

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)

ORDER ON RECONSIDERATION

On July 20, 1995, the Commission authorized BellSouth Telecommunications, Inc. ("BellSouth") to operate under a price cap plan. BellSouth was required to limit its intrastate switched access rates to its interstate switched access rates. On November 3, 1995, the Commission clarified that BellSouth must mirror its interstate rates on an ongoing basis at the intrastate level, including those effective August 1, 1995. On November 17, 1995, BellSouth filed a motion for reconsideration.

In its motion, BellSouth argued that the July 20, 1995 Order set a specific revenue requirement, mandating a \$28.9 million rate reduction. However, the November 3, 1995 Order would effectively impose a revenue requirement reduction of nearly \$32 million, some \$2.6 million greater than stated in the Order. BellSouth further argued that information regarding the interstate switched access rates effective August 1, 1995 was a part of the Commission record at the time of the July 20, 1995 Order. Finally, BellSouth argued in the alternative that it should mirror interstate rate changes only at the anniversary dates of the price cap plan.

The July 20, 1995 Order clearly required mirroring of interstate access rates as those rates were changed. Therefore, BellSouth's proposal to mirror interstate rate changes only at the anniversary date of the plan must be rejected. However, BellSouth's assertion that the August 1, 1995 interstate access rates were sufficiently known and measurable at the time of the July 20, 1995 Order is critical since those rates were effective only 10 days after the Order. Upon further review, the Commission has determined that the proposed reductions in the interstate switched access rates were sufficiently known and should have been included in the rate reduction. Accordingly, BellSouth should be permitted to offset this \$2.6 million access reduction by decreasing the call allowance for directory assistance from three to one and increasing the late payment charge from .6 percent to 1.25 percent.

On another matter, the Commission clarifies the July 20, 1995 Order. It states that the Service Price Index ("SPI") and Price Regulation Index ("PRI") values must be equalized on each anniversary date. (July 20, 1995 Order at 20.) The Commission clarifies that BellSouth may, at any time, voluntarily reduce the SPI below that level required by the PRI at the last adjustment date. Such action will create a gap between the actual and required SPI level. At an adjustment date subsequent to the voluntary reduction of the SPI below the required level, if reductions in the PRI are required, the gap between the actual SPI level and that required by previous PRI adjustments may be used to

offset any required current SPI reductions. Any unused portion of the remainder may be carried forward and used to offset future required reductions.

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

1. BellSouth's motion for reconsideration be and is hereby granted in part.

2. BellSouth's alternative to mirror interstate access rate changes only on the anniversary date of the price cap plan is denied.

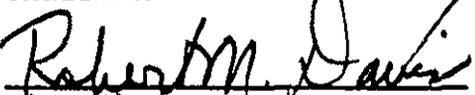
3. Within 30 days of the date of this Order, BellSouth shall file tariffs to reduce its intrastate access services rates to the current interstate levels effective the date of this Order.

4. Within 30 days of the date of this Order, BellSouth shall file revised tariffs reducing the call allowance for directory assistance from three calls to one call and increasing the late payment charge from .6 percent to 1.25 percent effective the date of this Order.

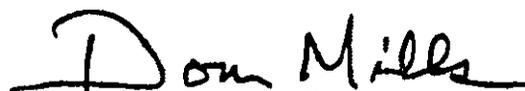
Done at Frankfort, Kentucky, this 8th day of December, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner