirements. Intrastate telephone revenue for these jurisdictions are estimated based on the number of loops in the jurisdiction and the nationwide average revenue per loop. Interstate telephone revenue for these jurisdictions are estimated based on the number of access minutes in the jurisdiction and the nationwide average revenue per access minute. Intrastate revenues from the *Telecommunications Industry Revenue* report are reduced by 0.32% and interstate revenues by 0.37% before being allocated to the remaining 49 states, Puerto Rico and the District of Columbia. Table 2.1 presents adjusted nationwide revenue.¹⁹

Table 2.2 provides estimates of interstate and intrastate industry telephone revenue for 1998 by state for all telecommunication carriers. Table 2.3 provides estimates of interstate and intrastate end-user revenue for 1998 by state, and the percentage of interstate and intrastate end-user revenue subject to the universal service mechanism.²⁰ Table 2.4 provides estimates of end-user expenditures per loop per month for local exchange, SLC, interstate toll, intrastate toll and wireless.²¹

The remainder of this report provides details on how telephone revenue is allocated to the states. Section III.B provides details on adjusting revenue from the *SOCC* to take into account non-reporting carriers. Sections III.C through III.H refer to revenue estimates by state for local exchange, wireless, SLC, access and toll services. Sections III.I and III.J summarize the components included in intrastate and interstate telephone revenue.

¹⁹ The reduction of intrastate industry-wide revenue by 0.32% takes into account that Alaska, Northern Mariana Islands and Virgin Islands represent 0.32% of the nationwide USF loops (refer to Table 1.1). The reduction of interstate industry-wide revenue by 0.37% takes into account that Alaska, Northern Mariana Islands and Virgin Islands represent 0.37% of the nationwide access minutes (refer to Table 8.14 of the *Monitoring Report*).

²⁰ End-user revenue accumulated by *de minimis* carriers is not subject to the USF mechanism, nor is revenue associated with international-to-international calls.

²¹ Loops for year-end 1998 are reported in Table 1.1. SLCs per loop may appear to be low in states that have a high percentage of lifeline subscribers such as California. Lifeline customers do not pay SLCs. Loop counts from NECA include both non-lifeline and lifeline loops.

B. Adjustment for Non-Reporting Carriers

Data from the most recent *SOCC* are adjusted before they can be used to allocate nationwide revenue to the states. Data compiled in the *SOCC* include most incumbent local exchange carriers (ILECs) with revenues over \$112 million and exclude most ILECs with revenues less than \$112 million. The *SOCC* revenue data represent approximately 94 percent of the telephone industry based on USF loops. In this analysis, data from the *SOCC* are expanded to take into account the entire ILEC industry based on USF loops. The adjustment factor is calculated based on the percent of total loops reported in the *SOCC* in each state as of year-end 1997 and as of year-end 1998. Table 2.5 shows the percent of loops reported in each state from Table 2.3 of the *SOCC* for year-end 1997 and 1998 and shows the adjustment factor for each state.

C. Incumbent Local Exchange Revenue Excluding Wireless

Table 2.1 shows the industry-wide adjusted intrastate local exchange excluding wireless revenue being \$63.5 billion and the interstate portion being \$3.1 billion. Table 2.1 also shows the end-user adjusted intrastate local exchange excluding wireless revenue being \$60.1 billion and the interstate portion being \$0.4 billion. Intrastate and interstate local exchange revenue are allocated to each state by using adjusted basic local and miscellaneous revenue from the *SOCC*. Adjusted basic local and miscellaneous revenue are determined by multiplying intrastate basic local and miscellaneous revenue times the adjustment factor for each state as defined in Section III.B. The allocation factor for local exchange revenue excluding wireless is the ratio of the states adjusted basic and miscellaneous revenue to nationwide adjusted basic and miscellaneous revenue.

Industry-wide intrastate and interstate local exchange revenue are distributed to each state by multiplying the allocation factor for basic local and miscellaneous revenue times adjusted industry-wide intrastate and interstate local exchange revenue. End-user intrastate and interstate local exchange revenue are allocated the same way. Table 2.6 shows basic local and miscellaneous revenue reported in Table 2.13 of the *SOCC*, adjusted basic local and miscellaneous revenue, the allocation factor, and both end-user and industry-wide intrastate and interstate local exchange revenue by state.

D. Competitive Local Exchange Carrier (CLEC) Revenue

Table 2.1 shows the industry-wide adjusted intrastate CLEC revenue being \$2.3 billion and the interstate portion being \$1.6 billion. Table 2.1 also shows the end-user adjusted intrastate local exchange excluding wireless revenue being \$1.3 billion and the interstate portion being \$1.1 billion. Interstate and intrastate CLEC revenue is allocated to each state by using information on CLEC numbering codes, numbers ported and resold ILEC lines. Column 1 of Table 2.7 presents information on CLEC numbering codes by state for the third quarter of 1998.²² Column 2 presents data on numbers ported as of June 30, 1999.²³ Column 3 reports the number of lines provided by large ILECs to CLECs for resale as of December 31, 1998.²⁴ Column 4 shows each state's percentage of CLEC numbering codes. Column 5 shows each state's percentage of numbers ported. Column 6 shows each state's percentage of lines provided by large ILECs to CLECs for resale. The allocation percentage for CLEC revenue, presented in Column 7, is the simple average of Columns 4, 5 and 6. CLEC revenue by state is estimated by multiplying Column 7 by nationwide CLEC revenue. Interstate end-user and industry CLEC revenue are presented in Columns 8 and 9, respectively. Intrastate end-user and industry CLEC revenue are presented in Columns 10 and 11, respectively.

E. Wireless Revenue

Table 2.1 shows the industry-wide adjusted intrastate wireless revenue being \$32.7 billion and the interstate wireless revenue being \$3.6 billion. Table 2.1 also shows the end-user adjusted intrastate wireless revenue being \$29.7 billion and the interstate wireless revenue being \$3.4 billion. Industry-wide wireless revenue (both intrastate and interstate) is allocated to states by multiplying wireless revenue times the ratio of personal income in the state to the personal income in the United States. End-user wireless revenue is allocated the same way. Table 2.8 shows data on personal income by state for 1998 from Tables 732 and 1338 of the 1999 *Statistical Abstract of the United States*. End-user and industry-wide wireless revenues by state are reported in Table 2.8.

²² Industry Analysis Division, *Local Competition*, December 1998, Table 4.9. Delaware resides entirely in the Philadelphia LATA. Therefore, the staff estimated that the number of codes assigned to Delaware based on Delaware's percentage of nationwide ported lines and resold lines. All numbering codes not assigned to Delaware are assigned to Pennsylvania.

²³ The FCC receives proprietary monthly data from the North American Numbering Plan Administrator's number porting databases that contains the number of ported telephone numbers. The numbers ported for pooling are excluded in this analysis.

²⁴ Industry Analysis Division, *Local Competition*, August 1999, Table 3.1.

F. Subscriber Line Charge

Table 2.1 shows that adjusted interstate SLC revenue is \$9.5 billion. Information from the *SOCC* and from access tariff filings to the Commission is used to allocate SLC revenue to each state. Table 2.9 contains residential non-lifeline lines, single-line business lines and multiline business lines from Table 2.19 of the *SOCC*, and the percentage of lines operated by a Bell company, other price-cap companies, and NECA pool and rate-of-return carriers. Non-primary residential lines are estimated by multiplying the percentage of non-primary lines by the sum of residential non-lifeline lines and single-line business lines reported in the *SOCC*.²⁵ The sum of residential non-lifeline lines (including both primary and non-primary lines) and single-line business lines are estimated by multiplying residential non-lifeline lines and single-line business lines from the *SOCC* by the adjustment factor for each state as defined in Section III.B. Primary residential and single-line business lines is the difference between the sum of all residential non-lifeline lines and single-line business lines and estimated non-primary lines. Adjusted multiline business lines are estimated for the industry by multiplying the number of lines by the adjustment factor as defined in Section III.B.

Multiline business SLC revenue per line per month for price-cap companies in each state is estimated as the rate in effect on January 1, 1998. These data are based on access tariffs filed with the FCC. Multiline business rate for the NECA pool and rate-of-return carriers are assumed to be \$6.00 per line per month.²⁶ The percentage of lines that are Bell operating companies, other price-cap companies and NECA pool and rate-of-return is determined based on data on USF loops that is filed by NECA in conjunction with its universal service filing. Statewide multiline business SLC revenue per line per month is determined by the weighted average of the Bell operating company SLC rate, other price-cap companies rate, and the \$6.00 rate for NECA pool and rate-of-return carriers.

Primary residential and single-line business lines SLC revenues are \$3.50 per line per month for all jurisdictions other than the District of Columbia. The rate in the District of Columbia was \$3.24 per month as of January 1, 1998. Non-primary SLC revenue per line per month for price-cap companies in each state was \$5.00 per line for all jurisdictions other than Nevada and the District of Columbia. The rates were \$3.67 per month in the District of Columbia, and averaged \$4.72 per month in Nevada.

²⁵ Carriers that are not subject to price-cap regulation charge the same rate for a customer's first lines as they do for additional lines. Staff estimated the percentage of non-lifeline residential and single-line business lines that are charged the non-primary access rates based on data that the Commission receives from access filings from price-cap carriers. Our estimates of non-primary lines are computed using data at the Tariff Review Plan (TRP) level. Thus, our estimates assume that the percent of Bell Atlantic's non-primary lines are the same in each of its states.

²⁶ The multiline business rate for NECA pool carriers is \$6.00 per line per month. The multiline business SLC cap for rate-of-return carriers is \$6.00 per line per month.

Estimated SLC revenue for each state, using data from price-cap filings and the SOCC, is determined by the following formula: $12 * [\$3.50 * (\text{Primary Residential Line and Single-Line Business}) + \text{Statewide Multiline Business SLC per Line per Month} * (\text{Adjusted Multiline Business lines}) + \text{Non-primary lines} * \text{Statewide non-primary SLC per Line per Month}]$. The allocation factor for SLC revenue is the ratio of estimated state's SLC revenue by the estimated nationwide SLC revenue. SLC revenue is distributed to each state by multiplying the allocation factor for estimated SLC revenue times adjusted industry-wide SLC revenue. SLC rates and revenue by state are reported in Table 2.10.

G. Access Revenue and Private Line Revenue

1. Interstate Access Revenue and Private Line Revenue

Table 2.1 shows the industry-wide adjusted interstate switched and special access and private line revenue being \$15.6 billion. Table 2.1 also shows end-user adjusted interstate switched and special access and private line revenue being \$1.7 billion. Interstate access revenue and private line revenue are allocated to each state by using information on access revenue from the most recent SOCC. Adjusted interstate access revenue is determined by multiplying interstate access revenue from the SOCC times the adjustment factor for each state as defined in Section III.B. Net access revenue is the difference between adjusted interstate access revenue and SLC revenue determined in Section III.F (Table 2.10). The allocation factor for access revenue and private line revenue is the ratio of net interstate access revenue to nationwide interstate net access revenue.

Industry-wide interstate access revenue and private line revenue are distributed to each state by multiplying the allocation factor for net interstate access revenue times the adjusted industry-wide interstate access revenue and private line revenue. End-user interstate access revenue and private line revenue are allocated the same way. Table 2.11 shows interstate access revenue reported in Table 2.13 of the SOCC, adjusted interstate access revenue from the SOCC, net interstate access revenue and the allocation factor for interstate access and private line revenue, and end-user and industry-wide access and private line revenue by state.

2. Intrastate Access Revenue

Table 2.1 shows the industry-wide adjusted intrastate access revenue being \$8.5 billion and end-user adjusted intrastate access revenue being \$0.3 billion.²⁷ Intrastate access revenue is allocated to each state by using adjusted state access revenue from the most recent SOCC. Adjusted state access revenue is determined by multiplying state access revenue from the SOCC times the adjustment factor for each state as defined in Section III.B. The allocation factor for

²⁷ Intrastate special access and private line revenue in this analysis are included in the local exchange revenue excluding wireless category.

minutes to the nationwide adjusted intrastate-interlata access minutes. End-user non-LEC intrastate toll revenue is allocated to the same way. End-user and industry-wide non-LEC intrastate toll revenue are presented in Table 2.14.

3. Interstate Toll

Table 2.1 shows the adjusted industry-wide interstate toll revenue being \$70.4 billion and adjusted end-user toll revenue being \$60.0 billion.³¹ Table 2.15 shows interstate access minutes (originating and terminating) from Table 2.6 of the *SOCC*. Adjusted interstate access minutes are estimated by multiplying interstate access minutes in each state by the adjustment factors, which are defined in Section III.B.

Industry-wide interstate toll revenue is allocated to the states by multiplying interstate toll revenue times the ratio of each state's adjusted interstate access minutes to nationwide adjusted interstate access minutes. End-user toll revenue is allocated the same way. End-user and industry-wide interstate toll revenue is presented in Table 2.15.

I. Intrastate Revenue

1. Intrastate Industry Telephone Revenue

Intrastate industry telephone revenue includes: intrastate industry local exchange (Section III.C), intrastate industry CLEC (Section III.D), intrastate industry wireless (Section III.E), intrastate industry access revenue (Section III.G.2), LEC toll (Section III.H.1) and non-LEC intrastate industry toll (Section III.H.2). Estimated intrastate industry telephone revenue for Alaska, Guam, Northern Mariana Islands and the Virgin Islands is determined by multiplying the nationwide average intrastate industry telephone revenue per loop by the number of loops in the jurisdiction. The components of intrastate industry telephone revenue are presented in Table 2.16.

2. Intrastate End-User Telephone Revenue

Intrastate end-user telephone revenue includes: intrastate end-user local exchange (Section III.C), intrastate CLEC end-user (Section III.D) intrastate end-user wireless (Section III.E), intrastate end-user access revenue (Section III.G.2), LEC toll (Section III.H.1) and non-LEC intrastate end-user toll (Section III.H.2). Estimated intrastate end-user revenue for Alaska, Guam, Northern Mariana Islands and the Virgin Islands is determined by multiplying the nationwide average intrastate end-user revenue per loop by the number of loops in the jurisdiction. The components of intrastate end-user revenue are presented in Table 2.17.

³¹ CLEC revenue is not included in the total.

J. Interstate Revenue

1. Interstate Industry Telephone Revenue

Interstate industry telephone revenue includes : interstate industry local exchange (Section III.C), interstate industry CLEC (Section III.D) interstate industry wireless (Section III.E), SLC revenue (Section III.F), interstate industry access and private line revenue (Section III.G.1) and interstate industry toll (Section III.H.3). Estimated interstate industry telephone revenue for Alaska, Guam, Northern Mariana Islands and the Virgin Islands is determined by multiplying the nationwide average interstate industry telephone revenue per access minute by the number of access minutes in the jurisdiction. The components of interstate industry telephone revenue are presented in Table 2.18.

2. Interstate End-User Telephone Revenue

Interstate end-user telephone revenue includes : interstate end-user local exchange (Section III.C), interstate end-user CLEC (Section III.D), interstate end-user wireless (Section III.E), SLC revenue (Section III.F), interstate end-user access and private line revenue (Section III.G.1) and interstate toll (Section III.H.3). Estimated interstate end-user revenue for Alaska, Guam, Northern Mariana Islands and the Virgin Islands is determined by multiplying the nationwide average interstate end-user revenue per loop by the number of loops in the jurisdiction. The components of interstate end-user revenue are presented in Table 2.19.

Table 1.1
General Information

	<i>USF Loops 1998</i>	<i>Non-Rural Carrier Loops 1998</i>	<i>Percent Non-Rural Carrier Loops</i>	<i>Rural Carrier Loops 1998</i>	<i>Percent Rural Carrier Loops</i>	<i>Interstate End-User Revenue, Reported to USF: 1998 (Millions)</i>	<i>Interstate End-User Revenue, Reported to USF: Per Loop Per Month: 1998</i>
Alabama	2,464,723	2,246,840	91.2 %	217,883	8.8 %	\$1,002	\$33.87
Alaska	408,528	155,431	38.0	253,097	62.0	193	39.35
Arizona	2,870,957	2,687,683	93.6	183,274	6.4	1,504	43.65
Arkansas	1,422,174	979,814	68.9	442,360	31.1	606	35.53
California	22,221,866	22,000,217	99.0	221,649	1.0	7,191	26.97
Colorado	2,756,829	2,633,542	95.5	123,287	4.5	1,497	45.26
Connecticut	2,211,646	2,188,763	99.0	22,883	1.0	1,170	44.09
Delaware	558,152	558,152	100.0	0	0.0	296	44.13
Dist. of Columbia	934,397	934,397	100.0	0	0.0	402	35.84
Florida	10,958,464	10,780,347	98.4	178,117	1.6	4,961	37.73
Georgia	5,005,071	4,181,693	83.5	823,378	16.5	2,401	39.98
Hawaii	717,840	717,732	100.0	108	0.0	311	36.06
Idaho	706,842	508,665	72.0	198,177	28.0	373	43.99
Illinois	8,209,285	7,885,975	96.1	323,310	3.9	3,275	33.25
Indiana	3,589,181	3,183,752	88.7	405,429	11.3	1,365	31.68
Iowa	1,641,411	1,066,349	65.0	575,062	35.0	722	36.68
Kansas	1,649,694	1,385,402	84.0	264,292	16.0	728	36.78
Kentucky	2,133,791	1,855,631	87.0	278,160	13.0	927	36.20
Louisiana	2,529,434	2,347,702	92.8	181,732	7.2	1,014	33.42
Maine	824,657	688,700	83.5	135,957	16.5	349	35.27
Maryland	3,636,024	3,629,056	99.8	6,968	0.2	1,621	37.16
Massachusetts	4,514,497	4,510,477	99.9	4,020	0.1	2,076	38.32
Michigan	6,413,849	6,134,770	95.6	279,079	4.4	2,074	26.94
Minnesota	2,992,979	2,330,404	77.9	662,575	22.1	1,289	35.89
Mississippi	1,369,549	1,280,362	93.5	89,187	6.5	615	37.42
Missouri	3,450,562	2,972,424	86.1	478,138	13.9	1,396	33.71
Montana	523,491	358,852	68.5	164,639	31.5	269	42.82
Nebraska	1,014,675	816,622	80.5	198,053	19.5	467	38.35
Nevada	1,277,520	1,186,788	92.9	90,732	7.1	672	43.86
New Hampshire	843,954	789,855	93.6	54,099	6.4	492	48.56
New Jersey	6,475,414	6,252,611	96.6	222,803	3.4	3,136	40.36
New Mexico	925,007	786,574	85.0	138,433	15.0	501	45.13
New York	12,843,788	12,132,591	94.5	711,197	5.5	5,478	35.54
North Carolina	4,942,302	4,392,205	88.9	550,097	11.1	2,196	37.03
North Dakota	409,977	250,274	61.0	159,703	39.0	198	40.34
Ohio	6,885,318	6,377,066	92.6	508,252	7.4	2,523	30.54
Oklahoma	2,018,166	1,783,089	88.4	235,077	11.6	826	34.09
Oregon	2,078,801	1,822,594	87.7	256,207	12.3	978	39.19
Pennsylvania	8,212,052	6,888,984	83.9	1,323,068	16.1	3,132	31.78
Rhode Island	661,033	661,033	100.0	0	0.0	326	41.09
South Carolina	2,248,204	1,654,996	73.6	593,208	26.4	1,066	39.53
South Dakota	418,032	273,563	65.4	144,469	34.6	223	44.42
Tennessee	3,368,829	2,940,735	87.3	428,094	12.7	1,465	36.24
Texas	12,616,588	11,925,678	94.5	690,910	5.5	4,774	31.53
Utah	1,138,089	1,081,672	95.0	56,417	5.0	569	41.68
Vermont	401,871	339,570	84.5	62,301	15.5	213	44.09
Virginia	4,574,942	4,425,939	96.7	149,003	3.3	2,215	40.35
Washington	3,662,585	3,233,705	88.3	428,880	11.7	1,641	37.34
West Virginia	986,538	824,403	83.6	162,135	16.4	423	35.77
Wisconsin	3,392,025	2,675,692	78.9	716,333	21.1	1,181	29.02
Wyoming	289,863	240,854	83.1	49,009	16.9	174	49.90
United States	178,401,466	163,960,225	91.9	14,441,241	8.1	74,497	34.80
Guam	75,051	0	0.0	75,051	100.0	32	35.01
N. Mariana Isl.	20,639	0	0.0	20,639	100.0	10	39.57
Puerto Rico	1,261,733	1,261,733	100.0	0	0.0	334	22.05
Virgin Islands	63,234	0	0.0	63,234	100.0	43	56.33
Grand Total	179,822,123	165,221,958	91.9 %	14,600,165	8.1 %	\$74,915	\$34.72

Figures may not add up due to rounding.

* USF loops, a measure of access lines, are defined in subcategory 1.3 of 47 CFR 36.154(a).

Table 1.2
Projected High-Cost Loop (HCL) Support: 1999

	<i>Annual Payments (Thousands)</i>	<i>Monthly Payments Per Loop</i>	<i>Annual Contributions (Thousands)</i>	<i>Monthly Contributions Per Loop</i>	<i>Annual Payments Less Contributions (Thousands)</i>	<i>Monthly Payments Less Contributions Per Loop</i>
Alabama	\$21,763	\$0.74	\$11,557	\$0.39	\$10,206	\$0.35
Alaska	36,947	7.54	2,225	0.45	34,722	7.08
Arizona	18,633	0.54	17,348	0.50	1,285	0.04
Arkansas	51,028	2.99	6,994	0.41	44,033	2.58
California	30,136	0.11	82,959	0.31	-52,823	-0.20
Colorado	28,273	0.85	17,274	0.52	10,999	0.33
Connecticut	0	0.00	13,498	0.51	-13,498	-0.51
Delaware	0	0.00	3,410	0.51	-3,410	-0.51
Dist. of Columbia	0	0.00	4,635	0.41	-4,635	-0.41
Florida	9,800	0.07	57,232	0.44	-47,432	-0.36
Georgia	37,700	0.63	27,701	0.46	9,999	0.17
Hawaii	360	0.04	3,583	0.42	-3,222	-0.37
Idaho	19,706	2.32	4,304	0.51	15,402	1.82
Illinois	20,580	0.21	37,784	0.38	-17,204	-0.17
Indiana	3,191	0.07	15,742	0.37	-12,551	-0.29
Iowa	3,715	0.19	8,334	0.42	-4,619	-0.23
Kansas	39,363	1.99	8,399	0.42	30,963	1.56
Kentucky	9,484	0.37	10,693	0.42	-1,208	-0.05
Louisiana	40,948	1.35	11,701	0.39	29,247	0.96
Maine	5,255	0.53	4,027	0.41	1,228	0.12
Maryland	0	0.00	18,705	0.43	-18,705	-0.43
Massachusetts	48	0.00	23,945	0.44	-23,897	-0.44
Michigan	16,786	0.22	23,922	0.31	-7,136	-0.09
Minnesota	11,760	0.33	14,872	0.41	-3,112	-0.09
Mississippi	18,334	1.12	7,095	0.43	11,239	0.68
Missouri	33,167	0.80	16,100	0.39	17,067	0.41
Montana	25,146	4.00	3,103	0.49	22,044	3.51
Nebraska	6,645	0.55	5,387	0.44	1,259	0.10
Nevada	4,237	0.28	7,757	0.51	-3,521	-0.23
New Hampshire	1,648	0.16	5,673	0.56	-4,025	-0.40
New Jersey	0	0.00	36,175	0.47	-36,175	-0.47
New Mexico	20,891	1.88	5,779	0.52	15,112	1.36
New York	13,228	0.09	63,195	0.41	-49,967	-0.32
North Carolina	14,361	0.24	25,331	0.43	-10,971	-0.18
North Dakota	5,064	1.03	2,289	0.47	2,774	0.56
Ohio	5,246	0.06	29,109	0.35	-23,862	-0.29
Oklahoma	27,824	1.15	9,523	0.39	18,301	0.76
Oregon	20,201	0.81	11,276	0.45	8,924	0.36
Pennsylvania	901	0.01	36,129	0.37	-35,227	-0.36
Rhode Island	0	0.00	3,760	0.47	-3,760	-0.47
South Carolina	21,094	0.78	12,301	0.46	8,793	0.33
South Dakota	4,236	0.84	2,571	0.51	1,666	0.33
Tennessee	10,845	0.27	16,898	0.42	-6,053	-0.15
Texas	73,724	0.49	55,072	0.36	18,652	0.12
Utah	3,936	0.29	6,567	0.48	-2,630	-0.19
Vermont	4,275	0.89	2,453	0.51	1,822	0.38
Virginia	4,688	0.09	25,553	0.47	-20,865	-0.38
Washington	23,980	0.55	18,933	0.43	5,047	0.11
West Virginia	18,515	1.56	4,885	0.41	13,630	1.15
Wisconsin	14,772	0.36	13,625	0.33	1,146	0.03
Wyoming	16,166	4.65	2,002	0.58	14,164	4.07
United States	798,602	0.37	859,387	0.40	-60,785	-0.03
Guam	426	0.47	364	0.40	63	0.07
N. Mariana Isl.	4,743	19.15	113	0.46	4,629	18.69
Puerto Rico	44,566	2.94	3,851	0.25	40,715	2.69
Virgin Islands	15,872	20.92	493	0.65	15,379	20.27
Grand Total	\$864,208	\$0.40	\$864,208	\$0.40	\$0	\$0.00

Table 1.3
Projected Long-Term Support (LTS): 1999

	<i>Annual Payment (Thousand)</i>	<i>Monthly Payment Per Loop</i>	<i>Annual Contribution (Thousands)</i>	<i>Monthly Contribution Per Loop</i>	<i>Annual Payments Less Contributions (Thousands)</i>	<i>Monthly Payments Less Contributions Per Loop</i>
Alabama	\$7,261	\$0.25	\$6,326	\$0.21	\$934	\$0.03
Alaska	16,783	3.42	1,218	0.25	15,565	3.17
Arizona	3,080	0.09	9,496	0.28	-6,417	-0.19
Arkansas	15,238	0.89	3,829	0.22	11,409	0.67
California	13,137	0.05	45,412	0.17	-32,276	-0.12
Colorado	11,987	0.36	9,456	0.29	2,531	0.08
Connecticut	161	0.01	7,389	0.28	-7,228	-0.27
Delaware	0	0.00	1,867	0.28	-1,867	-0.28
Dist. of Columbia	0	0.00	2,537	0.23	-2,537	-0.23
Florida	5,268	0.04	31,329	0.24	-26,062	-0.20
Georgia	17,682	0.29	15,164	0.25	2,518	0.04
Hawaii	0	0.00	1,961	0.23	-1,961	-0.23
Idaho	3,424	0.40	2,356	0.28	1,068	0.13
Illinois	6,149	0.06	20,683	0.21	-14,534	-0.15
Indiana	5,082	0.12	8,617	0.20	-3,535	-0.08
Iowa	7,164	0.36	4,562	0.23	2,602	0.13
Kansas	11,336	0.57	4,598	0.23	6,738	0.34
Kentucky	4,850	0.19	5,853	0.23	-1,003	-0.04
Louisiana	16,560	0.55	6,405	0.21	10,155	0.33
Maine	5,948	0.60	2,204	0.22	3,744	0.38
Maryland	90	0.00	10,239	0.23	-10,149	-0.23
Massachusetts	101	0.00	13,108	0.24	-13,007	-0.24
Michigan	9,722	0.13	13,095	0.17	-3,373	-0.04
Minnesota	12,030	0.33	8,141	0.23	3,889	0.11
Mississippi	5,024	0.31	3,884	0.24	1,141	0.07
Missouri	10,609	0.26	8,813	0.21	1,795	0.04
Montana	9,908	1.58	1,698	0.27	8,209	1.31
Nebraska	3,822	0.31	2,949	0.24	873	0.07
Nevada	907	0.06	4,246	0.28	-3,339	-0.22
New Hampshire	1,497	0.15	3,106	0.31	-1,609	-0.16
New Jersey	0	0.00	19,803	0.25	-19,803	-0.25
New Mexico	6,098	0.55	3,163	0.28	2,934	0.26
New York	6,737	0.04	34,594	0.22	-27,856	-0.18
North Carolina	11,931	0.20	13,867	0.23	-1,935	-0.03
North Dakota	5,922	1.20	1,253	0.25	4,668	0.95
Ohio	5,161	0.06	15,934	0.19	-10,774	-0.13
Oklahoma	16,246	0.67	5,213	0.22	11,033	0.46
Oregon	9,160	0.37	6,173	0.25	2,987	0.12
Pennsylvania	13,994	0.14	19,777	0.20	-5,783	-0.06
Rhode Island	0	0.00	2,058	0.26	-2,058	-0.26
South Carolina	10,986	0.41	6,734	0.25	4,252	0.16
South Dakota	4,989	0.99	1,407	0.28	3,582	0.71
Tennessee	10,288	0.25	9,250	0.23	1,038	0.03
Texas	29,351	0.19	30,147	0.20	-796	-0.01
Utah	1,473	0.11	3,595	0.26	-2,122	-0.16
Vermont	2,365	0.49	1,343	0.28	1,022	0.21
Virginia	3,308	0.06	13,988	0.25	-10,679	-0.19
Washington	13,134	0.30	10,364	0.24	2,769	0.06
West Virginia	1,051	0.09	2,674	0.23	-1,623	-0.14
Wisconsin	13,294	0.33	7,459	0.18	5,836	0.14
Wyoming	4,455	1.28	1,096	0.32	3,359	0.97
United States	374,761	0.18	470,436	0.22	-95,675	-0.04
Guam	1,927	2.14	199	0.22	1,728	1.92
N. Mariana Isl.	0	0.00	62	0.25	-62	-0.25
Puerto Rico	89,254	5.89	2,108	0.14	87,146	5.76
Virgin Islands	7,133	9.40	270	0.36	6,863	9.04
Grand Total	\$473,074	\$0.22	\$473,074	\$0.22	\$0	\$0.00

Table 1.4
Projected Local Switching Support (LSS): 1999

	<i>Annual Payment (Thousand)</i>	<i>Monthly Payment Per Loop</i>	<i>Annual Contribution (Thousands)</i>	<i>Monthly Contribution Per Loop</i>	<i>Annual Payments Less Contributions (Thousands)</i>	<i>Monthly Payments Less Contributions Per Loop</i>
Alabama	\$8,464	\$0.29	\$5,123	\$0.17	\$3,341	\$0.11
Alaska	14,703	3.00	987	0.20	13,717	2.80
Arizona	9,826	0.29	7,691	0.22	2,135	0.06
Arkansas	8,191	0.48	3,101	0.18	5,090	0.30
California	7,370	0.03	36,778	0.14	-29,408	-0.11
Colorado	3,824	0.12	7,658	0.23	-3,834	-0.12
Connecticut	763	0.03	5,984	0.23	-5,221	-0.20
Delaware	0	0.00	1,512	0.23	-1,512	-0.23
Dist. of Columbia	0	0.00	2,055	0.18	-2,055	-0.18
Florida	3,635	0.03	25,373	0.19	-21,738	-0.17
Georgia	12,319	0.21	12,281	0.20	39	0.00
Hawaii	515	0.06	1,588	0.18	-1,073	-0.12
Idaho	6,307	0.74	1,908	0.22	4,399	0.52
Illinois	11,860	0.12	16,751	0.17	-4,891	-0.05
Indiana	7,672	0.18	6,979	0.16	694	0.02
Iowa	13,838	0.70	3,695	0.19	10,143	0.51
Kansas	13,502	0.68	3,724	0.19	9,779	0.49
Kentucky	4,944	0.19	4,740	0.19	203	0.01
Louisiana	7,374	0.24	5,187	0.17	2,187	0.07
Maine	6,612	0.67	1,785	0.18	4,827	0.49
Maryland	445	0.01	8,293	0.19	-7,848	-0.18
Massachusetts	376	0.01	10,615	0.20	-10,240	-0.19
Michigan	7,909	0.10	10,605	0.14	-2,696	-0.04
Minnesota	17,085	0.48	6,593	0.18	10,492	0.29
Mississippi	3,381	0.21	3,145	0.19	236	0.01
Missouri	7,513	0.18	7,138	0.17	376	0.01
Montana	8,864	1.41	1,376	0.22	7,489	1.19
Nebraska	10,225	0.84	2,388	0.20	7,837	0.64
Nevada	5,707	0.37	3,439	0.22	2,268	0.15
New Hampshire	5,044	0.50	2,515	0.25	2,529	0.25
New Jersey	1,365	0.02	16,037	0.21	-14,673	-0.19
New Mexico	8,502	0.77	2,562	0.23	5,940	0.54
New York	18,308	0.12	28,016	0.18	-9,708	-0.06
North Carolina	5,618	0.09	11,230	0.19	-5,613	-0.09
North Dakota	10,495	2.13	1,015	0.21	9,480	1.93
Ohio	4,600	0.06	12,905	0.16	-8,305	-0.10
Oklahoma	13,226	0.55	4,222	0.17	9,004	0.37
Oregon	7,238	0.29	4,999	0.20	2,239	0.09
Pennsylvania	6,861	0.07	16,017	0.16	-9,156	-0.09
Rhode Island	0	0.00	1,667	0.21	-1,667	-0.21
South Carolina	10,598	0.39	5,453	0.20	5,145	0.19
South Dakota	9,096	1.81	1,140	0.23	7,956	1.59
Tennessee	8,049	0.20	7,491	0.19	558	0.01
Texas	16,482	0.11	24,415	0.16	-7,933	-0.05
Utah	5,996	0.44	2,911	0.21	3,085	0.23
Vermont	5,208	1.08	1,087	0.23	4,121	0.85
Virginia	4,367	0.08	11,328	0.21	-6,962	-0.13
Washington	5,897	0.13	8,394	0.19	-2,496	-0.06
West Virginia	3,573	0.30	2,166	0.18	1,408	0.12
Wisconsin	22,547	0.55	6,040	0.15	16,507	0.41
Wyoming	4,746	1.36	888	0.26	3,858	1.11
United States	381,040	0.18	380,988	0.18	52	0.00
Guam	0	0.00	161	0.18	-161	-0.18
N. Mariana Isl.	2,085	8.42	50	0.20	2,035	8.22
Puerto Rico	0	0.00	1,707	0.11	-1,707	-0.11
Virgin Islands	0	0.00	219	0.29	-219	-0.29
Grand Total	\$383,125	\$0.18	\$383,125	\$0.18	\$0	\$0.00

Table 1.5
All High-Cost Support Mechanisms (HCL, LTS and LSS): 1999

	<i>Annual Payments (Thousands)</i>	<i>Annual Contributions (Thousands)</i>	<i>Annual Payments Less Contributions (Thousands)</i>	<i>Monthly Payments Per Loop</i>	<i>Monthly Contributions Per Loop</i>	<i>Monthly Payments Less Contributions Per Loop</i>
Alabama	\$37,487	\$23,006	\$14,481	\$1.27	\$0.78	0.49
Alaska	68,433	4,430	64,003	13.96	0.90	13.06
Arizona	31,539	34,535	-2,996	0.92	1.00	-0.09
Arkansas	74,456	13,924	60,532	4.36	0.82	3.55
California	50,643	165,149	-114,506	0.19	0.62	-0.43
Colorado	44,084	34,388	9,696	1.33	1.04	0.29
Connecticut	924	26,872	-25,947	0.03	1.01	-0.98
Delaware	0	6,788	-6,788	0.00	1.01	-1.01
Dist. of Columbia	0	9,228	-9,228	0.00	0.82	-0.82
Florida	18,702	113,934	-95,232	0.14	0.87	-0.72
Georgia	67,702	55,145	12,557	1.13	0.92	0.21
Hawaii	876	7,133	-6,257	0.10	0.83	-0.73
Idaho	29,437	8,568	20,868	3.47	1.01	2.46
Illinois	38,589	75,218	-36,629	0.39	0.76	-0.37
Indiana	15,946	31,339	-15,393	0.37	0.73	-0.36
Iowa	24,717	16,591	8,126	1.25	0.84	0.41
Kansas	64,201	16,721	47,480	3.24	0.84	2.40
Kentucky	19,278	21,286	-2,008	0.75	0.83	-0.08
Louisiana	64,882	23,293	41,589	2.14	0.77	1.37
Maine	17,815	8,016	9,799	1.80	0.81	0.99
Maryland	535	37,237	-36,702	0.01	0.85	-0.84
Massachusetts	525	47,668	-47,143	0.01	0.88	-0.87
Michigan	34,417	47,623	-13,206	0.45	0.62	-0.17
Minnesota	40,875	29,605	11,269	1.14	0.82	0.31
Mississippi	26,740	14,123	12,616	1.63	0.86	0.77
Missouri	51,289	32,051	19,238	1.24	0.77	0.46
Montana	43,919	6,177	37,742	6.99	0.98	6.01
Nebraska	20,693	10,724	9,969	1.70	0.88	0.82
Nevada	10,851	15,443	-4,592	0.71	1.01	-0.30
New Hampshire	8,189	11,294	-3,105	0.81	1.12	-0.31
New Jersey	1,365	72,015	-70,651	0.02	0.93	-0.91
New Mexico	35,491	11,504	23,987	3.20	1.04	2.16
New York	38,274	125,805	-87,532	0.25	0.82	-0.57
North Carolina	31,910	50,428	-18,519	0.54	0.85	-0.31
North Dakota	21,480	4,558	16,923	4.37	0.93	3.44
Ohio	15,007	57,948	-42,941	0.18	0.70	-0.52
Oklahoma	57,296	18,958	38,338	2.37	0.78	1.58
Oregon	36,599	22,448	14,150	1.47	0.90	0.57
Pennsylvania	21,756	71,923	-50,167	0.22	0.73	-0.51
Rhode Island	0	7,485	-7,485	0.00	0.94	-0.94
South Carolina	42,679	24,489	18,190	1.58	0.91	0.67
South Dakota	18,321	5,117	13,204	3.65	1.02	2.63
Tennessee	29,182	33,640	-4,458	0.72	0.83	-0.11
Texas	119,557	109,634	9,922	0.79	0.72	0.07
Utah	11,406	13,073	-1,667	0.84	0.96	-0.12
Vermont	11,848	4,883	6,965	2.46	1.01	1.44
Virginia	12,363	50,869	-38,506	0.23	0.93	-0.70
Washington	43,011	37,691	5,320	0.98	0.86	0.12
West Virginia	23,139	9,724	13,415	1.95	0.82	1.13
Wisconsin	50,613	27,124	23,489	1.24	0.67	0.58
Wyoming	25,368	3,986	21,382	7.29	1.15	6.15
United States	\$1,554,403	1,710,811	-156,408	0.73	0.80	-0.07
Guam	2,353	724	1,629	2.61	0.80	1.81
N. Mariana Isl.	6,828	225	6,603	27.57	0.91	26.66
Puerto Rico	133,819	7,666	126,153	8.84	0.51	8.33
Virgin Islands	23,005	982	22,023	30.32	1.29	29.02
Grand Total	\$1,720,408	\$1,720,408	\$0	\$0.80	\$0.80	\$0.00

Table 1.6
Low-Income Support Mechanisms: 1999*

	<i>Annual Payments (Thousands)</i>	<i>Monthly Payment Per Loop</i>	<i>Annual Contributions</i>	<i>Monthly Contributions Per Loop</i>	<i>Annual Payments Less Contributions (Thousands)</i>	<i>Monthly Payments Less Contributions Per Loop</i>
Alabama	\$1,609	\$0.05	\$6,420	\$0.22	-\$4,811	-\$0.16
Alaska	363	0.07	1,236	0.25	-873	-0.18
Arizona	1,859	0.05	9,637	0.28	-7,778	-0.23
Arkansas	702	0.04	3,886	0.23	-3,184	-0.19
California	276,261	1.04	46,086	0.17	230,175	0.86
Colorado	2,013	0.06	9,596	0.29	-7,584	-0.23
Connecticut	4,306	0.16	7,499	0.28	-3,193	-0.12
Delaware	53	0.01	1,894	0.28	-1,841	-0.27
Dist. of Columbia	880	0.08	2,575	0.23	-1,695	-0.15
Florida	11,210	0.09	31,794	0.24	-20,585	-0.16
Georgia	6,482	0.11	15,389	0.26	-8,907	-0.15
Hawaii	917	0.11	1,990	0.23	-1,074	-0.12
Idaho	1,291	0.15	2,391	0.28	-1,101	-0.13
Illinois	3,417	0.03	20,990	0.21	-17,574	-0.18
Indiana	1,319	0.03	8,745	0.20	-7,426	-0.17
Iowa	399	0.02	4,630	0.24	-4,231	-0.21
Kansas	470	0.02	4,666	0.24	-4,196	-0.21
Kentucky	1,876	0.07	5,940	0.23	-4,064	-0.16
Louisiana	675	0.02	6,500	0.21	-5,825	-0.19
Maine	6,147	0.62	2,237	0.23	3,910	0.40
Maryland	344	0.01	10,391	0.24	-10,048	-0.23
Massachusetts	14,275	0.26	13,302	0.25	973	0.02
Michigan	10,158	0.13	13,290	0.17	-3,131	-0.04
Minnesota	3,443	0.10	8,262	0.23	-4,819	-0.13
Mississippi	1,000	0.06	3,941	0.24	-2,941	-0.18
Missouri	686	0.02	8,944	0.22	-8,258	-0.20
Montana	815	0.13	1,724	0.27	-909	-0.14
Nebraska	757	0.06	2,993	0.25	-2,235	-0.18
Nevada	773	0.05	4,309	0.28	-3,536	-0.23
New Hampshire	342	0.03	3,152	0.31	-2,810	-0.28
New Jersey	409	0.01	20,096	0.26	-19,688	-0.25
New Mexico	2,947	0.27	3,210	0.29	-264	-0.02
New York	54,946	0.36	35,107	0.23	19,839	0.13
North Carolina	3,735	0.06	14,072	0.24	-10,337	-0.17
North Dakota	1,018	0.21	1,272	0.26	-253	-0.05
Ohio	6,924	0.08	16,171	0.20	-9,247	-0.11
Oklahoma	192	0.01	5,290	0.22	-5,098	-0.21
Oregon	2,502	0.10	6,264	0.25	-3,763	-0.15
Pennsylvania	3,914	0.04	20,071	0.20	-16,157	-0.16
Rhode Island	3,905	0.49	2,089	0.26	1,817	0.23
South Carolina	1,791	0.07	6,834	0.25	-5,043	-0.19
South Dakota	752	0.15	1,428	0.28	-676	-0.13
Tennessee	2,537	0.06	9,387	0.23	-6,850	-0.17
Texas	22,288	0.15	30,594	0.20	-8,306	-0.05
Utah	1,690	0.12	3,648	0.27	-1,958	-0.14
Vermont	2,429	0.50	1,363	0.28	1,066	0.22
Virginia	1,959	0.04	14,195	0.26	-12,237	-0.22
Washington	5,279	0.12	10,518	0.24	-5,239	-0.12
West Virginia	397	0.03	2,714	0.23	-2,316	-0.20
Wisconsin	4,262	0.10	7,569	0.19	-3,307	-0.08
Wyoming	106	0.03	1,112	0.32	-1,006	-0.29
United States	478,823	0.22	477,416	0.22	1,407	0.00
Guam	59	0.07	202	0.22	-143	-0.16
N. Mariana Isl.	28	0.11	63	0.25	-35	-0.14
Puerto Rico	1,084	0.07	2,139	0.14	-1,056	-0.07
Virgin Islands	60	0.08	274	0.36	-214	-0.28
Grand Total	\$480,094	\$0.22	\$480,094	\$0.22	\$0	\$0.00

* Mechanisms include lifeline, linkup, incremental toll limitation and PICC reimbursement. Payments from 1999 are annualized based on the first eight months of 1999.

** Grand total includes approximately \$41,000 for American Samoa.

Table 1.7
All High-Cost and Low-Income Support Mechanisms: 1999

	<i>Annual Payments (Thousands)</i>	<i>Annual Contributions (Thousands)</i>	<i>Annual Payments Less Contributions (Thousands)</i>	<i>Monthly Payments Per Loop</i>	<i>Monthly Contributions Per Loop</i>	<i>Monthly Payments Less Contributions Per Loop</i>
Alabama	\$39,096	\$29,427	\$9,670	\$1.32	\$0.99	0.33
Alaska	68,795	5,666	63,129	14.03	1.16	12.88
Arizona	33,398	44,172	-10,774	0.97	1.28	-0.31
Arkansas	75,158	17,810	57,348	4.40	1.04	3.36
California	326,904	211,235	115,669	1.23	0.79	0.43
Colorado	46,097	43,985	2,112	1.39	1.33	0.06
Connecticut	5,230	34,370	-29,140	0.20	1.30	-1.10
Delaware	53	8,683	-8,630	0.01	1.30	-1.29
Dist. of Columbia	880	11,803	-10,923	0.08	1.05	-0.97
Florida	29,912	145,729	-115,816	0.23	1.11	-0.88
Georgia	74,184	70,534	3,650	1.24	1.17	0.06
Hawaii	1,792	9,123	-7,331	0.21	1.06	-0.85
Idaho	30,727	10,959	19,768	3.62	1.29	2.33
Illinois	42,006	96,208	-54,202	0.43	0.98	-0.55
Indiana	17,265	40,084	-22,819	0.40	0.93	-0.53
Iowa	25,116	21,220	3,895	1.28	1.08	0.20
Kansas	64,671	21,387	43,283	3.27	1.08	2.19
Kentucky	21,154	27,226	-6,072	0.83	1.06	-0.24
Louisiana	65,557	29,793	35,764	2.16	0.98	1.18
Maine	23,962	10,253	13,709	2.42	1.04	1.39
Maryland	879	47,629	-46,750	0.02	1.09	-1.07
Massachusetts	14,800	60,971	-46,170	0.27	1.13	-0.85
Michigan	44,575	60,912	-16,337	0.58	0.79	-0.21
Minnesota	44,318	37,867	6,450	1.23	1.05	0.18
Mississippi	27,740	18,065	9,675	1.69	1.10	0.59
Missouri	51,975	40,995	10,980	1.26	0.99	0.27
Montana	44,733	7,900	36,833	7.12	1.26	5.86
Nebraska	21,450	13,716	7,734	1.76	1.13	0.64
Nevada	11,624	19,752	-8,128	0.76	1.29	-0.53
New Hampshire	8,531	14,446	-5,915	0.84	1.43	-0.58
New Jersey	1,773	92,112	-90,338	0.02	1.19	-1.16
New Mexico	38,437	14,714	23,723	3.46	1.33	2.14
New York	93,220	160,912	-67,693	0.60	1.04	-0.44
North Carolina	35,645	64,501	-28,856	0.60	1.09	-0.49
North Dakota	22,499	5,829	16,669	4.57	1.18	3.39
Ohio	21,931	74,119	-52,188	0.27	0.90	-0.63
Oklahoma	57,488	24,248	33,240	2.37	1.00	1.37
Oregon	39,100	28,713	10,388	1.57	1.15	0.42
Pennsylvania	25,670	91,993	-66,323	0.26	0.93	-0.67
Rhode Island	3,905	9,574	-5,669	0.49	1.21	-0.71
South Carolina	44,469	31,322	13,147	1.65	1.16	0.49
South Dakota	19,073	6,545	12,528	3.80	1.30	2.50
Tennessee	31,720	43,027	-11,308	0.78	1.06	-0.28
Texas	141,845	140,229	1,616	0.94	0.93	0.01
Utah	13,096	16,721	-3,625	0.96	1.22	-0.27
Vermont	14,277	6,246	8,031	2.96	1.30	1.67
Virginia	14,322	65,064	-50,743	0.26	1.19	-0.92
Washington	48,290	48,209	81	1.10	1.10	0.00
West Virginia	23,536	12,438	11,099	1.99	1.05	0.94
Wisconsin	54,875	34,693	20,182	1.35	0.85	0.50
Wyoming	25,474	5,098	20,376	7.32	1.47	5.86
United States	2,033,226	2,188,227	-155,001	0.95	1.02	-0.07
Guam	2,412	926	1,486	2.68	1.03	1.65
N. Mariana Isl.	6,855	288	6,567	27.68	1.16	26.52
Puerto Rico	134,903	9,805	125,098	8.91	0.65	8.26
Virgin Islands	23,065	1,255	21,809	30.40	1.65	28.74
Grand Total	\$2,200,502	\$2,200,502	\$0	\$1.02	\$1.02	\$0.00

** Grand total includes BY21 approximately \$41,000 for American Samoa.

Table 1.8
Projected High-Cost Support Mechanisms for Rural Carriers: 1999

	<i>HCL</i> Annual Payments (Thousands)	<i>LTS</i> Annual Payments (Thousands)	<i>LSS</i> Annual Payments (Thousands)	<i>Total</i> Annual Payments (Thousands)	Annual Contributions (Thousands)	Annual Payments Less Contributions (Thousands)
Alabama	\$10,788	\$7,261	\$8,464	\$26,512	\$20,215	\$6,297
Alaska	36,947	16,783	14,703	68,433	3,892	64,540
Arizona	16,966	3,080	9,826	29,871	30,345	-473
Arkansas	47,302	15,238	8,191	70,730	12,235	58,496
California	29,002	8,500	7,370	44,871	145,112	-100,240
Colorado	26,300	11,987	3,824	42,111	30,216	11,895
Connecticut	0	161	763	924	23,611	-22,687
Delaware	0	0	0	0	5,965	-5,965
Dist. of Columbia	0	0	0	0	8,108	-8,108
Florida	9,800	5,268	3,635	18,702	100,111	-81,408
Georgia	35,818	17,682	12,319	65,819	48,454	17,365
Hawaii	360	0	515	876	6,267	-5,392
Idaho	19,391	3,424	5,709	28,524	7,529	20,995
Illinois	20,580	6,149	11,860	38,589	66,092	-27,502
Indiana	3,191	5,082	7,672	15,946	27,536	-11,590
Iowa	3,715	7,164	13,838	24,717	14,578	10,139
Kansas	39,363	11,336	13,502	64,201	14,692	49,508
Kentucky	8,394	4,850	4,944	18,187	18,704	-516
Louisiana	40,948	16,560	7,374	64,882	20,467	44,415
Maine	5,255	5,948	6,612	17,815	7,043	10,771
Maryland	0	90	445	535	32,719	-32,184
Massachusetts	48	101	376	525	41,885	-41,360
Michigan	16,200	9,722	7,909	33,831	41,845	-8,014
Minnesota	11,760	12,030	17,085	40,875	26,013	14,861
Mississippi	11,334	5,024	3,381	19,740	12,410	7,330
Missouri	26,515	10,609	7,513	44,637	28,162	16,475
Montana	23,459	9,908	8,864	42,231	5,427	36,803
Nebraska	6,645	3,822	10,225	20,693	9,423	11,270
Nevada	4,237	907	5,707	10,851	13,569	-2,718
New Hampshire	1,648	1,497	5,044	8,189	9,924	-1,735
New Jersey	0	0	1,365	1,365	63,278	-61,913
New Mexico	16,467	6,098	8,502	31,067	10,108	20,958
New York	13,228	6,737	18,308	38,274	110,541	-72,268
North Carolina	9,010	9,541	5,618	24,169	44,310	-20,141
North Dakota	5,064	5,922	10,495	21,480	4,005	17,476
Ohio	5,246	5,161	4,600	15,007	50,917	-35,911
Oklahoma	27,824	16,246	13,226	57,296	16,658	40,638
Oregon	20,201	9,160	7,238	36,599	19,725	16,874
Pennsylvania	901	13,994	6,861	21,756	63,196	-41,440
Rhode Island	0	0	0	0	6,577	-6,577
South Carolina	15,902	10,986	10,598	37,487	21,517	15,969
South Dakota	4,236	4,989	9,096	18,321	4,496	13,825
Tennessee	10,845	10,288	8,049	29,182	29,558	-376
Texas	68,494	29,351	16,482	114,327	96,332	17,994
Utah	3,936	1,473	5,996	11,406	11,487	-81
Vermont	2,912	2,365	5,208	10,485	4,291	6,194
Virginia	3,503	3,308	4,367	11,178	44,697	-33,519
Washington	23,980	13,134	5,897	43,011	33,118	9,893
West Virginia	17,062	1,051	3,573	21,686	8,544	13,141
Wisconsin	14,772	13,294	22,547	50,613	23,833	26,780
Wyoming	11,762	4,455	4,746	20,964	3,502	17,462
United States	731,310	367,734	380,443	1,479,487	1,503,239	-23,753
Guam	426	1,927	0	2,353	636	1,717
N. Mariana Isl.	4,743	0	2,085	6,828	198	6,630
Puerto Rico	0	0	0	0	6,736	-6,736
Virgin Islands	15,872	7,133	0	23,005	862	22,142
Grand Total	\$752,351	\$376,794	\$382,528	\$1,511,672	\$1,511,672	\$0

Table 1.9
Projected High-Cost Support Mechanisms for Non-Rural Carriers: 1999

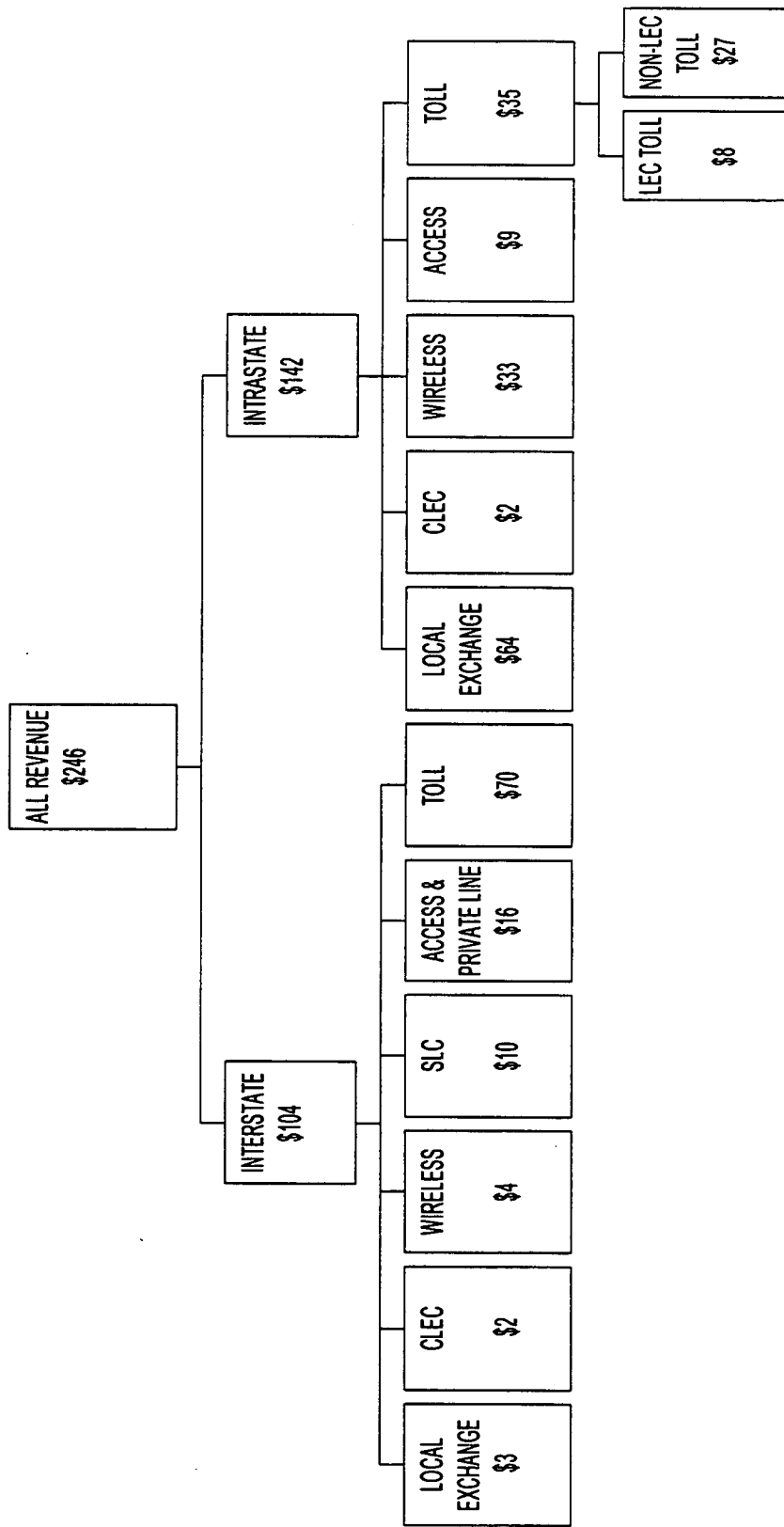
	<i>HCL</i> <i>Annual</i> <i>Payments</i> <i>(Thousands)</i>	<i>LTS</i> <i>Annual</i> <i>Payments</i> <i>(Thousands)</i>	<i>LSS</i> <i>Annual</i> <i>Payments</i> <i>(Thousands)</i>	<i>Total</i> <i>Annual</i> <i>Payments</i> <i>(Thousands)</i>	<i>Annual</i> <i>Contributions</i> <i>(Thousands)</i>	<i>Annual Payments</i> <i>Less</i> <i>Contributions</i> <i>(Thousands)</i>
Alabama	\$10,975	\$0	\$0	\$10,975	\$2,784	\$8,191
Alaska	0	0	0	0	536	-536
Arizona	1,667	0	0	1,667	4,179	-2,512
Arkansas	3,726	0	0	3,726	1,685	2,041
California	1,135	4,637	0	5,772	19,986	-14,214
Colorado	1,974	0	0	1,974	4,162	-2,188
Connecticut	0	0	0	0	3,252	-3,252
Delaware	0	0	0	0	822	-822
Dist. of Columbia	0	0	0	0	1,117	-1,117
Florida	0	0	0	0	13,788	-13,788
Georgia	1,883	0	0	1,883	6,674	-4,791
Hawaii	0	0	0	0	863	-863
Idaho	315	0	598	913	1,037	-124
Illinois	0	0	0	0	9,103	-9,103
Indiana	0	0	0	0	3,793	-3,793
Iowa	0	0	0	0	2,008	-2,008
Kansas	0	0	0	0	2,024	-2,024
Kentucky	1,090	0	0	1,090	2,576	-1,486
Louisiana	0	0	0	0	2,819	-2,819
Maine	0	0	0	0	970	-970
Maryland	0	0	0	0	4,506	-4,506
Massachusetts	0	0	0	0	5,769	-5,769
Michigan	586	0	0	586	5,763	-5,177
Minnesota	0	0	0	0	3,583	-3,583
Mississippi	7,000	0	0	7,000	1,709	5,291
Missouri	6,652	0	0	6,652	3,879	2,773
Montana	1,688	0	0	1,688	747	940
Nebraska	0	0	0	0	1,298	-1,298
Nevada	0	0	0	0	1,869	-1,869
New Hampshire	0	0	0	0	1,367	-1,367
New Jersey	0	0	0	0	8,715	-8,715
New Mexico	4,424	0	0	4,424	1,392	3,032
New York	0	0	0	0	15,225	-15,225
North Carolina	5,351	2,390	0	7,740	6,103	1,638
North Dakota	0	0	0	0	552	-552
Ohio	0	0	0	0	7,013	-7,013
Oklahoma	0	0	0	0	2,294	-2,294
Oregon	0	0	0	0	2,717	-2,717
Pennsylvania	0	0	0	0	8,704	-8,704
Rhode Island	0	0	0	0	906	-906
South Carolina	5,192	0	0	5,192	2,964	2,228
South Dakota	0	0	0	0	619	-619
Tennessee	0	0	0	0	4,071	-4,071
Texas	5,230	0	0	5,230	13,268	-8,038
Utah	0	0	0	0	1,582	-1,582
Vermont	1,363	0	0	1,363	591	772
Virginia	1,185	0	0	1,185	6,156	-4,971
Washington	0	0	0	0	4,561	-4,561
West Virginia	1,453	0	0	1,453	1,177	276
Wisconsin	0	0	0	0	3,283	-3,283
Wyoming	4,404	0	0	4,404	482	3,922
United States	67,292	7,027	598	74,917	207,039	-132,122
Guam	0	0	0	0	88	-88
N. Mariana Isl.	0	0	0	0	27	-27
Puerto Rico	44,442	88,842	0	133,284	928	132,356
Virgin Islands	0	0	0	0	119	-119
Grand Total	\$111,734	\$95,869	\$598	\$208,200	\$208,200	\$0

Table 1.10
Projected Rural Carriers High-Cost Support Payments Per Loop: 1999*

	<i>HCL Payments Per Month</i>	<i>LTS Payments Per Month</i>	<i>LSS Payments Per Month</i>	<i>Total Payments Per Month</i>
Alabama	\$4.13	\$2.78	\$3.24	\$10.14
Alaska	12.16	5.53	4.84	22.53
Arizona	7.71	1.40	4.47	13.58
Arkansas	8.91	2.87	1.54	13.32
California	10.90	3.20	2.77	16.87
Colorado	17.78	8.10	2.58	28.46
Connecticut	0.00	0.59	2.78	3.37
Delaware	N.A.	N.A.	N.A.	N.A.
Dist. of Columbia	N.A.	N.A.	N.A.	N.A.
Florida	4.59	2.46	1.70	8.75
Georgia	3.63	1.79	1.25	6.66
Hawaii	278.16	0.00	397.44	675.59
Idaho	8.15	1.44	2.40	11.99
Illinois	5.30	1.59	3.06	9.95
Indiana	0.66	1.04	1.58	3.28
Iowa	0.54	1.04	2.01	3.58
Kansas	12.41	3.57	4.26	20.24
Kentucky	2.51	1.45	1.48	5.45
Louisiana	18.78	7.59	3.38	29.75
Maine	3.22	3.65	4.05	10.92
Maryland	0.00	1.08	5.32	6.40
Massachusetts	1.00	2.10	7.79	10.89
Michigan	4.84	2.90	2.36	10.10
Minnesota	1.48	1.51	2.15	5.14
Mississippi	10.59	4.69	3.16	18.44
Missouri	4.62	1.85	1.31	7.78
Montana	11.87	5.01	4.49	21.38
Nebraska	2.80	1.61	4.30	8.71
Nevada	3.89	0.83	5.24	9.97
New Hampshire	2.54	2.31	7.77	12.61
New Jersey	0.00	0.00	0.51	0.51
New Mexico	9.91	3.67	5.12	18.70
New York	1.55	0.79	2.15	4.48
North Carolina	1.36	1.45	0.85	3.66
North Dakota	2.64	3.09	5.48	11.21
Ohio	0.86	0.85	0.75	2.46
Oklahoma	9.86	5.76	4.69	20.31
Oregon	6.57	2.98	2.35	11.90
Pennsylvania	0.06	0.88	0.43	1.37
Rhode Island	N.A.	N.A.	N.A.	N.A.
South Carolina	2.23	1.54	1.49	5.27
South Dakota	2.44	2.88	5.25	10.57
Tennessee	2.11	2.00	1.57	5.68
Texas	8.26	3.54	1.99	13.79
Utah	5.81	2.18	8.86	16.85
Vermont	3.89	3.16	6.97	14.02
Virginia	1.96	1.85	2.44	6.25
Washington	4.66	2.55	1.15	8.36
West Virginia	8.77	0.54	1.84	11.15
Wisconsin	1.72	1.55	2.62	5.89
Wyoming	20.00	7.58	8.07	35.65
United States	4.22	2.12	2.20	8.54
Guam	0.47	2.14	0.00	2.61
N. Mariana Isl.	19.15	0.00	8.42	27.57
Puerto Rico	N.A.	N.A.	N.A.	N.A.
Virgin Islands	20.92	9.40	0.00	30.32
Grand Total	\$4.29	\$2.15	\$2.18	\$8.63

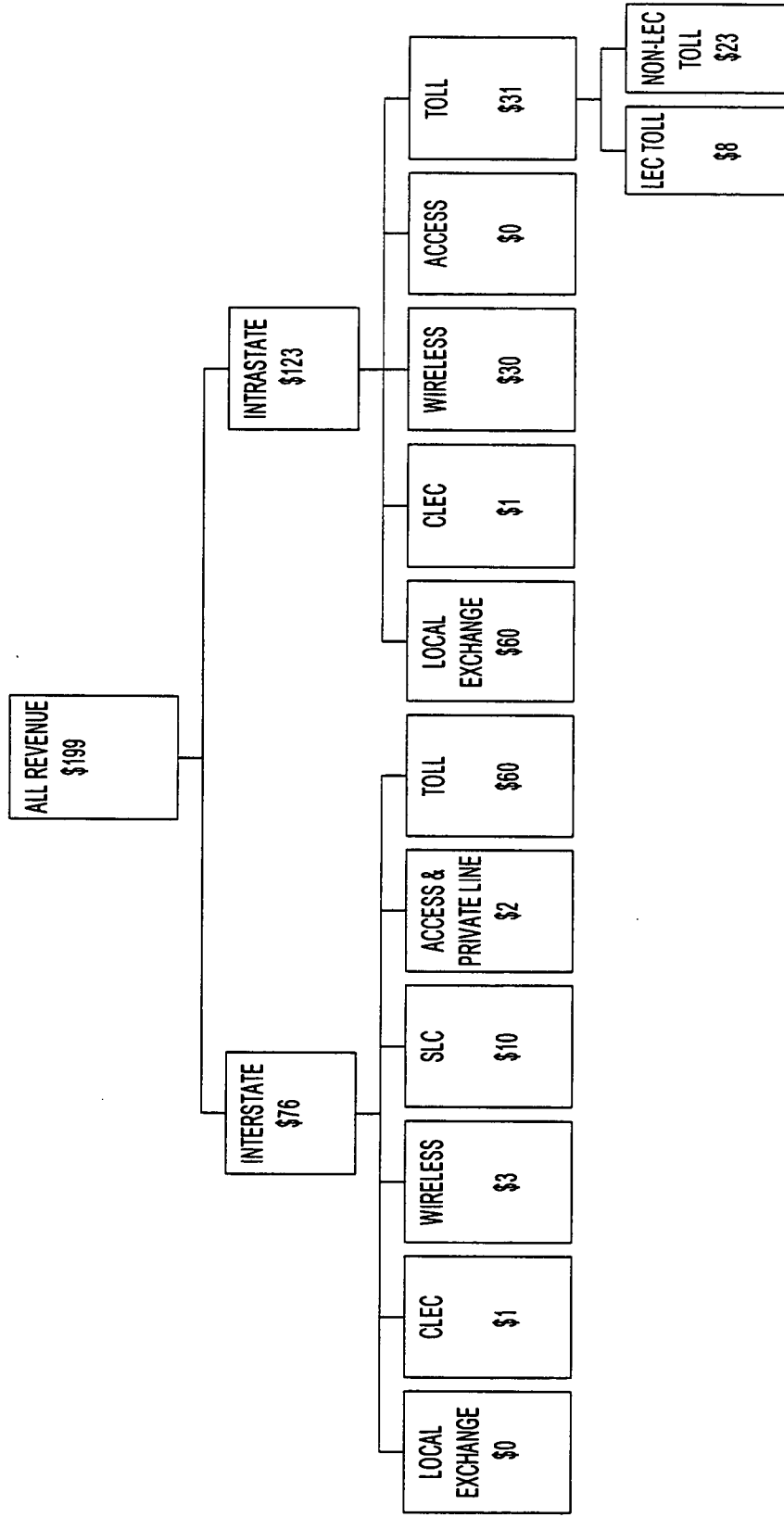
* Rural carriers' high-cost support payments per loop are determined by dividing payments by rural carrier loops.

FIGURE 1
INDUSTRY-WIDE TELECOMMUNICATIONS REVENUE: 1998
(IN BILLIONS OF DOLLARS)



FIGURES MAY NOT ADD UP DUE TO ROUNDING.

FIGURE 2
END-USER TELECOMMUNICATIONS REVENUE: 1998
(IN BILLIONS OF DOLLARS)



FIGURES MAY NOT ADD UP DUE TO ROUNDING.

Table 2.1
1998 Telecommunications Revenue
(In Millions of Dollars)

	<i>Local Exchange Except Wireless</i>	<i>CLEC</i>	<i>Wireless</i>	<i>Subscriber Line Charge 4/</i>	<i>Access 5/</i>	<i>Toll</i>	<i>Total</i>
End-User Revenue							
<i>USF 1/</i>							
Intrastate	60,164	1,330	29,744	0	282	31,019	122,538
Interstate	441	1,121	3,417	9,495	1,708	58,732	74,914
Intrastate+ Interstate	60,605	2,451	33,161	9,495	1,989	89,750	197,452
<i>Other 2/</i>							
Intrastate	128	0	91	0	0	96	315
Interstate	0	0	32	87	0	1,534	1,652
Intrastate+ Interstate	128	0	123	87	0	1,630	1,967
<i>Total</i>							
Intrastate	60,292	1,330	29,835	0	282	31,114	122,853
Interstate	441	1,121	3,449	9,581	1,708	60,266	76,566
Intrastate+ Interstate	60,734	2,451	33,284	9,581	1,989	91,380	199,419
<i>Adjusted Total 3/</i>							
Intrastate	60,102	1,326	29,741	0	281	31,016	122,466
Interstate	440	1,117	3,436	9,546	1,701	60,043	76,283
Intrastate+ Interstate	60,542	2,443	33,177	9,546	1,982	91,059	198,749
Carrier's Carrier Revenue							
<i>USF 1/</i>							
Intrastate	3,396	1,014	2,876	0	8,042	3,459	18,788
Interstate	2,664	519	168	0	13,753	9,612	26,715
Intrastate+ Interstate	6,060	1,533	3,044	0	21,795	13,071	45,503
<i>Others 2/</i>							
Intrastate	0	0	89	0	242	137	467
Interstate	0	0	10	0	174	819	1,003
Intrastate+ Interstate	0	0	98	0	416	956	1,470
<i>Total</i>							
Intrastate	3,396	1,014	2,965	0	8,284	3,596	19,255
Interstate	2,664	519	178	0	13,927	10,431	27,718
Intrastate+ Interstate	6,060	1,533	3,142	0	22,211	14,027	46,973
<i>Adjusted 3/</i>							
Intrastate	3,386	1,011	2,955	0	8,258	3,585	19,194
Interstate	2,654	517	177	0	13,876	10,392	27,616
Intrastate+ Interstate	6,040	1,528	3,132	0	22,133	13,977	46,810
Industry Revenue							
<i>Total</i>							
Intrastate	63,689	2,344	32,800	0	8,566	34,710	142,108
Interstate	3,105	1,640	3,627	9,581	15,635	70,697	104,284
Intrastate+ Interstate	66,794	3,984	36,426	9,581	24,200	105,407	246,392
<i>Adjusted Total 3/</i>							
Intrastate	63,488	2,337	32,696	0	8,538	34,601	141,660
Interstate	3,094	1,634	3,613	9,546	15,577	70,435	103,899
Intrastate+ Interstate	66,581	3,970	36,310	9,546	24,115	105,036	245,559

Source: *Telecommunications Industry Revenue: 1998*, released September 22, 1999.

1/ Revenue for carriers that filed an USF worksheet.

2/ Includes revenues for carriers that filed a TRS worksheet but not a USF worksheet; and includes international-to-international revenue.

3/ Intrastate revenue for 1998 is reduced by 0.32% and interstate revenue is reduced by 0.37%. This takes into account revenue from Alaska, Guam, Northern Mariana Islands and the Virgin Islands.

4/ Intrastate subscriber line charges are included under access.

5/ Interstate access includes switched access, special access and local private line.

Table 2.2
Industry Telephone Revenue: 1998

	<i>Interstate (Millions)</i>	<i>Intrastate (Millions)</i>	<i>Intrastate-Interstate (Millions)</i>	<i>Percent Of Total</i>
Alabama	\$1,414	\$1,980	\$3,394	1.38
Alaska	269	322	590	0.24
Arizona	2,034	1,924	3,958	1.61
Arkansas	860	1,146	2,005	0.81
California	9,916	18,776	28,692	11.64
Colorado	2,052	2,208	4,260	1.73
Connecticut	1,616	1,557	3,173	1.29
Delaware	384	301	685	0.28
Dist. of Columbia	577	508	1,085	0.44
Florida	6,800	8,241	15,042	6.10
Georgia	3,377	4,092	7,469	3.03
Hawaii	456	513	969	0.39
Idaho	539	471	1,010	0.41
Illinois	4,453	6,494	10,948	4.44
Indiana	1,919	2,891	4,810	1.95
Iowa	1,012	1,256	2,268	0.92
Kansas	1,004	1,299	2,304	0.93
Kentucky	1,313	1,747	3,060	1.24
Louisiana	1,404	2,027	3,432	1.39
Maine	507	599	1,105	0.45
Maryland	2,171	2,741	4,911	1.99
Massachusetts	2,944	3,394	6,338	2.57
Michigan	2,877	5,645	8,523	3.46
Minnesota	1,794	2,320	4,115	1.67
Mississippi	865	1,152	2,017	0.82
Missouri	1,978	2,635	4,613	1.87
Montana	374	406	780	0.32
Nebraska	663	924	1,587	0.64
Nevada	897	696	1,592	0.65
New Hampshire	700	546	1,246	0.51
New Jersey	4,236	5,130	9,366	3.80
New Mexico	704	729	1,433	0.58
New York	7,829	10,106	17,935	7.28
North Carolina	3,078	4,219	7,297	2.96
North Dakota	280	319	599	0.24
Ohio	3,551	5,845	9,396	3.81
Oklahoma	1,141	1,411	2,552	1.04
Oregon	1,377	1,528	2,905	1.18
Pennsylvania	4,238	6,071	10,309	4.18
Rhode Island	457	402	859	0.35
South Carolina	1,493	1,899	3,393	1.38
South Dakota	315	321	635	0.26
Tennessee	2,036	2,517	4,553	1.85
Texas	6,734	10,842	17,576	7.13
Utah	788	769	1,557	0.63
Vermont	306	295	602	0.24
Virginia	3,032	3,544	6,576	2.67
Washington	2,293	2,786	5,080	2.06
West Virginia	602	781	1,383	0.56
Wisconsin	1,659	2,575	4,234	1.72
Wyoming	244	218	462	0.19
United States	103,563	141,119	244,682	99.31
Guam	44	59	103	0.04
N. Mariana Isl.	14	16	30	0.01
Puerto Rico	604	863	1,467	0.60
Virgin Islands	59	50	109	0.04
Grand Total	\$104,285	\$142,107	\$246,392	100.00

Figures may not add up due to rounding.

Table 2.3
End-User Telephone Revenue: 1998

	Interstate (Millions)	Intrastate (Millions)	Interstate - Intrastate (Millions)	Percent of Total	Percent USF*	
					Interstate	Intrastate
Alabama	\$1,024	\$1,777	\$2,801	1.40	97.85	99.75
Alaska	197	278	475	0.24	97.84	99.74
Arizona	1,538	1,657	3,194	1.60	97.79	99.75
Arkansas	620	1,012	1,632	0.82	97.81	99.76
California	7,345	16,077	23,422	11.74	97.91	99.73
Colorado	1,531	1,918	3,449	1.73	97.80	99.76
Connecticut	1,196	1,398	2,595	1.30	97.80	99.78
Delaware	302	274	576	0.29	97.74	99.76
Dist. of Columbia	411	464	875	0.44	97.82	99.78
Florida	5,072	6,996	12,068	6.05	97.81	99.73
Georgia	2,455	3,622	6,076	3.05	97.83	99.75
Hawaii	317	459	777	0.39	97.86	99.77
Idaho	382	410	792	0.40	97.77	99.76
Illinois	3,347	5,722	9,069	4.55	97.86	99.73
Indiana	1,395	2,453	3,848	1.93	97.84	99.74
Iowa	738	1,038	1,776	0.89	97.85	99.74
Kansas	744	1,135	1,879	0.94	97.82	99.76
Kentucky	948	1,492	2,440	1.22	97.81	99.74
Louisiana	1,036	1,807	2,843	1.43	97.86	99.74
Maine	357	523	879	0.44	97.81	99.83
Maryland	1,658	2,437	4,095	2.05	97.80	99.73
Massachusetts	2,121	3,086	5,207	2.61	97.86	99.77
Michigan	2,118	4,918	7,036	3.53	97.91	99.75
Minnesota	1,317	1,970	3,287	1.65	97.88	99.74
Mississippi	629	1,049	1,677	0.84	97.82	99.77
Missouri	1,427	2,226	3,652	1.83	97.83	99.76
Montana	275	351	626	0.31	97.75	99.76
Nebraska	477	782	1,260	0.63	97.83	99.75
Nevada	688	622	1,310	0.66	97.74	99.75
New Hampshire	503	494	997	0.50	97.77	99.80
New Jersey	3,207	4,452	7,660	3.84	97.78	99.74
New Mexico	512	623	1,135	0.57	97.77	99.76
New York	5,598	9,008	14,606	7.32	97.86	99.75
North Carolina	2,245	3,532	5,777	2.90	97.82	99.73
North Dakota	203	271	474	0.24	97.79	99.76
Ohio	2,578	5,044	7,622	3.82	97.88	99.73
Oklahoma	844	1,266	2,110	1.06	97.83	99.77
Oregon	999	1,308	2,308	1.16	97.83	99.75
Pennsylvania	3,201	5,148	8,348	4.19	97.85	99.73
Rhode Island	333	368	702	0.35	97.79	99.78
South Carolina	1,090	1,659	2,749	1.38	97.81	99.75
South Dakota	228	276	504	0.25	97.79	99.77
Tennessee	1,497	2,238	3,735	1.87	97.84	99.75
Texas	4,876	8,801	13,677	6.86	97.90	99.73
Utah	582	680	1,262	0.63	97.83	99.77
Vermont	217	261	479	0.24	97.78	99.80
Virginia	2,265	3,031	5,296	2.66	97.78	99.73
Washington	1,678	2,365	4,043	2.03	97.84	99.75
West Virginia	433	685	1,118	0.56	97.81	99.75
Wisconsin	1,207	2,267	3,474	1.74	97.88	99.74
Wyoming	178	192	369	0.19	97.75	99.77
United States	76,139	121,923	198,063	99.32	97.84	99.74
Guam	32	51	83	0.04	97.84	99.74
N. Mariana Isl.	10	14	24	0.01	97.84	99.74
Puerto Rico	341	821	1,162	0.58	97.96	99.83
Virgin Islands	44	43	87	0.04	97.84	99.74
Grand Total	\$76,566	\$122,852	\$199,419	100.00	97.84	99.74

Figures may not add up due to rounding.

* Shows percentage of end-user revenue subject to the universal service mechanism.

Table 2.4
Monthly End-User Telephone Expenditures Per Loop: 1998

	Local Exchange	SLC	Intrastate Toll	Interstate Toll	CLEC	Other Wireline	Total Wireline	Wireless*	All Revenue
Alabama	\$34.90	\$4.53	\$11.78	\$27.09	\$0.89	\$0.88	\$80.07	\$14.62	94.69
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	96.97
Arizona	27.95	5.10	6.58	36.48	1.20	0.92	78.23	14.49	92.72
Arkansas	29.51	4.24	17.01	29.20	0.64	1.03	81.63	14.02	95.65
California	23.09	4.00	22.55	20.61	1.25	0.72	72.22	15.62	87.83
Colorado	33.75	5.16	9.15	37.56	1.68	1.03	88.32	15.95	104.27
Connecticut	25.24	4.43	7.57	36.66	1.32	1.05	76.28	21.50	97.78
Delaware	23.31	4.35	3.35	38.00	1.16	0.54	70.71	15.36	86.07
Dist. of Columbia	32.73	3.36	0.00	29.85	3.11	0.93	69.98	8.06	78.05
Florida	26.86	4.83	13.73	30.96	0.87	0.93	78.18	13.59	91.77
Georgia	36.65	4.74	9.70	32.63	1.66	1.02	86.41	14.76	101.17
Hawaii	36.31	4.92	1.87	28.56	0.46	1.23	73.36	16.79	90.15
Idaho	26.97	4.91	8.72	37.04	0.11	1.45	79.20	14.15	93.35
Illinois	27.94	4.26	14.74	26.48	1.59	0.69	75.70	16.37	92.06
Indiana	27.09	4.20	15.85	25.40	0.46	0.96	73.96	15.38	89.34
Iowa	21.79	4.58	15.47	29.37	1.74	1.11	74.06	16.12	90.18
Kansas	28.51	4.35	14.52	30.16	1.11	0.90	79.55	15.38	94.93
Kentucky	31.15	4.14	13.05	29.82	0.70	1.09	79.94	15.33	95.28
Louisiana	34.87	4.68	11.54	26.61	0.95	0.77	79.42	14.25	93.66
Maine	25.00	4.14	15.51	29.02	0.55	1.25	75.47	13.40	88.87
Maryland	29.50	4.50	11.44	30.65	0.74	0.67	77.51	16.34	93.85
Massachusetts	28.87	4.75	11.86	30.60	1.76	1.03	78.87	17.25	96.12
Michigan	23.99	4.07	25.69	20.61	1.03	0.74	76.13	15.29	91.42
Minnesota	28.59	4.77	10.29	28.32	1.80	0.97	74.73	16.78	91.51
Mississippi	39.02	4.61	11.39	30.60	0.80	0.92	87.35	14.72	102.07
Missouri	27.56	4.37	12.58	27.21	0.55	1.07	73.34	14.87	88.21
Montana	28.50	4.67	15.48	36.47	0.19	1.15	86.46	13.14	99.60
Nebraska	36.62	4.69	13.05	31.17	1.03	1.19	87.76	15.69	103.44
Nevada	22.18	4.15	4.96	37.81	1.23	0.75	71.08	14.36	85.44
New Hampshire	26.62	4.66	7.48	41.25	1.34	1.38	82.72	15.75	98.47
New Jersey	20.55	4.36	21.60	33.92	0.84	0.88	82.14	16.43	98.57
New Mexico	33.47	5.01	9.42	38.02	0.60	1.29	87.81	14.45	102.26
New York	35.96	4.60	6.54	28.24	1.05	1.02	77.42	17.35	94.77
North Carolina	31.89	4.64	14.56	30.28	0.77	1.09	83.23	14.18	97.41
North Dakota	23.95	4.58	18.87	33.69	0.94	1.22	83.24	13.00	96.25
Ohio	29.64	4.25	16.77	23.90	1.01	0.88	76.44	15.80	92.25
Oklahoma	26.46	4.25	13.21	27.72	1.20	0.79	73.64	13.49	87.13
Oregon	26.93	4.87	11.30	31.81	1.35	1.14	77.39	15.11	92.50
Pennsylvania	22.03	4.29	16.03	25.34	1.16	0.74	69.59	15.12	84.72
Rhode Island	27.54	4.51	4.76	34.35	0.77	1.04	72.97	15.49	88.45
South Carolina	36.16	4.61	12.31	32.69	1.07	1.04	87.87	14.04	101.91
South Dakota	26.45	4.81	14.59	37.21	1.09	1.30	85.45	15.06	100.52
Tennessee	32.30	4.50	9.30	29.33	1.44	0.86	77.74	14.67	92.40
Texas	28.20	4.47	15.42	24.42	1.69	1.05	75.24	15.10	90.34
Utah	27.44	5.08	8.08	34.04	1.79	1.00	77.43	14.97	92.40
Vermont	34.07	4.32	7.17	37.22	1.39	1.36	85.53	13.75	99.27
Virginia	28.94	4.65	11.99	33.75	0.46	0.97	80.77	15.71	96.47
Washington	25.07	4.77	13.21	30.15	0.92	1.08	75.20	16.78	91.98
West Virginia	33.88	4.62	11.77	29.31	0.05	1.06	80.70	13.74	94.44
Wisconsin	25.00	3.94	16.85	22.79	1.05	0.79	70.42	14.92	85.34
Wyoming	29.72	5.09	11.87	42.68	0.63	1.37	91.35	14.79	106.15
United States	28.14	4.45	14.41	28.00	1.14	0.92	77.05	15.46	92.52
Guam	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	92.54
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	97.19
Puerto Rico	28.97	3.28	16.21	16.33	0.00	1.63	66.42	10.32	76.74
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	114.32
Grand Total	\$28.15	\$4.44	\$14.42	\$27.91	\$1.14	\$0.92	\$76.97	\$15.42	\$92.41

Figures may not add up due to rounding. Expenditures include both residential and business users.

* Wireless expenditures per loop measures wireless expenditures per wireline loop.

Table 2.5
Adjustment Formula: 1998

	<i>Reporting Carriers Access Lines As a Percentage of Total Access Lines in Industry, Year-End 1997 SOCC, 2.3*</i>	<i>Reporting Carriers Access Lines As a Percentage of Total Access Lines in Industry, Year-End 1998 SOCC, 2.3*</i>	<i>Average Percent Reporting in 1998</i>	<i>Adjustment Formula 100/Average Percent Reporting</i>
Alabama	91.3	91.2	91.2	1.10
Alaska	0.0	0.0	0.0	N/A
Arizona	94.0	93.9	93.9	1.06
Arkansas	74.9	74.9	74.9	1.34
California	98.5	98.5	98.5	1.02
Colorado	95.7	95.7	95.7	1.05
Connecticut	99.0	99.0	99.0	1.01
Delaware	100.0	100.0	100.0	1.00
Dist. of Columbia	100.0	100.0	100.0	1.00
Florida	98.4	98.4	98.4	1.02
Georgia	89.8	89.7	89.7	1.11
Hawaii	100.0	100.0	100.0	1.00
Idaho	90.5	90.5	90.5	1.11
Illinois	97.5	96.6	97.1	1.03
Indiana	95.7	95.7	95.7	1.04
Iowa	82.6	82.3	82.4	1.21
Kansas	84.4	84.4	84.4	1.18
Kentucky	87.1	87.0	87.0	1.15
Louisiana	92.9	92.8	92.8	1.08
Maine	83.9	83.5	83.7	1.19
Maryland	99.8	99.8	99.8	1.00
Massachusetts	99.9	99.9	99.9	1.00
Michigan	96.5	96.5	96.5	1.04
Minnesota	74.2	73.7	73.9	1.35
Mississippi	93.6	93.5	93.5	1.07
Missouri	94.8	94.8	94.8	1.05
Montana	69.0	68.5	68.8	1.45
Nebraska	86.3	86.3	86.3	1.16
Nevada	95.6	95.6	95.6	1.05
New Hampshire	93.8	93.6	93.7	1.07
New Jersey	99.8	99.8	99.8	1.00
New Mexico	90.2	90.0	90.1	1.11
New York	96.9	96.9	96.9	1.03
North Carolina	86.5	90.5	88.5	1.16
North Dakota	62.2	61.0	61.6	1.61
Ohio	95.3	95.3	95.3	1.05
Oklahoma	88.4	88.4	88.4	1.13
Oregon	92.0	91.9	91.9	1.09
Pennsylvania	95.6	95.6	95.6	1.05
Rhode Island	100.0	100.0	100.0	1.00
South Carolina	73.8	73.6	73.7	1.36
South Dakota	65.5	65.4	65.5	1.53
Tennessee	87.5	87.3	87.4	1.14
Texas	94.2	95.8	95.0	1.06
Utah	95.2	95.0	95.1	1.05
Vermont	84.7	84.5	84.6	1.18
Virginia	97.5	97.5	97.5	1.03
Washington	93.0	93.1	93.0	1.08
West Virginia	83.5	83.6	83.5	1.20
Wisconsin	81.6	78.9	80.3	1.23
Wyoming	83.0	83.1	83.1	1.20
United States	93.8	93.8	93.8	1.07
Guam	0.0	0.0	0.0	N/A
N. Mariana Isl.	0.0	0.0	0.0	N/A
Puerto Rico	100.0	100.0	100.0	1.00
Virgin Islands	0.0	0.0	0.0	N/A
Grand Total	93.7	93.8	93.7	1.07

Figures may not add up due to rounding.

* Access lines are measured using USF loops.

Table 2.6
Local Exchange Excluding Wireless Revenue: 1998

	<i>Basic Rev. SOCC, 2.13 (Millions)</i>	<i>Misc. Rev. SOCC 2.13 (Millions)</i>	<i>Basic and Misc. Rev. (Millions)</i>	<i>Basic and Misc. Rev. SOCC Adjusted (Millions)</i>	<i>Allocation Percentage</i>	<i>Intrastate Local Exch. End-User (Millions)</i>	<i>Interstate Local Exch. End-User (Millions)</i>	<i>Intrastate Local Exch. Industry (Millions)</i>	<i>Interstate Local Exch. Industry (Millions)</i>
Alabama	\$919	\$40	\$959	\$1,050	1.71	\$1,025	\$8	\$1,083	\$53
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Arizona	905	15	920	980	1.59	956	7	1,010	49
Arkansas	369	15	384	512	0.83	500	4	528	26
California	5,911	259	6,170	6,264	10.17	6,112	45	6,456	315
Colorado	949	137	1,087	1,136	1.84	1,108	8	1,171	57
Connecticut	650	25	675	682	1.11	665	5	703	34
Delaware	155	4	159	159	0.26	155	1	164	8
Dist. of Columbia	289	85	373	373	0.61	364	3	385	19
Florida	3,289	247	3,536	3,593	5.83	3,506	26	3,704	180
Georgia	1,947	64	2,011	2,240	3.64	2,185	16	2,309	113
Hawaii	273	45	318	318	0.52	311	2	328	16
Idaho	210	0	211	233	0.38	227	2	240	12
Illinois	2,617	114	2,731	2,800	4.55	2,732	20	2,886	141
Indiana	1,066	71	1,137	1,187	1.93	1,159	8	1,224	60
Iowa	357	3	361	437	0.71	426	3	450	22
Kansas	427	58	485	574	0.93	560	4	592	29
Kentucky	660	47	707	812	1.32	792	6	837	41
Louisiana	941	59	1,000	1,077	1.75	1,051	8	1,110	54
Maine	192	20	211	252	0.41	246	2	259	13
Maryland	1,233	74	1,307	1,310	2.13	1,278	9	1,350	66
Massachusetts	1,439	151	1,590	1,591	2.58	1,552	11	1,640	80
Michigan	1,772	41	1,813	1,878	3.05	1,833	13	1,936	94
Minnesota	761	13	775	1,045	1.70	1,019	7	1,077	52
Mississippi	592	18	610	652	1.06	637	5	673	33
Missouri	1,062	39	1,101	1,161	1.89	1,133	8	1,197	58
Montana	129	(3)	126	182	0.30	178	1	188	9
Nebraska	331	61	392	454	0.74	443	3	468	23
Nevada	292	39	331	346	0.56	338	2	357	17
New Hampshire	231	27	257	274	0.45	268	2	283	14
New Jersey	1,560	62	1,622	1,624	2.64	1,585	12	1,674	82
New Mexico	330	11	341	378	0.61	369	3	390	19
New York	5,180	287	5,467	5,639	9.16	5,503	40	5,813	283
North Carolina	1,586	78	1,665	1,924	3.12	1,878	14	1,983	97
North Dakota	74	0	75	120	0.19	117	1	124	6
Ohio	2,309	66	2,375	2,492	4.05	2,431	18	2,568	125
Oklahoma	581	(5)	577	652	1.06	636	5	672	33
Oregon	607	21	628	683	1.11	667	5	704	34
Pennsylvania	1,993	119	2,112	2,209	3.59	2,155	16	2,276	111
Rhode Island	205	17	222	222	0.36	217	2	229	11
South Carolina	705	27	732	993	1.61	968	7	1,023	50
South Dakota	89	(1)	88	135	0.22	132	1	139	7
Tennessee	1,118	45	1,163	1,329	2.16	1,296	9	1,369	67
Texas	3,969	122	4,090	4,343	7.05	4,238	31	4,477	218
Utah	345	18	363	381	0.62	372	3	393	19
Vermont	132	10	142	167	0.27	163	1	172	8
Virginia	1,479	98	1,577	1,617	2.62	1,577	12	1,666	81
Washington	973	70	1,043	1,121	1.82	1,094	8	1,155	56
West Virginia	328	12	341	408	0.66	398	3	421	20
Wisconsin	823	21	845	1,035	1.68	1,010	7	1,067	52
Wyoming	88	(1)	87	105	0.17	103	1	108	5
United States	54,442	2,848	57,290	61,149	99.28	59,667	437	63,028	3,072
Guam	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Puerto Rico	448	(2)	446	446	0.72	435	3	460	22
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Grand Total	\$54,890	\$2,846	\$57,736	\$61,595	100.00	\$60,102	\$440	\$63,488	\$3,094

Figures may not add up due to rounding.

Table 2.8
Wireless Revenue: 1998

	<i>1998 Personnel Income (Billions) Statistical Abstract</i>	<i>Distn. Of Income Proxy for Wireless</i>	<i>Intrastate Wireless Rev. End-User (Millions)</i>	<i>Interstate Wireless Rev. End-User (Millions)</i>	<i>Intrastate Wireless Rev. Industry (Millions)</i>	<i>Interstate Wireless Rev. Industry (Millions)</i>
Alabama	93.3	1.30	388	\$45	\$426	\$47
Alaska	N/A	N/A	N/A	N/A	N/A	N/A
Arizona	107.7	1.50	448	52	492	54
Arkansas	51.6	0.72	214	25	236	26
California	898.4	12.55	3,733	431	4,104	454
Colorado	113.8	1.59	473	55	520	57
Connecticut	123.1	1.72	512	59	562	62
Delaware	22.2	0.31	92	11	101	11
Dist. of Columbia	19.5	0.27	81	9	89	10
Florida	385.6	5.39	1,602	185	1,762	195
Georgia	191.2	2.67	795	92	873	97
Hawaii	31.2	0.44	130	15	143	16
Idaho	25.9	0.36	108	12	118	13
Illinois	347.8	4.86	1,445	167	1,589	176
Indiana	142.9	2.00	594	69	653	72
Iowa	68.5	0.96	285	33	313	35
Kansas	65.7	0.92	273	32	300	33
Kentucky	84.7	1.18	352	41	387	43
Louisiana	93.3	1.30	388	45	426	47
Maine	28.6	0.40	119	14	131	14
Maryland	153.8	2.15	639	74	703	78
Massachusetts	201.6	2.82	838	97	921	102
Michigan	253.8	3.55	1,055	122	1,159	128
Minnesota	130.0	1.82	540	62	594	66
Mississippi	52.2	0.73	217	25	238	26
Missouri	132.8	1.86	552	64	607	67
Montana	17.8	0.25	74	9	81	9
Nebraska	41.2	0.58	171	20	188	21
Nevada	47.5	0.66	197	23	217	24
New Hampshire	34.4	0.48	143	17	157	17
New Jersey	275.4	3.85	1,144	132	1,258	139
New Mexico	34.6	0.48	144	17	158	17
New York	576.8	8.06	2,397	277	2,635	291
North Carolina	181.4	2.53	754	87	829	92
North Dakota	13.8	0.19	57	7	63	7
Ohio	281.7	3.94	1,171	135	1,287	142
Oklahoma	70.5	0.99	293	34	322	36
Oregon	81.3	1.14	338	39	371	41
Pennsylvania	321.5	4.49	1,336	154	1,469	162
Rhode Island	26.5	0.37	110	13	121	13
South Carolina	81.7	1.14	340	39	373	41
South Dakota	16.3	0.23	68	8	74	8
Tennessee	127.9	1.79	531	61	584	65
Texas	493.1	6.89	2,049	237	2,253	249
Utah	44.1	0.62	183	21	201	22
Vermont	14.3	0.20	59	7	65	7
Virginia	186.0	2.60	773	89	850	94
Washington	159.1	2.22	661	76	727	80
West Virginia	35.1	0.49	146	17	160	18
Wisconsin	131.0	1.83	544	63	598	66
Wyoming	11.1	0.16	46	5	51	6
United States	7,123.3	99.53	29,601	3,420	32,542	3,596
Guam	N/A	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A
Puerto Rico	33.7	0.47	140	16	154	17
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A
Grand Total	\$7,157.0	100.00	\$29,741	\$3,436	\$32,696	\$3,613

Figures may not add up due to rounding.

Table 2.9
Billable Access Lines: 1998*

	<i>Resident Lines Non-Lifeline SOCC 2.19</i>	<i>Business Single Lines SOCC 2.19</i>	<i>Business Multilines SOCC 2.19</i>	<i>Estimate Non-Primary Residential</i>	<i>Primary & Business Single Line</i>	<i>Business Multilines Adjusted</i>	<i>Bell Operating % Of Lines</i>	<i>Other Price Caps % Of Lines</i>	<i>NECA Pool & Rate-of- Return % of Lines</i>
Alabama	1,574,184	52,536	551,603	198,352	1,583,382	604,167	80.1	12.4	7.6
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Arizona	1,929,977	52,036	764,313	255,436	1,854,189	813,523	93.7	5.3	1.1
Arkansas	731,821	32,344	252,943	113,849	906,817	337,846	68.8	15.1	16.1
California	10,801,546	443,574	7,919,309	3,089,660	8,327,253	8,040,294	78.4	20.8	0.9
Colorado	1,788,740	60,510	808,935	246,067	1,686,719	845,477	95.7	0.0	4.3
Connecticut	1,487,200	40,271	570,011	137,145	1,405,904	575,825	99.0	0.0	1.0
Delaware	360,503	11,479	177,889	59,004	312,978	177,889	100.0	0.0	0.0
Dist. of Columbia	290,722	4,373	596,467	46,808	248,287	596,467	100.0	0.0	0.0
Florida	7,413,589	220,256	3,047,920	977,352	6,780,425	3,097,402	59.3	39.1	1.6
Georgia	2,803,150	104,983	1,419,495	383,270	2,855,049	1,580,663	83.8	0.6	15.7
Hawaii	459,900	20,499	210,920	68,726	411,756	210,957	0.0	100.0	0.0
Idaho	456,807	20,007	168,205	58,638	468,266	185,875	71.7	21.7	6.6
Illinois	4,734,127	168,599	2,818,380	598,822	4,427,445	2,889,398	85.6	12.3	2.1
Indiana	2,265,587	76,102	987,509	255,988	2,189,876	1,031,441	62.4	33.5	4.1
Iowa	953,678	36,894	378,117	114,007	1,084,978	457,672	65.1	21.0	14.0
Kansas	914,658	35,638	373,460	153,741	972,195	442,485	84.0	8.6	7.4
Kentucky	1,252,225	49,034	390,897	144,394	1,350,114	448,949	56.9	34.7	8.4
Louisiana	1,628,954	45,561	634,745	221,404	1,581,964	683,588	92.9	0.0	7.1
Maine	445,190	33,458	148,499	75,924	494,250	176,895	83.9	0.0	16.1
Maryland	2,352,960	54,438	1,183,393	381,863	2,029,989	1,185,583	99.8	0.0	0.2
Massachusetts	2,734,358	218,849	1,328,948	468,440	2,487,330	1,330,101	99.9	0.0	0.1
Michigan	3,857,280	129,574	1,925,119	498,960	3,631,076	1,994,257	84.9	12.0	3.1
Minnesota	1,455,192	66,909	730,675	192,295	1,859,837	985,113	74.1	13.3	12.6
Mississippi	892,135	37,999	323,033	142,156	852,038	345,281	93.6	0.4	6.0
Missouri	2,218,700	86,911	830,152	304,133	2,127,766	875,623	75.2	19.7	5.1
Montana	253,791	13,310	94,246	35,066	351,870	136,530	69.1	1.6	29.3
Nebraska	592,925	28,598	249,762	69,232	650,735	289,322	52.5	36.7	10.9
Nevada	801,063	24,891	387,061	158,725	705,247	404,877	27.4	70.4	2.2
New Hampshire	530,292	36,100	207,376	89,842	513,919	221,058	93.8	0.0	6.2
New Jersey	4,193,663	98,713	2,103,145	678,095	3,620,802	2,106,340	96.6	3.2	0.2
New Mexico	615,336	22,247	221,681	80,475	626,193	245,701	85.2	10.4	4.4
New York	7,432,910	419,765	3,645,624	1,205,781	6,894,106	3,760,393	90.1	7.7	2.3
North Carolina	2,993,733	156,912	1,149,244	353,408	3,288,612	1,328,480	49.8	36.7	13.5
North Dakota	167,334	7,319	73,900	23,240	257,739	118,889	62.1	0.0	37.9
Ohio	4,567,014	339,100	1,695,361	561,874	4,585,434	1,778,708	59.6	33.2	7.2
Oklahoma	1,230,310	48,930	425,655	211,431	1,235,290	481,383	82.7	5.8	11.6
Oregon	1,297,025	57,647	535,473	175,508	1,297,724	582,337	65.9	26.8	7.3
Pennsylvania	5,299,333	238,133	2,202,595	828,743	4,960,876	2,302,892	77.4	13.2	9.4
Rhode Island	406,827	29,083	173,147	69,144	366,766	173,147	100.0	0.0	0.0
South Carolina	1,137,789	42,564	453,763	141,880	1,458,051	615,061	65.5	13.9	20.6
South Dakota	177,529	9,564	84,787	24,895	260,554	129,360	65.5	0.0	34.5
Tennessee	2,054,129	61,662	738,934	263,890	2,153,152	844,145	80.0	10.4	9.6
Texas	7,589,692	254,501	3,403,569	1,239,913	7,089,018	3,613,895	77.7	18.1	4.2
Utah	728,367	22,828	335,039	98,810	690,241	351,923	95.4	1.9	2.7
Vermont	208,340	19,376	84,425	36,120	232,728	99,675	84.7	0.0	15.3
Virginia	2,891,459	75,571	1,411,435	413,685	2,628,210	1,447,049	76.0	21.5	2.5
Washington	2,349,520	84,071	955,450	331,981	2,284,352	1,027,196	68.0	25.0	7.0
West Virginia	598,411	18,169	188,202	88,122	650,487	225,449	83.5	14.9	1.6
Wisconsin	1,719,927	54,126	798,735	210,819	1,962,764	978,616	67.0	15.8	17.1
Wyoming	160,666	8,841	74,233	22,372	181,779	89,405	83.4	2.6	14.0
United States	105,800,568	4,274,855	50,233,779	16,599,487	100,876,533	53,264,602	76.6	17.9	5.5
Guam	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Puerto Rico	948,018	119,541	85,825	0	1,067,559	85,825	0.0	0.0	100.0
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Grand Total	106,748,586	4,394,396	50,319,604	16,599,487	101,944,092	53,350,427	76.0	17.8	6.3

Figures may not add up due to rounding.

* Billable access lines are defined in the notes of Table 2.19 of the *Statistics of Communication Common Carriers*.

Table 2.10
Subscriber Line Charge (SLC) Rates and Revenue: 1998

	<i>Multiline Business Rate Bell Operating Per Month</i>	<i>Multiline Business Rate Other Price Cap Per Month</i>	<i>Multiline Business Rate State-Wide Per Month</i>	<i>Non-Primary Residential Rate</i>	<i>Primary Residential Rate</i>	<i>Estimated SLC (Millions)</i>	<i>Allocation Percentage</i>	<i>SLC USF & TRS (Millions)</i>
Alabama	\$8.24	\$8.99	\$8.16	\$5.00	\$3.50	\$138	1.40	\$134
Alaska	N/A	N/A	N/A	N/A	3.50	N/A	N/A	N/A
Arizona	9.00	9.00	8.97	5.00	3.50	181	1.84	176
Arkansas	7.18	9.00	7.26	5.00	3.50	74	0.76	72
California	5.39	7.43	5.82	5.00	3.50	1,097	11.17	1,067
Colorado	9.00	0.00	8.87	5.00	3.50	176	1.79	171
Connecticut	7.79	0.00	7.77	5.00	3.50	121	1.23	118
Delaware	6.21	0.00	6.21	5.00	3.50	30	0.31	29
Dist. of Columbia	3.67	0.00	3.67	3.67	3.24	39	0.39	38
Florida	8.24	8.57	8.33	5.00	3.50	653	6.66	635
Georgia	8.24	8.91	7.89	5.00	3.50	293	2.98	285
Hawaii	0.00	8.76	8.76	5.00	3.50	44	0.44	42
Idaho	9.00	9.00	8.80	5.00	3.50	43	0.44	42
Illinois	5.79	7.70	6.03	5.00	3.50	431	4.39	419
Indiana	5.80	7.40	6.34	5.00	3.50	186	1.89	181
Iowa	7.40	8.06	7.34	5.00	3.50	93	0.95	90
Kansas	7.18	9.00	7.25	5.00	3.50	89	0.90	86
Kentucky	8.24	8.31	8.08	5.00	3.50	109	1.11	106
Louisiana	8.24	0.00	8.08	5.00	3.50	146	1.49	142
Maine	8.27	0.00	7.91	5.00	3.50	42	0.43	41
Maryland	6.60	0.00	6.60	5.00	3.50	202	2.06	197
Massachusetts	8.27	0.00	8.27	5.00	3.50	265	2.70	257
Michigan	5.41	8.79	5.83	5.00	3.50	322	3.28	313
Minnesota	7.45	7.79	7.31	5.00	3.50	176	1.79	171
Mississippi	8.24	8.91	8.11	5.00	3.50	78	0.79	76
Missouri	7.18	8.89	7.46	5.00	3.50	186	1.90	181
Montana	9.00	9.00	8.12	5.00	3.50	30	0.31	29
Nebraska	8.90	6.87	7.84	5.00	3.50	59	0.60	57
Nevada	7.11	4.88	5.51	4.72	3.50	65	0.67	64
New Hampshire	8.27	0.00	8.13	5.00	3.50	49	0.49	47
New Jersey	6.12	7.46	6.16	5.00	3.50	349	3.55	339
New Mexico	9.00	8.75	8.84	5.00	3.50	57	0.58	56
New York	8.27	7.18	8.14	5.00	3.50	729	7.43	709
North Carolina	8.24	7.72	7.75	5.00	3.50	283	2.88	275
North Dakota	8.69	0.00	7.67	5.00	3.50	23	0.24	23
Ohio	5.72	7.41	6.30	5.00	3.50	361	3.68	351
Oklahoma	7.18	9.00	7.15	5.00	3.50	106	1.08	103
Oregon	8.98	8.28	8.57	5.00	3.50	125	1.27	122
Pennsylvania	6.36	6.86	6.39	5.00	3.50	435	4.43	423
Rhode Island	8.27	0.00	8.27	5.00	3.50	37	0.37	36
South Carolina	8.24	8.96	7.88	5.00	3.50	128	1.30	124
South Dakota	9.00	0.00	7.97	5.00	3.50	25	0.25	24
Tennessee	8.24	7.74	7.97	5.00	3.50	187	1.91	182
Texas	7.18	8.92	7.45	5.00	3.50	695	7.08	676
Utah	8.69	9.00	8.62	5.00	3.50	71	0.73	69
Vermont	8.27	0.00	7.92	5.00	3.50	21	0.22	21
Virginia	6.95	8.82	7.33	5.00	3.50	262	2.67	255
Washington	7.96	9.00	8.08	5.00	3.50	216	2.20	210
West Virginia	8.76	9.00	8.75	5.00	3.50	56	0.57	55
Wisconsin	5.28	8.67	5.94	5.00	3.50	165	1.68	160
Wyoming	9.00	9.00	8.58	5.00	3.50	18	0.19	18
United States			7.09			9,762	99.48	9,496
Guam	N/A	N/A	N/A			N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A			N/A	N/A	N/A
Puerto Rico	0.00	0.00	6.00	0.00	3.50	51	0.52	50
Virgin Islands	N/A	N/A	N/A			N/A	N/A	N/A
Grand Total			7.06			\$9,813	100.00	\$9,546

Figures may not add up due to rounding.

Table 2.11
Interstate Access Revenue: 1998*

	<i>Interstate Access SOCC, 2.13 (Millions)</i>	<i>Interstate Access, SOCC Adjusted (Millions)</i>	<i>SLC (Millions)</i>	<i>Net Access (Millions)</i>	<i>Allocation Percentage</i>	<i>Interstate Access End-User</i>	<i>Interstate Access Industry (Millions)</i>
Alabama	\$349	\$382	\$134	\$248	1.43	\$24	\$222
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Arizona	430	458	176	282	1.62	28	253
Arkansas	174	233	72	160	0.92	16	144
California	2,603	2,642	1,067	1,576	9.06	154	1,412
Colorado	454	475	171	304	1.75	30	272
Connecticut	379	382	118	265	1.52	26	237
Delaware	65	65	29	35	0.20	3	32
Dist. of Columbia	144	144	38	106	0.61	10	95
Florida	1,655	1,682	635	1,046	6.02	102	937
Georgia	774	862	285	578	3.32	57	517
Hawaii	143	143	42	101	0.58	10	91
Idaho	142	157	42	115	0.66	11	103
Illinois	1,011	1,036	419	617	3.55	60	553
Indiana	504	527	181	346	1.99	34	310
Iowa	225	273	90	182	1.05	18	163
Kansas	206	244	86	157	0.91	15	141
Kentucky	302	347	106	241	1.39	24	216
Louisiana	334	359	142	217	1.25	21	195
Maine	126	150	41	109	0.63	11	98
Maryland	464	465	197	269	1.54	26	241
Massachusetts	811	812	257	554	3.19	54	497
Michigan	763	791	313	477	2.74	47	428
Minnesota	349	471	171	300	1.72	29	269
Mississippi	208	222	76	146	0.84	14	131
Missouri	527	555	181	374	2.15	37	335
Montana	64	93	29	64	0.37	6	57
Nebraska	154	179	57	122	0.70	12	109
Nevada	166	174	64	110	0.64	11	99
New Hampshire	173	184	47	137	0.79	13	123
New Jersey	941	943	339	604	3.47	59	541
New Mexico	163	181	56	125	0.72	12	112
New York	2,128	2,195	709	1,486	8.55	145	1,331
North Carolina	699	808	275	533	3.07	52	477
North Dakota	46	74	23	52	0.30	5	46
Ohio	931	977	351	626	3.60	61	561
Oklahoma	252	284	103	181	1.04	18	163
Oregon	345	375	122	253	1.46	25	227
Pennsylvania	977	1,022	423	599	3.44	59	536
Rhode Island	118	118	36	82	0.47	8	73
South Carolina	276	375	124	250	1.44	24	224
South Dakota	55	83	24	59	0.34	6	53
Tennessee	446	509	182	327	1.88	32	293
Texas	1,775	1,885	676	1,208	6.95	118	1,083
Utah	189	198	69	129	0.74	13	115
Vermont	69	82	21	61	0.35	6	55
Virginia	696	714	255	458	2.64	45	411
Washington	574	617	210	408	2.34	40	365
West Virginia	140	168	55	113	0.65	11	102
Wisconsin	371	455	160	295	1.70	29	264
Wyoming	51	62	18	44	0.25	4	40
United States	24,942	26,631	9,496	17,135	98.55	1,676	15,352
Guam	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Puerto Rico	301	301	50	251	1.45	25	225
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Grand Total	\$25,243	\$26,932	\$9,546	\$17,386	100.00	1,701	\$15,577

Figures may not add up due to rounding.

* Includes switched and special access revenue and private line revenue.

Table 2.12
Intrastate Access Revenue: 1998

	<i>State-Access SOCC, 2.13 (Millions)</i>	<i>State-Access SOCC, Adjusted (Millions)</i>	<i>Allocation Percentage</i>	<i>Intrastate Access End-User (Millions)</i>	<i>Intrastate Access Industry (Millions)</i>
Alabama	\$52	\$57	0.65	\$2	\$55
Alaska	N/A	N/A	N/A	N/A	N/A
Arizona	123	131	1.48	4	126
Arkansas	44	58	0.66	2	56
California	1,195	1,213	13.71	39	1,171
Colorado	132	138	1.55	4	133
Connecticut	58	59	0.67	2	57
Delaware	5	5	0.05	0	4
Dist. of Columbia	0	0	0.00	0	0
Florida	620	630	7.12	20	608
Georgia	143	159	1.80	5	153
Hawaii	23	23	0.26	1	22
Idaho	30	33	0.37	1	32
Illinois	224	229	2.59	7	221
Indiana	229	239	2.70	8	231
Iowa	103	125	1.41	4	121
Kansas	62	74	0.83	2	71
Kentucky	117	134	1.52	4	130
Louisiana	63	68	0.76	2	65
Maine	43	51	0.58	2	50
Maryland	93	93	1.06	3	90
Massachusetts	57	57	0.64	2	55
Michigan	309	320	3.62	10	309
Minnesota	129	174	1.97	6	168
Mississippi	25	27	0.30	1	26
Missouri	235	248	2.80	8	239
Montana	21	30	0.34	1	29
Nebraska	71	83	0.94	3	80
Nevada	19	19	0.22	1	19
New Hampshire	17	18	0.20	1	17
New Jersey	282	282	3.19	9	272
New Mexico	58	64	0.72	2	62
New York	374	386	4.36	12	372
North Carolina	341	394	4.45	13	380
North Dakota	18	28	0.32	1	27
Ohio	335	352	3.98	11	340
Oklahoma	40	46	0.52	1	44
Oregon	104	113	1.28	4	109
Pennsylvania	442	462	5.22	15	446
Rhode Island	8	8	0.09	0	8
South Carolina	81	109	1.24	3	105
South Dakota	15	24	0.27	1	23
Tennessee	81	93	1.05	3	89
Texas	1,197	1,271	14.37	40	1,227
Utah	33	34	0.39	1	33
Vermont	15	17	0.20	1	17
Virginia	258	264	2.99	8	255
Washington	218	235	2.65	7	226
West Virginia	39	46	0.52	1	45
Wisconsin	88	108	1.22	3	104
Wyoming	11	13	0.15	0	13
United States	8,278	8,845	99.96	281	8,535
Guam	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A
Puerto Rico	4	4	0.04	0	3
Virgin Islands	N/A	N/A	N/A	N/A	N/A
Grand Total	\$8,282	\$8,849	100.00	\$281	\$8,538

Figures may not add up due to rounding.

Table 2.13
Local Exchange Carrier (LEC) Intrastate Toll Revenue: 1998

	<i>LEC Toll Revenue SOCC, 2.13 (Millions)</i>	<i>LEC Toll Revenue Adjusted (Millions)</i>
Alabama	572	579
Alaska	N/A	N/A
Arizona	36	38
Arkansas	100	134
California	1,501	1,524
Colorado	117	122
Connecticut	191	193
Delaware	11	11
Dist. of Columbia	0	0
Florida	206	210
Georgia	78	87
Hawaii	14	14
Idaho	31	34
Illinois	219	224
Indiana	159	166
Iowa	72	87
Kansas	95	113
Kentucky	56	65
Louisiana	46	50
Maine	129	154
Maryland	73	73
Massachusetts	363	363
Michigan	773	801
Minnesota	39	52
Mississippi	83	89
Missouri	201	212
Montana	27	40
Nebraska	42	49
Nevada	16	17
New Hampshire	71	76
New Jersey	520	521
New Mexico	41	46
New York	230	238
North Carolina	95	110
North Dakota	27	43
Ohio	211	222
Oklahoma	142	160
Oregon	94	102
Pennsylvania	363	380
Rhode Island	38	38
South Carolina	71	96
South Dakota	24	37
Tennessee	96	109
Texas	387	411
Utah	60	64
Vermont	29	35
Virginia	89	91
Washington	198	213
West Virginia	37	44
Wisconsin	160	195
Wyoming	18	22
United States	7,755	8,253
Guam	N/A	N/A
N. Mariana Isl.	N/A	N/A
Puerto Rico	245	245
Virgin Islands	N/A	N/A
Grand Total	\$8,000	\$8,498

Figures may not add up due to rounding.

Table 2.14
Non-LEC Intrastate Toll: 1998

	<i>Intrastate-interlata Access Minutes (Origin & Termin) SOCC 2.6 (Thousands)</i>	<i>Intrastate-interlata Access Minutes (Origin & Termin) Adjusted (Thousands)</i>	<i>% Of Nation</i>	<i>Toll End-User (Millions)</i>	<i>Toll Industry (Millions)</i>
Alabama	2,231,864	2,444,544	1.19	\$269	\$312
Alaska	N/A	N/A	N/A	N/A	N/A
Arizona	1,606,768	1,710,220	0.84	188	218
Arkansas	1,065,346	1,422,942	0.70	157	181
California	40,199,047	40,813,175	19.94	4,489	5,204
Colorado	1,570,398	1,641,338	0.80	181	209
Connecticut	69,219	69,925	0.03	8	9
Delaware	99,838	99,838	0.05	11	13
Dist. of Columbia	0	0	0.00	0	0
Florida	14,273,375	14,505,077	7.09	1,595	1,849
Georgia	4,043,638	4,502,749	2.20	495	574
Hawaii	18,049	18,052	0.01	2	2
Idaho	329,575	364,197	0.18	40	46
Illinois	10,893,307	11,167,800	5.46	1,228	1,424
Indiana	4,493,244	4,693,136	2.29	516	598
Iowa	1,635,699	1,979,846	0.97	218	252
Kansas	1,337,526	1,584,737	0.77	174	202
Kentucky	2,133,524	2,450,372	1.20	270	312
Louisiana	2,536,362	2,731,534	1.33	300	348
Maine	0	0	0.00	0	0
Maryland	3,864,920	3,872,072	1.89	426	494
Massachusetts	2,537,604	2,539,806	1.24	279	324
Michigan	10,324,475	10,695,264	5.22	1,176	1,364
Minnesota	2,138,033	2,882,545	1.41	317	368
Mississippi	835,062	892,574	0.44	98	114
Missouri	2,665,318	2,811,309	1.37	309	358
Montana	361,700	523,977	0.26	58	67
Nebraska	863,357	1,000,106	0.49	110	128
Nevada	513,274	536,900	0.26	59	68
New Hampshire	0	0	0.00	0	0
New Jersey	10,508,481	10,524,445	5.14	1,158	1,342
New Mexico	481,626	533,812	0.26	59	68
New York	6,797,078	7,011,058	3.42	771	894
North Carolina	5,921,914	6,845,496	3.34	753	873
North Dakota	283,539	456,153	0.22	50	58
Ohio	10,085,839	10,581,677	5.17	1,164	1,349
Oklahoma	1,282,728	1,450,665	0.71	160	185
Oregon	1,502,013	1,633,469	0.80	180	208
Pennsylvania	10,438,015	10,913,319	5.33	1,200	1,392
Rhode Island	0	0	0.00	0	0
South Carolina	1,584,445	2,147,665	1.05	236	274
South Dakota	215,367	328,586	0.16	36	42
Tennessee	2,120,299	2,422,192	1.18	266	309
Texas	16,463,095	17,480,444	8.54	1,923	2,229
Utah	404,569	424,957	0.21	47	54
Vermont	0	0	0.00	0	0
Virginia	5,032,569	5,159,552	2.52	568	658
Washington	3,111,913	3,345,592	1.63	368	427
West Virginia	724,455	867,833	0.42	95	111
Wisconsin	3,638,856	4,458,354	2.18	490	568
Wyoming	147,242	177,336	0.09	20	23
United States	193,384,565	204,716,661	100.00	22,518	26,103
Guam	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A
Puerto Rico	0	0	0.00	0.00	0
Virgin Islands	N/A	N/A	N/A	N/A	N/A
Grand Total	193,384,565	204,716,661	100.00	\$22,518	\$26,103

Figures may not add up due to rounding.

Table 2.15
Interstate Toll: 1998

	<i>Interstate Access Minutes (Origin & Termin) SOCC, 2.6 (Thousands)</i>	<i>Interstate Access Minutes (origin & Termin) Adjusted (Thousands)</i>	<i>Interstate % of Nation</i>	<i>Interstate Toll End-User (Millions)</i>	<i>Interstate Toll Industry (Millions)</i>
Alabama	6,459,278	7,074,799	1.33	5801	5940
Alaska	N/A	N/A	N/A	N/A	N/A
Arizona	10,424,561	11,095,746	2.09	1,257	1,474
Arkansas	3,294,272	4,400,035	0.83	498	585
California	47,788,875	48,518,954	9.15	5,496	6,447
Colorado	10,494,400	10,968,465	2.07	1,242	1,457
Connecticut	8,502,715	8,589,434	1.62	973	1,141
Delaware	2,246,802	2,246,802	0.42	254	299
Dist. of Columbia	2,955,123	2,955,123	0.56	335	393
Florida	35,369,421	35,943,628	6.78	4,071	4,776
Georgia	15,539,439	17,303,771	3.26	1,960	2,299
Hawaii	2,171,615	2,171,992	0.41	246	289
Idaho	2,509,928	2,773,599	0.52	314	369
Illinois	22,464,614	23,030,684	4.34	2,609	3,060
Indiana	9,245,651	9,656,965	1.82	1,094	1,283
Iowa	4,219,466	5,107,230	0.96	579	679
Kansas	4,449,258	5,271,600	0.99	597	700
Kentucky	5,868,503	6,740,030	1.27	763	896
Louisiana	6,620,039	7,129,448	1.34	808	947
Maine	2,128,365	2,535,345	0.48	287	337
Maryland	11,782,646	11,804,450	2.23	1,337	1,569
Massachusetts	14,622,523	14,635,214	2.76	1,658	1,945
Michigan	13,519,461	14,004,993	2.64	1,586	1,861
Minnesota	6,660,112	8,979,315	1.69	1,017	1,193
Mississippi	4,153,491	4,439,549	0.84	503	590
Missouri	9,428,765	9,945,221	1.88	1,127	1,321
Montana	1,396,271	2,022,709	0.38	229	269
Nebraska	2,892,735	3,350,922	0.63	380	445
Nevada	4,892,509	5,117,707	0.97	580	680
New Hampshire	3,459,621	3,687,875	0.70	418	490
New Jersey	23,232,201	23,267,495	4.39	2,636	3,092
New Mexico	3,361,924	3,726,201	0.70	422	495
New York	37,250,346	38,423,031	7.25	4,352	5,106
North Carolina	13,715,946	15,855,086	2.99	1,796	2,107
North Dakota	909,538	1,463,251	0.28	166	194
Ohio	16,616,249	17,433,133	3.29	1,975	2,316
Oklahoma	5,240,283	5,926,352	1.12	671	787
Oregon	6,441,986	7,005,786	1.32	794	931
Pennsylvania	21,081,508	22,041,473	4.16	2,497	2,929
Rhode Island	2,405,430	2,405,430	0.45	272	320
South Carolina	5,743,530	7,785,174	1.47	882	1,034
South Dakota	1,080,079	1,647,882	0.31	187	219
Tennessee	9,163,673	10,468,419	1.97	1,186	1,391
Texas	30,737,746	32,637,208	6.16	3,697	4,337
Utah	3,906,722	4,103,599	0.77	465	545
Vermont	1,342,352	1,584,820	0.30	180	211
Virginia	15,953,420	16,355,961	3.09	1,853	2,173
Washington	10,882,402	11,699,581	2.21	1,325	1,555
West Virginia	2557517	3,063,680	0.58	347	407
Wisconsin	6,685,215	8,190,777	1.55	928	1,088
Wyoming	1,088,085	1,310,470	0.25	148	174
United States	494,956,611	527,896,411	99.59	59,796	70,145
Guam	N/A	N/A	N/A	N/A	N/A
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A
Puerto Rico	2,182,290	2,182,290	0.41	247	290
Virgin Islands	N/A	N/A	N/A	N/A	N/A
Grand Total	497,138,901	530,078,701	100.00	\$60,043	\$70,435

Figures may not add up due to rounding.

Table 2.16
Intrastate Industry Telephone Revenue: 1998

	<i>Local Exchange Intrastate Industry (Millions)</i>	<i>CLEC Industry (Millions)</i>	<i>Wireless Intrastate Industry (Millions)</i>	<i>Intrastate Access Industry (Millions)</i>	<i>Intralata Toll Adjusted (Millions)</i>	<i>Intrastate-Interlata Toll, Industry (Millions)</i>	<i>Adjustments* (Millions)</i>	<i>Intrastate Revenue (Millions)</i>
Alabama	\$1,083	\$25	\$426	\$55	\$79	\$312	\$0	\$1,980
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	322	322
Arizona	1,010	39	492	126	38	218	0	1,924
Arkansas	528	11	236	56	134	181	0	1,146
California	6,456	318	4,104	1,171	1,524	5,204	0	18,776
Colorado	1,171	53	520	133	122	209	0	2,208
Connecticut	703	33	562	57	193	9	0	1,557
Delaware	164	7	101	4	11	13	0	301
Dist. of Columbia	385	33	89	0	0	0	0	508
Florida	3,704	109	1,762	608	210	1,849	0	8,241
Georgia	2,309	95	873	153	87	574	0	4,092
Hawaii	328	4	143	22	14	2	0	513
Idaho	240	1	118	32	34	46	0	471
Illinois	2,886	150	1,589	221	224	1,424	0	6,494
Indiana	1,224	19	653	231	166	598	0	2,891
Iowa	450	33	313	121	87	252	0	1,256
Kansas	592	21	300	71	113	202	0	1,299
Kentucky	837	17	387	130	65	312	0	1,747
Louisiana	1,110	27	426	65	50	348	0	2,027
Maine	259	5	131	50	154	0	0	599
Maryland	1,350	31	703	90	73	494	0	2,741
Massachusetts	1,640	91	921	55	363	324	0	3,394
Michigan	1,936	76	1,159	309	801	1,364	0	5,645
Minnesota	1,077	62	594	168	52	368	0	2,320
Mississippi	673	13	238	26	89	114	0	1,152
Missouri	1,197	22	607	239	212	358	0	2,635
Montana	188	1	81	29	40	67	0	406
Nebraska	468	12	188	80	49	128	0	924
Nevada	357	18	217	19	17	68	0	696
New Hampshire	283	13	157	17	76	0	0	546
New Jersey	1,674	62	1,258	272	521	1,342	0	5,130
New Mexico	390	6	158	62	46	68	0	729
New York	5,813	155	2,635	372	238	894	0	10,106
North Carolina	1,983	44	829	380	110	873	0	4,219
North Dakota	124	4	63	27	43	58	0	319
Ohio	2,568	80	1,287	340	222	1,349	0	5,845
Oklahoma	672	28	322	44	160	185	0	1,411
Oregon	704	32	371	109	102	208	0	1,528
Pennsylvania	2,276	109	1,469	446	380	1,392	0	6,071
Rhode Island	229	6	121	8	38	0	0	402
South Carolina	1,023	28	373	105	96	274	0	1,899
South Dakota	139	5	74	23	37	42	0	321
Tennessee	1,369	56	584	89	109	309	0	2,517
Texas	4,477	245	2,253	1,227	411	2,229	0	10,842
Utah	393	23	201	33	64	54	0	769
Vermont	172	6	65	17	35	0	0	295
Virginia	1,666	24	850	255	91	658	0	3,544
Washington	1,155	39	727	226	213	427	0	2,786
West Virginia	421	1	160	45	44	111	0	781
Wisconsin	1,067	41	598	104	195	568	0	2,575
Wyoming	108	2	51	13	22	23	0	218
United States	63,028	2,337	32,542	8,535	8,253	26,103	322	141,119
Guam	N/A	N/A	N/A	N/A	N/A	N/A	59	59
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	16	16
Puerto Rico	460	0	154	3	245	0	0	863
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50
Grand Total	\$63,488	\$2,337	\$32,696	\$8,538	\$8,498	\$26,103	\$397	\$142,107

Figures may not add up due to rounding.

* See Section III.H.1

Table 2.17
Intrastate End-User Revenue: 1998

	<i>Local Exchange Intrastate End-User (Millions)</i>	<i>CLEC End-User (Millions)</i>	<i>Wireless Intrastate End-User (Millions)</i>	<i>Intrastate Access End-User (Millions)</i>	<i>Intralata Toll Adjusted (Millions)</i>	<i>Intrastate-Interlata Toll, End-User (Millions)</i>	<i>Adjustments*</i>	<i>Intrastate Revenue (Millions)</i>
Alabama	\$1,025	\$14	\$388	\$2	\$79	\$269	\$0	\$1,777
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	278	278
Arizona	956	22	448	4	38	188	0	1,657
Arkansas	500	6	214	2	134	157	0	1,012
California	6,112	180	3,733	39	1,524	4,489	0	16,077
Colorado	1,108	30	473	4	122	181	0	1,918
Connecticut	665	19	512	2	193	8	0	1,398
Delaware	155	4	92	0	11	11	0	274
Dist. of Columbia	364	19	81	0	0	0	0	464
Florida	3,506	62	1,602	20	210	1,595	0	6,996
Georgia	2,185	54	795	5	87	495	0	3,622
Hawaii	311	2	130	1	14	2	0	459
Idaho	227	1	108	1	34	40	0	410
Illinois	2,732	85	1,445	7	224	1,228	0	5,722
Indiana	1,159	11	594	8	166	516	0	2,453
Iowa	426	19	285	4	87	218	0	1,038
Kansas	560	12	273	2	113	174	0	1,135
Kentucky	792	10	352	4	65	270	0	1,492
Louisiana	1,051	16	388	2	50	300	0	1,807
Maine	246	3	119	2	154	0	0	523
Maryland	1,278	18	639	3	73	426	0	2,437
Massachusetts	1,552	52	838	2	363	279	0	3,086
Michigan	1,833	43	1,055	10	801	1,176	0	4,918
Minnesota	1,019	35	540	6	52	317	0	1,970
Mississippi	637	7	217	1	89	98	0	1,049
Missouri	1,133	12	552	8	212	309	0	2,226
Montana	178	1	74	1	40	58	0	351
Nebraska	443	7	171	3	49	110	0	782
Nevada	338	10	197	1	17	59	0	622
New Hampshire	268	7	143	1	76	0	0	494
New Jersey	1,585	35	1,144	9	521	1,158	0	4,452
New Mexico	369	4	144	2	46	59	0	623
New York	5,503	88	2,397	12	238	771	0	9,008
North Carolina	1,878	25	754	13	110	753	0	3,532
North Dakota	117	3	57	1	43	50	0	271
Ohio	2,431	45	1,171	11	222	1,164	0	5,044
Oklahoma	636	16	293	1	160	160	0	1,266
Oregon	667	18	338	4	102	180	0	1,308
Pennsylvania	2,155	62	1,336	15	380	1,200	0	5,148
Rhode Island	217	3	110	0	38	0	0	368
South Carolina	968	16	340	3	96	236	0	1,659
South Dakota	132	3	68	1	37	36	0	276
Tennessee	1,296	32	531	3	109	266	0	2,238
Texas	4,238	139	2,049	40	411	1,923	0	8,801
Utah	372	13	183	1	64	47	0	680
Vermont	163	4	59	1	35	0	0	261
Virginia	1,577	14	773	8	91	568	0	3,031
Washington	1,094	22	661	7	213	368	0	2,365
West Virginia	398	0	146	1	44	95	0	685
Wisconsin	1,010	23	544	3	195	490	0	2,267
Wyoming	103	1	46	0	22	20	0	192
United States	59,667	1,326	29,601	281	8,253	22,518	278	121,923
Guam	N/A	N/A	N/A	N/A	N/A	N/A	51	51
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	14	14
Puerto Rico	435	0	140	0	245	0	0	821
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	43	43
Grand Total	\$60,102	\$1,326	\$29,741	\$281	\$8,498	\$22,518	\$386	\$122,852

Figures may not add up due to rounding.

* See Section III.H.2.

Table 2.18
Interstate Industry Telephone Revenue: 1998

	<i>Local Exchange Interstate Industry (Millions)</i>	<i>CLEC Industry (Millions)</i>	<i>Wireless Interstate Industry (Millions)</i>	<i>SLC (Millions)</i>	<i>Access Industry (Millions)</i>	<i>Interstate Toll Industry (Millions)</i>	<i>Adjustments*</i>	<i>Interstate Revenue (Millions)</i>
Alabama	\$53	\$18	\$47	\$134	\$222	\$940	\$0	\$1,414
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	269	269
Arizona	49	28	54	176	253	1,474	0	2,034
Arkansas	26	7	26	72	144	585	0	860
California	315	222	454	1,067	1,412	6,447	0	9,916
Colorado	57	37	57	171	272	1,457	0	2,052
Connecticut	34	23	62	118	237	1,141	0	1,616
Delaware	8	5	11	29	32	299	0	384
Dist. of Columbia	19	23	10	38	95	393	0	577
Florida	180	76	195	635	937	4,776	0	6,800
Georgia	113	67	97	285	517	2,299	0	3,377
Hawaii	16	3	16	42	91	289	0	456
Idaho	12	1	13	42	103	369	0	539
Illinois	141	105	176	419	553	3,060	0	4,453
Indiana	60	13	72	181	310	1,283	0	1,919
Iowa	22	23	35	90	163	679	0	1,012
Kansas	29	15	33	86	141	700	0	1,004
Kentucky	41	12	43	106	216	896	0	1,313
Louisiana	54	19	47	142	195	947	0	1,404
Maine	13	4	14	41	98	337	0	507
Maryland	66	22	78	197	241	1,569	0	2,171
Massachusetts	80	64	102	257	497	1,945	0	2,944
Michigan	94	53	128	313	428	1,861	0	2,877
Minnesota	52	43	66	171	269	1,193	0	1,794
Mississippi	33	9	26	76	131	590	0	865
Missouri	58	15	67	181	335	1,321	0	1,978
Montana	9	1	9	29	57	269	0	374
Nebraska	23	8	21	57	109	445	0	663
Nevada	17	13	24	64	99	680	0	897
New Hampshire	14	9	17	47	123	490	0	700
New Jersey	82	43	139	339	541	3,092	0	4,236
New Mexico	19	4	17	56	112	495	0	704
New York	283	108	291	709	1,331	5,106	0	7,829
North Carolina	97	30	92	275	477	2,107	0	3,078
North Dakota	6	3	7	23	46	194	0	280
Ohio	125	56	142	351	561	2,316	0	3,551
Oklahoma	33	19	36	103	163	787	0	1,141
Oregon	34	22	41	122	227	931	0	1,377
Pennsylvania	111	76	162	423	536	2,929	0	4,238
Rhode Island	11	4	13	36	73	320	0	457
South Carolina	50	19	41	124	224	1,034	0	1,493
South Dakota	7	4	8	24	53	219	0	315
Tennessee	67	39	65	182	293	1,391	0	2,036
Texas	218	172	249	676	1,083	4,337	0	6,734
Utah	19	16	22	69	115	545	0	788
Vermont	8	4	7	21	55	211	0	306
Virginia	81	17	94	255	411	2,173	0	3,032
Washington	56	27	80	210	365	1,555	0	2,293
West Virginia	20	0	18	55	102	407	0	602
Wisconsin	52	28	66	160	264	1,088	0	1,659
Wyoming	5	1	6	18	40	174	0	244
United States	3,072	1,634	3,596	9,496	15,352	70,145	269	103,563
Guam	N/A	N/A	N/A	N/A	N/A	N/A	44	44
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	14	14
Puerto Rico	22	0	17	50	225	290	0	604
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	59	59
Grand Total	\$3,094	\$1,634	\$3,613	\$9,546	\$15,577	\$70,435	\$386	\$104,285

Figures may not add up due to rounding.

* See Section III.I.1.

Table 2.19
Interstate End-User Revenue: 1998

	<i>Local Exchange Interstate End-User (Millions)</i>	<i>CLEC Industry (Millions)</i>	<i>Wireless Interstate End-User (Millions)</i>	<i>SLC (Millions)</i>	<i>Access End-User (Millions)</i>	<i>Interstate Toll End-User (Millions)</i>	<i>Adjustments*</i>	<i>Interstate Revenue (Millions)</i>
Alabama	\$8	\$12	\$45	\$134	\$24	\$801	\$0	\$1,024
Alaska	N/A	N/A	N/A	N/A	N/A	N/A	197	197
Arizona	7	19	52	176	28	1,257	0	1,538
Arkansas	4	5	25	72	16	498	0	620
California	45	152	431	1,067	154	5,496	0	7,345
Colorado	8	25	55	171	30	1,242	0	1,531
Connecticut	5	16	59	118	26	973	0	1,196
Delaware	1	4	11	29	3	254	0	302
Dist. of Columbia	3	16	9	38	10	335	0	411
Florida	26	52	185	635	102	4,071	0	5,072
Georgia	16	46	92	285	57	1,960	0	2,455
Hawaii	2	2	15	42	10	246	0	317
Idaho	2	0	12	42	11	314	0	382
Illinois	20	72	167	419	60	2,609	0	3,347
Indiana	8	9	69	181	34	1,094	0	1,395
Iowa	3	16	33	90	18	579	0	738
Kansas	4	10	32	86	15	597	0	744
Kentucky	6	8	41	106	24	763	0	948
Louisiana	8	13	45	142	21	808	0	1,036
Maine	2	3	14	41	11	287	0	357
Maryland	9	15	74	197	26	1,337	0	1,658
Massachusetts	11	44	97	257	54	1,658	0	2,121
Michigan	13	36	122	313	47	1,586	0	2,118
Minnesota	7	30	62	171	29	1,017	0	1,317
Mississippi	5	6	25	76	14	503	0	629
Missouri	8	10	64	181	37	1,127	0	1,427
Montana	1	1	9	29	6	229	0	275
Nebraska	3	6	20	57	12	380	0	477
Nevada	2	9	23	64	11	580	0	688
New Hampshire	2	6	17	47	13	418	0	503
New Jersey	12	30	132	339	59	2,636	0	3,207
New Mexico	3	3	17	56	12	422	0	512
New York	40	74	277	709	145	4,352	0	5,598
North Carolina	14	21	87	275	52	1,796	0	2,245
North Dakota	1	2	7	23	5	166	0	203
Ohio	18	38	135	351	61	1,975	0	2,578
Oklahoma	5	13	34	103	18	671	0	844
Oregon	5	15	39	122	25	794	0	999
Pennsylvania	16	52	154	423	59	2,497	0	3,201
Rhode Island	2	3	13	36	8	272	0	333
South Carolina	7	13	39	124	24	882	0	1,090
South Dakota	1	3	8	24	6	187	0	228
Tennessee	9	27	61	182	32	1,186	0	1,497
Texas	31	117	237	676	118	3,697	0	4,876
Utah	3	11	21	69	13	465	0	582
Vermont	1	3	7	21	6	180	0	217
Virginia	12	12	89	255	45	1,853	0	2,265
Washington	8	18	76	210	40	1,325	0	1,678
West Virginia	3	0	17	55	11	347	0	433
Wisconsin	7	19	63	160	29	928	0	1,207
Wyoming	1	1	5	18	4	148	0	178
United States	437	1,117	3,420	9,496	1,676	59,796	197	\$76,139
Guam	N/A	N/A	N/A	N/A	N/A	N/A	32	32
N. Mariana Isl.	N/A	N/A	N/A	N/A	N/A	N/A	10	10
Puerto Rico	3	0	16	50	25	247	0	341
Virgin Islands	N/A	N/A	N/A	N/A	N/A	N/A	44	44
Grand Total	\$440	\$1,117	\$3,436	9,546	1,701	\$60,043	\$283	\$76,566

Figures may not add up due to rounding.

* See section III.I.2.



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May 8, 2000

Mr. Martin J. Huelsmann
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, Kentucky 40601

RECEIVED
MAY - 8 2000
PUBLIC SERVICE
COMMISSION

*Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
PSC 99-434*

Dear Mr. Huelsmann:

On May 3, 2000, BellSouth, AT&T and Sprint filed a Settlement Proposal in the above-referenced proceeding. In lieu of testimony, which is due to be filed today, AT&T encourages the Commission to approve the Settlement Proposal as filed.

Please stamp the attached copy of this letter and return in the enclosed envelope. If you have questions, please call me. Thank you for your attention to this matter.

Respectfully Submitted,


Jim Lamoureux
Senior Attorney

cc: All parties of record



230 Sugartown Road, Suite 110 · Wayne, Pa. 19087 · 610.964.9900 Office · 610.964.9902 Fax

May 4, 2000

RECEIVED

MAY - 8 2000

PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE. Review of BellSouth Communications, Inc.'s Price Regulation Plan PSC 99-434

Dear Mr. Huelsmann

Enclosed please find 10 copies of Vantage Consulting, Inc.'s testimony on the above matter. In addition, we are mailing a copy to each of those shown on the service list.

Very truly yours,

Walter P. Drabinski
President

cc. Service List

1 KPSC standards, submit a petition to the KPSC for their re-classification to the
2 competitive category. Our review of service category pricing formulas indicated that
3 BST-KY has not filed any tariffs or entered into any CSAs which have requested
4 prices below LRIC, and that BST-KY has appropriately utilized CSAs.

5 Another issue related to tariffs that we addressed was presumptive validity, which is
6 a concept that while not a problem to date, could become one in the future. Here we
7 recommend that the PRP regulations allow for a reasonable level of presumptive
8 validity.

9 In our review of the PRP objectives, we conclude that the original set of objectives be
10 continued, but that two additional objectives be added. These include permitting all
11 BST-KY retail rates to move towards incremental cost or market price and ensuring
12 that the potential introduction of competition to all markets in Kentucky is not
13 hindered by the PRP.

14 Q. What issues did you identify on a going forward basis that need to be addressed?

15 A The last audit chapter provides a platform of activities to be undertaken by the BST-
16 KY and the KPSC to insure that competitive objectives are forwarded, not hindered
17 by the PRP. Here we conclude that the Kentucky state-wide wholesale UNE price
18 structure, in conjunction with BST-KY's KY's (and virtually all incumbent local
19 exchange carriers) subsidy laden retail rate structure, inhibits the successful
20 transition to a deregulated telecommunications marketplace. We recommend a
21 focused effort to eliminate implicit/explicit subsidies from BST-KY's retail rates. To
22 this end, we also recommend that the issues of rate re-balancing be reassessed by

1 BST-KY and the KPSC and that together with other involved parties, an effort be
2 made to move forward with a limited rate re-balancing.

3 Q. What was BellSouth's response to your report?

4 A. BellSouth first responded with a report to the Kentucky Public Service Commission
5 on December 17, 1999. This report essentially proposed a revision to the existing
6 Price Regulation Plan (PRP) that BellSouth called the Transition Rate Plan (TRP).
7 The TRP addressed a number of our recommendations, agreeing with most and
8 offering alternative solutions for some of them.

9 This response was then followed by a proposed settlement agreement, which went
10 through a number a revisions until reaching the one submitted as part of this
11 proceeding.

12 Q. What is your overall opinion as to BellSouth's proposal to modify the PRP at this
13 time?

14 A. Vantage believes that this is a necessary move. The existing PRP has served the
15 ratepayers of BellSouth very well over the last four years. The plan has also served
16 BellSouth well in terms of financial results in large part due to revenue increases and
17 decreases in operating costs. However, the telecommunications industry has
18 changed dramatically, and continues to undergo unprecedented mergers,
19 consolidations and emergence of new players. While competition has not permeated
20 all areas of service, there have been significant technological, organizational and
21 competitive changes that have seen competition enter into the more economically
22 attractive market segments.

1

2 The Kentucky Public Service Commission (KPSC or Commission) was at the
3 forefront in initially developing the PRP and now can once again develop a forward
4 looking plan which functions well under the new environment. Vantage believes
5 that the proposal put forth by BellSouth provides a reasonable framework for the
6 future with certain modifications.

7 Q. What are some of the benefits that could accrue if the revised Transition Rate Plan
8 (TRP) is adopted.

9 A. Vantage believes that if adopted, with the modifications we propose, it will provide
10 a number of benefits. These include rate rebalancing, elimination of NTSSS, a freeze
11 on rates for many rate classes, and direct incremental investment in the BellSouth
12 infrastructure in Kentucky's neediest counties, promoting economic development.
13 The first three of these benefits combine to move Kentucky rates towards a rate
14 structure which is more closely aligned with the true costs of providing service or
15 the market price. As articulated in our report, Vantage is of the opinion that such a
16 change is absolutely necessary if competition is to be further encouraged in the state.

17 Q. Please describe the key elements of the settlement and the December 17, 1999
18 response and your opinion on these proposed changes.

19 A. The following paraphrases the settlement agreement along with our conclusions as
20 to specific elements of it which we believe should be accepted, modified or rejected.

BROADBAND DEPLOYMENT

1 **BROADBAND DEPLOYMENT**
2 BellSouth proposes spending an equivalent of \$10 to \$15 million to deploy
3 broadband technology or some equivalent, to central offices that serve 75% of
4 Kentucky access lines by December 31, 2002. This is well beyond the current
5 Louisville baseline plan which calls for deployment to 39% of access lines served by
6 broadband capable central offices. Vantage agrees with this proposal in concept.
7 The State, ratepayers, and BellSouth are all better served, in our opinion, by
8 deployment of advanced technologies rather than revenue restrictions which may in
9 fact drive capital from the state. We do believe some clarification should be
10 provided as to the actual incremental dollars that BellSouth will spend beyond what
11 was already budgeted. It would also be useful to report on the actual new facilities
12 deployed as part of this initiative as distinguished from allocations or uses of
13 embedded facilities. Also, a schedule for deployment should be provided to the
14 KPSC and the State Economic Development Corporation.

15 While Vantage advocates some additional clarification of deployment dollars, we
16 also caution against any proactive definition of exact locations or technologies to be
17 deployed. BellSouth should be held accountable against their planned objectives but
18 at a macro level.

ECONOMIC DEVELOPMENT INITIATIVES

19 Vantage agrees with BellSouth's proposal to work with the Kentucky economic
20 development agencies on promoting jobs in counties listed in the Kentucky Rural
21 Economic Development Act (KREDA) as consistently suffering above average
22 unemployment. This activity would include direct work with the agencies to attract
23

1 new businesses and increase job opportunities. As with our previous suggestion,
2 this should be a cooperative effort rather than a mandated charter.

3 **FILE ECONOMIC ZONE DISCOUNT TARIFF**

4 The proposal by BellSouth to file Economic Zone Discount Tariff in the Settlement
5 Agreement is not as yet defined. Vantage would propose that as part of this
6 proceeding, BellSouth provide additional detail on this initiative in order for the
7 Commission to determine its value.

8 **RATE REBALANCE**

9 BellSouth has proposed a number of actions that would result in rate rebalancing by
10 December 31, 2002. These actions include:

11 1 Switched Access Charge will be reduced to .0055 per end. Timing of this change
12 will be affected by the Commission's approval of the TRP and the FCC's
13 adoption of the CALLS proposal. If the PSC approves the TRP and the FCC
14 adopts the CALLS proposal prior to the 2000 annual filing, BellSouth will adjust
15 access charges per the priceout. If the PSC rejects the TRP and continues to allow
16 deviation from specific plan rules the rate for one end of switched access under
17 the settlement would reach the following targets by no later than the proposed
18 dates:

19 a) .008 by 12/31/2001

20 b) .0055 by 12/31/2002

21 2 Business Reductions as necessary to meet the rate rebalance requirements for the
22 two years.

1 3 Limited price increases for residential rates (10% each of the next two years) for
2 rebalance and limited by inflation beyond the first two years.

3 Vantage agrees with the general concept proposed by BellSouth. The proposals
4 included under the umbrella of rebalancing need to be discussed separately. The
5 timing of the proposed reduction in intrastate access charges is contingent upon
6 other Commission and FCC actions. There are also provisions for at a minimum
7 continued mirroring of interstate access rates until the \$.0055 per end is reached or
8 the pending CALLS proposal determines another rate. Vantage suggests that this
9 portion of the rebalancing be accepted.

10 The BellSouth proposal calls for rates to be increased by amounts not to exceed 10
11 percent per year over two years and increased by an amount not to exceed inflation.

12 Vantage supports this increase conceptually and provided significant discussion in
13 the audit report to this point. However, Vantage is concerned at the number of
14 changes that will be taking place simultaneously under the proposed plan and the
15 inability to predict the outcome of these changes in such a dynamic environment.

16 While Vantage agrees that residential rates must ultimately be increased, we suggest
17 a more gradual approach in which the two initial rebalancing steps take place as
18 proposed, but increases in residential rates be held constant from that point forward
19 until the impact of the changes is better understood.

20 **UNIVERSAL SERVICE FUND**

21 In the Settlement Agreement, BellSouth proposes that it waive its share of funding
22 from the intrastate USF and only require a line item if BellSouth customers are

1 required to pay for other GTE and Cincinnati Bell High Cost USF areas and
2 BellSouth must collect those funds. This proposal is integrated with the proposed
3 rate increases and should be accepted.

4 **UNE RATES**

5 With the filing of this stipulation, BellSouth agrees to file a Motion and proposed
6 procedural schedule for a Generic Cost Docket to develop permanent UNE rates.
7 The Motion, as stated in the settlement agreement, would include a procedural
8 schedule that begins on July 1, 2000 with new UNE rates available by September 15,
9 2000. As a interim step, BellSouth will reduce non-recurring costs to a level equal to
10 those in South Carolina. This is a positive step in reducing the non-recurring costs
11 on an interim basis. Vantage argued for such a reduction in the audit report as
12 necessary to competition. This proposal makes sense and should be accepted,
13 however, the schedule does not appear to be feasible from a procedural basis.
14 BellSouth should work with the Commission to develop a schedule that is realistic.

15 **SERVICE STANDARDS**

16 The Vantage Audit addressed the current service standards that BellSouth reports on
17 and proposed removing a number of them that are no longer relevant. The
18 BellSouth proposals addresses service quality measures on two levels. One is for the
19 CLECs and the other for retail customers. On a retail level, the issue of Service
20 Standards needs to be addressed. Vantage provided significant analysis and
21 discussion in our report on pages 99 to 109. In Recommendations *IV-R1*, *IV-R2*, and
22 *IV-R3*, Vantage proposes changes to the current service standards. This includes the
23 elimination of six of the standards. (*Exhibit IV-38*) The purpose of this

1 recommendation was to reduce reporting of information that had little value or
2 relevance to the Commission and its staff. It also reduces the work load at BellSouth.
3 While we feel this recommendation is valid, the Commission may find it necessary
4 to replace certain of the outdated service standards with some that are relevant in
5 the modern telecommunications environment.

6 For wholesale or "industrial" customers, BellSouth has offered their service quality
7 measures as a interim group which will be replaced by the service parameters
8 ultimately adopted by the Commission. These service measures should be accepted
9 as they have been tested and developed in the competitive marketplace. The
10 proposed penalty provisions are also reasonable.

11 There are legitimate concerns whenever a utility is moving towards competition.
12 More specifically, concerns that service will deteriorate as cash is pulled from the
13 operation without offsetting investment. Beyond the subjective assessment that no
14 company wishing to survive in the competitive marketplace would do this, there is
15 also no evidence that BellSouth service has deteriorated to any alarming degree.

16 Vantage examined complaint trends made both to the PUC and also to BellSouth.
17 Complaints have increased since 1995 but peaked in 1997 or 1998 and almost
18 universally declined in 1999. Although the exact reasons for the increases and
19 decreases are difficult to determine, the increase in complaints did coincide with
20 significant downsizing at BellSouth. It is Vantage's understanding that BS-KY is
21 now in the process of actually adding line personnel which should further improve
22 service and reduce related complaints.

1 **MARKET BASKETS**

2 BellSouth has proposed to modify the market baskets to two categories. Vantage
3 would raise two issues here. First, we see no compelling reason offered by BellSouth
4 to reconfigure the market baskets at this time. Secondly, during the four years that
5 the current basket structure has been in place, BellSouth has made no effort to move
6 categories or modify the structure. Given all of the other changes proposed, we see
7 no compelling reason for this change.

8 **DEAVERAGED UNE RATES**

9 BellSouth proposes new deaveraged UNE rates that are lower than those filed in the
10 Stipulation from Administrative Case 382. While this proposal makes sense,
11 BellSouth should provide additional detail as to the timing and extent of these
12 changes.

13 **FLOW THROUGH OF RATE REDUCTIONS**

14 BellSouth in its proposal requests that Interexchange Carriers agree to flow through
15 the access rate reductions to their toll rates. This makes sense and should be
16 specified as part of the settlement.

17 **PRODUCTIVITY FACTOR**

18 The Vantage report discusses at length our views on the productivity factor on pages
19 113 to 120 of the audit report. Our overall conclusions relative to the Total Factor
20 Productivity (TFP) were:

- 21 • The TFP index was never intended to be a predictor of future productivity.

1 • TFP measures the total industry or a firm's overall productivity. It does not
2 differentiate input versus output driven productivity gains or short-term versus
3 long-term productivity gains.

4 • Multi-regional and multi-product or service firms with significant common
5 facilities cannot accurately disaggregate productivity by region or service level.

6 Consequently the report provided two recommendations. Selected portions of these
7 recommendations state:

8 **V-R1 The KPSC should eliminate the TFP index**

9 After careful evaluation of all the relevant factors, Vantage recommends that the
10 KPSC should eliminate the TFP index for BST-KY. Instead, it should allow rates for
11 services in the non-competitive category to be capped by inflation. Should the KPSC
12 decide that a transition period is appropriate for a movement away from the current
13 4% TFP index, it should consider directing BST-KY to make investments in achieving
14 certain policy objectives. The KPSC should identify the specific policy objectives that
15 BST-KY will need to accomplish and BST-KY will be responsible for determining,
16 upon KPSC review and approval, the methodology and expense that will be charged
17 against this fund.

18 **V-R2** Change the non-competitive service category pricing formula to allow for
19 price increases at inflation.

20 This recommendation will allow BS-KY to raise the overall non-competitive service
21 category rates to an index based upon the GDP-PI. The elimination of the

1 productivity factor will eliminate the potential for forced service category rate
2 reductions, as has been the case in each of BST-KY's required annual filings.

3 The mirroring of intrastate access rates with interstate access rates should be
4 maintained. The competitive category should maintain its pricing rules--no limit on
5 price changes and a price floor of LRIC.

6 BellSouth has proposed a series of improvements in infrastructure in areas in need of
7 economic revitalization. Vantage agrees with this concept, however, given the fact
8 that the year 2000 is half over, it would be almost impossible to meet this
9 commitment this year. Therefore, Vantage recommends the following:

- 10 • The existing productivity factor of 4% be continued for the year 2000. The
11 revenues associated with this should be used to facilitate rate rebalancing.
- 12 • In 2001 and 2002, the productivity factor should be set at inflation, effectively
13 freezing rates. In addition, BellSouth should commit to the infrastructure
14 improvements it details in Point 2 of their plan.

15 Q. In closing, how profitable has BellSouth been during the four years of the RP?

16 A. Under the PRP, profitability as measured by Return on Equity, is not a viable
17 regulatory measure since the objective of the PRP is to promote innovative
18 competitive opportunities while still providing quality service in non-competitive
19 services. However, Vantage in the audit report, in *Exhibit IV-13* provided a chart
20 that plotted **Rate of Return on Shareholder's Common Equity**. This chart reflects
21 the financial returns and not regulatory returns which include a number of
22 adjustments. The chart was updated for this testimony and is included as Exhibit

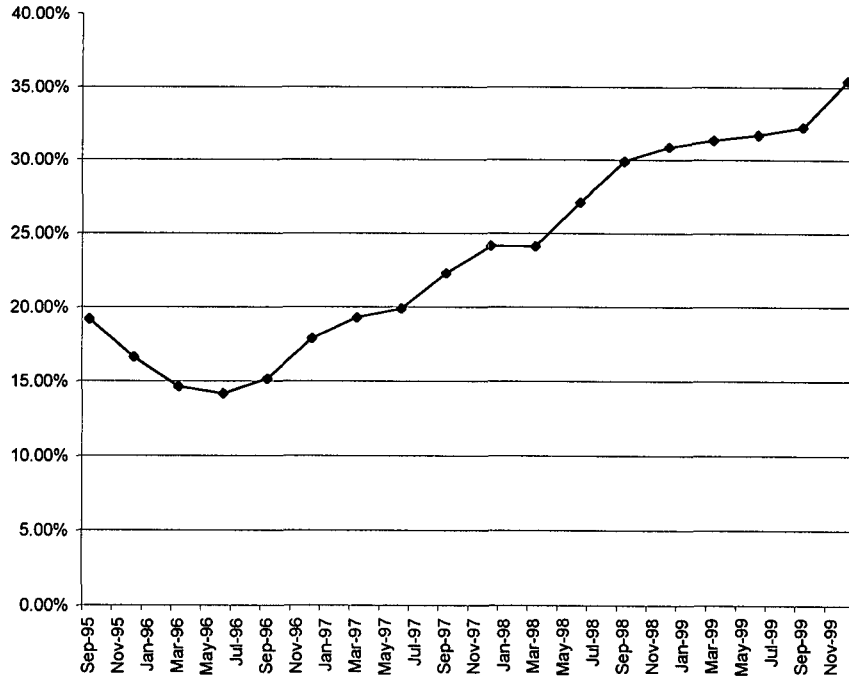
- 1 VCI1. It indicates that ROE has increased consistently, from 19% in September 1995
- 2 to 35% in December 1999.

1

Exhibit VCI1

2

Analysis of BellSouth Rate of Return on Shareholder's Common Equity *



	Sep-95	Dec-95	Jun-96	Sep-96	Dec-96	Mar-97	Sep-97	Dec-97	Mar-98	Sep-98	Dec-98	Mar-99	Jun-99	Dec-99
◆ Rate of Return on S/H Common Equity	0.192	0.166	0.142	0.152	0.179	0.193	0.223	0.242	0.241	0.299	0.309	0.314	0.317	0.354

3

4

* Calculated by dividing Net Operating Income by Shareholders Common Equity.

5



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 5, 2000

To: All parties of record

RE: Case No. 1999-434

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

BellSouth Telecommunications, Inc. ("BellSouth") filed a motion on May 3, 2000 requesting additional time from May 8, 2000 to May 10, 2000 to file testimony in this case.


The Commission, having considered the petition and the response thereto, and being otherwise sufficiently advised, HEREBY ORDERS that:

1. BellSouth's motion for extension of time is granted, and it and all other parties to this proceeding shall file their direct prefiled testimony on or before May 10, 2000.
2. The hearing scheduled for June 6, 2000 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, shall be held as ordered.

Done at Frankfort, Kentucky, this 5th day of May, 2000.

By the Commission

ATTEST:

Deputy

Executive Director

BellSouth Telecommunications, Inc.
P.O. Box 32410
Louisville, KY 40232

or
BellSouth Telecommunications, Inc.
Room 407
601 West Chestnut Street
Louisville, KY 40203

Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel-Kentucky

502 582-8219
Fax 502 582-1573

May 3, 2000

RECEIVED

MAY - 4 2000

PUBLIC SERVICE
COMMISSION

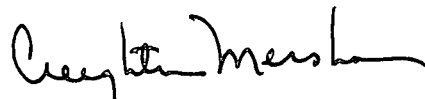
Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Enclosed for filing in the above-captioned case are the
original and ten (10) copies of the Settlement Proposal of the
Parties, BellSouth, AT&T, and Sprint.

Sincerely,



Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

211253

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAY - 4 2000
PUBLIC SERVICE
COMMISSION

In the Matter of:

REVIEW OF BELLSOUTH)
TELECOMMUNICATIONS, INC.'S) PSC 99-434
PRICE REGULATION PLAN)

SETTLEMENT PROPOSAL OF THE PARTIES

Come now the parties to this case including BellSouth, AT&T, and Sprint to propose to the Commission the following settlement to support BellSouth's proposed Transition Regulation Plan. The Transition Regulation Plan will be in place with no term limit, subject to the Kentucky Public Service Commission's Complaint and other Administrative Procedures.

This agreement reflects the changes to BellSouth's current price regulation plan based on the findings and recommendations of the Commission's Auditor, Vantage Consulting. In addition, it resolves several important competitive issues and accomplishes important regulatory objectives, including the following:

1. Captures the benefits of BellSouth's productivity gains above the industry's in a progressive manner through channeling those gains into BellSouth broadband infrastructure deployment commitments and expanded economic development initiatives.
2. Reduces intrastate switched access charges to \$.0055; equal to the rates included in the now pending CALLS proposal in the Federal jurisdiction.

3. Eliminates the need for a separate line item charge for intrastate universal service funding. In its place, the parties agree to a gradual rebalance of rates over two years. BellSouth agrees to forego drawing funds from an intrastate universal service fund set up by the Commission.
4. Temporarily resolves UNE rate issues, and establishes a plan for setting permanent rates for UNEs included in the FCC 319 Order, as well as any arbitration rate issues through the establishment of a generic UNE cost docket, Administrative Case 382.

Settlement Proposals:

- A. Establish a more positive framework for capturing BellSouth productivity improvements over the industry benchmark.
 1. Broadband deployment and economic development initiatives:
 - a) Broadband deployment to core cities in approximately 40% of the BellSouth served counties listed in the Kentucky Rural Economic Development Act (KREDA) as consistently suffering above average unemployment.
 - b) Working with Kentucky economic development agencies on promoting jobs in these counties.
 - c) Broadband deployment to BellSouth exchanges representing approximately 90% of the BellSouth cities that are a part of the Kentucky Community and Technical College System.
 2. Specifically, this would be accomplished according to proposed plans through the following infrastructure implementation:

- a) Current Louisville Metro Base Plan has 39% of Kentucky access lines in broadband capable offices.
- b) Move beyond Louisville Metro base plan by 12/31/2000 bringing Kentucky access lines in broadband capable central offices to 58%.
- c) Additional deployment by 12/31/2001 bringing Kentucky access lines in broadband capable central offices to 68%.
- d) Additional deployment by 12/31/2002 bringing the total number of Kentucky access lines in broadband capable central offices to 75%.

3. File Economic Zone Discount Tariff

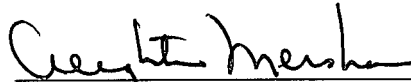
B. Rate Rebalance

1. Switched Access Charge will be reduced to .0055 per end. Timing of this change will be affected by the Commission's approval of the TRP. If the PSC approves the TRP, BellSouth will adjust access charges per the attached priceout. If the current plan continues, access rates will be the proposed target for any rate reduction required in an annual filing. If the PSC rejects the TRP and continues to allow deviation from specific plan rules¹, the rate for one end of switched access under the settlement would reach the following targets by no later than the proposed dates:

- a) .008 by 12/31/2001
- b) .0055 by 12/31/2002

¹ The KPSC has in the past allowed annual filing reductions in the Price Regulation Plan to be applied to the NTSRR in lieu of required reductions to the non-competitive category.

Respectfully submitted,



Creighton E. Mershon, Sr.
General Counsel-Kentucky
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Telephone No. (502) 582-8219

R. Douglas Lackey
Bennett L. Ross
A. Langley Kitchings
Suite 4300, BellSouth Center
675 W. Peachtree Street, N.E.
Atlanta, GA 30375
Telephone No. (404) 335-0750

COUNSEL FOR BELLSOUTH
TELECOMMUNICATIONS, INC.

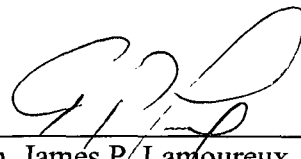
205341

SIGNED THIS 3rd DAY OF May, 2000



Creighton E. Mershon, Sr.
BellSouth Telecommunications, Inc.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232

SIGNED THIS 2nd DAY OF MAY, 2000



Hon. James P. Lamoureux
AT&T Communications of the
South Central States, Inc.
Promenade I, Room 8068
1200 Peachtree Street, N.E.
Atlanta, GA 30309

SIGNED THIS 2nd DAY OF May, 2000

William R. Atkinson

William R. Atkinson
Sprint Communications Co., L.P.
3100 Cumberland Circle
Mailstop: GAATLN0802
Atlanta, GA 30339

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 3rd day of May 2000.



Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

Hon. Ann Chevront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

Hon. James Lamoureux
AT&T COMMUNICATIONS
1200 Peachtree Street, NE
Atlanta, GA. 30309

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Hon. John M. Franck
Middleton & Reutlinger
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MCI Telecommunications Corp.
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Mr. Larry Callison
GTE
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Lexington, KY 40503



BellSouth Telecommunications, Inc.
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or
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Creighton E. Mershon, Sr.
General Counsel-Kentucky

502 582-8219
Fax 502 582-1573

May 3, 2000

RECEIVED
MAY - 4 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Enclosed for filing in the above-captioned case are the
original and ten (10) copies of BellSouth Telecommunications,
Inc.'s Motion for Extension of Time.

Sincerely,

Creighton E. Mershon, Sr.
Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

211141

by
Dorothy J. [Signature]

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

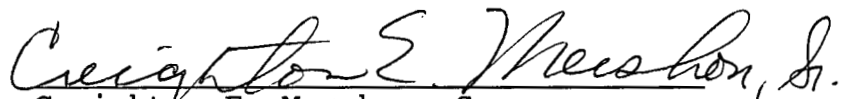
In the Matter of:

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

BELLSOUTH TELECOMMUNICATIONS, INC.'S
MOTION FOR EXTENSION OF TIME

BellSouth Telecommunications, Inc. respectfully requests additional time from May 8, 2000, to May 10, 2000 to file its testimony in this docket. The delay is slight and will not unduly affect the procedural schedule in the docket.

Respectfully submitted,

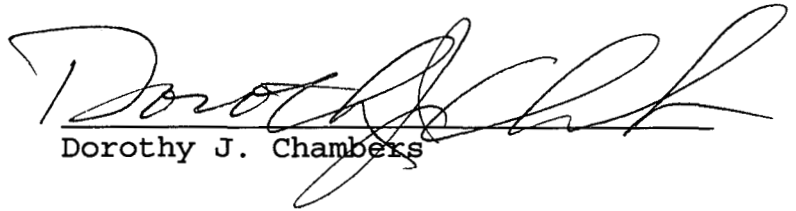

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Bennett L. Ross
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Suite 4300, BellSouth Center
675 W. Peachtree Street, NE
Atlanta, GA 30375
(404) 335-0765

COUNSEL FOR BELLSOUTH
TELECOMMUNICATIONS, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 3rd day of May 2000.


Dorothy J. Chambers

SERVICE LIST - PSC 99-434

Hon. Ann Cheuvront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

Hon. James Lamoureux
AT&T COMMUNICATIONS
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Atlanta, GA. 30309

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Hon. John M. Franck
Middleton & Reutlinger
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Creighton E. Mershon, Sr.
General Counsel - Kentucky

May 4, 2000

RECEIVED

MAY 04 2000

PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Yesterday, BellSouth filed the Settlement Proposal of the parties, BellSouth, AT&T, and Sprint in this case. The Attachment to the Proposal, Kentucky Rebalance Proposal, was inadvertently omitted from the filing. Requisite copies of that Attachment are enclosed for filing and attaching to the Settlement Proposal.

BellSouth apologizes for the omission and regrets any inconvenience.

Sincerely,

Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

211325

Kentucky Rebalancing Proposal
Summary of Rate Changes

RESIDENTIAL	Service	Rate Group	Present Rate	Proposed Rate	\$ Change	% Change	YEAR 1			YEAR 2		
							Annual Revenue	Annual Revenue	Annual Revenue	Annual Revenue	Annual Revenue	Annual Revenue
	1FR	1	\$12.17	\$13.40	\$1.23	10.1%	\$2,812,889	\$14.75	\$1.35	10.1%	\$2,867,805	
		2	\$13.02	\$14.30	\$1.28	9.8%	\$1,311,656	\$15.75	\$1.45	10.1%	\$1,465,038	
		3	\$13.89	\$15.05	\$1.16	8.9%	\$2,226,552	\$16.30	\$1.45	9.8%	\$2,401,016	
		4	\$14.34	\$15.75	\$1.41	9.8%	\$1,103,631	\$17.50	\$1.55	10.0%	\$1,272,12	
		5	\$17.35	\$18.40	\$1.05	6.9%	\$2,526,065	\$19.50	\$2.15	10.0%	\$2,741,215	
		Exception	\$14.50	\$15.85	\$1.45	10.0%	\$1,133,833	\$17.55	\$1.80	10.0%	\$1,314,188	
		Subtotal					\$8,863,322				\$9,073,563	
	2FR	1	\$9.38	\$10.32	\$0.94	10.0%	\$29,772	\$11.35	\$1.00	10.0%	\$32,749	
		2	\$10.02	\$11.02	\$1.00	10.0%	\$2,333	\$12.12	\$1.10	10.0%	\$2,568	
		3	\$10.52	\$11.57	\$1.05	10.0%	\$417	\$12.73	\$1.18	10.0%	\$458	
		4	\$11.01	\$12.11	\$1.10	10.0%	\$13	\$13.32	\$1.21	10.0%	\$15	
		5	\$11.13	\$12.24	\$1.11	10.0%	\$240	\$13.47	\$1.22	10.0%	\$284	
		Exception					\$32,775				\$36,053	
		Subtotal					\$35,837				\$41,267	
	Standard Measured	1	\$9.38	\$10.32	\$0.94	10.0%	\$5,787	\$11.35	\$1.03	10.0%	\$6,377	
		2	\$10.02	\$11.02	\$1.00	10.0%	\$7,118	\$12.12	\$1.10	10.0%	\$7,830	
		3	\$10.52	\$11.57	\$1.05	10.0%	\$23,387	\$12.73	\$1.16	10.0%	\$25,704	
		4	\$11.01	\$12.11	\$1.10	10.0%	\$225	\$13.32	\$1.21	10.0%	\$247	
		5	\$13.41	\$14.75	\$1.34	10.0%	\$56,889	\$16.23	\$1.48	10.0%	\$62,556	
		Exception					\$0				\$1	
		Subtotal					\$83,376				\$102,714	
	Low Usage Measured	1	\$6.59	\$7.25	\$0.66	10.0%	\$1,853	\$7.97	\$0.72	10.0%	\$2,149	
		2	\$7.01	\$7.71	\$0.70	10.0%	\$1,632	\$8.48	\$0.77	10.0%	\$1,795	
		3	\$7.34	\$8.07	\$0.73	10.0%	\$5,373	\$8.88	\$0.81	10.0%	\$5,910	
		4	\$7.67	\$8.44	\$0.77	10.0%	\$83	\$9.28	\$0.84	10.0%	\$91	
		5	\$9.27	\$10.20	\$0.93	10.0%	\$19,078	\$11.22	\$1.02	10.0%	\$20,865	
		Exception					\$0				\$1	
		Subtotal					\$26,119				\$30,351	
	Plan Line	1	\$9.00	\$9.90	\$0.90	10.0%	\$222,491	\$10.89	\$0.89	10.0%	\$244,740	
		2	\$9.00	\$9.90	\$0.90	10.0%	\$47,468	\$10.89	\$0.89	10.0%	\$52,213	
		3	\$9.00	\$9.90	\$0.90	10.0%	\$52,304	\$10.89	\$0.89	10.0%	\$57,535	
		4	\$9.00	\$9.90	\$0.90	10.0%	\$0	\$10.89	\$0.89	10.0%	\$0	
		5	\$10.50	\$11.50	\$1.00	9.5%	\$57,852	\$11.50	\$1.00	10.0%	\$0	
		Exception	\$9.00	\$9.90	\$0.90	10.0%	\$421	\$10.89	\$0.89	10.0%	\$453	
		Subtotal					\$380,534				\$354,951	
	Plan Line w/ LUD	1	\$10.00	\$11.00	\$1.00	10.0%	\$4,776	\$12.10	\$1.10	10.0%	\$5,254	
		2	\$10.00	\$11.00	\$1.00	10.0%	\$1,248	\$12.10	\$1.10	10.0%	\$1,373	
		3	\$10.00	\$11.00	\$1.00	10.0%	\$1,104	\$12.10	\$1.10	10.0%	\$1,214	
		4	\$10.00	\$11.00	\$1.00	10.0%	\$0	\$12.10	\$1.10	10.0%	\$0	
		5	\$11.50	\$12.50	\$1.00	8.7%	\$5,640	\$12.50	\$1.00	10.0%	\$0	
		Exception	\$10.00	\$11.00	\$1.00	10.0%	\$35	\$12.10	\$1.10	10.0%	\$50	
		Subtotal					\$12,804				\$13,887	
	Premium Plan Line	All	\$20.00	\$22.00	\$2.00	10.0%	\$709,704	\$22.00	\$2.00	10.0%	\$0	
		Subtotal					\$709,704				\$0	
	Subtotal Lines						\$10,226,633				\$10,608,000	
	Consumer Verticals, DA, etc.						\$1,950,323				\$1,973,811	
	Total Residential						\$14,216,156				\$16,724,681	

Summary

BUSINESS	Service	Rate Group	Present		Proposed		\$ Change	% Change	YEAR 1		YEAR 2			
			Rate	Ratio	Rate	Ratio			Annual Revenue	Annual Revenue	Change	% Change		
BUSINESS 1FB	Standard Measured	1	\$23.80	\$34.00	\$23.80	\$34.00	\$1.00	4.2%	\$1,052,216	\$1,052,216	\$0	0.0%		
		2	\$23.80	\$34.00	\$23.80	\$34.00	\$1.10	4.6%	\$37,850	\$37,850	\$0	0.0%		
		3	\$23.80	\$32.80	\$23.80	\$32.80	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		4	\$23.80	\$32.80	\$23.80	\$32.80	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		5	\$23.80	\$32.80	\$23.80	\$32.80	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		Exception	\$23.80	\$32.80	\$23.80	\$32.80	\$0.00	0.0%	\$1,912,068	\$1,912,068	(\$1,217,378)	-6.3%	(\$1,246,680)	-6.5%
	Subtotal									\$6,484	0.3%			
BUSINESS 1FB	Back-Up Line	1	\$16.00	\$17.00	\$16.00	\$17.00	\$1.00	6.3%	\$8,508	\$8,508	\$0	0.0%		
		2	\$16.45	\$17.00	\$16.45	\$17.00	\$0.55	3.3%	\$2,812	\$2,812	\$0	0.0%		
		3	\$16.45	\$17.00	\$16.45	\$17.00	\$0.55	3.3%	\$4,000	\$4,000	\$0	0.0%		
		4	\$16.45	\$16.45	\$16.45	\$16.45	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		5	\$16.45	\$16.45	\$16.45	\$16.45	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		Exception	\$16.45	\$16.45	\$16.45	\$16.45	\$0.00	0.0%	\$15,318	\$15,318	(\$10,419)	-6.8%	(\$10,573)	-6.9%
	Subtotal									\$0	0.0%			
BUSINESS 1FB	Plan Line	1	\$26.70	\$32.00	\$26.70	\$32.00	\$5.30	19.8%	\$70,435	\$70,435	\$0	0.0%		
		2	\$26.70	\$32.00	\$26.70	\$32.00	\$5.30	19.8%	\$26,662	\$26,662	\$0	0.0%		
		3	\$26.70	\$32.00	\$26.70	\$32.00	\$5.30	19.8%	\$27,628	\$27,628	\$0	0.0%		
		4	\$33.00	\$35.00	\$33.00	\$35.00	\$2.00	6.1%	\$147,048	\$147,048	\$0	0.0%		
		5	\$33.00	\$35.00	\$33.00	\$35.00	\$2.00	6.1%	\$745	\$745	\$0	0.0%		
		Exception	\$26.70	\$32.00	\$26.70	\$32.00	\$5.30	19.8%	\$272,518	\$272,518	\$0	0.0%		
	Subtotal									\$0	0.0%			
BUSINESS 1FB	Plan Line w/LUD	1	\$32.70	\$35.00	\$32.70	\$35.00	\$2.30	7.0%	\$2,281	\$2,281	\$0	0.0%		
		2	\$32.70	\$35.00	\$32.70	\$35.00	\$2.30	7.0%	\$1,049	\$1,049	\$0	0.0%		
		3	\$32.70	\$35.00	\$32.70	\$35.00	\$2.30	7.0%	\$442	\$442	\$0	0.0%		
		4	\$36.00	\$38.00	\$36.00	\$38.00	\$2.00	5.6%	\$1,680	\$1,680	(\$3,960)	-23.5%	(\$3,960)	-23.5%
		5	\$36.00	\$38.00	\$36.00	\$38.00	\$2.00	5.6%	\$5,461	\$5,461	\$0	0.0%		
		Exception	\$32.70	\$35.00	\$32.70	\$35.00	\$2.30	7.0%	\$177,817	\$177,817	(\$3,960)	-2.2%	(\$3,960)	-2.2%
	Subtotal									\$0	0.0%			
BUSINESS 1FB	PBA-Flat	1	\$32.80	\$34.00	\$32.80	\$34.00	\$1.20	3.7%	\$71,544	\$71,544	\$0	0.0%		
		2	\$32.80	\$34.00	\$32.80	\$34.00	\$1.20	3.7%	\$2,865	\$2,865	\$0	0.0%		
		3	\$32.80	\$34.00	\$32.80	\$34.00	\$1.20	3.7%	\$73,418	\$73,418	\$0	0.0%		
		4	\$32.80	\$32.80	\$32.80	\$32.80	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		5	\$32.80	\$32.80	\$32.80	\$32.80	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		Exception	\$32.80	\$32.80	\$32.80	\$32.80	\$0.00	0.0%	\$0	\$0	(\$216,619)	-6.6%	(\$2,453)	-7.4%
	Subtotal									\$0	0.0%			
BUSINESS 1FB	Hunting	1	\$12.00	\$12.00	\$12.00	\$12.00	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		2	\$11.25	\$11.25	\$11.25	\$11.25	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		3	\$10.50	\$10.50	\$10.50	\$10.50	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		4	\$10.00	\$10.00	\$10.00	\$10.00	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		5	\$5.70	\$5.70	\$5.70	\$5.70	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
		Exception	\$10.00	\$10.00	\$10.00	\$10.00	\$0.00	0.0%	\$0	\$0	\$0	0.0%		
	Subtotal									\$0	0.0%			
BUSINESS 1FB	Touch Tone	Bus	\$3.00	\$3.00	\$3.00	\$3.00	\$0.00	0.0%	\$0	\$0	(\$3.00)	-100.0%		
		Subtotal									(\$3.00)	-100.0%	(\$3,260.00)	-100.0%
Total Business										\$2,417,974		(\$9,754,256)		
ACCESS														
INTSRRR		ALL								(\$14,200,000)		\$0		
Total Access										(\$14,200,000)		\$0		
TOTAL										\$14,216,158		\$9,734,681		
Residential Business										\$2,417,974		(\$9,754,256)		
Access										(\$16,600,000)		\$0		
Other										\$0		\$0		
Total Revenue Change										\$34,130		(\$18,375)		

Kentucky Rebalancing Proposal
Summary of Rate Changes

<u>RESIDENTIAL</u>							<u>Annual</u>
<u>Service</u>	<u>Rate Group</u>	<u>Present</u>	<u>Proposed</u>	<u>\$</u>	<u>%</u>		<u>Revenue</u>
		<u>Rate</u>	<u>Rate</u>	<u>Change</u>	<u>Change</u>		<u>Change</u>
1FR	1	\$12.17	\$13.40	\$1.23	10.11%	177,025	\$2,612,889
	2	\$13.02	\$14.30	\$1.28	9.83%	85,393	\$1,311,636
	3	\$13.69	\$15.05	\$1.36	9.93%	138,024	\$2,252,552
	4	\$14.34	\$15.75	\$1.41	9.83%	6,834	\$115,631
	5	\$17.55	\$18.40	\$0.85	4.84%	245,373	\$2,502,805
	Exception	\$14.50	\$15.95	\$1.45	10.00%	9,989	<u>\$173,809</u>
Subtotal			\$15.77				\$8,969,322
2FR	1	\$9.38	\$10.32	\$0.94	10.00%	2,645	\$29,772
	2	\$10.02	\$11.02	\$1.00	10.00%	194	\$2,333
	3	\$10.52	\$11.57	\$1.05	10.00%	33	\$417
	4	\$11.01	\$12.11	\$1.10	10.00%	1	\$13
	5						
	Exception	\$11.13	\$12.24	\$1.11	10.00%	18	<u>\$240</u>
Subtotal							\$32,775
Standard Measured	1	\$9.38	\$10.32	\$0.94	10.00%	515	\$5,797
	2	\$10.02	\$11.02	\$1.00	10.00%	592	\$7,118
	3	\$10.52	\$11.57	\$1.05	10.00%	1,851	\$23,367
	4	\$11.01	\$12.11	\$1.10	10.00%	17	\$225
	5	\$13.41	\$14.75	\$1.34	10.00%	3,534	\$56,869
	Exception						<u>\$0</u>
Subtotal							\$93,376
Low Usage Measured	1	\$6.59	\$7.25	\$0.66	10.00%	247	\$1,953
	2	\$7.01	\$7.71	\$0.70	10.00%	194	\$1,632
	3	\$7.34	\$8.07	\$0.73	10.00%	610	\$5,373
	4	\$7.67	\$8.44	\$0.77	10.00%	9	\$83
	5	\$9.27	\$10.20	\$0.93	10.00%	1,715	\$19,078
	Exception						<u>\$0</u>
Subtotal							\$28,119
Plan Line	1	\$9.00	\$9.90	\$0.90	10.00%	20601	\$222,491
	2	\$9.00	\$9.90	\$0.90	10.00%	4395	\$47,466
	3	\$9.00	\$9.90	\$0.90	10.00%	4843	\$52,304
	4	\$9.00	\$9.90	\$0.90	10.00%	0	\$0
	5	\$10.50	\$11.50	\$1.00	9.52%	4821	\$57,852
	Exception	\$9.00	\$9.90	\$0.90	10.00%	39	<u>\$421</u>
Subtotal							\$380,534
Plan Line w/ LUD	1	\$10.00	\$11.00	\$1.00	10.00%	398	\$4,776
	2	\$10.00	\$11.00	\$1.00	10.00%	104	\$1,248
	3	\$10.00	\$11.00	\$1.00	10.00%	92	\$1,104
	4	\$10.00	\$11.00	\$1.00	10.00%	0	\$0
	5	\$11.50	\$12.50	\$1.00	8.70%	470	\$5,640
	Exception	\$10.00	\$11.00	\$1.00	10.00%	3	<u>\$36</u>
Subtotal							\$12,804
Premium Plan Line	All	\$20.00	\$22.00	\$2.00	10.00%	29,571	<u>\$709,704</u>
Subtotal							\$709,704
Subtotal Lines							\$10,226,633
Consumer Verticals, DA, etc.							\$3,989,523
Total Residential							\$14,216,156

BUSINESS							Annual
Service	Rate Group	Present Rate	Proposed Rate	\$ Change	% Change		Revenue Change
1FB	1	\$32.00	\$34.00	\$2.00	6.25%	43,009	\$1,032,216
	2	\$32.90	\$34.00	\$1.10	3.34%	23,328	\$307,930
	3	\$32.90	\$34.00	\$1.10	3.34%	43,329	\$571,943
	4	\$32.90	\$32.90	\$0.00	0.00%	1,421	\$0
	5	\$32.90	\$32.90	\$0.00	0.00%	72,463	\$0
	Exception	\$32.90	\$32.90	\$0.00	0.00%	2,714	\$0
Subtotal						186,264	\$1,912,088
Standard Measured	1	\$23.17	\$25.25	\$2.08	8.98%	214	\$5,341
	2	\$25.52	\$28.00	\$2.48	9.72%	255	\$7,589
	3	\$27.52	\$30.00	\$2.48	9.01%	520	\$15,475
	4	\$29.46	\$32.00	\$2.54	8.62%	23	\$701
	5	\$35.82	\$37.00	\$1.18	3.29%	400	\$5,664
	Exception						\$0
Subtotal							\$34,770
Back-Up Line	1	\$16.00	\$17.00	\$1.00	6.25%	709	\$8,508
	2	\$16.45	\$17.00	\$0.55	3.34%	426	\$2,812
	3	\$16.45	\$17.00	\$0.55	3.34%	606	\$4,000
	4	\$16.45	\$16.45	\$0.00	0.00%	30	\$0
	5	\$16.45	\$16.45	\$0.00	0.00%	1,240	\$0
	Exception	\$16.45	\$16.45	\$0.00	0.00%	29	\$0
Subtotal							\$15,319
Plan Line	1	\$29.70	\$32.00	\$2.30	7.74%	2,552	\$70,435
	2	\$29.70	\$32.00	\$2.30	7.74%	966	\$26,662
	3	\$29.70	\$32.00	\$2.30	7.74%	1,001	\$27,628
	4						
	5	\$33.00	\$35.00	\$2.00	6.06%	6,127	\$147,048
	Exception	\$29.70	\$32.00	\$2.30	7.74%	27	\$745
Subtotal							\$272,518
Plan Line w/LUD	1	\$32.70	\$35.00	\$2.30	7.03%	83	\$2,291
	2	\$32.70	\$35.00	\$2.30	7.03%	38	\$1,049
	3	\$32.70	\$35.00	\$2.30	7.03%	16	\$442
	4						
	5	\$36.00	\$38.00	\$2.00	5.56%	70	\$1,680
	Exception						\$0
Subtotal							\$5,461
PBX-Flat	1	\$32.00	\$34.00	\$2.00	6.25%	2,981	\$71,544
	2	\$32.90	\$34.00	\$1.10	3.34%	2,489	\$32,855
	3	\$32.90	\$34.00	\$1.10	3.34%	5,562	\$73,418
	4	\$32.90	\$32.90	\$0.00	0.00%	128	\$0
	5	\$32.90	\$32.90	\$0.00	0.00%	12,894	\$0
	Exception	\$32.90	\$32.90	\$0.00	0.00%	324	\$0
Subtotal							\$177,817
Hunting	1	\$12.00	\$12.00	\$0.00	0.00%	17,273	\$0
	2	\$11.25	\$11.25	\$0.00	0.00%	12,035	\$0
	3	\$10.50	\$10.50	\$0.00	0.00%	23,172	\$0
	4	\$10.00	\$10.00	\$0.00	0.00%	1,078	\$0
	5	\$5.70	\$5.70	\$0.00	0.00%	52,145	\$0
	Exception	\$10.00	\$10.00	\$0.00	0.00%	1,315	\$0
Subtotal							\$0
Touch Tone	Bus	\$3.00	\$3.00	\$0.00	0.00%	230,000	\$0
Subtotal							\$0
Total Business							\$2,417,974
ACCESS							
NTSRRR	ALL			\$14,200,000	\$0		(\$14,200,000)
Switched MOU				\$2,400,000			(\$2,400,000)
Total Access							(\$16,600,000)
TOTAL							
Residential							\$14,216,156
Business							\$2,417,974
Access							(\$16,600,000)
Other							\$0
Total Revenue Change							\$34,130

Kentucky Rebalancing Proposal
Summary of Rate Changes

						Year 2				
RESIDENTIAL						Present	Proposed	Annual	Annual	Revenue
Service	Rate Group	Present Rate	Proposed Rate	\$ Change	% Change	Revenue	Revenue	Revenue	Revenue	Change
1FR	1	\$13.40	\$14.75	\$1.35	10.07%	177,025	\$28,465,620	\$31,333,425	\$2,867,805	
	2	\$14.30	\$15.75	\$1.45	10.14%	85,393	\$14,653,439	\$16,139,277	\$1,485,838	
	3	\$15.05	\$16.50	\$1.45	9.63%	138,024	\$24,927,134	\$27,328,752	\$2,401,618	
	4	\$15.75	\$17.30	\$1.55	9.84%	6,834	\$1,291,626	\$1,418,738	\$127,112	
	5	\$18.40	\$18.40	\$0.00	0.00%	245,373	\$54,178,358	\$54,178,358	\$0	
	Exception	\$15.95	\$17.55	\$1.60	10.00%	9,989	\$1,911,895	\$2,103,084	\$191,189	
Subtotal									\$7,073,563	
2FR	1	\$10.32	\$11.35	\$1.03	10.00%	2,645	\$327,493	\$360,242	\$32,749	
	2	\$11.02	\$12.12	\$1.10	10.00%	194	\$25,660	\$28,226	\$2,566	
	3	\$11.57	\$12.73	\$1.16	10.00%	33	\$4,583	\$5,041	\$458	
	4	\$12.11	\$13.32	\$1.21	10.00%	1	\$145	\$160	\$15	
	5									
	Exception	\$12.24	\$13.47	\$1.22	10.00%	18	\$2,644	\$2,909	\$264	
Subtotal									\$36,053	
Standard Measured	1	\$10.32	\$11.35	\$1.03	10.00%	515	\$63,765	\$70,142	\$6,377	
	2	\$11.02	\$12.12	\$1.10	10.00%	592	\$78,300	\$86,130	\$7,830	
	3	\$11.57	\$12.73	\$1.16	10.00%	1,851	\$257,037	\$282,741	\$25,704	
	4	\$12.11	\$13.32	\$1.21	10.00%	17	\$2,471	\$2,718	\$247	
	5	\$14.75	\$16.23	\$1.48	10.00%	3,534	\$625,560	\$688,116	\$62,556	
	Exception								\$0	
Subtotal									\$102,713	
Low Usage Measured	1	\$7.25	\$7.97	\$0.72	10.00%	247	\$21,486	\$23,635	\$2,149	
	2	\$7.71	\$8.48	\$0.77	10.00%	194	\$17,951	\$19,746	\$1,795	
	3	\$8.07	\$8.88	\$0.81	10.00%	610	\$59,102	\$65,012	\$5,910	
	4	\$8.44	\$9.28	\$0.84	10.00%	9	\$911	\$1,002	\$91	
	5	\$10.20	\$11.22	\$1.02	10.00%	1,715	\$209,854	\$230,840	\$20,985	
	Exception								\$0	
Subtotal									\$30,930	
Plan Line	1	\$9.90	\$10.89	\$0.99	10.00%	20601	\$2,447,399	\$2,692,139	\$244,740	
	2	\$9.90	\$10.89	\$0.99	10.00%	4395	\$522,126	\$574,339	\$52,213	
	3	\$9.90	\$10.89	\$0.99	10.00%	4843	\$575,348	\$632,883	\$57,535	
	4	\$9.90	\$10.89	\$0.99	10.00%	0	\$0	\$0	\$0	
	5	\$11.50	\$11.50	\$0.00	0.00%	4821	\$665,298	\$665,298	\$0	
	Exception	\$9.90	\$10.89	\$0.99	10.00%	39	\$4,633	\$5,097	\$463	
Subtotal									\$354,951	
Plan Line w/ LUD	1	\$11.00	\$12.10	\$1.10	10.00%	398	\$52,536	\$57,790	\$5,254	
	2	\$11.00	\$12.10	\$1.10	10.00%	104	\$13,728	\$15,101	\$1,373	
	3	\$11.00	\$12.10	\$1.10	10.00%	92	\$12,144	\$13,358	\$1,214	
	4	\$11.00	\$12.10	\$1.10	10.00%	0	\$0	\$0	\$0	
	5	\$12.50	\$12.50	\$0.00	0.00%	470	\$70,500	\$70,500	\$0	
	Exception	\$11.00	\$12.10	\$1.10	10.00%	3	\$396	\$436	\$40	
Subtotal									\$7,880	
Premium Plan Line	All	\$22.00	\$22.00	\$0.00	0.00%	29,571	\$7,806,744	\$7,806,744	\$0	
Subtotal									\$0	
Lines										\$7,806,090
Consumer Verticals, DA, etc.										\$2,128,791
Total Residential										\$9,734,881

BUSINESS

Service	Rate Group	Present	Proposed	\$	%	Present	Proposed	Annual	
		Rate	Rate	Change	Change	Annual Revenue	Annual Revenue	Revenue Change	
1FB	1	\$34.00	\$34.00	\$0.00	0.00%	43,009	\$17,547,672	\$17,547,672	\$0
	2	\$34.00	\$34.00	\$0.00	0.00%	23,328	\$9,517,824	\$9,517,824	\$0
	3	\$34.00	\$34.00	\$0.00	0.00%	43,329	\$17,678,232	\$17,678,232	\$0
	4	\$32.90	\$32.90	\$0.00	0.00%	1,421	\$561,011	\$561,011	\$0
	5	\$32.90	\$31.50	(\$1.40)	-4.26%	72,463	\$28,608,392	\$27,391,014	(\$1,217,378)
	Exception	\$32.90	\$32.00	(\$0.90)	-2.74%	2,714	\$1,071,487	\$1,042,176	(\$29,311)
Subtotal						186,264			(\$1,246,690)
Standard Measured	1	\$25.25	\$27.78	\$2.53	10.00%	214	\$64,842	\$71,326	\$6,484
	2	\$28.00	\$28.00	\$0.00	0.00%	255	\$85,680	\$85,680	\$0
	3	\$30.00	\$30.00	\$0.00	0.00%	520	\$187,200	\$187,200	\$0
	4	\$32.00	\$32.00	\$0.00	0.00%	23	\$8,832	\$8,832	\$0
	5	\$37.00	\$37.00	\$0.00	0.00%	400	\$177,600	\$177,600	\$0
	Exception								\$0
Subtotal									\$6,484
Back-Up Line	1	\$17.00	\$17.00	\$0.00	0.00%	709	\$144,636	\$144,636	\$0
	2	\$17.00	\$17.00	\$0.00	0.00%	426	\$86,904	\$86,904	\$0
	3	\$17.00	\$17.00	\$0.00	0.00%	606	\$123,624	\$123,624	\$0
	4	\$16.45	\$16.45	\$0.00	0.00%	30	\$5,922	\$5,922	\$0
	5	\$16.45	\$15.75	(\$0.70)	-4.26%	1,240	\$244,776	\$234,360	(\$10,416)
	Exception	\$16.45	\$16.00	(\$0.45)	-2.74%	29	\$5,725	\$5,568	(\$157)
Subtotal									(\$10,573)
Plan Line	1	\$32.00	\$32.00	\$0.00	0.00%	2,552	\$979,968	\$979,968	\$0
	2	\$32.00	\$32.00	\$0.00	0.00%	966	\$370,944	\$370,944	\$0
	3	\$32.00	\$32.00	\$0.00	0.00%	1,001	\$384,384	\$384,384	\$0
	4								
	5	\$35.00	\$35.00	\$0.00	0.00%	6,127	\$2,573,340	\$2,573,340	\$0
	Exception	\$32.00	\$32.00	\$0.00	0.00%	27	\$10,368	\$10,368	\$0
Subtotal									\$0
Plan Line w/LUD	1	\$35.00	\$35.00	\$0.00	0.00%	83	\$34,860	\$34,860	\$0
	2	\$35.00	\$35.00	\$0.00	0.00%	38	\$15,960	\$15,960	\$0
	3	\$35.00	\$35.00	\$0.00	0.00%	16	\$6,720	\$6,720	\$0
	4								
	5	\$38.00	\$34.00	(\$4.00)	-10.53%	70	\$31,920	\$28,560	(\$3,360)
	Exception								\$0
Subtotal									(\$3,360)
PBX-Flat	1	\$34.00	\$34.00	\$0.00	0.00%	2,981	\$1,216,248	\$1,216,248	\$0
	2	\$34.00	\$34.00	\$0.00	0.00%	2,489	\$1,015,512	\$1,015,512	\$0
	3	\$34.00	\$34.00	\$0.00	0.00%	5,562	\$2,269,296	\$2,269,296	\$0
	4	\$32.90	\$32.90	\$0.00	0.00%	128	\$50,534	\$50,534	\$0
	5	\$32.90	\$31.50	(\$1.40)	-4.26%	12,894	\$5,090,551	\$4,873,932	(\$216,619)
	Exception	\$32.90	\$32.00	(\$0.90)	-2.74%	324	\$127,915	\$124,416	(\$3,499)
Subtotal									(\$220,118)
Hunting	1	\$12.00	\$12.00	\$0.00	0.00%	17,273	\$2,487,312	\$2,487,312	\$0
	2	\$11.25	\$11.25	\$0.00	0.00%	12,035	\$1,624,725	\$1,624,725	\$0
	3	\$10.50	\$10.50	\$0.00	0.00%	23,172	\$2,919,672	\$2,919,672	\$0
	4	\$10.00	\$10.00	\$0.00	0.00%	1,078	\$129,360	\$129,360	\$0
	5	\$5.70	\$5.70	\$0.00	0.00%	52,145	\$3,566,718	\$3,566,718	\$0
	Exception	\$10.00	\$10.00	\$0.00	0.00%	1,315	\$157,800	\$157,800	\$0
Subtotal									\$0
Touch Tone	Bus	\$3.00	\$0.00	(\$3.00)	-100.00%	230,000	\$8,280,000	\$0	(\$8,280,000)
	Subtotal								(\$8,280,000)
Total Business									(\$9,754,256)

ACCESS

NTSRRR	ALL					\$0	\$0	\$0	
Total Access									\$0

TOTAL

Residential								\$9,734,881	
Business								(\$9,754,256)	
Access								\$0	
Other								\$0	
Total Revenue Change									(\$19,375)

YEAR 1

Service	Current			Target Price	Percent Increase	Proposed			Annual		
	Price	Proposed Price	Units			Price	Units	Current Revenue	Proposed Revenue	Incremental Revenue	
CON Call Waiting	\$ 3.65	\$ 4.00	250,000	\$ 5.50	9.6%	\$ 4.00	250,000	\$ 10,950,000	\$ 12,000,000	\$ 1,050,000	
Three Way Calling	\$ 3.60	\$ 3.95	8,000	\$ 5.00	9.7%	\$ 3.95	8,000	\$ 345,600	\$ 379,200	\$ 33,600	
Call Return	\$ 4.40	\$ 4.80	35,000	\$ 5.00	9.1%	\$ 4.80	35,000	\$ 1,848,000	\$ 2,016,000	\$ 168,000	
Call Forward Variable	\$ 3.60	\$ 3.95	7,500	\$ 4.00	9.7%	\$ 3.95	7,500	\$ 324,000	\$ 355,500	\$ 31,500	
Speed Call 8	\$ 3.60	\$ 3.95	7,292	\$ 4.00	9.7%	\$ 3.95	7,292	\$ 315,014	\$ 345,641	\$ 30,626	
Call Return per use	\$ 0.75	\$ 0.80	450,000	\$ 0.90	6.7%	\$ 0.80	450,000	\$ 4,050,000	\$ 4,320,000	\$ 270,000	
Repeat Dialing / Busy Connect per use	\$ 0.75	\$ 0.80	35,000	\$ 0.90	6.7%	\$ 0.80	35,000	\$ 315,000	\$ 336,000	\$ 21,000	
Three Way per use	\$ 0.75	\$ 0.80	55,000	\$ 0.90	6.7%	\$ 0.80	55,000	\$ 495,000	\$ 528,000	\$ 33,000	
Directory Assistance	\$ 0.33	\$ 0.36	1,280,000	\$ 0.90	9.1%	\$ 0.36	1,280,000	\$ 5,068,800	\$ 5,529,600	\$ 460,800	
Verify	\$ 1.04	\$ 1.14	3,882	\$ 5.00	10.0%	\$ 1.14	3,882	\$ 48,447	\$ 53,292	\$ 4,845	
Verify & Interrupt	\$ 1.54	\$ 1.69	3,870	\$ 10.00	10.0%	\$ 1.69	3,870	\$ 71,518	\$ 78,669	\$ 7,152	
MTS	Eliminate Volume Discount										
								\$ (1,879,000)	\$ -	\$ 1,879,000	
										\$ 3,989,523	


YEAR 2

Service	Current			Target Price	Percent Increase	Proposed			Annual		
	Price	Proposed Price	Units			Price	Units	Current Revenue	Proposed Revenue	Incremental Revenue	
CON Call Waiting	\$ 4.00	\$ 4.40	250,000	\$ 5.50	10.0%	\$ 4.40	250,000	\$ 12,000,000	\$ 13,200,000	\$ 1,200,000	
Three Way Calling	\$ 3.95	\$ 4.35	8,000	\$ 5.00	10.0%	\$ 4.35	8,000	\$ 379,200	\$ 417,120	\$ 37,920	
Call Return	\$ 4.80	\$ 5.00	35,000	\$ 5.00	4.2%	\$ 5.00	35,000	\$ 2,016,000	\$ 2,100,000	\$ 84,000	
Call Forward Variable	\$ 3.95	\$ 4.00	7,500	\$ 4.00	1.3%	\$ 4.00	7,500	\$ 355,500	\$ 360,000	\$ 4,500	
Speed Call 8	\$ 3.95	\$ 4.00	7,292	\$ 4.00	1.3%	\$ 4.00	7,292	\$ 345,641	\$ 350,016	\$ 4,375	
Call Return per use	\$ 0.80	\$ 0.85	450,000	\$ 0.90	6.3%	\$ 0.85	450,000	\$ 4,320,000	\$ 4,590,000	\$ 270,000	
Repeat Dialing / Busy Connect per use	\$ 0.80	\$ 0.85	35,000	\$ 0.90	6.3%	\$ 0.85	35,000	\$ 336,000	\$ 357,000	\$ 21,000	
Three Way per use	\$ 0.80	\$ 0.85	55,000	\$ 0.90	6.3%	\$ 0.85	55,000	\$ 528,000	\$ 561,000	\$ 33,000	
Directory Assistance	\$ 0.36	\$ 0.39	1,280,000	\$ 0.90	8.3%	\$ 0.39	1,280,000	\$ 5,529,600	\$ 5,990,400	\$ 460,800	
Verify	\$ 1.14	\$ 1.26	3,882	\$ 5.00	10.0%	\$ 1.26	3,882	\$ 53,292	\$ 58,621	\$ 5,329	
Verify & Interrupt	\$ 1.69	\$ 1.86	3,870	\$ 10.00	10.0%	\$ 1.86	3,870	\$ 78,669	\$ 86,536	\$ 7,867	
										\$ 2,128,791	

DRAFT
For Discussion Purposes Only
Private/Confidential

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 4th day of May 2000.



Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

Hon. Ann Cheuvront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 27, 2000

To: All parties of record

RE: Case No. 1999-434

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable Creighton E. Mershon
General Counsel - Kentucky
BellSouth Telecommunications, Inc.
P. O. Box 32410
Louisville, KY 40232

Mr. Carl Provelites
GTE Mobile Comm. Service Corp.
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Atlanta, GA 30346

Garry Sharp
State Manager
AT & T Communications of the South
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CBLD Center, Suite 2300
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Vice President, Regulatory
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Salt Lake City , UT 84121

Lyle Keyes
Chairman & Secretary
Teltrust Communications Services
6322 South 3000 East
Salt Lake City , UT 84121

Jennifer Goldston
Regulatory Analyst
VarTec Telecom, Inc.
3200 W. Pleasant Run Road
Lancaster, TX 75146 7514



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On December 17, 1999, BellSouth Telecommunications, Inc. ("BellSouth") filed a proposed tariff which modified its Price Regulation Plan. BellSouth proposed that the tariff become effective on and after May 1, 2000.

The Commission finds that, pursuant to KRS 278.190, further investigation is needed to determine the reasonableness of the proposed tariff. The Commission has already established a procedural schedule, including a June 6, 2000 public hearing.

IT IS THEREFORE ORDERED that:

1. The proposed tariff filing of BellSouth is suspended for five months from May 1, 2000 up to and including September 30, 2000.
2. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.

Done at Frankfort, Kentucky, this 27th day of April, 2000.

By the Commission

ATTEST:


Executive Director

BellSouth Telecommunications, Inc. 502 582-8219
P.O. Box 32410 Fax 502 582-1573
Louisville, Kentucky 40232 Internet
or Creighton.E.Mershon@bridge.bellsouth.com

Creighton E. Mershon, Sr.
General Counsel - Kentucky

BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
Louisville, Kentucky 40203

April 24, 2000

RECEIVED
APR 25 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

During the informal conference on April 10, 2000, the Commission staff asked several questions and permitted BellSouth to provide a post-conference response:

1. What should the Commission do regarding the May 1, 2000, effective date of the tariff changes in the BellSouth proposal.

BellSouth suggests, because the hearing is not scheduled until June 6, that the Commission consider suspending the tariffs pursuant to KRS 278.190.

2. Please supply information regarding customer appeals relating to BellSouth filed with the Commission.

See the attached charts that quantify recent appeal activity and a letter from Bob Johnson to Eddy Roberts dated March 17, 2000, regarding BellSouth's customer appeals.

3. What latitude does the Commission have, outside legislation, to modify service objectives.

The Commission's requirements for service objectives are stated in Sections 10, 15, 22, and 25 of 807 KAR 5:061. Telephone. Section 28 of that regulation states:

Mr. Martin J. Huelsmann, Jr.
Page 2
April 24, 2000

Section 28. Deviations from Rules. In special cases for good cause shown the Commission may permit deviations from these rules.

BellSouth would argue that the PSC-commissioned audit which recommends the changes to the service objectives that BellSouth proposes herein constitutes good cause shown permitting the Commission to deviate from its current rules.

Respectfully submitted,



Creighton E. Mershon, Sr.

Attachments

cc: Parties of Record

206680

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof on this 24th day of April, 2000.

Creighton E. Mershon
Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

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Mr. Larry Callison
GTE
150 Rojay Drive
Lexington, KY 40503



Paul E. Patton, Governor

**Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet**

**Martin J. Huelsmann
Executive Director
Public Service Commission**

**COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
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FRANKFORT, KENTUCKY 40602-0615
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(502) 564-3940
Fax (502) 564-7397**

**B. J. Helton
Chairman**

**Edward J. Holmes
Vice Chairman**

**Gary W. Gibbs
Commissioner**

March 17, 2000

Mr. Eddie Roberts, Jr.
President, Public Affairs – Kentucky
BellSouth Telecommunications, Inc.
P. O. Box 32410
Louisville, KY 40232

Dear Eddie,

Enclosed are our long awaited reports covering PSC complaint activities for the most recent quarter and for the complete 1999 year. Because BellSouth represents such a significant portion of our complaint volume, I wanted to take a moment and direct your attention to BellSouth's complaint totals for 1999.

While BellSouth continues to post the highest number of complaints among our regulated utilities, 1999 marked a significant year in our combined efforts to lower the complaint totals. According to our records, BellSouth had 615 complaints entered during the year. Compare that total with 1998's 737 BST complaints and we may be witness to the birth of a lasting trend toward fewer PSC complaints from BST customers.

BellSouth has more Kentucky customers than any other utility, explaining the volume of complaints that we receive. However, 615 complaints from 1.3 million customers are an enviable accomplishment. The BST average closing time for 1999 complaints of 7.7 days (a number that could still be improved) was well below the PSC average of 13.5 days. Of course you are aware of the Commissioner's well placed concern that we process cases and complaints as expeditiously as possible. We have shared this report with them and I can assure you that they are appreciative of the reduction in BellSouth complaints and the attention that the company has given to the complaint management process.

Eddie, please allow me to express my appreciation for the work that you and your Louisville staff have done during the past year to post these improved numbers. It is great to see complaint totals go in the downward direction when so many other reports have the opposite news. We will watch 2000 with anticipation that the BST complaint totals and processing times will continue their decline.

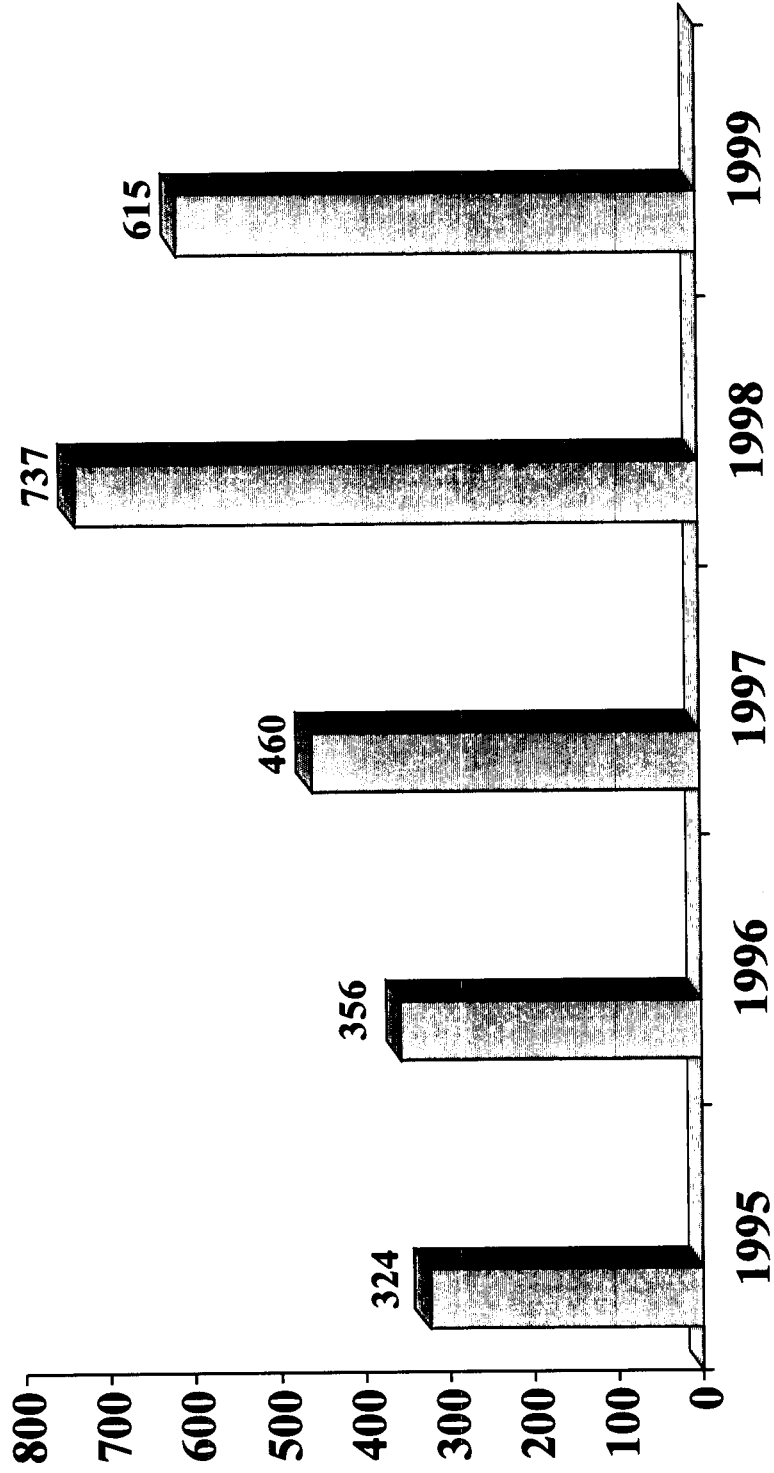
Sincerely,

**Bob Johnston, Director
Consumer Services Division**

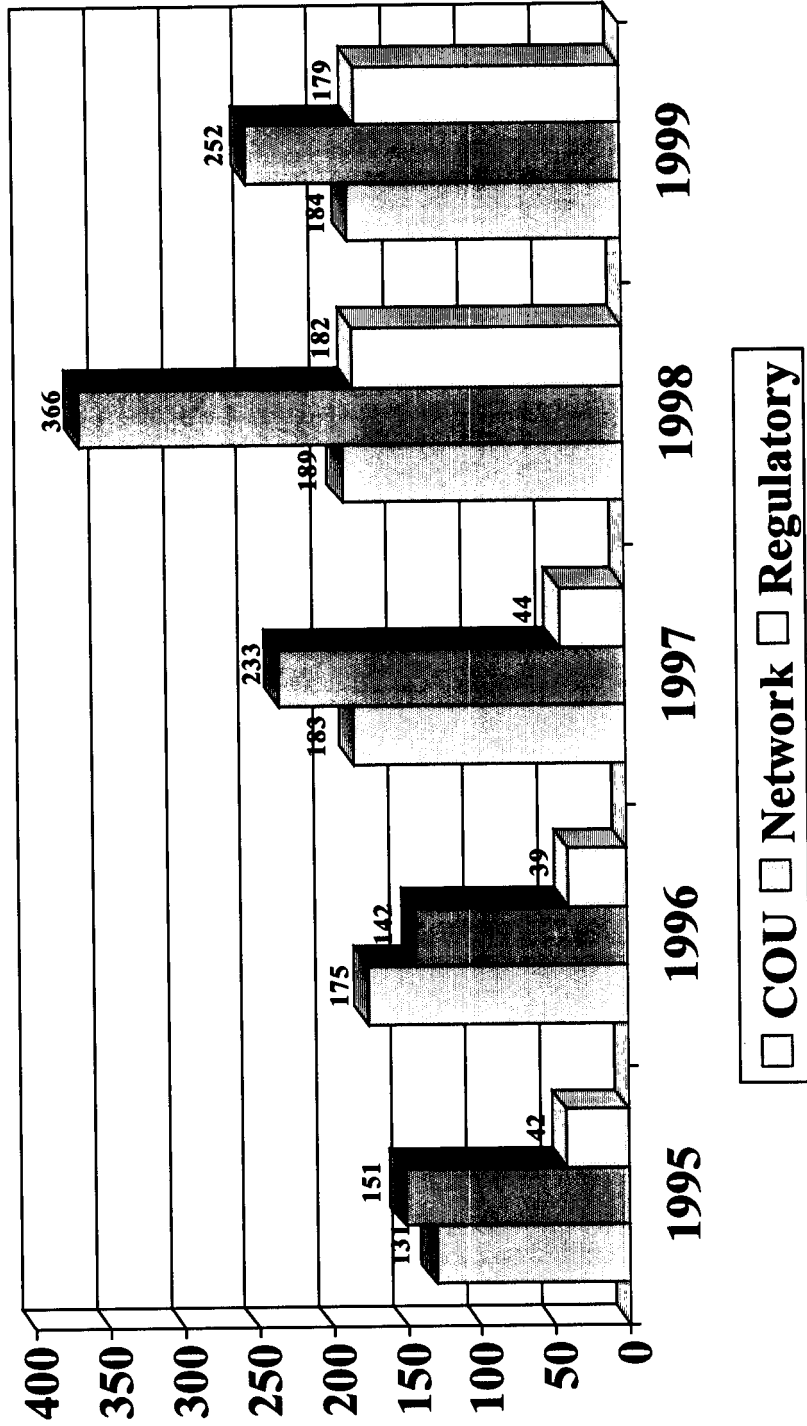
C Chairman Helton



KY PSC Complaint Totals

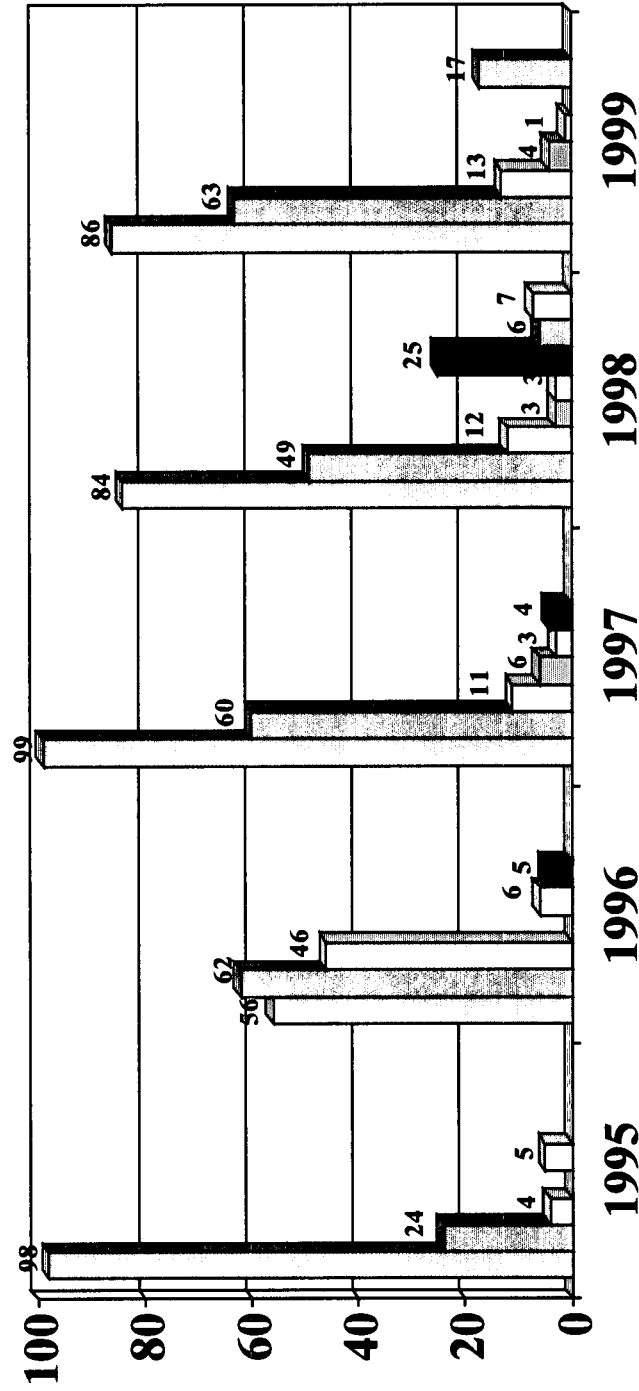


KY PSC Complaint Trend By Year and Entity



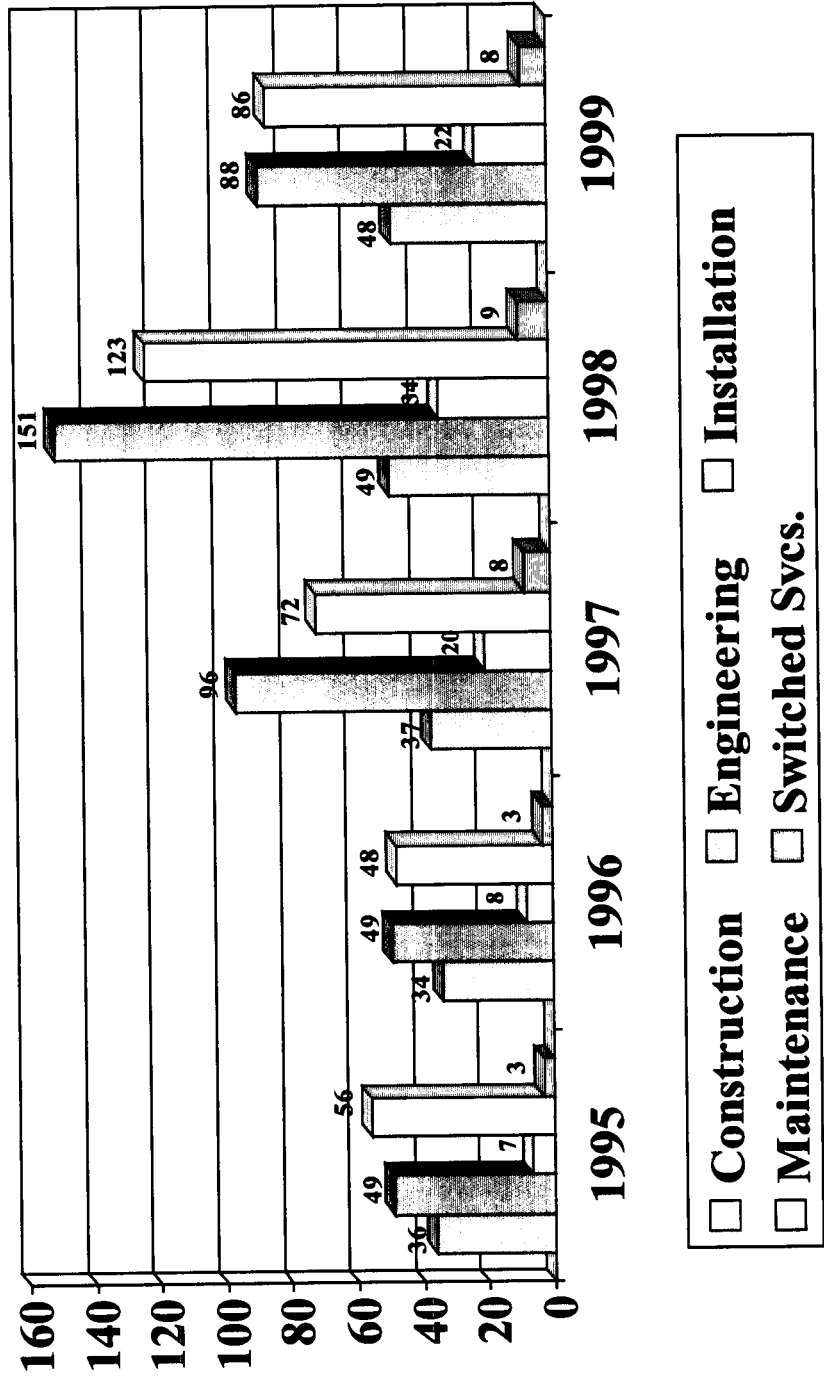
KY PSC Complaint Trend

COU



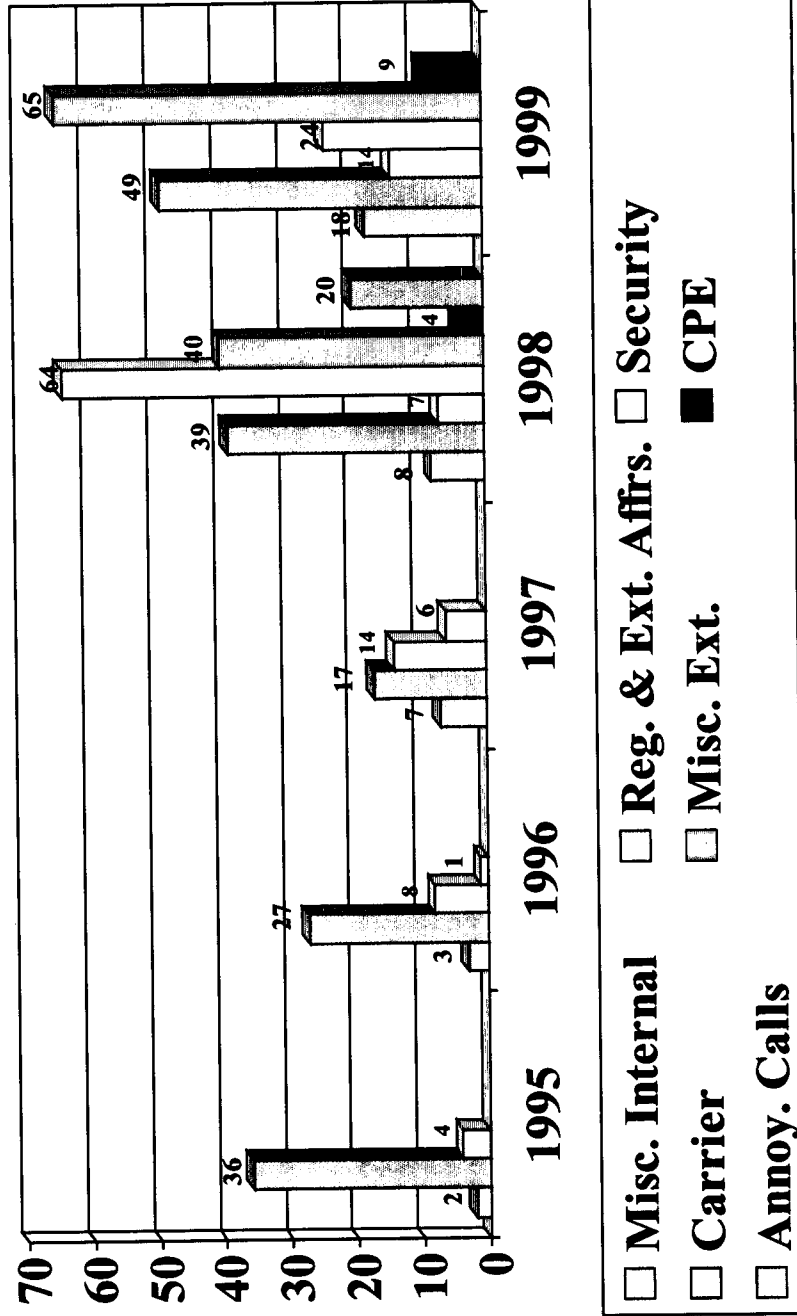
- Collectns.
- Svc.
- Prod. Mgmt.
- Oper Svc.
- Repair
- BST Prod.
- BST Eqpm.

KY PSC Complaint Trend Network



- Construction
- Engineering
- Installation
- Maintenance
- Switched Svcs.

KY PSC Complaint Trend Regulatory & External Affairs



- Misc. Internal
- Carrier
- Annoy. Calls
- Reg. & Ext. Affrs.
- Misc. Ext.
- Security
- CPE

BellSouth Telecommunications, Inc.
P.O. Box 32410
Louisville, KY 40232

or
BellSouth Telecommunications, Inc.
Room 407
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Creighton.Mershon@BellSouth.com

Creighton E. Mershon, Sr.
General Counsel-Kentucky

502 582-8219
Fax 502 582-1573

April 24, 2000

RECEIVED

APR 25 2000

PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price
Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Enclosed for filing in the above-captioned case are the original
and ten (10) copies of BellSouth Telecommunications Inc.'s
Responses to the Attorney General's Information Requests dated
April 6, 2000.

Sincerely,


Creighton E. Mershon, Sr.

Enclosures

cc: Parties of Record

206498

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 24th day of April ²⁰⁰⁰~~1999~~.

Creighton Mershon
Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-434

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Assistant Attorney General
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Frankfort, KY. 40601 8204

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Mr. Larry Callison
GTE
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Lexington, KY 40503

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 1
Page 1 of 1

REQUEST: In Case No. 94-121, did the Commission order BellSouth to file with them, either annually or quarterly, a report or documentation that may indicate the return on investment or that type of information?

RESPONSE: In Case No. 94-121 the Commission wrote, "South Central Bell should file routine quarterly and annual financial reports. The Company may produce statements in accordance with General Accepted Accounting Principles ("GAAP")..." The quarterly reports filed with the Commission under the price regulation plan comply with this requirement.

REQUEST: If the Answer to Question 1 is yes, is there something in the report that would indicate what the "rate of return" would be if BellSouth was still under rate of return regulation?

RESPONSE: No. The reports show the returns that were actually earned during the time periods covered by the reports. There is no way to accurately determine what those earnings would have been had the Company been subject to rate of return regulation.

One might reasonably hypothesize that earnings would have been lower under rate of return regulation because of the restraint of an authorized rate of return and the absence of incentives. In fact, a primary advantage of price regulation over traditional rate of return regulation is the incentive afforded the Company to operate as efficiently as possible and to assume a higher level of risk in the marketplace because of the potential for these efforts to produce higher returns.

In the report produced at the end of its audit of BST-Kentucky, Vantage Consulting, Inc. concluded:

"...Overall, BST-KY has met all of its obligations in implementing and performing under the PRP. We found no instances where reliability suffered as a result of the PRP or where management made poor decisions with regard to financial or operating issues.

BST-KY's financial performance was outstanding during the PRP period. Revenues increased significantly, largely due to additional access lines and to increased demand for calling features by customers. Expenses, on the other hand, were carefully controlled. Decreases in staffing during the first three years of the program resulted in increased rates of return for the Company. While these returns exceeded past ROE target levels, one must recognize that they are

RESPONSE: (Cont.)

meaningless under a PRP and, in fact, point to the success that has been achieved." (Emphasis added.) (Audit Report, chapter 1, page 5)

Risks (and the resulting rewards) are assumed by the Company and its shareholders under price regulation. Risk/reward opportunities are not associated with the protected services in the non-competitive service category, but instead are generally inherent in the services provided through new evolving technologies, and through aggressive and innovative marketing programs. Among those opportunities BellSouth capitalized on under price regulation are the following:

- Changes in depreciation that accelerated reductions in net investment,
- Introduction of new expanded calling plans,
- Introduction of new incentive sales programs,
- Deployment of new technologies (ATM, ADSL, Frame Relay),
- Introduction of marketing strategies for specific industries, and
- Promotions of various services.

BST-Kentucky embraced the challenge of price regulation and rewarded the Commission, the Company's customers, and the Company's stockholders with efficient operation, stable prices, and positive returns.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 3
Page 1 of 1 with Attachment

REQUEST: If the Answer to Question 2 is yes, what is that figure?

RESPONSE: Notwithstanding the response to Item Nos. 1 and 2, see the attached end-of-year reports that BellSouth has filed with the Commission since inception of the price regulation plan.

BELLSOUTH TELECOMMUNICATIONS, INC.
KENTUCKY INTRASTATE OPERATIONS
(DOLLARS IN THOUSANDS)
QUARTER ENDING

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests dated April 6, 2000
Item No. 3 - Attachment consisting of 10 pages
DECEMBER 31, 1999

	4TH QTR	12 MONTHS TO DATE
<u>OPERATING REVENUES</u>		
1 Local Service Revenue-CR	128,656	496,922
2 Network Access Revenue-CR	9,186	47,564
3 Unidirectional Long Dist. Rev.-CR	662	3,114
4 Long Dist. Private Network Rev.-CR	5,695	23,633
5 Miscellaneous Revenue-CR	8,720	30,743
6 Uncollectible Revenue	1,328	4,958
7 OPERATING REVENUE-CR	151,591	597,018
<u>OPERATING EXPENSES</u>		
8 Plant Specific Operations Expense -		
9 Network Support Expense	117	664
10 General Support Expense	2,973	13,735
11 Central Office Switching Exp	2,956	12,216
12 Operator System Expense	122	441
13 Central Ofc. Transmission Exp	1,705	6,696
14 Inf. Orig./Term. Expense	640	2,699
15 Cable and Wire Facilities Exp	8,026	34,064
16 Plant Nonspecific Operations Expense -		
17 Other Prop, Plant, & Equip. Exp.	(25)	47
18 Network Operations Expense	6,284	28,173
19 Access Expense	7,563	19,127
20 Depr & Amortization Expenses	35,212	144,455
21 Customer Operations Expense		
22 Marketing	4,970	18,956
23 Services	9,301	44,147
24 Corporate Operations Expense -		
25 Executive and Planning	1,329	5,377
26 General and Administrative	10,398	40,860
27 Prov for Uncollect. Notes Rec.	0	0
28 Other Operating Expenses	(2)	(19)
29 Operating Taxes	23,715	92,433
30 OPERATING EXPENSES & TAXES	115,286	464,070
31 NET OPERATING INCOME-CR	36,306	132,949
32 Interest on Customer Deposits	20	83
33 Miscellaneous Income Charges	129	118
34 Tax Effect of Misc Inc Charges	(52)	(55)
35 REGULATORY NET OPERATING INC-CR	36,208	132,803
36 Allow for Funds Used Dur Constr-CR	(195)	862
37 Other Net Income-CR	(153)	(628)
38 Other Net Income Tax-CR	196	660
39 Interest related to Capital	7,643	22,740
40 Interest not related to Capital	195	1,601
41 Extraordinary Items	0	1
42 NET INCOME-CR	28,218	109,355

Income available for capital is net income plus interest related to capital. For the quarter, income available for capital equals 35,861 and for the 12 months it equals 132,095.

BELLSOUTH TELECOMMUNICATIONS INC.
 KENTUCKY INTRASTATE OPERATIONS
 CAPITALIZATION
 Quarter Ending
 DECEMBER 31, 1999

	THREE MONTHS AVERAGE				AVERAGE 12 MONTHS TO DATE			
	(\$) Amount	% of Total	(%) Cost	Weighted Cost %	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	369,928,705	52.90%	33.35%	17.64%	375,101,391	54.25%	30.02%	16.29%
PREFERRED STOCK	0	0.00%	0	0.00%	0	0.00%	0	0
LONG TERM DEBT	232,195,526	33.20%	6.55%	2.16%	233,642,478	33.79%	6.55%	2.21%
SHORT TERM DEBT	85,726,875	12.26%	5.90%	0.71%	70,495,052	10.20%	6.01%	0.61%
UNAMORTIZED ITC (JDIC + ESOP)	11,440,199	1.64%	0.00%	0.00%	12,142,843	1.76%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	699,291,305	100.00%		20.51%	691,381,764	100.00%		19.11%

	THIS QUARTER	12 MONTHS TO DATE
OPERATING REVENUES		
1 Local Service Revenue-CR	118,157	469,645
2 Network Access Revenue-CR	12,647	48,882
3 Unidirectional Long Dist. Rev.-CR	888	4,110
4 Long Dist. Private Network Rev.-CR	7,667	34,171
5 Miscellaneous Revenue-CR	9,561	28,042
6 Uncollectible Revenue	1,464	4,827
7 OPERATING REVENUE-CR	147,456	580,023
OPERATING EXPENSES		
8 Plant Specific Operations Expense -		
9 Network Support Expense	(452)	92
10 General Support Expense	2,975	17,600
11 Central Office Switching Exp	3,696	17,049
12 Operator System Expense	147	393
13 Central Ofc. Transmission Exp	1,497	5,884
14 Inf. Orig./Term. Expense	578	3,913
15 Cable and Wire Facilities Exp	9,191	37,403
16 Plant Nonspecific Operations Exp -		
17 Other Prop, Plant, & Equip. Exp.	(118)	572
18 Network Operations Expense	5,160	25,296
19 Access Expense	4,657	15,405
20 Depr & Amortization Expenses	36,769	146,372
21 Customer Operations Expense -		
22 Marketing	4,776	17,434
23 Services	14,601	44,247
24 Corporate Operations Expense -		
25 Executive and Planning	907	3,324
26 General and Administrative	9,756	43,174
27 Prov for Uncollect. Notes Rec.	0	0
28 Other Operating Expenses	13	6
29 Operating Taxes	22,784	80,223
30 OPERATING EXPENSES & TAXES	116,937	458,387
31 NET OPERATING INCOME-CR	30,519	121,636
32 Interest on Customer Deposits	20	78
33 Miscellaneous Income Charges	304	973
34 Tax Effect of Misc Inc Charges	(123)	(393)
35 REGULATORY NET OPERATING INCOME-CR	30,318	120,978
36 Allow for Funds Used Dur Constr-CR	251	1,049
37 Other Net Income-CR	(120)	(438)
38 Other Net Income Tax-CR	(100)	79
39 Interest related to Capital	5,392	20,041
40 Interest not related to Capital	403	1,550
41 Extraordinary Items	0	0
42 NET INCOME-CR	24,554	100,077

Income available for capital is net income plus interest related to capital. For the quarter it equals 40,613 and for the 12 months it equals 145,780.

BELLSOUTH TELECOMMUNICATIONS INC.
 KENTUCKY INTRASTATE OPERATIONS
 CAPITALIZATION
 Quarter Ending December, 1998

T HREE MONTHS AVERAGE

	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	398,209,014	57.47%	25.54%	14.68%
PREFERRED STOCK	0	0	0	0
LONG TERM DEBT	236,519,514	34.14%	6.55%	2.24%
SHORT TERM DEBT	48,775,114	7.04%	5.32%	0.37%
UNAMORTIZED ITC (JDIC + ESOP)	9,349,915	1.35%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	692,853,557	100.00%		17.29%

AVERAGE 1 2 MONTHS TO DATE

	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	393,655,218	57.20%	25.98%	14.86%
PREFERRED STOCK	0	0.00%	0	0
LONG TERM DEBT	220,240,952	32.01%	6.54%	2.09%
SHORT TERM DEBT	63,999,211	9.30%	5.36%	0.50%
UNAMORTIZED ITC (JDIC + ESOP)	10,267,087	1.49%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	688,162,468	100.00%		17.45%

REVISED
 BELLSOUTH TELECOMMUNICATIONS, INC.
 KENTUCKY INTRASTATE OPERATIONS
 (DOLLARS IN THOUSANDS)
 QUARTER ENDING

December, 1997

	THIS QUARTER	12 MONTHS TO DATE
OPERATING REVENUES		
1 Local Service Revenue-CR	110,172	444,105
2 Network Access Revenue-CR	14,205	49,296
3 Unidirectional Long Dist. Rev.-CR	1,168	5,001
4 Long Dist. Private Network Rev.-CR	10,109	43,016
5 Miscellaneous Revenue-CR	5,350	20,786
6 Uncollectible Revenue	1,026	4,432
7 OPERATING REVENUE-CR	139,978	557,772
OPERATING EXPENSES		
8 Plant Specific Operations Expense -		
9 Network Support Expense	154	677
10 General Support Expense	5,275	18,831
11 Central Office Switching Exp	4,263	17,866
12 Operator System Expense	962	1,050
13 Central Ofc. Transmission Exp	1,388	6,523
14 Inf. Orig./Term. Expense	905	3,756
15 Cable and Wire Facilities Exp	7,255	35,886
16 Plant Nonspecific Operations Exp -		
17 Other Prop, Plant, & Equip. Exp.	197	186
18 Network Operations Expense	10,593	32,024
19 Access Expense	3,660	15,565
20 Depr & Amortization Expenses	38,565	151,897
21 Customer Operations Expense -		
22 Marketing	5,074	16,774
23 Services	9,121	37,160
24 Corporate Operations Expense -		
25 Executive and Planning	447	1,698
26 General and Administrative	16,829	56,863
27 Prov for Uncollect. Notes Rec.	0	0
28 Other Operating Expenses	(7)	(11)
29 Operating Taxes	8,360	62,094
30 OPERATING EXPENSES & TAXES	113,041	458,839
31 NET OPERATING INCOME-CR	26,937	98,933
32 Interest on Customer Deposits	18	74
33 Miscellaneous Income Charges	292	836
34 Tax Effect of Misc Inc Charges	(118)	(338)
35 REGULATORY NET OPERATING INCOME-CR	26,745	98,361
36 Allow for Funds Used Dur Constr-CR	221	748
37 Other Net Income-CR	(7,587)	(818)
38 Other Net Income Tax-CR	(155)	(89)
39 Interest related to Capital	4,867	19,652
40 Interest not related to Capital	318	1,522
41 Extraordinary Items	321	321
42 NET INCOME-CR	13,718	76,707

Income available for capital is net income plus interest related to capital. For the quarter it equals 9,030 and for the 12 months it equals 86,804.

BELLSOUTH TELECOMMUNICATIONS INC.
 KENTUCKY INTRASTATE OPERATIONS
 CAPITALIZATION
 Quarter Ending December, 1997

THREE MONTHS AVERAGE

	(\$)	Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	401,734,417		57.61%	4.44%	8.04%
PREFERRED STOCK	0		0	0	0
LONG TERM DEBT	239,766,025		34.38%	6.54%	2.25%
SHORT TERM DEBT	44,435,123		6.37%	5.87%	0.37%
UNAMORTIZED ITC (JDIC + ESOP)	11,363,810		1.63%	0.00%	0.00%
OTHER CAPITAL	0		0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	697,299,175		100.00%		10.66%

AVERAGE 12 MONTHS TO DATE

	(\$)	Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	409,386,008		57.79%	16.72%	11.01%
PREFERRED STOCK	0		0.00%	0	0
LONG TERM DEBT	234,619,221		33.12%	6.50%	2.15%
SHORT TERM DEBT	52,497,938		7.41%	5.95%	0.44%
UNAMORTIZED ITC (JDIC + ESOP)	11,944,846		1.69%	0.00%	0.00%
OTHER CAPITAL	0		0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	708,448,013		100.00%		13.60%

BELLSOUTH TELECOMMUNICATIONS, INC.
 KENTUCKY INTRASTATE OPERATIONS
 (DOLLARS IN THOUSANDS)
 QUARTER ENDING

DECEMBER 31, 1996

	THIS QUARTER	12 MONTHS TO DATE
OPERATING REVENUES		
1 Local Service Revenue-CR	107,083	419,823
2 Network Access Revenue-CR	10,233	45,681
3 Unidirectional Long Dist. Rev.-CR	1,276	5,720
4 Long Dist. Private Network Rev.-CR	11,820	52,076
5 Miscellaneous Revenue-CR	8,149	32,133
6 Uncollectible Revenue	1,026	4,153
7 OPERATING REVENUE-CR	137,535	551,280
OPERATING EXPENSES		
8 Plant Specific Operations Expense -		
9 Network Support Expense	247	904
10 General Support Expense	6,180	22,405
11 Central Office Switching Exp	3,623	16,497
12 Operator System Expense	139	307
13 Central Ofc. Transmission Exp	1,595	6,806
14 Inf. Orig./Term. Expense	1,305	3,846
15 Cable and Wire Facilities Exp	8,194	35,442
16 Plant Nonspecific Operations Exp -		
17 Other Prop, Plant, & Equip. Exp.	177	410
18 Network Operations Expense	8,644	31,897
19 Access Expense	5,473	15,266
20 Depr & Amortization Expenses	40,985	161,278
21 Customer Operations Expense -		
22 Marketing	5,533	19,688
23 Services	11,363	46,552
24 Corporate Operations Expense -		
25 Executive and Planning	490	2,297
26 General and Administrative	16,414	67,234
27 Prov for Uncollect. Notes Rec.	0	0
28 Other Operating Expenses	(37)	22
29 Operating Taxes	7,096	45,418
30 OPERATING EXPENSES & TAXES	117,421	476,269
31 NET OPERATING INCOME-CR	20,114	75,011
32 Interest on Customer Deposits	10	59
33 Miscellaneous Income Charges	274	963
34 Tax Effect of Misc Inc Charges	(111)	(389)
35 REGULATORY NET OPERATING INCOME-CR	19,941	74,378
36 Allow for Funds Used Dur Constr-CR	289	752
37 Other Net Income-CR	(208)	(656)
38 Other Net Income Tax-CR	38	(43)
39 Interest related to Capital	4,966	19,944
40 Interest not related to Capital	406	1,511
41 Extraordinary Items	0	0
42 NET INCOME-CR	14,688	52,976

BELLSOUTH TELECOMMUNICATIONS INC.
 KENTUCKY, INTRASTATE OPERATIONS
 CAPITALIZATION
 Quarter Ending DECEMBER 31, 1998

BALANCE AT END OF QUARTER

	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	412,879,485	56.94%	14.54%	8.28%
PREFERRED STOCK	0	0	0	0
LONG TERM DEBT	249,007,636	34.34%	6.60%	2.27%
SHORT TERM DEBT	39,601,386	5.49%	6.42%	0.30%
UNAMORTIZED ITC (JDIC + ESOP)	23,401,469	3.23%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	725,089,956	100.00%		10.84%

AVERAGE 12 MONTHS TO DATE

	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	419,733,198	56.88%	12.76%	7.26%
PREFERRED STOCK	0	0.00%	0	0
LONG TERM DEBT	252,409,608	34.21%	6.59%	2.25%
SHORT TERM DEBT	50,138,810	6.79%	6.45%	0.37%
UNAMORTIZED ITC (JDIC + ESOP)	15,600,502	2.11%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	737,882,118	100.00%		8.85%

BELLSOUTH TELECOMMUNICATIONS, INC.
 KENTUCKY INTRASTATE OPERATIONS
 (DOLLARS IN THOUSANDS)
 QUARTER ENDING

DECEMBER, 1995

	<u>THIS QUARTER</u>	<u>12 MONTHS TO DATE</u>
OPERATING REVENUES		
1 Local Service Revenue-CR	99,025	394,150
2 Network Access Revenue-CR	10,712	49,217
3 Unidirectional Long Dist. Rev.-CR	1,408	6,350
4 Long Dist. Private Network Rev.-CR	14,734	62,772
5 Miscellaneous Revenue-CR	9,598	38,498
6 Uncollectible Revenue	900	4,588
7 OPERATING REVENUE-CR	134,577	546,421
OPERATING EXPENSES		
8 Plant Specific Operations Expense -		
9 Network Support Expense	133	997
10 General Support Expense	8,897	25,951
11 Central Office Switching Exp	6,834	19,532
12 Operator System Expense	220	357
13 Central Ofc. Transmission Exp	2,053	6,951
14 Inf. Orig./Term. Expense	2,585	5,615
15 Cable and Wire Facilities Exp	7,930	36,401
16 Plant Nonspecific Operations Exp -		
17 Other Prop, Plant, & Equip. Exp.	(148)	238
18 Network Operations Expense	8,825	38,074
19 Access Expense	5,230	23,616
20 Depr & Amortization Expenses	40,023	132,479
21 Customer Operations Expense -		
22 Marketing	6,391	18,191
23 Services	11,065	44,808
24 Corporate Operations Expense -		
25 Executive and Planning	657	2,286
26 General and Administrative	23,163	70,147
27 Prov for Uncollect. Notes Rec.	0	0
28 Other Operating Expenses	0	(153)
29 Operating Taxes	3,890	47,539
30 OPERATING EXPENSES & TAXES	125,758	473,029
31 NET OPERATING INCOME-CR	8,819	73,392
32 Interest on Customer Deposits	10	75
33 Miscellaneous Income Charges	231	733
34 Tax Effect of Misc Inc Charges	(93)	(296)
35 REGULATORY NET OPERATING INCOME-CR	8,671	72,880
36 Allow for Funds Used Dur Constr-CR	191	533
37 Other Net Income-CR	(203)	(822)
38 Other Net Income Tax-CR	9	84
39 Interest related to Capital	5,533	21,605
40 Interest not related to Capital	467	1,724
41 Extraordinary Items	5,039	5,039
42 NET INCOME-CR	(2,371)	44,507

1. Income available for capital is net income plus interest related to capital. For the quarter it equals 3162 and for the 12 months it equals 66112.

2. The FCC changed Part 32 of its Rules effective September, 1995 to eliminate the distinction between short-term and long-term plant under construction, thus combining amounts formerly shown in Accounts 2003 and 2004 into Account 2003. In compliance with the FCC's Order, BellSouth Telecommunications, Inc. is now computing AFUDC on the total plant under construction balance.

BELLSOUTH TELECOMMUNICATIONS INC.
 KENTUCKY INTRASTATE OPERATIONS
 CAPITALIZATION
 Quarter Ending DECEMBER, 1995

	BALANCE AT END OF QUARTER			
	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	428,461,843	55.09%	-2.73%	-1.50%
PREFERRED STOCK	0	0	0	0
LONG TERM DEBT	283,373,601	37.72%	6.96%	2.63%
SHORT TERM DEBT	39,373,950	5.06%	5.85%	0.30%
UNAMORTIZED ITC (JDIC + ESOP)	16,541,181	2.13%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	777,750,555	100.00%		1.42%

	AVERAGE 12 MONTHS TO DATE			
	(\$) Amount	% of Total	(%) Cost	Weighted Cost %
COMMON EQUITY	441,658,598	58.54%	10.53%	6.16%
PREFERRED STOCK	0	0.00%	0	0
LONG TERM DEBT	255,911,091	33.92%	6.76%	2.29%
SHORT TERM DEBT	39,171,475	5.19%	5.87%	0.30%
UNAMORTIZED ITC (JDIC + ESOP)	17,751,831	2.35%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%
TOTAL CAPITALIZATION	754,492,995	100.00%		6.76%

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 4
Page 1 of 1

REQUEST: What was your rate of return before the Order in 94-121 where BellSouth was permitted to enter into Price Cap Regulation?

RESPONSE: The last point-of-test under incentive regulation was filed in August of 1994. That report contained an 11.26% return on capital.



BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 5
Page 1 of 1

REQUEST: Does BellSouth have a recent cost of service study for Kentucky?

RESPONSE: No.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 6
Page 1 of 1

REQUEST: If the Answer to Question 4 is yes, please provide the most recent cost of service study for Kentucky.

RESPONSE: See response to Item No. 5.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 7
Page 1 of 1

REQUEST: If the Answer to Question 4 is no, other than UNE arbitrations, what shows that it is costing BellSouth more to serve the residential arena then they are already receiving?

RESPONSE: See BellSouth's filing dated January 27, 1998 in KPSC Administrative Case No. 360. The results of the Benchmark Cost Proxy Model (BCPM) indicate a statewide average monthly cost per line (including gross receipts tax) of \$39.48. This value includes residential and business lines and is an acceptable surrogate since the majority of the lines are residential. If business lines were excluded the cost would increase somewhat. The monthly flat rate for a residential line in Kentucky ranges from \$12.17 (Group 1) to \$17.55 (Group 5).

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 8
Page 1 of 1

REQUEST: If BellSouth has documentation, other than UNE proceedings, please provide that information, broken down to urban and non-urban areas.

RESPONSE: See response to Item No. 7. The previously referenced filing also includes two example wire centers representative of monthly cost computations for urban and non-urban wire centers (see below). While BellSouth does not propose that these two wire centers are representative of average basic service cost in urban and rural wire centers, it does point out that there is a substantial variation in cost from one wire center to another. In fact, the range of cost per line is much greater than the resulting difference in these two wire centers. The BCPM, as well as the HAI Model selected by the Commission in Administrative Case No. 360, produces wire center specific basic local service costs for each wire center in BellSouth's Kentucky territory. The BCPM results for the two wire centers are:

Wire Center	Monthly Cost per Line
Bardstown Road (urban)	\$24.96
Greenville (non-urban)	\$53.80

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 9
Page 1 of 1

REQUEST: Has technology improved to the point that it costs less to serve a customer now than it did the last time BellSouth was in for a rate increase?

RESPONSE: BellSouth does not have a specific comparison to address this request.



BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 10
Page 1 of 1

REQUEST: In BellSouth's Transition Plan, it proposes to reduce intrastate switched access charges to equal the rates now pending in the CALLS proposal before the FCC. Though the CALLS proposal decreases access rates, if accepted as proposed, wouldn't the proposal more than double the high-cost federal Universal Service Fund? Doesn't the proposal also allow a defacto mandatory surcharge to all consumers on a per line basis?

RESPONSE: No. The CALLS proposal creates a new explicit federal universal service support mechanism that replaces \$650 million annually of existing implicit support embedded in interstate access rates on a price cap LEC industry wide basis. The new mechanism is separate and distinct from the existing high cost federal universal service support mechanism.

Currently, BellSouth's contributions for federal USF are recovered implicitly through its interstate access rates charged to the IXCs. The CALLS proposal requires that all implicit federal USF recovery through existing interstate access rates change to explicit recovery from end user customers. BellSouth plans to create a new federal end user charge that will include recovery for all federal USF contributions, including the new federal USF mechanism described above.

The CALLS proposal includes reductions to interstate switched access rates until the average per minute rate reaches \$0.0055 per end. These reductions are partially offset by increases in the federal Subscriber Line Charge (SLC) and by receipts from the new federal USF mechanism. As part of BellSouth's Transition Regulation Plan, BellSouth proposes to mirror the interstate access reductions in the CALLS proposal until the average intrastate switched access rate reaches \$0.0055 per end as part of its comprehensive rate rebalance plan that also includes the elimination of the NTSRR.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 11
Page 1 of 2

REQUEST: In your response to the Commission's Request 1A, you state that you are converting from a circuit switch platform to a packet switched platform. Are you aware of the proposed H.R. 2420, currently being discussed in Congress? If H.R. 2420 passes, would being in a packet switched platform allow you to circumvent the 271 requirements?

RESPONSE: Sections 251 and 271 of the Telecommunications Act of 1996 contain requirements for the Incumbent Local Exchange Carriers in a competitive environment. Section 251 requires BellSouth, and others, to open its network to Competitive Local Exchange Carriers regardless of their ability to compete in the interLATA market. Section 271 lists the requirements, also referred to as the 14 point check list, for the RBOCs to meet before getting approval to compete in the interLATA market. These two sections contain separate, but related, requirements that must be met, regardless of approval of 271.

Whether HR 2420 passes, or not, BellSouth is required by law to open its network to competitors. The Company has spent close to \$1 Billion, deploying almost 670,000 local interconnection trunks, establishing approximately 175,000 UNE elements, porting over 639,000 telephone numbers, and creating an OSS system that will pass third party testing, to make its network available to competitors. There has not been, nor will there be, an attempt to circumvent the Telecommunications Act of 1996 requirements of BellSouth.

The telecommunications market is changing from a public switched analog voice network to a packet switched data network. It is clear that most of BellSouth's competitors, and future competitors, would prefer to delay BellSouth's ability to compete in the interLATA data market for obvious reasons. They understand that the future in telecommunications is in the broadband data capabilities, not in the public switched voice

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 11
Page 2 of 2

RESPONSE: (Cont.)

network. As an example, in the April 10, 2000 edition of The Wall Street Journal, the president of AT&T's Data and Internet Services unit was quoted as saying that her company could save billions of dollars each year by using internet technology and avoiding the payment of access charges (see page A22).

For the most part, these are two very different networks and BellSouth's opening of the public switched voice network should be independent from BellSouth's ability to compete freely in an entirely new market requiring an entirely new network. Just as AT&T and others have made it clear with respect to the cable broadband network, it is not appropriate for BellSouth to be required to build a new packet switched network and sell it at TELRIC based cost with no opportunity of market return.

BellSouth understands that HR 2420 would not permit, if passed, BellSouth to circumvent the 271 requirements. A copy of the bill, taken from the Internet, is attached. Section 6(k) prohibits a Bell Operating Company from using a high speed data service or Internet service to provide in-region interLATA voice telecommunications until 271 relief is obtained.

Bill Summary & Status for the 106th Congress**Item 1 of 1****PREVIOUS:SUMMARY | NEXT:SUMMARY**
NEW SEARCH | HOME | HELP | ABOUT SUMMARIES**H.R.2420**Sponsor: Rep Tauzin, W. J. (Billy) (introduced 7/1/1999)

Latest Major Action: 7/21/1999 Referred to House subcommittee

Title: To deregulate the Internet and high speed data services, and for other purposes.

MOST RECENT SUMMARY:

7/1/1999--Introduced.

Internet Freedom and Broadband Deployment Act of 1999 - Amends the Communications Act of 1934 to define "high speed data service" as a service capable of transmitting electronic information at a rate generally not less than 384 kilobits per second in at least one direction.

Prohibits the Federal Communications Commission (FCC) and each State, except as expressly provided in this Act, from regulating the rates, charges, terms or conditions for, or entry into the provision of, any high speed data service or Internet access service, or to regulate the facilities used in the provision of such service. Prohibits the FCC from requiring an incumbent (established) local exchange carrier to: (1) provide unbundled access to any network elements used in the provision of any high speed data service, other than those elements described in FCC regulations; or (2) offer for resale at wholesale rates any high speed data service.

States that nothing in this Act shall: (1) limit or affect the authority of any State to regulate voice telephone exchange services; (2) affect the ability of the FCC to retain or modify the exemption from interstate access charges for enhanced service providers; or (3) prohibit the FCC from modifying the regulation concerning the number of networks subject to its unbundling requirement.

Requires each incumbent local exchange carrier to provide: (1) Internet users with the ability to subscribe to and have access to any Internet service provider that interconnects with such carrier's high speed data service; (2) any Internet service provider with the right to acquire necessary facilities and services to facilitate such interconnection; and (3) any Internet service provider with the ability to collocate equipment in order to achieve such interconnection.

Includes high speed data service or Internet access service within the definition of "incidental interLATA services" permitted for a Bell operating company (BOC). States that, until the date a BOC is authorized to offer interLATA services originating in an in-region State, such BOC offering any high speed data service or Internet access service may not, in such State, bill or collect for interLATA voice telecommunications service obtained by means of such high speed data or Internet access service provided by such company.

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Internet Freedom and Broadband Deployment Act of 1999 (Introduced in the House)

HR 2420 IH

106th CONGRESS

1st Session

H. R. 2420

To deregulate the Internet and high speed data services, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

July 1, 1999

Mr. TAUZIN (for himself, Mr. DINGELL, Mr. OXLEY, Mr. BONIOR, Mr. LEWIS of Georgia, Mr. DEAL of Georgia, Mr. GRAHAM, Mr. BOUCHER, Mr. RUSH, Mr. SHIMKUS, Mr. NORWOOD, Mr. SESSIONS, Mr. FOSSELLA, Mr. DICKS, Mr. BARCIA, Mr. HILL of Montana, Mr. BLUNT, Mr. HAYES, Mr. WYNN, Mr. BARTON of Texas, Mr. ETHERIDGE, Mr. TERRY, Mr. GREENWOOD, Mr. GANSKE, Mr. BURR of North Carolina, Mr. GILLMOR, Mr. BRYANT, Mr. SHADEGG, Mr. BONILLA, Mr. REYNOLDS, Mr. SWEENEY, and Mrs. MYRICK) introduced the following bill; which was referred to the Committee on Commerce

A BILL

To deregulate the Internet and high speed data services, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Internet Freedom and Broadband Deployment Act of 1999'.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS- Congress finds the following:

- (1) Internet access services are inherently interstate and international in nature, and should therefore not be subject to regulation by the States.
- (2) The imposition of regulations by the Federal Communications Commission and the States has impeded the rapid delivery of high speed Internet access services to the public, thereby reducing consumer choice and welfare.
- (3) The Telecommunications Act of 1996 represented a careful balance between the need to open up local telecommunications markets to competition and the need to increase competition in the provision of interLATA voice telecommunications services.
- (4) In enacting the prohibition on Bell operating company provision of interLATA services, Congress recognized that certain telecommunications services have characteristics that render them incompatible with the prohibition on Bell operating company provision of interLATA services, and exempted such services from the interLATA prohibition.
- (5) High speed data services and Internet access services constitute unique markets that are likewise incompatible with the prohibition on Bell operating company provision of interLATA services.
- (6) Since the enactment of the Telecommunications Act of 1996, the Federal Communications Commission has construed the prohibition on Bell operating company provision of interLATA services in a manner that has impeded the development of advanced telecommunications services, thereby limiting consumer choice and welfare.
- (7) Internet users should have choice among competing Internet service providers.
- (8) Internet service providers should have the right to interconnect with high speed data networks in order to provide service to Internet users.

(b) PURPOSES- It is therefore the purpose of this Act to provide market incentives for the rapid delivery of advanced telecommunications services--

- (1) by deregulating high speed data services and Internet access services;
- (2) by clarifying that the prohibition on Bell operating company provision of interLATA services does not extend to the provision of high speed data services and Internet access services;
- (3) by ensuring that consumers can choose among competing Internet service providers; and
- (4) by ensuring that Internet service providers can interconnect with competitive high speed data networks in order to provide Internet access service to the public.

SEC. 3. DEFINITIONS

(a) AMENDMENTS- Section 3 of the Communications Act of 1934 (47 U.S.C. 153) is amended--

(1) by redesignating paragraph (20) as paragraph (21);

(2) by redesignating paragraphs (21) through (52) as paragraphs (24) through (54), respectively;

(3) by inserting after paragraph (19) the following new paragraph:

'(20) HIGH SPEED DATA SERVICE- The term 'high speed data service' means any service that consists of or includes the offering of a capability to transmit, using a packet-switched or successor technology, information at a rate that is generally not less than 384 kilobits per second in at least one direction.';

(4) by inserting after paragraph (22) the following new paragraphs:

'(23) INTERNET- The term 'Internet' means collectively the myriad of computer and telecommunications facilities, including equipment and operating software, which comprise the interconnected world-wide network of networks that employ the Transmission Control Protocol/Internet Protocol, or any predecessor or successor protocols to such protocol, to communicate information of all kinds by wire or radio.

'(24) INTERNET ACCESS SERVICE- The term 'Internet access service' means (A) a service that combines computer processing, information storage, protocol conversion, and routing with transmission to enable users to access Internet content and services, and (B) the transmission of such service, but does not include the portion of such transmission from the user to the provider of such service.'.

(b) CONFORMING AMENDMENTS-

(1) Section 230(f) of the Communications Act of 1934 (47 U.S.C. 230(f)) is amended--

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (4) as paragraphs (1) through (3), respectively.

(2) Section 223(h)(2) of such Act (47 U.S.C. 223(h)(2)) is amended by striking '230(f) (2)' and inserting '230(f)(1)'.

SEC. 4. LIMITATION ON AUTHORITY TO REGULATE HIGH SPEED DATA SERVICES.

(a) IN GENERAL- Part I of title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.)

is amended by adding at the end the following new section:

SEC. 232. PROVISION OF HIGH SPEED DATA SERVICES.

(a) FREEDOM FROM REGULATION- Except to the extent that high speed data service and Internet access service are expressly referred to in this Act, neither the Commission, nor any State, shall have authority to regulate the rates, charges, terms, or conditions for, or entry into the provision of, any high speed data service or Internet access service, or to regulate the facilities used in the provision of either such service.

(b) SAVINGS PROVISION- Nothing in this section shall be construed to limit or affect the authority of any State to regulate voice telephone exchange services, nor affect the rights of cable franchise authorities to establish requirements that are otherwise consistent with this Act.

(c) CONTINUED ENFORCEMENT OF ESP EXEMPTION, UNIVERSAL SERVICE RULES PERMITTED- Nothing in this section shall affect the ability of the Commission to retain or modify--

(1) the exemption from interstate access charges for enhanced service providers under Part 69 of the Commission's Rules; or

(2) rules issued pursuant to section 254.1.

(b) CONFORMING AMENDMENT- Section 251 of the Communications Act of 1934 (47 U.S.C. 251) is amended by adding at the end thereof the following new subsection:

(j) EXEMPTION-

(1) IN GENERAL- Notwithstanding the provisions of subsections (c) and (d), the Commission shall not require an incumbent local exchange carrier to--

(A) provide unbundled access to any network elements used in the provision of any high speed data service, other than those network elements described in section 51.319 of the Commission's regulations (47 C.F.R. 51.319), as in effect on January 1, 1999; or

(B) offer for resale at wholesale rates any high speed data service.

(2) AUTHORITY TO REDUCE ELEMENTS SUBJECT TO REQUIREMENT- Paragraph (1)(A) shall not prohibit the Commission from modifying the regulation referred to in that paragraph to reduce the number of network elements subject to the unbundling requirement, or to forbear from enforcing any portion of that regulation in accordance with the Commission's authority under section 706 of the Telecommunications Act of 1996, notwithstanding any limitation on that authority in section 10 of this Act.

SEC. 5. INTERNET CONSUMERS FREEDOM OF CHOICE.

Part I of title II of the Communications Act of 1934, as amended by section 4, is amended by

adding at the end the following new section:

SEC. 233. INTERNET CONSUMERS FREEDOM OF CHOICE.

(a) PURPOSE- It is the purpose of this section to ensure that Internet users have freedom of choice of Internet service provider.

(b) OBLIGATIONS OF INCUMBENT LOCAL EXCHANGE CARRIERS- - Each incumbent local exchange carrier has the duty to provide--

(1) Internet users with the ability to subscribe to and have access to any Internet service provider that interconnects with such carrier's high speed data service;

(2) any Internet service provider with the right to acquire the facilities and services necessary to interconnect with such carrier's high speed data service for the provision of Internet access service; and

(3) any Internet service provider with the ability to collocate equipment in accordance with the provisions of section 251, to the extent necessary to achieve the objectives of paragraphs (1) and (2) of this subsection.

(c) DEFINITIONS- As used in this section--

(1) INTERNET SERVICE PROVIDER- The term 'Internet service provider' means any provider of Internet access service.

(2) INCUMBENT LOCAL EXCHANGE CARRIER- The term 'incumbent local exchange carrier' has the same meaning as provided in section 251(h).'

SEC. 6. INCIDENTAL INTERLATA PROVISION OF HIGH SPEED DATA AND INTERNET ACCESS SERVICES.

(a) INCIDENTAL INTERLATA SERVICE PERMITTED- Section 271(g) of the Communications Act of 1934 (47 U.S.C. 271(g)) is amended--

(1) by striking 'or' at the end of paragraph (5);

(2) by striking the period at the end of paragraph (6) and inserting '; or'; and

(3) by adding at the end thereof the following new paragraph:

(7) of high speed data service or Internet access service.'

(b) PROHIBITION ON MARKETING VOICE SERVICES- Section 271 of such Act is amended by adding at the end thereof the following new subsection:

(k) PROHIBITION ON MARKETING VOICE TELEPHONE SERVICES- Until the date on which a Bell operating company is authorized to offer interLATA services originating in an in-

region State in accordance with the provisions of this section, such Bell operating company offering any high speed data service or Internet access service pursuant to the provisions of paragraph (7) of subsection (g) may not, in such in-region State market, bill, or collect for interLATA voice telecommunications service obtained by means of the high speed data service or Internet access service provided by such company.'

(c) CONFORMING AMENDMENTS-

(1) Section 272(a)(2)(B)(i) of such Act is amended to read as follows:

'(i) incidental interLATA services described in paragraphs (1), (2), (3), (5), (6), and (7) of section 271(g).'

(2) Section 272(a)(2)(C) of such Act is repealed.

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BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 12
Page 1 of 1

REQUEST: Currently, you have an incentive to cooperate with the CLECs so that you may pass the 271 requirements and enter into the long distance market. Since the capability of offering long distance through a packet switched platform may be available if H.R. 2420 passes, there will be no reason to cooperate with the CLECs to pass the 271 requirements. What assurances does BellSouth offer that they will cooperate with the CLECs?

RESPONSE: The Telecommunications Act requires that BellSouth "cooperate with the CLECs". Section 251 of the Act mandates certain actions by Incumbent LECs, such as BellSouth. Whether or not BellSouth gets long distance authority, these requirements remain in place. As mentioned in the response to Item No. 11, HR 2420 prohibits BellSouth's provision of interLATA voice telecommunications service via high speed data service or Internet access service until such time as BellSouth has been granted authority by the FCC to offer interLATA services in a given state. BellSouth expects to soon meet all 271 requirements and be authorized to enter into the long distance market. This request suggests that once BellSouth is active in the long distance market, it will no longer have motivation to cooperate with competing companies. The argument fails for at least two reasons.

BellSouth will continue to be active in the circuit switched voice network for the foreseeable future. The CLECs are BellSouth's wholesale customers and represent a significant and important market for BellSouth's services. BellSouth will continue to cooperate with CLECs because it is in the best interests of the Company's stockholders to do so.

Also, regardless of whether BellSouth meets 271 requirements or is freed to compete on even ground for packet switched data, the Company will continue to be regulated and subject to regulatory penalties if performance and cooperation are not adequate.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Attorney General's First Set
of Data Requests
April 6, 2000
Item No. 13
Page 1 of 1

REQUEST: In your Response to the Audit Report, in your proposed Transaction Plan, you state that you want to expand your broadband deployment. Won't expanding your broadband infrastructure make you capable of being more competitive?

RESPONSE: The purpose of the broadband deployment proposal is to expand broadband capabilities into rural markets where standard business case analysis would not support such investment. The broadband proposal is a more forward looking approach to capturing the efficiencies of the industry than is the current price regulation plan. With the deployment, BellSouth would make these same capabilities available to its competitors on a wholesale basis and therefore, would not have any competitive advantage.

The Company's goal in making the broadband deployment proposal is to attract businesses that would otherwise not choose to locate in some of the more economically depressed areas of Kentucky. In addition, the proposal includes those areas of the state with Kentucky Community and Technical Schools that would benefit from the advanced telecommunications capability. If this is successful, BellSouth as well as all of Kentucky would benefit from this broadband proposal.



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Martin J. Huelsmann
Executive Director
Public Service Commission

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(502) 564-3940
Fax (502) 564-3460

B. J. Helton
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

April 18, 2000

PARTIES OF RECORD:

RE: Case No. 99-434
IN THE MATTER OF
REVIEW OF BELL SOUTH TELECOMMUNICATIONS,
INC'S PRICE REGULATION PLAN

Attached please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five (5) days of receipt of this letter. Any questions regarding this memorandum should be directed to Amy Dougherty at 502-564-3940, extension 257.

Sincerely,

A handwritten signature in cursive script, appearing to read "Martin J. Huelsmann".

Martin J. Huelsmann
Executive Director

/AD/rst
Attachments
cc: File



INTRA-AGENCY MEMORANDUM


KENTUCKY PUBLIC SERVICE COMMISSION

FILED

APR 18 2000

PUBLIC SERVICE
COMMISSION

TO: Main Case File 99-434

FROM: Amy Dougherty 

DATE: April 17, 2000

RE: Review of BellSouth Telecommunications, Inc.'s
Price Regulation Plan
Case No. 99-434
April 10, 2000 Informal Conference

On April 10, 2000, there was an informal conference regarding the review of the price regulation plan of BellSouth Telecommunications, Inc. ("BellSouth"). Attached is a sign-in sheet of those who attended. Also attached is a copy of the slides which were used by BellSouth in its presentation. At the conference BellSouth discussed many issues which it felt were relevant to the Commission's review of its price regulation plan. These included quality service, universal service fund issues, deaveraging UNEs, future rate reductions, a manner of dealing with line items on consumer bills that is acceptable to consumers, broad band deployment, and technological advances such as voice service over the Internet.

BellSouth also discussed the elimination of the total factor productivity index. BellSouth asserts that the elimination does not mean that gains should not be captured and used for infrastructure development.

Also discussed at the informal conference was the pending May 1 effective date for BellSouth's proposed tariff. BellSouth agreed to advise the Commission prior to May 1 of the manner of which it proposes to address the May 1 effective date.

The March 10, 2000 procedural schedule ordered by the Commission remains in effect.

/rst
Attachments
cc: File

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

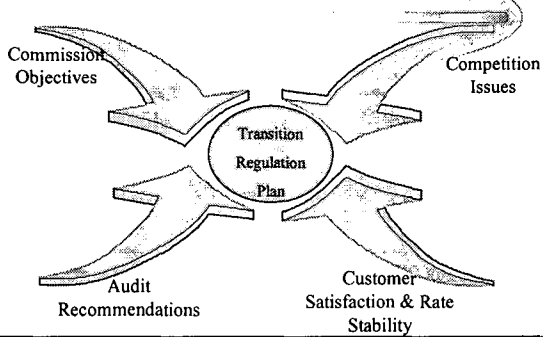
INFORMAL CONFERENCE

APRIL 10, 2000

PLEASE SIGN IN:

<u>NAME</u>	<u>REPRESENTS</u>
<u>Amy E Dougherty</u>	<u>PSC</u>
<u>Jim Stevens</u>	<u>PSC</u>
<u>GARRY SHARP</u>	<u>ATT</u>
<u>CREIGHTON MERSTON</u>	<u>Bell So</u>
<u>Joan Coleman</u>	<u>Bellsouth</u>
<u>Charles Jackson</u>	<u>Bell South (Conf Call)</u>
<u>Patti Klien</u>	<u>Bell South (Conf Call)</u>
<u>Steve Rausel</u>	<u>BST</u>

How We Developed the Plan



Settlement Proposal -- Issue 1

1. Establish a more positive framework for capturing BellSouth productivity improvements over the industry benchmark.

A. Broadband Deployment

EOY 2000	58%
EOY 2001	68%
EOY 2002	75%

B. Economic Zone Discount Tariff

Broadband Deployment

- Current Louisville metro Base Plan has 39% of BST-KY access lines served by broadband capable offices.

Broadband Deployment

Proposal: Move beyond base plan

- By 12/31/2000 -- Expand broadband capability to central offices that serve 58% of BST-KY access lines.
- By 12/31/2001 -- Expand broadband capability to central offices that serve 68% of BST-KY access lines.
- By 12/31/2002 -- Expand broadband capability to central offices that serve 75% of BST-KY access lines. .

Settlement Proposal – Issue 2

2. Rate Rebalance

A. Switched Access = \$.0055/end

(Contingency Plan:

EOY 2001 \$.008

EOY 2002 \$.0055)

B. Business reductions per rate rebalance

C. Residence increases, limited to 10%/year for two years and to the rate of inflation in subsequent years.

Residence Price changes

	Current Rates	Increase 5/1/2000	New Rate	Increase 5/1/2001	New Rate	Total Increase
Rate Group 1	\$12.17	\$1.23	\$13.40	\$1.35	\$14.75	\$2.58
Rate Group 2	\$13.02	\$1.28	\$14.30	\$1.45	\$15.75	\$2.73
Rate Group 3	\$13.69	\$1.36	\$15.05	\$1.45	\$16.50	\$2.81
Rate Group 4	\$14.34	\$1.41	\$15.75	\$1.55	\$17.30	\$2.96
Exception RG	\$14.50	\$1.45	\$15.95	\$1.60	\$17.55	\$3.05
Rate Group 5	\$17.55	\$0.85	\$18.40	\$0.00	\$18.40	\$0.85

Settlement Proposal – Other Issues

3. Waive USF (Only require line item charge if required to pay GTE and Cincinnati high cost fund.)
4. File motion for Generic Cost Docket for UNE rates.
5. New deaveraged UNE rates that are lower than filed in stipulation from Administrative Case 382.

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION

RECEIVED

APR 06 2000

PUBLIC SERVICE
COMMISSION

In the matter of:

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

REQUESTS FOR INFORMATION

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Requests for Information to BellSouth Telecommunications, Inc., to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the company and witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, work paper or information as requested does not exist, but a similar document, work paper or information does exist, provide the similar document, work paper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.


(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully Submitted,

A. B. CHANDLER, III
ATTORNEY GENERAL


ANN LOUISE CHEVRONT
ASSISTANT ATTORNEY GENERAL

INFORMATION REQUESTS

1. In Case No. 94-121, did the Commission order BellSouth to file with them, either annually or quarterly, a report or documentation that may indicate the return on investment or that type of information?
2. If the Answer to Question 1 is yes, is there something in the report that would indicate what the "rate of return" would be if BellSouth was still under rate of return regulation?
3. If the Answer to Question 2 is yes, what is that figure?
4. What was your rate of return before the Order in 94-121 where BellSouth was permitted to enter into Price Cap Regulation?
5. Does BellSouth have a recent cost of service study for Kentucky?
6. If the Answer to Question 4 is yes, please provide the most recent cost of service study for Kentucky.
7. If the Answer to Question 4 is no, other than UNE arbitrations, what shows that it is costing BellSouth more to serve the residential arena than they are already receiving?
8. If BellSouth has documentation, other than UNE proceedings, please provide that information, broken down to urban and non-urban areas.
9. Has technology improved to the point that it costs less to serve a customer now than it did the last time BellSouth was in for a rate increase?
10. In BellSouth's Transition Plan, it proposes to reduce intrastate switched access charges to equal the rates now pending in the CALLS proposal before the FCC. Though the CALLS proposal decreases access rates, if accepted as proposed, wouldn't the proposal more than double the high-cost federal Universal Service Fund? Doesn't the proposal also allow a

defacto mandatory surcharge to all consumers on a per line basis?

11. In your response to the Commission's Request 1A, you state that you are converting from a circuit switch platform to a packet switched platform. Are you aware of the proposed H.R. 2420, currently being discussed in Congress? If H.R. 2420 passes, would being in a packet switched platform allow you to circumvent the 271 requirements?


12. Currently, you have an incentive to cooperate with the CLECs so that you may pass the 271 requirements and enter into the long distance market. Since the capability of offering long distance through a packet switched platform may be available if H.R. 2420 passes, there will be no reason to cooperate with the CLECs to pass the 271 requirements. What assurances does BellSouth offer that they will cooperate with the CLECs?

13. In your Response to the Audit Report, in your proposed Transaction Plan, you state that you want to expand your broadband deployment. Won't expanding your broadband infrastructure make you capable of being more competitive?

Dated this 6th day of April, 2000.

Respectfully submitted,

A.B. CHANDLER III
ATTORNEY GENERAL




Ann Louise Chevront

Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive
Frankfort, Kentucky 40601
502-696-5300
FAX 502-573-8315

CERTIFICATION OF SERVICE

This certifies that a true copy of the foregoing Information Requests were served upon the parties, first class mail, postage prepaid, this 6th day of April, 2000.



Ann Louise Chevront

HON CREIGHTON E MERSHON SR
BELLSOUTH TELECOMMUNICATIONS
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LOUISVILLE KY 40232

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REGULATION CABINET

MARTIN J. HUELSMANN
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION

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B.J. HELTON
CHAIRMAN

EDWARD J. HOLMES
VICE CHAIRMAN

GARY W. GILLIS
COMMISSIONER

April 5, 2000

Creighton E. Mershon, Sr., Esq.
General Counsel-Kentucky
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
P. O. Box 32410
Louisville, Kentucky 40232

RE: Petition for Confidential Protection
Case No. 99-434

Dear Mr. Mershon:

The Commission has received your petition filed March 24, 2000, to protect as confidential the review of BellSouth Telecommunications Inc.'s P. R. P., particularly item 1d and item No. 6 (CD-ROM). A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

Martin J. Huelsmann
Executive Director





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 31, 2000

To: All parties of record

RE: Case No. 1999-434

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable Creighton E. Mershon,
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Sr. Vice President
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Mr. Thomas DeWard
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Carl Jackson
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF BELLSOUTH TELECOMMUNI-) CASE NO. 99-434
CATIONS, INC.'S PRICE REGULATION PLAN)

ORDER

On March 24, 2000, BellSouth Telecommunications, Inc. ("BellSouth") filed a motion for an informal conference. BellSouth asserts that the conference may assist in settlement efforts. The Commission, after considering the motion and being otherwise sufficiently advised, HEREBY ORDERS that an informal conference shall be scheduled for April 10, 2000, at 1:30 p.m., Eastern Daylight Time, in Conference Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

Done at Frankfort, Kentucky this, 31st day of March, 2000.

By the Commission

ATTEST:

Deputy W. H. T. Bowler
Executive Director

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or
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March 24, 2000

RECEIVED

MAR 24 2000

PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan
PSC 99-434

Dear Mr. Huelsmann:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of BellSouth's responses to the requests set out in the Commission's March 10, 2000, Order.

The responses to Item No. 1d and the CD ROM referenced in Item No. 6 contain confidential, commercial, or proprietary information and, pursuant to 807 KAR 5:001, Section 7, enclosed is BellSouth's Petition for Confidentiality.

One copy of the proprietary information is provided to the Commission. A copy of the proprietary information is provided to the Attorney General pursuant to a Confidentiality Agreement signed in Case No. 94-121, Application of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company to Modify its Method of Regulation.

The proprietary information in Item No. 1d is being provided to AT&T, MCI, and Sprint pursuant to Confidentiality Agreements signed in Case No. 94-121. The CD ROM in Item No. 6 contains South Carolina cost studies that were provided to these parties in that state. If those parties desire a copy of this CD ROM, they should contact my office.

Also enclosed for filing are the original and ten (10) copies of BellSouth Telecommunications, Inc.'s Request for an Informal Conference.

Sincerely,



Creighton E. Mershon, Sr.

Enclosures

cc: Parties of Record
202182

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 24 2000

PUBLIC SERVICE
COMMISSION

In the Matter of:

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

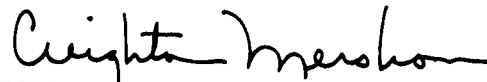
BELLSOUTH TELECOMMUNICATIONS, INC.'S
REQUEST FOR AN INFORMAL CONFERENCE

The report of Vantage Consulting, Inc., the Commission's audit firm that reviewed BellSouth's stewardship under price regulation, contained a recommendation that more communication occur between the Commission and the telecommunications industry. In an effort to promote communication and perhaps reduce the number of data requests, BellSouth proposes that the Commission conduct an informal conference to discuss BellSouth's price regulation proposal. Although the plan is relatively straightforward, it does involve several complicated issues including operations of the price regulation plan, implementation of the audit recommendations, deaveraged UNEs, rate rebalancing, universal service, and access charges.

BellSouth believes it would be beneficial to have a discussion of its proposal in an open forum and to have an opportunity to discuss how the new plan resolves certain issues facing the Commission and the industry, as well as how the plan comports with the recommendations of the Commission's audit. In addition, such a conference would not only answer questions about

the plan early in the process, but would facilitate an effort by BellSouth to reach a stipulated settlement among the various parties to the docket.

Respectfully submitted,



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COUNSEL FOR BELLSOUTH
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001, SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth" or the "Company"), by counsel, hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to 807 KAR 5:001, Section 7, to treat BellSouth's response to Item No. 1d and Item No. 6 (CD ROM) of the Commission's requests set out in its March 20, 2000, Order, as confidential in accordance with the Commission's regulations.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878(1)(b). To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of the party seeking confidentiality if openly discussed. KRS 61.878(1)(b); 807 KAR 5:001, § 7. The Commission has taken the position that the statute and rules require the party to demonstrate actual competition and a likelihood of competitive injury if the information is disclosed.

The material in Item No. 1d is a projection of revenues, expenses, and income for BST-Kentucky for the year 2000. This information is a forecast of sensitive financial data created at the request of the Commission. Such material is not internally disseminated and certainly is not information that competitors would share with each other. The material in Item No. 6 which BellSouth seeks to protect contains vendor-specific pricing information and confidential business information that is considered proprietary to BellSouth. Public disclosure of this information would provide BellSouth's competitors with an advantage. The data is valuable to competitors and potential competitors in formulating strategic plans for entry, pricing, marketing and overall business strategies. This information relates to the competitive interests of BellSouth and disclosure would impair the competitive business of BellSouth as well as the third party vendors. Information like that in Item No. 6 has been held confidential by the Commission in previous dockets. For these reasons, the information is considered proprietary.

Several of BellSouth's current competitors, including Petitioner, AT&T, and MCI, have publicly announced their intention to enter, or in fact have entered, the local exchange market. Additionally, several potential competitors have likewise indicated their intention to enter the local exchange market to compete with BellSouth. Cost information such as that requested in Item No. 6 would be extremely valuable to competitors in developing competitive business strategies,

networks and operations, designing their service offerings and, marketing plans for those services. In addition, BellSouth is not able to obtain its competitor's cost to provide service assigned to various business units and, therefore, it is inequitable and unfair for BellSouth's competitors to have access to the Company's cost information. The Company's present and potential competitors for its local exchange services include cable television companies, cellular service providers, personal communications service providers, customer-owned coin operated telephone providers and others.

Public disclosure of any of the proprietary confidential information contained in the cost studies cited in this petition will be harmful to BellSouth by adversely affecting the market, revenue potential and competitive position of its services.

As further grounds for this Petition, BellSouth states as follows:

- (1) The information as to which BellSouth is requesting confidential treatment is not known outside of BellSouth;
- (2) The information is not disseminated within BellSouth and is known only by those BellSouth's employees who have a legitimate business need to know and act upon the information;
- (3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices;
- (4) The disclosure of this information would cause competitive injury to BellSouth in that it would provide

BellSouth's competitors with sensitive financial data with respect to certain of BellSouth's services; and

(5) By granting BellSouth's Petition there would be no damage to any public interest in disclosure. In fact, the public would be best served by non-disclosure because competition would thereby be promoted.

For the foregoing reasons, BellSouth asks that its petition for confidential treatment of BellSouth's responses to Item No. 1d and Item No. 6 (CD ROM) of the Commission's requests set out in its March 20, 2000, Order, be granted.

Respectfully submitted,



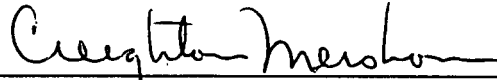
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COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 24th day of March 2000.



Creighton E. Mershon, Sr.

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1.a.

REQUEST: 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.

RESPONSE: The stated premise of this question is that BellSouth's earnings have been high over the past few years. It is critical that the Commission considers the level of BellSouth's earnings not in a vacuum, but in comparison with the earnings of other competing firms in the marketplace.

There is clear evidence that nonregulated US firms' earnings have increased rapidly over the last few years. US corporate after-tax returns on equity and capital in the late 1990s are at their highest level in many years. Also, profit margins of US nonfinancial corporations for 1996-1998 are at their highest levels since the 1960s.

Like any other market participant, BellSouth must compete for funding in the financial markets. Any real, or even perceived, weakness in earnings in comparison with other market participants' earnings is detrimental to BellSouth's ability to attract investment. A review of BellSouth's stock price over the last six weeks demonstrates the volatility and sensitivity of the current market. Continued earnings comparable to those of competitive firms are mandatory for BellSouth to continue to attract investment, and in turn, to continue its record of investment in Kentucky.

The Commission ordered an independent audit of BellSouth's Price Regulation Plan as part of Docket No. 94-121. Vantage Consulting, Inc. (Vantage) conducted that audit between April 1999 and October 1999. During that time, Vantage conducted extensive and in-depth interviews and submitted voluminous information and document requests. Vantage, the Commission's auditor, made multiple findings and recommendations. BellSouth has included most of Vantage's conclusions and recommendations in the Transition Regulatory Plan proposal.

RESPONSE: (Cont.)

Rather than concentrate on the level of earnings (a focal point of rate of return regulation), or productivity (a consideration in past price regulation plans), the Commission should focus on establishing a new regulatory paradigm for BellSouth that provides incentives for the Company to compete aggressively in Kentucky. The Company and the Commission should work together to identify needs in the evolving marketplace and to direct resources to those needs in a way that will provide maximum benefit to all telecommunications customers. This kind of coordinated effort was a major recommendation of Vantage's in its final report (See Audit Report, Recommendation III-R2, page 68, attached).

BellSouth has proposed a new regulatory plan that offers a better way to share productivity and efficiency gains with customers and competitors than the current price regulation plan provides. This new focus promises to provide more net benefit to the state through heightened economic development -- a result that will benefit all Kentuckians. Specifically, BellSouth's proposed Transition Regulatory Plan offers the following:

1. An alternative to a separate intrastate line item USF charge,
2. A rate rebalance that will deaverage rates and move rates closer to costs,
3. A framework that allows the Commission to concentrate on BellSouth's provision of wholesale services (UNE prices, service quality),
4. A pro-competitive paradigm that eliminates pressure to make arbitrary and perhaps anti-competitive price decreases to services that do not cover cost,
5. A movement of access rates to levels in concert with the CALLS proposal currently before the FCC.

RESPONSE: (Cont.)

Although both BellSouth and the Commission's consultant recommend that a TFP factor that is backward looking and difficult to accurately determine should be eliminated from future regulatory plans (See Audit Report, Recommendation V-R1, page 119), BellSouth wants to be responsive to the Commission's information request. To that end, the Company is providing the following list of factors that will combine to reduce productivity gains relative to the mid-1990s levels:

1. Technically sophisticated, well-financed competitors are accelerating their market share gains via the new options of collocation, UNEs, and resale - in effect leveraging off of BellSouth's economies of scale. A discussion of how competitors have acquired easy access to BellSouth's network without economies of scale of their own, and how this strategy parallels similar strategies successfully employed in the department store, automotive, and railroad industries, was provided to Vantage during the audit.
2. Economies of scale are available to many competitors.
3. New competition with intermodal technologies like cable, wireless, satellite, and premise equipment will cost BellSouth market share. Market share losses are equivalent to output declines, which lowers productivity, other things being equal.
4. Conversion of the network from a Circuit-Switched to a Packet-Switched platform will provide new opportunities for competitors and will require additional investment inputs for BellSouth.

RESPONSE: (Cont.)

5. BellSouth's costs will increase due to the effects of carrying internet traffic on the public switched network, CLEC demands, Interconnection, tandem switching, and collocation.
6. BellSouth has completed its major force reduction programs. USTA's productivity expert performed sensitivity analysis of labor reductions using the FCC staff's 1997 industry TFP model. The sensitivity result indicated that the previous high pace of industry force reductions boosted past productivity results by approximately 1% a year. Not only has BellSouth's workforce stabilized recently, it is expected to increase. (See Audit Report, Page 116)

Again, regulatory concerns about BellSouth's productivity potential are misplaced when competition is active and competitors have access to BellSouth's network facilities on favorable terms to compete for customers. BellSouth, which still operates under regulatory burdens not applicable to its competition, must now pursue future efficiency gains to remain competitive. Customers, as the 1996 Telecom Act intended, will benefit most from robust competitive pressures, and regulation must be eliminated where competition is allowed to flourish.

BellSouth Telecommunications, Inc.
KPSC Case No. 99-434
Staff Requests
March 10, 2000
Item No. 1 a
Attachment

Focused Management & Operations Audit
of
BellSouth Telecommunications, Inc.

For the
Kentucky Public Service Commission

October 1999



Vantage Consulting, Inc.

Focused Management & Operations Audit
of
BellSouth Telecommunications, Inc.

For the
Kentucky Public Service Commission

October 1999



Vantage Consulting, Inc.



**Kentucky Public Service Commission
 Focused Review of the Price Regulation Plan
 BellSouth Telecommunications, Inc. - Kentucky**

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**Kentucky Public Service Commission
 Focused Review of the Price Regulation Plan
 BellSouth Telecommunications, Inc. - Kentucky**

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I. EXECUTIVE SUMMARY

A. PROJECT OBJECTIVE

This audit was conducted in response to an Order in Docket No. 94-121, in which the Commission stated its intention to perform a focused management and operations review in the fourth year of BellSouth-Kentucky's (BST-KY) Price Regulation Plan (PRP). In Case No. 94-121 (Order) dated July 20, 1995, the Commission authorized BST to operate under a price regulation plan (PRP). The PRP was structured to satisfy five broad objectives:

- Cap BST's basic residential service rates and protect customers of BST's monopoly services from significant rate increases.
- Maintain minimum BST service quality standards.
- Provide BST with incentives to continue investing in new technologies and services to satisfy customer demands.
- Allow BST to focus its efforts on enhancing productivity and efficiency of its operations.
- Permit BST the flexibility to price competitive services.

At the time of the Order, the Commission was concerned that BST have enough regulatory flexibility to adequately prepare itself for local competition. The Commission was also concerned that certain necessary structural and operational changes be made to ensure the continued provision of high quality services to all customers and the availability of new services. Subsequent events in the telecommunications industry have shown these concerns to be appropriate.

As defined in the Order, this management audit should:

- Review BST's investment decisions, service levels, and financial performance.
- Examine BST's productivity trends.
- Assess the competitive telecommunications marketplace.
- Evaluate BST's strategic planning, network planning, marketing programs and overall operational planning under the PRP.

The specific objectives of this audit are to:

- Evaluate BST's price regulation plan in terms of whether it allows the necessary adjustments in an increasingly competitive environment.
- Determine whether the plan is structured properly going forward in view of the 1996 Telecommunications Act and certain Commission Orders.

The scope of this audit is limited to an assessment of BST's performance under the PRP and to prepare specific recommendations that either modify PRP requirements and/or address BST's management policies supporting their performance under the PRP. The objectives of the audit DO NOT include an evaluation of BST's compliance with the 1996

Telecommunications Act or related Commission Orders other than Case No. 355 and Case No. 360.

This chapter summarizes the overall results, as well as the recommendations arising from the review. Detailed findings and recommendations are presented in later chapters of this report.

B. AUDIT APPROACH

BACKGROUND

The audit was conducted during the period of April 1999 through October 1999, with most on-site field work and interviews completed by July 1999. In order to maintain conformity and ease of historical comparison, the data and statistics cited in the report were gathered as of year end 1998.

A total of five consultants from Vantage, plus a Project Administrator, were involved in the audit and contributed to the final report. In addition, the Kentucky Public Service Commission Management Audit Branch was involved in all aspects of the audit. Virtually all interviews were attended by a representative of the Management Audit Branch who was then able to use this knowledge in reviewing the Draft Report. The in-depth involvement of the Management Audit Branch will be of great value in the future when it is called upon to provide direction in any ongoing regulatory proceedings.

AUDIT STEPS

Prior to beginning field work, BST-KY management, the Management Audit Branch, and Vantage Consulting project managers met to refine the scope of the audit and to clarify procedures for submitting interview and information requests. Field work commenced with a one-day orientation conducted by BST-KY management and initial interviews. After the orientation phase, Vantage consultants determined that the preliminary work plan submitted in the proposal accurately reflected the requirements of the project.

The on-site field work phase lasted approximately three months. Throughout this phase, Vantage consultants conducted a total of approximately 35 interviews and field visits, and submitted 140 information requests. The field visits, interviews, and information request responses formed the basis of the factual information provided in this report.

At the end of the field work, the Vantage team held a verification session with the Management Audit Branch and BST-KY management to review preliminary findings and conclusions and apprise them of progress and issues. During this meeting, consultants provided oral descriptions of the findings and conclusions reached, followed by feedback from BST-KY to better clarify positions.

After all interviews and verifications were complete, Draft Report Chapters were developed and submitted to the Management Audit Branch for review and approval. Once reviewed and approved by the Management Audit Branch, BST-KY was given 10 working days to

provide comments. After comments were received from BST-KY, a Final Draft Report was prepared for additional review and comments by both the Management Audit Branch and BST-KY. These comments were incorporated where appropriate, and the Final Report was produced.

The report is organized in the following manner in order to provide a logical presentation of the information and detail:

- *Chapter I - Executive Summary*, provides a brief synopsis of the report, as well as a listing of each recommendation made, its relative priority, and potential for quantifiable cost savings where appropriate.
- *Chapter II - History of Price Regulation Plan*, provides summaries of the PRP plans for Kentucky, other BellSouth states, and other non-BellSouth utilities across the country.
- *Chapter III - Significant Regulatory, Structural and Technical Changes*, illustrates significant technical and regulatory changes that have occurred during the period that the PRP was in place.
- *Chapter IV - BellSouth Performance During PRP Program*, contains the analysis, conclusions, and recommendations resulting from our review of BST-KY's four years of operation under the PRP. This was the *Tier 1* analysis called for under the Request for Proposal.
- *Chapter V - Assessment of PRP Structure*, is an analysis of the structure of the current PRP with recommendations for changes. This analysis includes a review of Total Factor Productivity (TFP), service categories, service category pricing formulas, evaluation of PRP objectives, and ongoing PRP objectives.
- *Chapter VI - Stakeholder Impact From PRP*, provides a general discussion of the impact PRP has and will continue to have on various stakeholders.
- *Chapter VII - Platform Towards Deregulation*, summarizes the platform of activities that need to be undertaken by BST-KY to achieve the objectives discussed in the previous chapters.
- *Chapter VIII - Appendix*, includes a glossary of terms associated with the telephone industry and PRP activities in particular.

C. OVERALL SUMMARY

BST-KY PRP RELATIVE TO INDUSTRY

BellSouth Telecommunications has implemented PRPs in all nine of its region states. BST-KY was the first of the states to complete the implementation. In addition, there are

numerous other telephone utilities across the country that have implemented similar plans. In comparing Kentucky to the other BellSouth states and the rest of the industry, we noted that BST-KY was the first of the BellSouth states to implement its plan and that it had the highest productivity factor of all BellSouth states and one of the highest productivity factors in the country.

There have been significant regulatory and legislative activities within the telecommunications industry since the advent of the BST-KY PRP. These include the Telecommunications Act of 1996, the FCC Interconnection Order, and Universal Service issues. In addition, major changes in the make-up of the industry have also taken place, including, convergence or the coming together of technologies necessary for provision of telecommunications services, a broadening of the number of competitors, and the addition of large numbers of CLECs. Many changes are technology driven. Along with loosening regulatory constraints, technology is allowing non-traditional competitors, such as wireless providers, voice and fax over IP providers, and cable (COAX and satellite) to begin competing directly with BST-KY.

A PARADIGM CHANGE MAY BE REQUIRED

Anyone familiar with telecommunications recognizes the fundamental shifts which are occurring in technology and in market players. In our analysis of the industry, we made some key observations concerning the industry and its regulation on a going-forward basis:

- The Commission must prepare for and understand markets and services outside their direct regulatory control.
- BellSouth through its interaction with the Commission, must prepare itself for the problems that competition may bring.
- The total role of BellSouth in state economic development must be considered in any evaluation of BellSouth's performance in a state.
- The argument that competition does not exist, because of low penetration of access lines, is specious and does not recognize the realities of the modern telecommunications environment.
- The residential POTS customer with no enhanced services and little long distance usage is not likely to see any noticeable reduction in rates as a result of competition. This is both ironic and problematic in that these very customers are the ones where media attention continues to focus when discussing competition. They are also the customers that for the foreseeable future will require some form of regulatory protection.

Based on the analysis, we recommended closer work between BST-KY and the KPSC in addressing competition at the residential level and in opening greater dialogue between the KPSC and BST-KY and its competitors. We feel this is critical in order for the KPSC to adequately address issues in a highly fluid environment.

BELLSOUTH RESULTS UNDER THE PRP

In our review of the PRP results for the last four years, we made a number of observations and reached one major conclusion. Overall, BST-KY has met all of its obligations in implementing and performing under the PRP. We found no instances where reliability suffered as a result of the PRP or where management made poor decisions with regard to financial or operating issues.

BST-KY's financial performance was outstanding during the PRP period. Revenues increased significantly, largely due to additional access lines and to increased demand for calling features by customers. Expenses, on the other hand, were carefully controlled. Decreases in staffing during the first three years of the program resulted in increased rates of return for the Company. While these returns exceeded past ROE target levels, one must recognize that they are meaningless under a PRP and, in fact, point to the success that has been achieved.

In performing our review of BST-KY's operational performance, we tried to understand the transition BST-KY and the industry is undergoing. In particular, we considered BST's business plan projections, which show the current versus projected service levels and revenues. For example, in 1998, BST-KY had 73% of the local service market with a projection that in 2002, this level would be reduced to 39%. (Almost all major commercial businesses in Louisville have alternate suppliers right now.) On the other hand, data, equipment, managed network service, and long distance revenues would all increase proportionately.

As to reliability, our review addressed all areas of operation and measures of performance and found, with few exceptions, adequate to good performance. We did make recommendations in this area. We noted that certain of the service measures required to be reported under the PRP are arcane and should be reviewed and either removed or modified.

Our review of BST-KY's strategic planning showed that it has adapted to the new telecommunications environment.

STRUCTURE OF THE PRP

Our overall assessment of the PRP during the last four years concluded that it was effective, but now needed changes to reflect the industry transition to competition. The first and one of the major issues was the productivity factor. Our consultants conducted a study of Total Factor Productivity to determine its history, proper application, and relevance at this time in the industry transition. A major conclusion of Vantage was that the productivity factor, as currently used, should be eliminated or phased out. In developing an alternative to the productivity factor, we recommend that the KPSC should eliminate the TFP index and allow rates to be capped by inflation. Part of the recommendation provides the option of establishing a fund based upon the elimination of the TFP index over an identified transition period, for which BST-KY will be directed to earmark for future investment commitment or allocation.

Our review of the service categories suggests that there is no basis for redefining the three existing categories. However, we do recommend that BST-KY should review the services contained in the non-competitive service category, and based upon the KPSC standards, submit a petition to the KPSC for their re-classification to the competitive category.

Our review of service category pricing formulas indicated that BST-KY has not filed any tariffs or entered into any CSAs which have requested prices below LRIC, and that BST-KY has appropriately utilized CSAs.

Another issue related to tariffs that we addressed was presumptive validity, which is a concept that while not a problem to date, could become one in the future. Here we recommend that the PRP regulations allow for a reasonable level of presumptive validity.

In our review of the PRP objectives, we conclude that the original set of objectives be continued, but that two additional objectives be added. These include permitting all BST-KY retail rates to move towards incremental cost or market price, and ensuring that the potential introduction of competition to all markets in Kentucky is not hindered by the PRP.

OBJECTIVES GOING FORWARD

Our last audit chapter provides a platform of activities to be undertaken by the BST-KY and the KPSC to insure that competitive objectives are forwarded, not hindered by the PRP. Here we conclude that the Kentucky state-wide wholesale UNE price structure, in conjunction with BST-KY's subsidy laden retail rate structure, inhibits the successful transition to a deregulated telecommunications marketplace. We recommend a focused effort to eliminate implicit/explicit subsidies from BST-KY's retail rates. We also recommend that the issues of rate re-balancing be reassessed by BST-KY and the KPSC and that together with other involved parties, an effort be made to move forward with a limited rate re-balancing.

D. SUMMARY OF RECOMMENDATIONS

The following summary of recommendations provides key information in each of the columns. Column one provides the recommendation number. The roman numeral refers to the chapter of the report, and the number is the sequential number of the recommendation in the chapter. The second column provides the recommendation description, taken directly from the report, and the reference to the specific finding(s) that supports the recommendation. Column three provides a priority for the recommendation. This is the consultant's judgment as to which recommendations the initial effort should address. High, medium, and low are used to differentiate between recommendations. Notwithstanding these priorities, all recommendations are considered important. Column four provides an assessment of the quantification potential, or likely savings, to be generated from the recommendation. Most recommendations address improved customer service operations or strategic position, but are not readily quantifiable. Although additional savings may be possible as a result of implementing some of these strategic and operations types of recommendations, an estimate of their cost effectiveness cannot be made at this time because of the difficulty in arriving at such values.

SUMMARY OF RECOMMENDATIONS WITH PRIORITIES

Recommendation Number	Recommendation Description	Priority
III-R1	The Commission needs to develop a formal plan for how it plans to deal with competition at the residential level.	Medium
III-R2	The Commission needs more open dialog with BellSouth and other competitors.	Medium
IV-R1	The Out of Service repair service standard should be changed to 36 hours from 24 hours.	Medium
IV-R2	Service standards should be revised to include only those measures providing valuable data in today's environment.	Medium
IV-R3	The Commission should be prepared to revisit the remaining service standards after the industry has "resettled."	Low
V-R1	The KPSC should eliminate the TFP index.	High
V-R2	Change the non-competitive service category pricing formula to allow for price increases at inflation.	High
V-R3	BST-KY should review the services contained in the non-competitive service category and, based upon the KPSC standards, submit a petition to the KPSC for their re-classification to the competitive category.	High
V-R4	Change the PRP regulations to allow for a reasonable level of presumptive validity.	Low
V-R5	The KPSC should maintain the five current objectives of the PRP. However, two new objectives should be added.	Medium

VII-R1	The BST-KY should work with the KPSC to undertake several proceedings with the aim of eliminating implicit/explicit subsidies from BST-KY's retail rates, establishing de-averaged recurring UNEs and modifying non-recurring UNEs.	High
VII-R2	Vantage recommends that the issues of rate re-balancing be reassessed by BST-KY and the KPSC and, that together with other involved parties, an effort be made to move forward with a limited rate re-balancing.	Medium

II. HISTORY OF PRICE REGULATION PLAN

A. SUMMARY OF KENTUCKY PRP

Exhibit II-1 provides a summary of the BST-KY PRP and *Exhibit II-2* shows other BST States PRP. These summaries are intended to provide a general overview for the reader. For specific details, please refer to the actual order or BST's annual filings.

**Focused Review of the Price Regulation Plan
BellSouth Telecommunications, Inc. - Kentucky**

**Exhibit II-1
BST-KY PRP Summary**

	BST-KY Summary
Proceeding/Status	BST-KY proposed price regulation plan 3/94. Hearings conducted in price regulation docket 4/95. Order issued 7/20/95 adopting price regulation plan with modifications.
Initial Term/Renewal/Review	No term limit. By 7/20/99, BST-KY is required to file analysis of productivity results over the four-year period and projections for any changes in factors of productivity in the future. Management audit will be conducted in the fourth year after the date of the Order. Audit shall include review of investment decisions, service levels, and financial performance under price regulation to determine if adequate service has been maintained.
Inflation Index	GDP-PI.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	GDP-PI minus 4% when inflation $\leq 8\%$ 1/2 GDP-PI when inflation $> 8\%$ Applies to Non-competitive services and to Interconnection services.
Rate Caps	3-year cap on Residence and until USF established.
Rate Case	Prices were adjusted based on 12.5% ROE resulting in \$28.9 million reduction.
Rate Reductions	Touch-Tone: \$3.7M Access Charges: \$9.2M Toll: \$1.3M Zone: \$8.8M Grouping: \$5.9M \$28.9M

Service Category Descriptions	<p>Non-competitive: Residence and business basic local exchange service plus some discretionary services.</p> <p>Interconnection: Access services typically of a wholesale nature and not usually sold to end users.</p> <p>Competitive: All other services.</p>						
Basic/Non-Competitive Service Category Pricing Rules	<p>3-year cap on residence and continued until viable and acceptable universal service fund is implemented.</p> <table border="0"> <tr> <td><u>Inflation</u></td> <td><u>Productivity</u></td> </tr> <tr> <td>0-8%</td> <td>4%</td> </tr> <tr> <td>>8%</td> <td>1/2 GDP-PI</td> </tr> </table> <ul style="list-style-type: none"> • Allowed price increase cannot exceed PRI change annually. • Increases cannot be deferred & can be taken any time during the year. • Required decreases must be implemented upon PRI change. • 10% increase limit on individual services. 	<u>Inflation</u>	<u>Productivity</u>	0-8%	4%	>8%	1/2 GDP-PI
<u>Inflation</u>	<u>Productivity</u>						
0-8%	4%						
>8%	1/2 GDP-PI						
Interconnection Category Pricing Rules	<p>Mirror interstate switched access rates effective 7/1/95 and on continuing basis. Adjust based on non-competitive rules.</p> <p>Rates for all intrastate switched access services cannot exceed the FCC interstate rate for the same service. If there is no similar service in interstate arena, the pricing rules in the non-competitive category will apply. Rates effective upon 30 days notice.</p>						
Non-Basic/Competitive Category Pricing Rules	<p>Company sets prices based on market factors. Cost studies required for all price changes in competitive category. Changes are effective upon 30 days notice.</p>						
Service Reclassification Requirements	<p>Company to file notice to reclassify service. Reclassification is presumed valid within 30 days if no action taken by Commission. If suspended, Commission will complete review procedures within 90 days.</p>						
New Service Definition and Rules	<p>New service is function, feature, capability or combination of these previously not offered. BST-KY will propose appropriate category. Service will be effective upon 30 days notice.</p> <p>Commission retains full statutory suspension procedures if new service is contested.</p>						
Tariff Requirements	<p>Company will continue to file tariffs for all services. Tariff filings will include information to comply with pricing rules. BST must file cost study with any proposed change to demonstrate that the price is above long run incremental costs.</p>						
Customer Notification	<p>Company determined; will comply with existing law.</p>						
Price Changes Due to Governmental Action	<p>Not included in Order.</p>						

Financial Reporting	Company shall file routine quarterly and annual financial reports. Company may produce income statements in accordance with GAAP, but should maintain current USOA accounts and structure. BST-KY will file biennial review of its progress toward objectives, including a customer satisfaction analysis and technology assessment.
Depreciation	BST-KY shall set its own depreciation rates. Company shall file copies of its FCC depreciation filings. The Commission will monitor depreciation decisions and interact with FCC to assure assets are depreciated in timely manner.
Service Quality Requirements	Company will provide monthly reports of Commission required measurements as well as EXCEL results. BST-KY's summary of monthly service objectives should identify exchanges that do not meet minimum service standard for any month. If performance levels for an exchange fall below the minimum service objectives for two consecutive months, BST-KY should submit report setting forth the specific action taken or planned to correct its performance.
Infrastructure Requirements	No additional infrastructure requirements included.
Commission Authority	Price regulation is an agreement between Commission and Company to set and adjust prices based on proposed rules rather than based on earnings. Commission retains authority as set forth in rules and statutes.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	<p>Rates for Interconnection and Non-basic services shall equal or exceed LRIC unless price is intended in good faith to meet equally low price of a competitor. In such exceptions, the Company must file cost study and evidence to support that competitor is already charging a rate below the Company's LRIC of providing the service.</p> <p>Imputation Standard: Requires that each rate band by time-of-day for calls of average distance and duration exceed the traffic sensitive switched access rate plus the rate for billing and collection. (Imputation rule established by previous Commission Order.)</p>

B. SUMMARY OF OTHER BELLSOUTH STATES PRP

Focused Review of the Price Regulation Plan BellSouth Telecommunications, Inc. - Kentucky

Exhibit II-2 Other BST States PRP Summary

	ALABAMA										
Proceeding/Status	Plan filed 2/2/95. Industry stipulation filed 5/17/95 recommending price regulation and certain local competition rules. Enabling legislation enacted 6/20/95. Commission issued order adopting modified Stipulation effective 9/20/95.										
Initial Term/Renewal/Review	No term limit. Review of price regulation/local competition procedures and impact on rate payers no later than third anniversary date (9/20/98). On 10/5/98, Commission postponed review for up to three years.										
Inflation Index	GDP-PI.										
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Efficiency factor of 3.0%. GDP-PI - 3.0% minus any service quality penalties. Formula applied to Basic Category.										
Rate Caps	5-year cap on Basic Category. Individual residential service prices cannot be increased by more than the adjusted GDP-PI (GDP-PI minus 3.0% minus service quality penalties). Intrastate switched access rate elements capped at interstate switched access rates. One year cap on all services.										
Rate Case	Rates in effect on 7/1/95 after most recent Point-Of-Test and rate reductions outlined below will be starting rates under the plan.										
Rate Reductions	Reduce intrastate switched access to 8/1/95 interstate levels, plus an additional reduction of one cent. Reduce switched access 1/2 cent on 7/1/96 and 7/1/97 and 1/4 cent on 7/1/98 and 7/1/99 for two ends of access. Other rate reductions include: <table border="0"> <tr> <td>7/1/95 - \$10.2M</td> <td>Touch-Tone</td> </tr> <tr> <td>7/1/96 - \$15.3M</td> <td>Res. & Bus. Regrouping</td> </tr> <tr> <td>7/1/97 - \$10.1M</td> <td>ACS, Grouping, Bus.</td> </tr> <tr> <td>7/1/98 - \$11M</td> <td>MTS, ACS, Res.</td> </tr> <tr> <td>7/1/99 - \$11M</td> <td>MTS, ACS, Bus.</td> </tr> </table>	7/1/95 - \$10.2M	Touch-Tone	7/1/96 - \$15.3M	Res. & Bus. Regrouping	7/1/97 - \$10.1M	ACS, Grouping, Bus.	7/1/98 - \$11M	MTS, ACS, Res.	7/1/99 - \$11M	MTS, ACS, Bus.
7/1/95 - \$10.2M	Touch-Tone										
7/1/96 - \$15.3M	Res. & Bus. Regrouping										
7/1/97 - \$10.1M	ACS, Grouping, Bus.										
7/1/98 - \$11M	MTS, ACS, Res.										
7/1/99 - \$11M	MTS, ACS, Bus.										

Service Category Descriptions	Basic: Residence & Business local exchange services including ACS. Interconnection: Switched access and local interconnection. Non-Basic: All services other than Basic and Interconnection.
Basic Service Category Pricing Rules	5-year cap on all Basic services. Thereafter, increases limited in the aggregate to the change in GDP-PI, less a 3.0% efficiency factor, less any penalties related to service quality standards. Individual residential service price increases limited to the change in GDP-PI minus 3.0% minus any service quality penalties.
Interconnection Category Pricing Rules	For the first 5 years of the plan, switched access rates are tied to stipulated reductions (see Rate Reductions above). After 5 years, the rates are further capped at the 1999 intrastate rate levels or the interstate levels, whichever is the lowest. Local interconnection charges will be developed through a workshop conducted by the PSC.
Non-Basic or Other Category Pricing Rules	The aggregate prices for all services can increase a maximum of 10% in a given year. No increases in the first 12 months of the plan.
Service Reclassification Requirements	Transfer of service between categories effective no less than 30 days from filing.
New Service Definition and Rules	New services effective on 30 days notice even with intervention or investigation by Commission. If no decision after 60 days following filing, tariff is effective on a continuing basis. Period can be extended by the Commission either on its own motion or at the request of an interested party for a period not to exceed 60 days, for a total of 120 days.
Tariff Requirements	Company will continue to file tariffs for all services unless otherwise de-tariffed. Price decreases and promotional offerings effective no less than 15 days from filing. Tariffs to expand list of CSA authorized services effective 30 days after filing. Filings for decreases, promotional offerings or expansion of CSA approved list may be suspended to a 60-day effective date. Price increases effective on 30 days notice, but Commission can extend to 60 days.
Customer Notification	Company determined; will comply with existing law.
Price Changes Due to Governmental Action	The financial impact of governmental mandates, both state and federal, which apply specifically and/or disproportionately to, and have a major impact on telecommunications companies, may be recovered through an adjustment to prices for Basic, Interconnection and/or Non-basic services. Major impact is one which exceeds 2% of total intrastate regulated revenues in the preceding calendar year.

Financial Reporting	Company will provide Commission with financial results in the form of a monthly Alabama income statement. Other financial reports will be provided, as required by the Commission.
Depreciation	Commission approval not required for BST depreciation rates.
Service Quality Requirements	Four service quality standards will be used to adjust the efficiency factor: Latest 12 months calculations for: 1) Overall trouble report rates, 2) Trouble report rates for individual wire centers, 3) Held applications, 4) Receipt-to-final status in 36 hours. Each standard missed increases efficiency factor by 0.2%. If all four missed, maximum impact increases efficiency factor to 3.8%. Service quality standards reported monthly.
Infrastructure Requirements	No specific requirements, but the Commission will conduct a workshop on new technologies and expanded services. All local providers are required to develop networks and capabilities to support emerging technology, multimedia services, expanded services and the benefits of the "information super highway" in both urban and rural areas.
Commission Authority	Price regulation in no way diminishes the Commission's right or responsibility to regulate BST and oversee its operations. Prices charged to customers become the financial focus of the Commission rather than the earnings of BST.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	Prices for any new or existing service shall equal or exceed LRIC unless specifically exempted by the Commission based on public interest concerns, or BST, in good faith, prices the service to meet the equally low price of a competitor. Imputation Standard: The price floor for each service shall equal the total LRIC of the non-essential elements of the service plus the LEC's tariffed rates for essential elements utilized by the competing providers.

	FLORIDA
Proceeding/Status	Legislation opening local franchise and establishing price regulation framework enacted 6/17/95, effective 7/1/95. BST's election of price regulation became effective 1/1/96. BST is required to comply with the 1/94 stipulation terms including earnings sharing.
Initial Term/Renewal/Review	No term limit. Statute specifies certain reports that Commission and OPC must provide to legislature regarding the development of competition and results of alternative framework.

Inflation Index	GDP-PI.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Basic: Inflation minus 1%. Network Access: Inflation not to exceed 3%.
Rate Caps	5-year cap (until 1/1/2001) on Basic services for LECs with more than 3 million lines. 3-year cap (until 1/1/99) on Basic services for other LECs. 3-year cap on multi-line business, PBX, Centrex, hunting. 3-year cap on Network Access Svs.
Rate Case	Rates in effect on 7/1/95 were used to initiate the plan.
Rate Reductions	Reduce switched access by 5% each October beginning 10/1/96 until at parity with 1994 interstate rates.
Service Category Descriptions	Basic: Flat rate residence and single line business; end user access to certain services. Local Interconnection: Not defined. Network Access: Access to local network. Non-basic: All services other than Basic, Local Interconnection and Network Access.
Basic Service Category Pricing Rules	Basic services capped until 1/1/2001 for LECs with more than 3 million access lines. Thereafter, may be adjusted by inflation minus 1%.
Interconnection Category Pricing Rules	Reduce switched access by 5% annually until at parity with 1994 interstate rates. Thereafter, adjust by inflation not to exceed 3% annually. All other Network Access is capped for three years and then adjusted by inflation never to exceed 3% annually. Local Interconnection rates are negotiated between parties or established by Commission if unable to negotiate.
Non-Basic or Other Category Pricing Rules	Price increases for Non-Basic categories may not exceed 6% annually until there is an alternate local provider in the exchange, at which time price increases may not exceed 20% annually. 3-year cap on multi-line business, PBX, NARS, hunting.
Service Reclassification Requirements	LEC can petition for removal of regulation if circumstances warrant.

New Service Definition and Rules	Not addressed in legislation.
Tariff Requirements	Tariff requirements for Basic services are not specified in statute other than LEC may adjust prices on 30 days notice once in any 12-month period. LEC will continue to file tariffs for Network Access and Non-basic services. LEC may change prices for Non-basic services on 15 days notice. LEC may increase rates upon 30-days notice and decrease upon 7 days notice for Network Access services. Changes to terms and conditions for Network Access services are presumed approved on 15 days notice.
Customer Notification	Not addressed in legislation.
Price Changes Due to Governmental Action	LEC can petition for increase to Basic rates if circumstances change, but cannot recover costs of distance learning network specified in bill unless associated with COLR. LEC can petition for cost recovery through access charges of government mandates or increase in federal or state income tax. A company shall decrease Network Access rates to reflect decreases in federal or state income tax.
Financial Reporting	Not specified in legislation.
Depreciation	Company shall not be required to seek approval of depreciation rates. However, depreciation rates effective 12/31/94 will be used in calculating earnings available for sharing for BST through 12/31/97.
Service Quality Requirements	Commission to maintain oversight of service quality.
Infrastructure Requirements	State Education Technology Committee established to develop a needs assessment report describing the overall advanced telecommunications services needed for education, libraries, video conferencing, hospitals & access to Internet. Report to be filed w/Governor, House & Senate by 3/1/96, describing advanced telecommunications services to be delivered by 1/1/99. Eligible facilities (schools, univ., hospitals, libraries, etc.) must submit technology needs requests by 7/1/97 to the Department of Management. If no competitive bids received to provide services, the carrier of last resort (COLR) shall provide the advanced telecommunications services. Penalties apply if the entity awarded the bid or the COLR does not perform as specified in contract.

Commission Authority	Pricing rules are specified in statute. Considerable authority is provided to Commission to resolve interconnection, resale, price change disputes.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	Price for Non-basic service shall cover the direct costs of providing the service and shall, to the extent a cost is not included in the direct cost, include as an imputed cost the price charged to the competitor for the monopoly component used by competitor in the provision of its same or functionally equivalent service. Imputation Standard: Legislation requires imputation of originating and terminating switched access on a conversation minute of use basis for MTS, WATS and 800 Service. For high volume toll services there is a crossover formula that will allow for imputation of one end of switched access plus one end of special access.

	GEORGIA
Proceeding/Status	Senate Bill 137 opening local franchise and establishing price regulation framework enacted 4/19/95. Effective 7/1/95. BST's Notice of election of price regulation was effective 8/5/95.
Initial Term/Renewal/Review	No term limit.
Inflation Index	GDP-PI.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Annual adjustment not to exceed the greater of 1/2 change in GDP-PI when GDP-PI >3% or GDP-PI minus 2%.
Rate Caps	5-year cap on Basic Services.
Rate Case	Rates in effect upon election became starting rates under the plan.

Rate Reductions	<p>Reduce switched access rates to parity with interstate. Intrastate rates can be no higher than interstate. The rates for switched access shall be negotiated in good faith between the parties.</p> <p>On 12/19/95 Commission approved further reduction in switched access effective 7/1/96. Reduction of \$9.7 million (to \$0.035 per minute) resolved AT&T petition to reduce switched access rates.</p>
Service Category Descriptions	<p>Basic: Residence and single-line business, Touch-Tone.</p> <p>Other: All services other than Basic.</p>
Basic Service Category Pricing Rules	5-year cap on Basic rates. Subsequent increases tied to inflation formula.
Interconnection Category Pricing Rules	No separate category for interconnection services. Included in Other Services Category. See Rate Reductions above.
Non-Basic or Other Category Pricing Rules	LEC can set rates for all other local exchange services on a basis that does not unreasonably discriminate between similarly situated customers; provided that rates are subject to a complaint process for abuse of market position in accordance with rules to be established by the Commission.
Service Reclassification Requirements	Not addressed in legislation.
New Service Definition and Rules	Not addressed in legislation.
Tariff Requirements	Tariffs required for all services. Interim tariff filing requirements ordered on 6/8/95. Tariff filings will be presumed valid and become effective 30 days after filing, unless suspended, revised or denied by Commission. Tariffs for new service or rate decreases must include a numerical demonstration that the prices are above total service long-run incremental costs.
Customer Notification	Not addressed in legislation.
Price Changes Due to Governmental Action	Not addressed in legislation.
Financial Reporting	Required to file quarterly reports on infrastructure commitment.
Depreciation	Company shall not be required to seek approval for its depreciation rates.

Service Quality Requirements	The Commission is authorized to adopt reasonable rules governing service quality.
Infrastructure Requirements	Electing company with 2 million access lines is required to commit \$500M annually for 5-years toward infrastructure. PSC to review after 3-years to reduce commitment or continue.
Commission Authority	Includes the authority among other things to: <ul style="list-style-type: none"> - adopt rules governing certification - establish and administer a Universal Access Fund - adopt service quality rules - resolve LEC service complaints - approve and, if necessary, revise, suspend or deny tariffs - establish rules and methodologies for cost allocation - enable number portability.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	LECs are prohibited from engaging in anti-competitive acts including price squeezes, price discrimination, predatory pricing or tying arrangements. Commission is authorized to establish reasonable rules and methodologies for performing cost allocations among a company's services. Imputation Standard: Requires imputation of originating and terminating switched access on a conversation minute of use basis for MTS, WATS and 800 Service. For high volume toll services, there is a crossover formula that will allow for imputation of one end of switched access plus one end of special access. Imputation standard established in previous Commission Order.

	LOUISIANA
Proceeding/Status	On 3/5/96, the Commission adopted a stipulation and settlement agreement that closed an earnings investigation, adopted local competition rules, terminated a proceeding investigating reengineering costs and benefits and adopted a price regulation plan. The effective date of price regulation is 4/1/96.
Initial Term/Renewal/Review	6-year term. Formal reviews scheduled after the third year and during the sixth year of the plan. Commission issued Order on 4/13/99 completing three-year review. Order extends the cap on Interconnection category for two additional years (subject to hearings). Order also

	noted 1) current rates are just and reasonable, 2) no changes in service quality measurements are required 3) LPSC will continue to focus on benefits of competition, and 4) provision of service to Mink and Shaw/Blackhawk communities to be evaluated in Universal Service Dkt.
Inflation Index	GDP-PI.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	GDP-PI minus 2.5% for Basic Services category.
Rate Caps	5-year cap on Basic Services category. 3-year cap on Interconnection Services category.
Rate Case	Settled per terms of stipulation and settlement agreement.
Rate Reductions	\$9.0M one-time credit to residence and business customers. \$70M in rate reductions as follows (specific services to be determined): 4/1/96 \$23.4M 4/1/97 \$23.3M 4/1/98 \$23.3M
Service Category Descriptions	Basic: Residence and single line business basic local exchange services. Interconnection: Services that allow a provider to interconnect with networks of other providers. Non-Basic: All other services.
Basic/Non-Competitive Service Category Pricing Rules	5-year cap on Basic Category; thereafter, adjust based on change in GDP-PI minus 2.5%. Individual service may not increase more than 10% in a twelve-month period.
Interconnection Category Pricing Rules	3-year cap on individual services in Interconnection Services category. After the cap expires, individual services may not increase more than 10% in any twelve-month period.
Non-Basic/Competitive Category Pricing Rules	Individual service may not increase more than 20% in twelve-month period.
Service Reclassification Requirements	Service category classification report to be filed each July 1. Proposals for reclassification are to be included.

New Service Definition and Rules	New service is a service function, feature or capability, or combination of these, not offered as of 3/31/96. Service may be effective on 10 days notice. Affected party may intervene, but intervention will not delay effective date if tariff is accepted by Staff.
Tariff Requirements	Company will continue to file tariffs for all services. Tariff changes may be effective on 10 days notice. Affected party may intervene, but intervention will not delay effective date if tariff is accepted by Staff.
Customer Notification	Procedures in effect will continue under price regulation.
Price Changes Due to Governmental Action	Not addressed.
Financial Reporting	Selected financial data on intrastate Company basis to be filed on a semi-annual basis.
Depreciation	Company is not required to seek regulatory approval for its depreciation rates. Rate increases based on increased depreciation expenses are prohibited.
Service Quality Requirements	Company will continue to provide service quality measures currently monitored under earnings sharing plan.
Infrastructure Requirements	Not addressed.
Commission Authority	Unchanged.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	Price floor of TELRIC for all services unless exempted by Commission or unless Company, in good faith, prices a service below TELRIC to meet equally low price of a competitor (subject to any imputation requirements). Imputation Standard: Requires imputation of originating and terminating switched access on a conversation minute of use basis for MTS, WATS and OCP. Added to switched access charge are non-access costs, direct costs and facility costs. No imputation requirements in the expanded area. (Imputation rules established by previous Commission Order.)

	MISSISSIPPI
Proceeding/Status	Commission issued Order on 11/1/95 approving price regulation ("PREP") as stipulated to by BST and MPSC Staff. PREP effective 1/1/96.
Initial Term/Renewal/Review	Plan to be effective 1/1/96 through 12/31/01. Formal reviews scheduled at 1/1/99 to determine if modifications should be made and 7/1/01 to determine if plan should be continued, modified or discontinued.
Inflation Index	N/A.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	After 3-year cap, beginning 3/1/99, PREP requires Basic revenues to decrease 1% per year through end of plan.
Rate Caps	3 year cap on Basic category
Rate Case	Not required
Rate Reductions	Rate reductions total \$33.62M over six years. Reduce switched access to interstate level as of 1/1/96 and cap at parity over life of plan. Eliminate Touch-Tone over 3 years and Subscriber Line Charge over 4 years. Reduce zone mileage charges over life of the plan. Rate regrouping will be permitted on an annual basis irrespective of the 3 year cap.
Service Category Descriptions	Basic: Residence and business basic local exchange services. Interconnection: Access to local and toll network. Other: All other services.
Basic/Non-Competitive Service Category Pricing Rules	3 year cap on all Basic services; reduce Basic revenues thereafter by 1% per year beginning 3/1/99.
Interconnection Category Pricing Rules	Reduce intrastate switched access rates to parity with interstate on 1/1/96 and cap at parity. All other rates set by the company according to market factors. Only one rate increase per rate element per year.

Non-Basic/Competitive Category Pricing Rules	Company sets prices based on market factors. Individual rate elements cannot increase more than 20% annually. Only one increase per rate element per year.
Service Reclassification Requirements	Company to file notice to reclassify service. PSC shall review request within 30 days. If PSC neither approves nor suspends request, the reclassification is deemed approved. If PSC suspends the request, PSC review to be completed in 120 days. If PSC takes no action within 120 days, reclassification is implemented.
New Service Definition and Rules	New service is function, feature or capability not currently offered. New services assigned to the appropriate category. Service will become effective upon 30 days notice.
Tariff Requirements	Company will continue to file tariffs for all services. Tariff filings will include information to conform to pricing rules. Detailed information concerning the cost of the service shall be provided upon request of the Commission or the MPUS.
Customer Notification	Company determined; will comply with existing law.
Price Changes Due to Governmental Action	Financial impact of governmental mandates both state and federal applying specifically and/or disproportionately to and having a major impact (+/-) on telecommunications companies, may be adjusted through a change in Basic service category rates. The Company may request the Commission to adjust those rates. Major impact is one which exceeds 2% of Basic service category revenues from prior year.
Financial Reporting	Company shall provide Commission and Public Utilities Staff with quarterly and annual income statements and additional reports or data upon request of the Commission or MPUS.
Depreciation	The Company shall set its own depreciation rates under price regulation with quarterly reports to the Commission. In setting initial rates for interconnection or in setting rates for resale of local service and in establishing the initial cost of local service under a universal service fund, the depreciation rates in effect prior to the effective date of PREP will be used.

Service Quality Requirements	Three performance indicators will be used to monitor service quality; consumer and small business customer satisfaction, network trouble report rate, and troubles cleared at 36 hours. Penalties could reduce Basic category revenues equal to .2% for customer satisfaction, .1% for trouble report rate and .1% for troubles cleared at 36 hours, should objectives not be attained.
Infrastructure Requirements	None.
Commission Authority	The Commission will continue to review tariff filings and maintain oversight of service quality. Service quality beyond that measured and penalized or other significant adverse impacts not in the public interest are grounds to initiate a proceeding to address such concerns.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	Rates for new and existing services shall equal or exceed LRIC unless price is intended in good faith to meet equally low price of a competitor, or specifically exempted by Commission based on public interest concerns, or special promotions are offered not to exceed 180 days. Imputation Standard: Retail services shall be priced such that price is sufficient to recover the contribution that company earns from access or interconnection services plus its own incremental cost of supplying the retail service.

	NORTH CAROLINA
Proceeding/Status	HB 161 passed by Legislature 4/5/95 and effective 7/1/95 opens local franchise and requires Commission to adopt alternative regulation with no earnings regulation. BellSouth filed price regulation plan on 10/4/95. Stipulation reached with Public Staff on 1/17/96. NCUC approved plan with modifications effective 6/24/96.
Initial Term/Renewal/Review	No term limit. Review in advance of 5 years from effective date.
Inflation Index	GDP-PI.

Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Basic: GDP-PI - 2%. Interconnection: GDP-PI - 3%. Non-Basic 1: GDP-PI - 3%.
Rate Caps	3-year cap on Residence service. Indefinite cap on Toll Switched Access.
Rate Case	Not proposed.
Rate Reductions	Stipulation proposes \$60 million reduction by 3rd anniversary, \$15M when effective and at each anniversary. Eliminate Touch-Tone by 1st anniversary of the Plan and eliminate Originating CCLC by the 2nd anniversary of the Plan. Remaining rate reductions applied to toll switched access services.
Service Categories Descriptions	Basic: Residence and Business basic local service. Toll Switched Access: Intrastate Switched Access. Interconnection: All Access services except Toll Switched Access. Non-Basic 1: All services not included in other categories. Non-Basic 2: Centrex, B&C Services.
Basic Service Category Pricing Rules	Business prices, and Residence after the 3-year cap, can be adjusted in the aggregate by GDP-PI minus 2%. Rate element increases limited to one increase annually, not to exceed GDP-PI plus 3%.
Interconnection Category Pricing Rules	Prices can be adjusted in the aggregate by GDP-PI minus 3%. Rate element increases limited to one increase annually, not to exceed GDP-PI plus 7%. Switched Toll Access is a separate category. In the aggregate, prices are capped at the prices in effect after the ordered rate reductions. (OCCL to be eliminated by 2nd anniversary of the plan)
Non-Basic Category Pricing Rules	Prices in the Non-Basic 1 Category, can be adjusted in the aggregate by GDP-PI minus 3%. Rate element increases limited to one increase annually, not to exceed GDP-PI plus 17%. No price change limits for Non -Basic 2 Category services.

Service Reclassification Requirements	Stipulation includes procedures for classification of new services and reclassification of existing services.
New Service Definition and Rules	A regulated function, feature, capability or combination of these that is not offered by BST as of the effective date of the Plan. Tariffs establishing terms, conditions and rates for new services are presumed valid and effective 14 days after filing unless suspended by Commission (not to exceed 45 days).
Tariff Requirements	Tariffs will be filed for all services in the five categories. Tariffs that change terms and conditions, increase rates, restructure rates or introduce a new service are presumed valid and will be effective 14 days from filing unless PUC disapproves, modifies, or otherwise suspends tariff (not to exceed 45 days). A tariff to restructure rate can be suspended an additional 30 days. Commission may investigate whether price increases are consistent with Plan and whether terms and conditions and restructures are consistent with public interest. Tariffs reducing rates are effective and presumed valid 7 days from filing, unless PUC suspends tariff (not to exceed 45 days).
Customer Notification	Company to provide notice by bill insert or direct mail to affected customers of any price increase at least 14 days before rates increase.
Price Changes Due to Governmental Action	With Commission approval, the Company may adjust the prices of any service(s) due to the financial impacts of governmental actions that have a specific impact on the telephone industry. Commission will approve if: <ul style="list-style-type: none"> • gov't action has been correctly identified; • financial impact has been accurately quantified; • proposed rates cover only financial impact of action; • rates are applied to appropriate class or classes of customer; • adjusted rates in public interest.
Financial Reporting	File the financial surveillance reports currently filed with the Commission.
Depreciation	Company shall determine and set its depreciation rates.

Service Quality Requirements	Retain existing Service Quality Requirements.
Infrastructure Requirements	Not addressed.
Commission Authority	The Commission retains oversight of service quality, complaint resolution and compliance by the Company with all elements of the price regulation plan.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	The price for any individual rate element offered shall equal or exceed its LRIC unless: 1) exempted by commission based on public interest, or 2) BST in good faith prices the service to meet the equally low price of a competitor. Imputation Standard: Bundled Local exchange service and competitive service rates must include tariffed rate of unbundled function.

	SOUTH CAROLINA
Proceeding/Status	Consumer Price Protection Plan filed on 3/28/95. Hearings held 9/95. Decision approving plan with modification was issued 12/29/95. Plan became effective 1/30/96. On April 19, 1999, the South Carolina Supreme Court reversed the Circuit Courts Decision that approved BellSouth's Consumer Price Protection Plan. On May 4, 1999 BellSouth filed a Petition for Rehearing with the Court on the grounds that the Court overlooked or misapprehended certain matters of fact and law. The Petition is pending before the Court. The description below outlines the plan as approved by the Commission on 3/28/95.
Initial Term/Renewal/Review	No term limit.
Inflation Index	GDP-PI.

Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	GDP-PI - 2.1%. To be applied to Basic services after cap expires and applied to Interconnection Services.
Rate Caps	5-year cap on Basic Category. 3-year cap on switched access.
Rate Case	Earnings investigation was conducted 1994; a \$42.2 million prospective rate reduction was ordered based on 12.75% ROE.
Rate Reductions	BST proposed \$16.9M reduction in earnings investigation; \$42.2 million ordered as follows: \$12M - Switched Access \$5M - IntraLATA Toll \$7.3M - Hunting Charges \$5.1M - Hunting Application Changes \$1.3M - DID \$3.4M - PBX Trunks \$8.1M - Local Rates
Service Categories Descriptions	Basic: Residence and business flat rate service, PTAS, PBX Trunks. Interconnection: Access to local and toll network. Non-basic: All services other than Basic and Interconnection.
Basic Service Category Pricing Rules	5-year cap on all Basic. Thereafter, adjust by GDP-PI minus 2.1%. Increases to an individual service limited to GDP-PI plus 5% annually.
Interconnection Category Pricing Rules	3-year cap on switched access. Other Interconnection services, and switched access after cap expires, may be adjusted based on GDP-PI minus 2.1%.
Non-Basic Category Pricing Rules	Company sets prices. Increase to individual service is limited to 20% in a 12-month period.
Service Reclassification Requirements	Not addressed.

New Service Definition and Rules	New service is function, feature or capability not currently offered. Tariff shall become effective at end of notice period, but no sooner than 14 days.
Tariff Requirements	Company will file tariffs for all services. Tariff filings will include information to show compliance with pricing rules. Changes to terms and conditions to be effective upon 14 days notice; increases to be effective upon date specified in tariff, but in no event earlier than 14 days notice; decreases to be effective upon 7 days notice.
Customer Notification	Company to provide notice of any proposed price increase through newspapers and through bill inserts.
Price Changes Due to Governmental Action	Not addressed.
Financial Reporting	Company shall file a quarterly combined income statement for South Carolina.
Depreciation	Company shall not be required to seek regulatory approval of its depreciation rates.
Service Quality Requirements	Company to file service results in compliance with Commission rules.
Infrastructure Requirements	Not addressed.
Commission Authority	Commission retains authority with regard to Company's price for services, service quality, complaint resolution and compliance with plan.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	Prices for all services shall equal or exceed LRIC unless a service is priced below its cost to meet public interest goals. Any other service priced below LRIC will be considered by the Commission on a case by case basis. Imputation Standard: Requires imputation of originating and terminating switched access on a conversation minute of use basis for MTS, WATS and 800 Service. The average revenue per minute of use must exceed average switched access revenue per conversation minute of use. For high volume toll users there is a crossover formula that allows the imputation of one end of switched access plus one end of special access.

	TENNESSEE
Proceeding/Status	<p>HB 695/SB891 enacted and effective 6/6/95. Statute opens local franchise and establishes price regulation framework. BST filed application for price regulation 6/20/95.</p> <p>Commission conducted rate investigation and issued order on 1/23/96 for BST to reduce rates by \$56.3M effective 3/1/96. Order appealed; rate reductions and effective date of price regulation stayed by Court. On 10/1/97, the Court vacated the Commission's 1/23/96 Order finding that the Commission should have approved the price regulation plan based on 6/6/95 rates. The Court remanded the case to the TRA with directions to approve price regulation. On 6/15/98 TN Supreme Court denied TRA and CAD application for review.</p> <p>On 10/27/98, TRA approved BST's Price Regulation Plan, effective October, 1995.</p>
Initial Term/Renewal/Review	No term limit.
Inflation Index	GDP-PI.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Annual adjustments for each category capped in the aggregate at the lesser of GDP-PI - 2% or 1/2 GDP-PI.
Rate Caps	Basic Services and Call Waiting capped until 12/01/02.
Rate Case	PSC ordered rate reduction of \$56.3M based on their findings in earnings investigation. Court found earnings to be below the authorized ROR range and remanded to the TRA. No reduction required.
Rate Reductions	<p>Side agreement on intrastate switched access to reach parity with interstate switched access rates.</p> <p>PSC ordered \$56.3M reduction. Court vacated Order and remanded to TRA. TRA's 10/27/98 decision eliminated requirement to reduce rates.</p>

Service Categories Descriptions	<p>Basic: Residence and Business basic local services.</p> <p>Non-Basic: Services not defined as Basic.</p> <p>Interconnection: Provides interconnection with networks of other providers. Interconnection is subcategory of Non-basic.</p>
Basic Service Category Pricing Rules	<p>Basic capped until 12/01/02. Thereafter, rates are to be adjusted according to the inflation formula. In no event shall basic residential service increase in any one year more than the % change in GDP-PI.</p>
Interconnection Category Pricing Rules	<p>Inflation formula applies to rate increases for the subcategory as a whole.</p> <p>Side agreement to reach parity with interstate switched access rates.</p>
Non-Basic Category Pricing Rules	<p>BellSouth has the authority to adjust non-basic rates so long as rate changes are reductions or are revenue neutral within the category (12/1/98 - 12/1/99). As of 12/1/99, prices may be adjusted in the aggregate in accordance with the inflation formula.</p> <p>Call Waiting capped until 12/01/02.</p>
Service Reclassification Requirements	<p>TRA can exempt a service or group of services from regulation.</p>
New Service Definition and Rules	<p>The maximum rate for any new Non-basic service first offered after the effective date of this act shall not exceed the stand-alone cost of the service.</p>
Tariff Requirements	<p>Company will file tariffs for all services unless exempted by the TRA.</p>
Customer Notification	<p>Not addressed.</p>
Price Changes Due to Governmental Action	<p>Not addressed.</p>
Financial Reporting	<p>Not addressed.</p>
Depreciation	<p>Company shall not be required to seek regulatory approval of its depreciation rates.</p>

Service Quality Requirements	Not addressed.
Infrastructure Requirements	LECs required to complete funded FYI requirements.
Commission Authority	In addition to any other jurisdiction conferred, the TRA shall have the original jurisdiction to investigate, hear and enter appropriate orders to resolve all contested issues of fact or law arising as a result of the application of this Act.
Competitive Safeguards Examples: Cost Allocation Cross Subsidy Imputation Price Floors	Imputation Standard: The price floor for competitive services shall equal tariffed rates for essential elements utilized by competing providers plus the total LRIC of the competitive elements of the services. When shown to be in the public interest, the PSC shall exempt a service or group of services provided by the incumbent LEC from the requirements of the price floor.

C. SUMMARY OF PRP IN NON-BELLSOUTH STATES

The following, *Exhibit II-3*, provides a brief summary of the elements of regulations in a number of other non-BellSouth states.

Focused Review of the Price Regulation Plan BellSouth Telecommunications, Inc. - Kentucky

Exhibit II-3 Non-BellSouth States PRP Summary

State	Company	Type Regulation	Term	Major Plan Characteristics
Alaska (Large Telcos)		ROR	Open	Streamlined intervals for increases up to 6%. Flexibility to cut rates and introduce promotions to meet competition.
Arizona	USW	ROR	Open	Some services flexibly priced to meet competition.
Arkansas	SBC	Price Regulation	Open	SBC elected price regulation contained in 1997 law. Basic rates and switched access are capped at $\frac{3}{4}$ GDP-PI, however,

State	Company	Type Regulation	Term	Major Plan Characteristics
				<p>basic rates deregulated in any competitive local exchange. Non-basic service rates deregulated. 1997 law under court challenge. Law allows that if at any time following three-year anniversary of price regulation election another provider offers basic local exchange or switched access service within the electing company's local exchange area, the electing company may set its own rates in the same manner as competitive services are set.</p>
California	SBC	Price Regulation		<p>Price cap index suspended in 1995. PUC continued suspension in 1998 Order as of 1/1/99, but did not eliminate it. PUC indicated it expects permanent elimination at next review. Prior to suspension, productivity offset was 4.5%. In addition, Commission suspended but did not eliminate sharing of earnings effective 1/1/99. Rate cap on basic residence continued until 2001. Exogenous (Z Factor adjustments) recovery eliminated. SBC must continue to file annual earnings for review in April of each year. Commission eliminated depreciation reviews and approvals effective 1/1/99.</p>
Colorado	USW	Price Regulation	5 Years from effective date.	<p>Stipulation verbally adopted 2/2/99. Plan includes the ability to price retail services flexibly between price floors and price ceilings. USW may make filing to change price ceilings on any service except</p>

State	Company	Type Regulation	Term	Major Plan Characteristics
				residential and business local exchange service which is capped for the duration of the plan. Customer specific contracting authority granted. USW may bundle services into a new service with initial tariff establishing the price ceiling, after which price changes are accomplished through a revised price list on 14 days notice. Service quality measures established with penalties in the form of bill credits when measurements not met. USW agrees to a series of revenue reductions, foregone rate increases, and required investment as part of stipulation.
Connecticut	SNET	Price Regulation	Open	Noncompetitive services indexed to GDP-PI, however, levels don't increase unless inflation is 5% or more, at which time, levels can rise at about 1/2 rate of inflation. Competitive services not capped.
Delaware	BA	Price Regulation	3/01.	Basic services subject to GDP-PI minus 3%. Competitive services flexibly priced. March 1998 plan extended to March 2001 with same parameters.
D.C.	BA	Price Regulation	Open	Basic exchange services and access frozen until 2000. Other basic services indexed to GDP-PI minus 3%. Discretionary services limited to 15% increase per year. Competitive services not regulated.
Hawaii	GTE	ROR	Open	Traditional rate of return regulation

State	Company	Type Regulation	Term	Major Plan Characteristics
Idaho	USW	ROR/ Deregulation	Open	Basic local exchange services and five or less business lines are still under ROR. All other services are deregulated.
Illinois	Ameritech	Price Regulation	Until at least 10/01.	Residential rates capped for duration of plan. Other non-competitive services indexed to GDP-PI minus 4.3% minus service quality penalties and exogenous changes. Plan has four baskets: 1) residential; 2) business; 3) wholesale (carrier); and 4) Other (private lines, operator services, etc.). Upward pricing flexibility limited to 2% above the price cap index. Access is capped at interstate. Intrastate toll excluded from plan. Competitive services flexibly priced. Can declare services competitive and have removed from price cap. Service quality goals contained in plan.
Indiana	Ameritech	Price Regulation	Interim	Interim plan replaces price cap plan that expired in 1997. Interim plan uses 1.9% inflation with 6.5% productivity factor (FCC's factor) to effectively reduce basic local business and residence rates by 4.6%. Permanent plan not yet established.
Iowa	USW		6 Years.	Plan adopted 9/98. Initial basic service prices reduced on average by 3% on effective date of plan. Average intrastate switched access prices reduced to 12/31/97 average interstate level. Other than switched access, basic prices can increase on annual basis through 2000 based on GDP-PI minus a 2.6% productivity factor. Inflation

State	Company	Type Regulation	Term	Major Plan Characteristics
				rate and productivity factor may be modified after 2000. Price increases can be accumulated but not for more than 3 years. Accumulated price increases limited to 6%. Non-basic services include those not in basic and not regulated. Prices are those in effect on effective date of plan and new services will be classified as non-basic. Plan also includes an infrastructure and modernization commitment.
Kansas	SBC	Price Regulation	Open	Plan approved September 1998 setting up three categories of services: 1) residence and single line business and Touch-Tone, (excludes USF assessments) where prices are capped until 1/2000 except for increases allowed as part of rate rebalancing. Afterward cap prices can be adjusted based on GDP-PI minus 2.3% +/- exogenous factors; 2) Switched access, which is capped based on 1997 levels and subject to revenue neutral rebalancing; 3) Miscellaneous services, where prices can change up or down based on formula GDP-PI minus 2.3% +/- exogenous factors. Kansas law allows Commission to deregulate price of any service if an alternative provider is offering comparable service. Toll prices will be deregulated when 1+ intraLATA is available throughout USW's service territory in Kansas.
Maine	BA	Price Regulation	1999	All services are under GDP-PI minus 4%. Penalties are

State	Company	Type Regulation	Term	Major Plan Characteristics
				applied for poor service. In March 1998, Commission approved a rate rebalancing settlement that will cut access charges by 75% and raise local rates by \$3.50 per line per month by June 1999. This will result in an overall revenue reduction of \$50M.
Maryland	BA	Price Regulation	Open	Plan contains six categories of services: 1) Basic Residence; 2) Basic Business; 3) Access; 4) Discretionary; 5) Competitive; and 6) Miscellaneous services and elements. Categories 1, 2 and 3 are capped until 12/99. Category 4 and categories 1, 2 and 3 after cap expiration are subject to GDP-PI minus rolling 3-year average change in CPI +/- an adjustment for exogenous factors. No service can increase more than 10% per year.
Massachusetts	BA	Price Regulation	2001	Basic residence service frozen until 2001. All other services are subject to GDP-PI minus 4%.
Michigan	Ameritech	Price Regulation	12/00	Noncompetitive services (residence and business access lines, local usage) are subject to the Detroit area CPI minus 1%. Competitive services are not rate regulated. All Telcos are under legislative mandate to bring rates to cost by 2000.
Minnesota	Ameritech	Price Regulation	2003	Basic local service and access charges are capped for the five-year term of the plan. No rate increases allowed on price capped services except to cover exogenous cost changes occurring after 2000 because of federal or state government

State	Company	Type Regulation	Term	Major Plan Characteristics
				<p>actions. Local rates will be reduced by \$120M over five years and access charges will be cut \$180M in escalating steps through 2003. Long distance companies will have to pass on all access savings. Toll and most vertical services can be changed on 20 days notice. Rates for fully competitive services, including most digital data services, are deregulated. New service quality standards for installation and repair of specialty business and high speed data services are added to existing standards.</p>
Missouri	SBC	Price Regulation	Open	<p>Basic service rates are frozen until 12/99 after which they are subject to a formula to be determined during 1999. Formula will be based on changes in CPI minus TS (change in telephone service) or GDP-PI minus a productivity factor established by FCC. A company can seek PSC authority to use GDP-PI and apply a factor different from FCC. Access is capped at 150% of interstate rates. Non-basic services rates can be raised by up to 8% per year. Beginning in 2001, SBC can petition to deregulate any service facing effective competition.</p>
Montana	USW	ROR/ Deregulated Services	Open	<p>Noncompetitive services are under ROR, however, company can match competitors where local competition is emerging. Flat rate residence to increase \$1.35 on 10/98 and \$1.60 on 7/99. Low income support customers are not increased. Business rates were combined</p>

State	Company	Type Regulation	Term	Major Plan Characteristics
				into a single rate group effective 10/98 which resulted in a decrease of approx. \$2.88 for most business customers. Access charges to be reduced by \$1M on 7/99. All other services are under a rate freeze until Jan. 2000. Allowed to rebalance long distance by increasing short haul and decreasing long haul rates. Company to allow customers to have both flat and measured service in the same household.
Nebraska	USW	Deregulation	Open	Retail rates are deregulated, however, PSC can roll back excessive increases. Any size increase is okay if it is revenue neutral. Local rate regulation is eliminated in areas where competitors operate. Commission approved rate rebalancing, however, need PSC approval for increase in 1FR. On 1/20/99 the Commission approved tariff filing to raise residential first line rates by \$1.80 and decrease prices of intrastate long distance, switched access and Custom Choice. USW to step up promotion of Lifeline, Link-Up and measured service options.
Nevada	SBC	Price Regulation	1999	Basic services are capped through life of the plan. Non-basic service rates can increase 5% per year up to a cumulative of 20%. Competitive services have full pricing flexibility.
New Hampshire	BA	ROR	Open	
New Jersey	BA	Price Regulation	1999	Residence rates are frozen through 1999. Other services

State	Company	Type Regulation	Term	Major Plan Characteristics
		w/Sharing		are subject to GNP-PI minus 2%. Some competitive services are not regulated. Earnings over 13.7% are shared 50/50 with ratepayers.
New Mexico	SBC	ROR	Open	All services are subject to ROR, however, toll prices subject to competition can move according to a banded rate schedule.
New York	BA	Price Regulation	2000	Basic services are frozen through the life of the plan. Non-basic services are subject to GDP-PI minus 4%. Competitive services are market priced.
North Dakota	USW	Price Regulation	Open	Basic services and access services are subject to changes in GDP-PI with no offset. Non-basic services are deregulated.
Ohio	Ameritech	Price Regulation	1/9/01.	Basic service rates are frozen until 2000. All other services are subject to GDP-PI minus 3%. Virtually no upward pricing flexibility available. Ameritech agreed to up front rate cuts of \$34M in basic services and \$2M in access by 2000.
Oklahoma	SBC	ROR	Open	All services subject to ROR, however, company can file to de-tariff services facing competition.
Oregon	USW	ROR	Open	USW returned to ROR from price regulation in 1996 due to poor service quality. Currently working on legislation to get relief. Most recent rate case results are under appeal.
Pennsylvania	BA	Price Regulation	1999	Basic service rates are frozen through 1999, however, decreases are required if GDP-PI falls below 2.9%. Other services are subject to GDP-PI

State	Company	Type Regulation	Term	Major Plan Characteristics
				minus 2.93%. Competitive services are flexibly priced.
Rhode Island	BA	Price Regulation	2001	Noncompetitive services rates are subject to lesser of CPI or 6%. Other noncompetitive services are subject to lesser of 5% or twice CPI. Competitive services are not rate regulated.
South Dakota	USW	Price Regulation	Open	Basic rates are capped at current levels. Access charges are frozen unless a change is cost justified. Rates for all other services are deregulated. A rebalancing program is tied to service quality such that USW may raise local service rates to cost-based cap levels by year end 1999 if quality levels are maintained. This program was suspended by a 1998 law that prohibits raising local rates above January 1998 levels except by act of the legislature.
Texas	SBC	Price Regulation	Open	Basic rates are frozen until 1999 after which they are subject to CPI minus a PUC established productivity factor. Discretionary services can increase up to 10% per year and competitive services can be market priced anywhere above cost. Plan could be reviewed by legislature in 1999 session. Buy-ins include installing digital upgrades by 2000 and offering discounted broadband services to schools, libraries and hospitals.
Utah	USW	Price Regulation	Open	All services are capped until EOY 2000 after which all services are subject to a price cap indexed to inflation by a method to be determined by the Commission. Although

State	Company	Type Regulation	Term	Major Plan Characteristics
				service rates are capped, some increases associated with 1/98 ordered rate rebalancing which shifts about \$22M from business, toll and access to residential local service.
Vermont	BA	ROR	Open	BA filed a "price point" plan on 2/12/99.
Virginia	BA	Price Regulation	Open	Basic service rates are frozen until 2001. Other noncompetitive services (and basic rates after 2001) are subject to ½ GDP-PI. Competitive services are flexibly priced.
Washington	USW	ROR	Open	USW came under ROR in 1994 when incentive regulation plan expired. USW can petition to de-tariff competitive services. In January 1998, Commission approved \$58.8M increase raising residential service by \$2.00 per month (to \$12.50) and business by \$1.60 to (\$26.60). In addition, Commission instituted a \$50 cash payment to customers for missed appointments (customer service guarantee). USW working on legislation to provide relief from rate of return regulation.
West Virginia	BA	Capped Services	2001	Basic service rates are frozen, access charges are capped and competitive service rates are deregulated (no service yet classified in this category). Plan extended to 2001 with network investment commitment, school technology grant program and \$6M reduction in business rates. No earnings restrictions.
Wisconsin	Ameritech	Price Regulation	6/30/99	Noncompetitive services (residence primary lines, 1-3

State	Company	Type Regulation	Term	Major Plan Characteristics
				business lines and local usage) are subject to GDP-PI minus 3%. Virtually no upward pricing flexibility available. Competitive services flexibly priced. Review scheduled for mid-1999. Recently, consumer group has asked PSC to cut rates by \$45M and regulate more optional services, such as Call Waiting and Directory Assistance.
Wyoming	USW	Price Regulation	Open	Residential basic exchange rates are capped except for increases needed under rate rebalancing program intended to bring local rates to cost by year end 1998. Non-basic and competitive services can be market priced as long as they remain above cost.

D. FINDINGS AND CONCLUSIONS

While this chapter is primarily intended to provide backgrounds on the evolution of PRP within the industry, there are some comparisons that can be made between the BellSouth programs.

II-F1 The PRP plan in Kentucky was the first to be placed in service among the nine BellSouth States.

The implementation of PRP was undertaken simultaneously in almost all nine states. However, the plan was first approved in Kentucky on July 20, 1995. This is somewhat important because the results of the Kentucky decision influenced BellSouth in the other jurisdictions.

We did not review the actual records in the other jurisdictions regarding how the Efficiency Factors were set. However, a review of the table below, *Exhibit II-4*, shows that Kentucky was higher than any other state.

**Focused Review of the Price Regulation Plan
BellSouth Telecommunications, Inc. - Kentucky**

**Exhibit II-4
Summary of BellSouth PRP Elements**

State	Effective Date	Inflation Index	Efficiency Factor	Rate Cap Years
Kentucky	7/20/95	GDP-PI	4.00%	3 yrs.
Georgia	8/5/95	GDP-PI	2.00%	5 yrs.
Alabama	9/20/95	GDP-PI	3.00%	5 yrs.
Tennessee	Oct-95	GDP-PI	2.00%	7 yrs.
Florida	1/1/96	GDP-PI	1.00%	5 yrs.
Mississippi	1/1/96	N/A	N/A	3 yrs.
South Carolina	1/30/96	GDP-PI	2.10%	5 yrs.
Louisiana	4/1/96	GDP-PI	2.50%	5 yrs.
North Carolina	6/24/96	GDP-PI	2.00%	3 yrs.

II-F2 In addition to the nine programs in place within the BellSouth States, there are 28 other Price Regulation Plans identified in other jurisdictions within the United States.

A review of *Section C* of this chapter identifies the types of regulation in place in the non-BellSouth states. While this list is not necessarily comprehensive, it does show how PRP has become the predominant regulatory mechanism for telephone utilities.

A review of how residential or non-competitive services are addressed relative to efficiency factors shows:

- Twenty-one programs have rates that are frozen or capped during the current period.
- Maine has an efficiency factor of GDP-PI minus 4%, the same as Kentucky.
- In Indiana, an interim plan uses 1.9% inflation with 6.5% productivity factor (FCC's factor) to effectively reduce basic local business and residence rates by 4.6%. Permanent plan not yet established.
- Eight states have efficiency factors that are below that of Kentucky or are a percentage of the GDP-PI.

