

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BELLSOUTH TELECOMMUNICATIONS, INC.)
TARIFF REVISION TO PRICE REGULATION)
PLAN IN SECTION A36 OF GENERAL)
SUBSCRIBER SERVICES TARIFF) CASE NO. 96-380
CONCERNING CONTRACT SERVICE)
ARRANGEMENTS AND SPECIAL)
ASSEMBLIES)

O R D E R

On July 3, 1996, BellSouth Telecommunications, Inc. ("BellSouth") filed a proposed revision to Section A36 of the General Subscriber Services Tariff regarding Contract Service Arrangements and Special Assemblies. BellSouth asserts that to meet customer-desired due dates it must install service upon the signing of the contract by the customer and not await Commission review.

The Commission will treat BellSouth's tariff filing as an application for exemption under KRS 278.512. Without the statutory exemption the tariff as proposed violates KRS 278.160 and KRS 278.180 by placing rates into effect for a period prior to the tariff approval and by not affording the Commission 30-days' notice. BellSouth's proposed tariff revision is attached hereto and incorporated herein. BellSouth's letter extending the effective date from August 2 to August 16, 1996 and its letter addressing the need for this tariff and modifications of the proposed tariff language are also attached hereto and incorporated herein.

No entities have requested the Commission suspend this tariff proposal nor requested intervention. Thus, BellSouth's petition is submitted for decision based upon the items attached hereto.

BellSouth states that requests for Contract Service Arrangements or Special Assemblies are often delayed from implementation beyond the customer's desired date due to the regulatory process. Under current regulatory procedure, BellSouth must submit its special contracts 30 days prior to installation. BellSouth's competitors are able to provide same day service. Therefore, through BellSouth's tariff filing, it has proposed that it be granted the same market opportunities as its competitors. BellSouth states that it will not bill for the service until Commission approval has been received, but the billing date would be based upon the installation date and not the Commission approval date. Exempting BellSouth's Contract Service Arrangements or Special Assemblies from receiving full regulatory review prior to implementation will not have an adverse effect on the availability of BellSouth's basic services, but should enhance BellSouth's ability to respond effectively to market pressures.

After considering the statutory criteria contained in KRS 278.512, the Commission finds that exempting BellSouth's Contract Service Arrangements and Special Assemblies to the extent described herein is in the public interest.

The Commission is bound by KRS 278.512 and KRS 278.514 when evaluating BellSouth's petition for exemption from prior Commission approval. KRS 278.512 provides the Commission may exempt telecommunications services and products from regulation if it finds that exemption or alternative regulation is in the public interest. KRS

278.512 identifies eight criteria to be considered by the Commission when determining if the service or product should be subject to alternative regulation. The statute also permits the Commission to consider any other factor it deems in the public interest.

The Commission has previously approved alternative regulation in the form of a price cap plan for BellSouth, after determining that the eight statutory criteria were satisfied.¹ BellSouth has demonstrated there are competing services available from numerous competitive providers, and that this exemption will not change the continued availability of services at just and reasonable rates. Also, due to the operation of the price cap plan, BellSouth will not be able to subsidize these exempted services with the rates for services which are not exempted. The operation of the contract requested will not affect efforts to promote universal service, but the failure to grant this exemption may inhibit BellSouth from competing with other providers for functionally similar services. Thus, the exemption permitting BellSouth to implement its Contract Service Arrangements and Special Assemblies prior to Commission approval is in the public interest.

IT IS THEREFORE ORDERED that:

1. BellSouth's application for exemption from the operation of KRS 278.160 and KRS 278.180 regarding Contract Service Arrangements and Special Assemblies is granted. BellSouth may implement these contracts when the customer signs the contract provided it does not bill the customer until Commission approval has been obtained. If

¹ Case No. 94-121, Application of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company to Modify Its Method of Regulation. July 20, 1995 Order at 3-9.

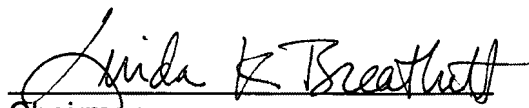
the Commission reviews the contract and associated costs and requires modification of the contract, then BellSouth's customer will have the option of accepting the Commission modification or terminating the contract.

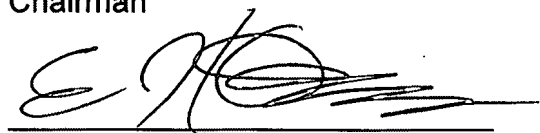
2. Within 10 days of the date of this Order, BellSouth shall file its tariff containing the modified language proposed in its letter attached to this Order.

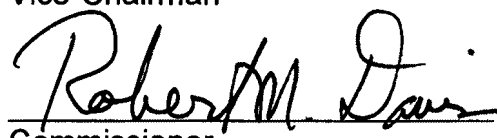
3. A copy of this Order shall be provided to all local exchange carriers in Kentucky.

Done at Frankfort, Kentucky, this 16th day of August, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

57-492



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

July 2, 1996

RECEIVED

JUL - 3 1996

PUBLIC SERVICE
COMMISSION

Mr. Don Mills
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Dear Mr. Mills:

We are filing with the Commission today a revision to the Price Regulation Plan in Section A36 of the General Subscriber Services Tariff. The revision will allow the Company to respond more effectively to customer desired due date requests on Contract Service Arrangements (CSAs) or Special Assemblies while preserving the Commission's approval authority.

Mr. Steve Rausch of my staff is familiar with this filing and can be reached on 502/582-8180 should your staff have questions.

Very truly yours,

A handwritten signature in cursive script that reads "Fred L. Gerwing".

Fred L. Gerwing



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Room 410 Fax 502 582-3247
601 West Chestnut Street
Louisville, Kentucky 40203

Fred L Gerwing
Regulatory Vice President

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PUBLIC SERVICE
COMMISSION

Mr. Don Mills
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Dear Mr. Mills:

Pursuant to the Rules Governing Tariffs effective August, 1995, 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 2nd day of July, 1996, issued revised sheets of its Intrastate Tariffs, which are effective August 2, 1996, and canceling previously effective sheets as follows:

GENERAL SUBSCRIBER SERVICES TARIFF

Section A36

First Revised Page 2
Canceling Original Page 2

Original Page 2.1

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 as follows:

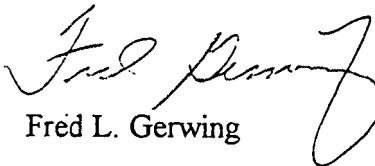
On the 2nd day of July, 1996, the same was exhibited for public inspection at the offices and places of business of the Company in the territory affected thereby, to wit, at the following places: Louisville and Paducah, Kentucky, and that the same will be kept open to public inspection at said offices and places of business in conformity with the requirements of Section 2 of said Regulation.

I further certify that the proposed changes in tariff of said utility will not result in an increase in rates or charges to any customer.

Mr. Don Mills
July 2, 1996
Page 2

Given under my hand this 2nd day of July, 1996.

Very truly yours,



Fred L. Gerwing

Attachment

11

A36. PRICE REGULATION PLAN

A36.1 Company Price Regulation Plan (Cont'd)

A36.1.3 Regulations (Cont'd)

B. Tariff Requirements (Cont'd)

4. (Cont'd)

- 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 Non-Competitive or Interconnection Category services, other than those services with an interstate counterpart, demonstrating the proposed change is within the pricing limits of the respective category.
- 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 Competitive 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.
7. In the case of CSA arrangements or Special Assembly filings in order to meet a customer desired due date (CSDD), service may be installed upon the signing of the contract by the customer. The contract will contain the following phraseology: (N)
- "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 cancelling the contract." (N)
- If the Commission subsequently finds that a price allowed in the contract is inappropriate, the Company will implement retroactive treatment back to the date of installation. Should a customer refuse the service at a PSC authorized price, the Company will be required to disconnect the service. (N)

C. Pricing Rules

1. Non-Competitive Category

- a. Rate changes will take effect following thirty (30) days notice to the Commission.
- b. The prices in effect on July 20, 1995, for Basic Residential service are the maximum rates that can be charged through July 20, 1998 and beyond that date if a universal service fund has not been established prior to July 20, 1998. (M)

A36. PRICE REGULATION PLAN

A36.1 Company Price Regulation Plan (Cont'd)

(N)

A36.1.3 Regulations (Cont'd)

(N)

C. Pricing Rules (Cont'd)

(N)

1. Non-Competitive Category(Cont'd)

(N)

- c. Aggregate rates for services in the Non-Competitive Service Category, other than Basic Residential service, may be adjusted according to a formula which reflects the change in inflation, as measured by the change in the Gross Domestic Product Price Index (GDP-PI), minus a productivity factor. The productivity adjustment will vary based on the level of inflation as shown below:

(M)

GDP-PI % Change

0 - 8.0%

Greater than 8.0%

Productivity Adjustment

4%

(GDP-PI % Change)/2

(M)

- d. Price increases to individual services are limited to ten percent (10%) each year.
- e. The Price Regulation Index ("PRI") is the annual cap on total price changes in the category and is calculated as described in A36.1.5.A.
- f. The Service Price Index ("SPI") represents the actual price changes as described in A36.1.5.B.
- g. The Company may change prices at any time as long as the SPI (actual price change) does not exceed the PRI.

(M)

(M)

(M)

(M)



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

Fred L. Gerwing **RECEIVED**
Regulatory Vice President

AUG - 6 1996

PUBLIC SERVICE
COMMISSION

August 1, 1996

Mr. Don Mills
Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

RECEIVED

AUG 0 6 1996

RS.C.

Dear Mr. Mills:

On July 2, 1996, we filed a tariff proposal which would allow the Company to better meet our customers' desired due dates for services provided under contracts. The proposed effective date of that filing was August 2, 1996.

Please accept this request to extend the proposed effective date from August 2nd to August 16, 1996.

If there are any questions, or the need for additional information, please call either Steve Rausch at 582-8180, or Jim Tipton at 582-8925.

Very truly yours,


Fred L. Gerwing

Amy,

Attached is a draft of the letter we would send with the tariff changes and the proposed tariff changes.

Call if you have questions or comments

Thanks,

Steve
582-8180

Post-It® Fax Note	7671	Date	6/12/00	# of pages	3
To	Amy Dougherty	From	S. Rowch		
Co./Dept.		Co.			
Phone #		Phone #	582-8180		
Fax #	PSC#1	Fax #	582-8667		

On July 2, 1996 BellSouth filed a revision to section A36 of its GSST in order to more effectively respond to customer desired due date requests on Contract Service Arrangements. On August 1, 1996 BellSouth voluntarily extended the effective date of this filing from August 2, 1996 to August 16, 1996. We are filing today the amended tariff language that gave rise to the voluntary extension.

The Company is proposing in this filing that contract services be installed when requested by the customer. No billing will occur until the Commission has approved the contract and determined an appropriate rate. Once the contract and rates are approved there are two possible scenarios. If the rates are approved as filed, the customer will be billed the approved rates back to the installation date of the service. While at first blush this may appear to be retroactive billing it must be remembered that the customer has agreed to be billed from the installation date when signing the agreement with BellSouth. If the rates are modified, the customer will be given the opportunity to accept or reject the contract under the revised rates. If the customer accepts, they are accepting the fact that billing will be rendered back to the installation of the service. If the customer rejects the contract, no billing will be rendered. BellSouth shareholders are willing to accept this risk in exchange for the ability to meet customer desired due dates.

BellSouth's Price Regulation Plan was approved in Administrative Case 94-121. Section A36 of the GSST was filed in compliance with the final order in that case to incorporate in public tariffs the parameters of the Price Regulation Plan. This tariff filing does not request a change to the Commission's contract approval process. What we are requesting in this filing is the flexibility to install a service when the customer desires even if that date is before the Commission has completed its approval process with the full understanding of all the parties that billing will be rendered at the approved rate from the date of installation but, chronologically, only after the commission has approved the contract. If the Commission rejects the contract or if the Commission modifies the contract and the customer subsequently rejects the modifications, no billing occurs.

"You want it when?" is a familiar placard in many work locations. In fact, being able to provide a contract service when the customer wants it is a competitive reality. Customers are increasingly insensitive to "regulatory process" as a reason why something that can be physically provided in one day must wait thirty days to be provided. BellSouth's competitors require no such wait. This filing is intended to equalize this issue in the limited instance of contract service arrangements.

Right now the tariff states:

The contract will contain the following phraseology:

"This contract is subject... 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 cancelling the contract."

If the Commission subsequently finds that a price allowed in the contract is inappropriate, the Company will implement retroactive treatment back to the date of installation...

I would propose the following changes:

"This contract is subject... 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 cancelling 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.