

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

BellSouth Telecommunications Inc. (BellSouth) filed tariffs on July 1, 1999, to implement its proposed changes as necessitated in its annual filing of the price regulation plan. Tariffs were filed to make adjustments to the Non-competitive Services Category, Interconnection Category and to mirror access filings made in the interstate market. BellSouth also filed a motion to deviate from the plan. The plan requires that rates in the Non-competitive Service Category be modified in such a manner that the Service Price Index for the Non-competitive Service Category is less than or equal to the Price Regulation Index. The motion requests that BellSouth be allowed to decrease the non-traffic sensitive revenue requirement (NTSRR) for the entire amount of the reductions required to be made to the Non-competitive Service Category, which is \$9.8 million.

On July 29, 1999, the Attorney General filed a response to BellSouth s motion. The Attorney General does not object to the Commission allowing this deviation from the plan; however, he does think that certain issues should be discussed. According to the Attorney General, because BellSouth is not lowering any rates in the Non-competitive Service Category, the base upon which future price cap decreases are made is permanently higher. This is true. However, with a higher base in the Non-competitive Service Category,

future decreases caused by the price cap plan also will be higher. The Attorney General also raises the issue of whether the elimination of NTSRR would result in lost benefits to customers from future NTSRR reductions. The Commission would make modifications to the plan at that time to ensure that all benefits due to customers are received. The Attorney General raises other issues which would be more appropriately addressed in future proceedings.

The Commission allowed a similar deviation in Case No. 97-074.¹ The Commission will allow BellSouth to deviate again from the plan and will approve the motion for deviation. The deviation sought here is a limited waiver of the plan and permits BellSouth to reduce a rate that provides subsidy to other ratepayers and does not increase rates for any basic residential services. Though rates for certain classes of business customers also are being increased, those increases comply with the price regulation plan.

AT&T of the South Central States, Inc. filed a letter in support of BellSouth's motion and committed to reduce its intrastate long-distance rates by the amount of access charge reductions reflected in BellSouth's tariff. As stated in Case No. 97-074, the Commission expects all interexchange carriers that receive the benefit of reduced non-traffic sensitive rates to follow through with their previously announced intentions to make corresponding reductions to their intrastate toll rates. All interexchange carriers that pay NTS rates to

¹ Case No. 97-074, BellSouth Telecommunications, Inc.'s Application to Restructure Rates, Order dated November 24, 1997, at 2.

BellSouth must file tariffs and show that they have reduced intrastate long-distance rates in an amount equal to the access charge reduction associated with this filing.

The Commission being sufficiently advised, IT IS THEREFORE ORDERED that:

1. BellSouth's motion to deviate from certain provisions of its price regulation plan is granted, to the extent necessary to enable BellSouth to implement its tariffs filed July 1, 1999.

2. By September 1, 1999, all interexchange carriers that pay NTS rates to BellSouth must file tariffs and show that they have reduced intrastate long-distance rates in an amount equal to the access charge reduction associated with this filing.

Done at Frankfort, Kentucky, this 2nd day of August, 1999.

By the Commission

ATTEST:

Executive Director