

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF BELL SOUTH TELECOMMUNICATIONS, ) CASE NO.  
INC. S PRICE REGULATION PLAN ) 99-434

O R D E R

A proceeding is herein established as contemplated by the July 20, 1995 Order in Case No. 94-121.<sup>1</sup> This proceeding will review the terms of the price regulation plan of BellSouth Telecommunications, Inc. ( BellSouth ) and examine options for modifications to it.

The 1995 Order also required BellSouth to undergo a focused management audit pursuant to KRS 278.255. The audit report, filed with the Commission the date of this Order, includes a review of BellSouth's investment decisions, service levels, and financial performance under price regulation. The audit examined BellSouth's productivity trends, assessed the competitive environment in Kentucky, and evaluated BellSouth's response to competition in terms of its network marketing and operational plans and decisions. The audit was performed by an independent consulting firm, Vantage Consulting, Inc. The audit report should be incorporated into the record of this proceeding.

Over the last four years, there have been substantial changes in the telecommunications environment including the FCC's decisions implementing the

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<sup>1</sup> Case No. 94-121, Application of BellSouth Telecommunications, Inc., d/b/a South Central Bell Telephone Company to Modify its Method of Regulation at 31 and 32.

Telecommunications Act of 1996. The purpose of this docket is to investigate the appropriateness of the components of BellSouth's price regulation plan in this new telecommunications environment.

The Commission, having received the audit report and having been otherwise sufficiently advised, HEREBY ORDERS that:

1. This proceeding is established to review the appropriateness of the Commission's regulation of BellSouth pursuant to KRS 278.512 and KRS 278.514.

2. The audit report of Vantage Consulting, Inc. shall be incorporated into the record of this proceeding.

3. All parties of record in Case No. 94-121 are hereby made parties to this proceeding.

4. By no later than December 17, 1999, BellSouth shall file its response to the audit report and its productivity analysis, and shall propose changes, if any, to its price regulation plan.

Done at Frankfort, Kentucky, this 25<sup>th</sup> day of October, 1999.

By the Commission

ATTEST:

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Executive Director