

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A REVIEW OF THE RATES AND CHARGES )  
AND INCENTIVE REGULATION PLAN OF )  
SOUTH CENTRAL BELL TELEPHONE ) CASE NO. 90-256  
COMPANY )

O R D E R

BACKGROUND

On November 1, 1994, BellSouth Telecommunications, Inc., d/b/a South Central Bell Telephone Company ("South Central Bell"), filed its November 1994 Point-of-Test showing that its return on capital was 11.06 percent for the 12 months ending November 1994. This return was within the established neutral range of 10.99 percent to 11.61 percent so no rate action was required. However, South Central Bell stated that an increase was necessary to reconcile the prior Point-of-Test. Based on an actual return on capital of 10.76 percent, it sought a permanent increase of \$1,471,000 and a temporary increase of \$1,513,000. The temporary increase would be revised in 6 months.

To implement the permanent increase, South Central Bell simultaneously filed tariff revisions introducing a late payment charge to Section A2 of the General Subscriber Services Tariff and Section B2 of the Private Line Services Tariff. The proposed revisions will impose a .6 percent late payment charge on the unpaid portion of customers' bills and is expected to produce \$1,468,763 during the first year.

To implement the temporary increase, South Central Bell filed revisions to Sections A12 and A13 of its General Subscriber Services Tariff modifying its existing residence and business rates for Call Waiting. The proposed tariff revisions will increase Residence Call Waiting and Business Call Waiting \$.30 and \$.55, respectively. This is expected to produce \$1,505,273 on an annual basis.<sup>1</sup>

On December 1, 1994, the Commission issued an Order finding that further review was necessary and suspending the proposed tariff. It also ordered the parties to file testimony and set the case for hearing. Furthermore, South Central Bell extended the suspension to July 30, 1995.

A hearing was held on February 14, 1995 at which South Central Bell and the Office of the Attorney General, Public Service Litigation Branch, ("Attorney General") presented testimony. Prior to the hearing, South Central Bell filed a motion to withdraw the November 1994 Point-of-Test, to limit the hearing to issues regarding the reconciliation of the May 1994 Point-of-Test, and to strike the testimony of the Attorney General. The Commission permitted South Central Bell to withdraw the November 1994 Point-of-Test, but admitted the Attorney General's testimony.

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<sup>1</sup> South Central Bell noted that its proposal to increase Call Waiting did not strictly adhere to its predetermined schedule from the Revised Incentive Plan, but proposed to deviate to avoid customer confusion and dissatisfaction due to the temporary nature of this change.

The issues before the Commission are: (1) Whether South Central Bell should be permitted to reconcile the final Point-of-Test, (2) whether the reconciliation conforms to the parameters of the Revised Incentive Plan, and (3) whether South Central Bell's request to deviate from the schedule of priority rate increases should be approved. The Attorney General contends that any future rate increase, as well as any recovery for "lost" revenues and interest thereon, should be denied. In addition, he argues that the Commission should require that rates established in Case No. 94-121<sup>2</sup> be retroactive to June 1, 1994 because the Revised Incentive Plan expired on May 31, 1994.

#### DISCUSSION

South Central Bell should be permitted to reconcile the May 1994 Point-of-Test. The filing conforms to the procedures established in prior Commission Orders. The Revised Incentive Plan provided for a reconciliation of the Point-of-Test. It is only logical that this would apply to each Point-of-Test, including the final one.

South Central Bell originally proposed that the rate increase be implemented December 1, 1994. The permanent increase proposed

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<sup>2</sup> Case No. 94-121, Application of BellSouth Telecommunications, Inc., d/b/a South Central Bell Telephone Company to Modify its Method of Regulation.

by South Central Bell is reasonable. This will produce rates based on actual results from the review period ended May 31, 1994.

The temporary increase proposed by South Central Bell is unnecessary because prospective rates will be controlled by the price cap plan in Case No. 94-121. South Central Bell now has sufficient pricing flexibility to change rates as desired based on market conditions. Thus, the question of deviation from the schedule of rate changes is moot.

The Attorney General's argument that South Central Bell is not due any increase is based upon proposed adjustments to financial results. When the Revised Incentive Plan was established in 1991, these adjustments were not permitted. Since the adjustments are not part of the Revised Incentive Plan, they must now be rejected.

#### ORDERS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, HEREBY ORDERS that:

1. South Central Bell's proposed tariff to establish a late payment charge of .6 percent is approved on and after the date of this Order.

2. South Central Bell's proposed tariff to increase Call Waiting is rejected.

3. The Attorney General's proposal to reduce rates retroactive to June 1, 1994 is denied.

4. South Central Bell shall file tariffs within 30 days of the date of this Order reflecting the establishment of a late payment charge.

Done at Frankfort, Kentucky, this 20th day of July, 1995.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director