

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BELLSOUTH TELE-)
COMMUNICATIONS, INC., D/B/A SOUTH)
CENTRAL BELL TELEPHONE COMPANY) CASE NO. 94-121
TO MODIFY ITS METHOD OF REGULATION)

O R D E R

BELLSOUTH'S MOTION FOR CLARIFICATION

On August 1, 1995, BellSouth Telecommunications, Inc., d/b/a South Central Bell Telephone Company, ("BellSouth") filed tariff changes to mirror its interstate access charges as prescribed in this case. Among other items, the tariff eliminated the flat rate element for the recovery of the Non-Traffic Sensitive Revenue Requirement ("NTSRR") and reestablished the federal usage sensitive rate element of Carrier Common Line Charges ("CCLC"). Both of these rate elements are methods of recovering the non-traffic sensitive portion of access charges from long-distance carriers. That tariff was approved without objection.

On September 11, 1995, BellSouth filed a Motion for Clarification of its Price Cap Plan concerning the appropriate application of the NTSRR recovery mechanism. In its motion, BellSouth contended that the CCLC tariff filing was inconsistent with the Joint Motion of a Coalition of Local Exchange Companies and Interexchange Carriers approved by the Commission in

Administrative Case No. 323¹ in 1992 establishing the flat rate for recovery of the NTSRR. BellSouth requests the Commission re-establish the flat rate NTSRR recovery mechanism effective November 1, 1995. No intervenor has objected.

BellSouth should be permitted to return to the flat rate recovery mechanism. In Administrative Case No. 323, the Commission permitted local exchange carriers the option of recovering the NTSRR either through a flat rate or usage sensitive rate and this change in methodologies is consistent with those Orders.

AT&T'S REQUEST FOR COMPLIANCE WITH JULY 20, 1995 ORDER

In its October 4, 1995 response to BellSouth's motion, AT&T of the South Central States, Inc. ("AT&T") asserted that BellSouth should file intrastate access rates mirroring its interstate access rates which became effective August 1, 1995. Further, AT&T argued that BellSouth be required to mirror the interstate access rates as they become effective.

In its reply filed October 16, 1995, BellSouth contended that its tariffs mirrored the access rates that were in effect when the Commission's July 20, 1995 Order in this case was issued. BellSouth further argued that the Commission's Order required that its intrastate access rates should be adjusted to mirror interstate rates only once a year at the established annual review date to

¹ Administrative Case No. 323, An Inquiry Into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality, Order dated January 24, 1992.

ensure that efficiency gains and improvement in productivity are passed to customers. BellSouth argued that a reduction of \$2.6 million to mirror the FCC August 1, 1995 interstate access charges is unfair, coming only ten days after the \$28.9 million reduction ordered. BellSouth stated it should be required to reduce access rates at this time only if it could increase other service charges, thereby recouping the \$2.6 million reduction.

The July 20, 1995 Order clearly and unequivocally required mirroring of interstate access rates as the FCC changed access rates. Nothing was said to imply that these changes be made only once a year. However, had BellSouth found the Order unclear, it could have sought rehearing within the statutory period.

The proximity of the effective date of the interstate rates to the Order is not relevant to the operation of the price cap plan. On and after July 20, 1995, the price cap categories and parameters were set.

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

1. BellSouth may reestablish the flat rate recovery mechanism for NTSRR effective the date of this Order.

2. Within 20 days of the date of this Order, BellSouth shall file tariffs to reduce its intrastate access services rates to the current interstate levels effective the date of this Order.

3. BellSouth shall mirror the interstate rates for all future changes effective no later than 30 days of the approved FCC interstate tariffs.

4. BellSouth's proposed tariff of September 11, 1995 is rejected.

Done at Frankfort, Kentucky, this 3rd day of November, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director