

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BELLSOUTH TELECOMMUNICATIONS, INC.'S)
APPLICATION TO RESTRUCTURE RATES) CASE NO. 97-074

O R D E R

In compliance with its Price Regulation Plan ("Plan"),¹ BellSouth Telecommunications, Inc. ("BellSouth") on July 29, 1997 filed a tariff to implement changes required in the "Interconnection Service Category." Under the plan, intrastate switched access services, for which there is a common interstate access service, are to mirror interstate rates for all future changes effective no later than 30 days after the Federal Communications Commission ("FCC") approves the interstate tariffs. Intrastate services not having an interstate counterpart are to follow the pricing formulas set out in the Non-Competitive Service category of the Plan. The tariff had an effective date of August 1, 1997, which the Commission approved as filed.

On August 22, 1997, AT&T Communications of the South Central States, Inc. ("AT&T") filed a motion to compel BellSouth's compliance with the Plan. In particular, AT&T argued that BellSouth should not be permitted to increase the Kentucky Non-Traffic Sensitive Revenue Requirement ("NTSRR") and that BellSouth should be required to reduce intrastate access charges to interstate levels retroactive to August 1, 1997. On September 10, 1997, MCI Telecommunications, Inc. ("MCI") filed a response in support of AT&T's motion to compel.

¹ Case No. 94-121, Application of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company to Modify Its Method of Regulation.

BellSouth, in its response, states that in the intrastate jurisdiction it has mirrored those services which are comparable to its interstate tariff. In recent decisions, the FCC modified its approach to pricing interstate access charges by making some Non-Traffic Sensitive costs explicit rather than implicit.

To mirror interstate access charges, BellSouth lowered comparable intrastate traffic sensitive rates. Recovery of interstate NTSRR is accomplished through a combination of Carrier Common Line Charges ("CCLCs"), long term support and subscriber line charges ("SLC"). The intrastate NTSRR is recovered through a flat rate charge per access line assessed to interexchange carriers. Therefore, NTSRR recovery at the federal and state level are not comparable. Recently the FCC has moved some NTSRR recovery from the CCLC to the SLC by increasing the SLC on second and additional residential lines as well as multiline businesses, and to a newly created explicit charge called the Prescribed Interexchange Carrier Charge ("PICC"). Although the method of recovery of an ILEC's interstate NTSRR has changed, the aggregate amount of that recovery has not.

AT&T's position is that the intrastate NTSRR charge is comparable to the federal CCLC and not the SLC and, thus, the intrastate NTSRR charge should not be increased to account for any changes in the interstate SLC. AT&T argues that recovery of the NTSRR should be accomplished by increasing prices in the Non-Competitive Service category established in Case No. 94-121.

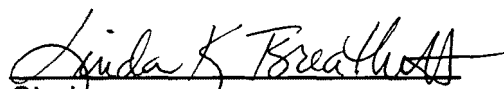
The Commission does not agree. Kentucky chose to allow recovery of the intrastate NTSRR through a flat rate charge to the IXCs, while the FCC chose to recover the interstate NTSRR through a combination of explicit and implicit charges. The purpose of the two methodologies is the same: to recover the revenue requirement associated with

the NTS plant. Therefore, the Commission finds that BellSouth's increase to the intrastate NTSRR to reflect increases in the federal SLC is appropriate.

IT IS THEREFORE ORDERED that the motions of AT&T and MCI are denied.

Done at Frankfort, Kentucky, this 24th day of October, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director