

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| BELLSOUTH TELECOMMUNICATIONS, INC., d/b/a |) | CASE NO. |
| SOUTH CENTRAL BELL TELEPHONE COMPANY TO |) | 94-121 |
| MODIFY ITS METHOD OF REGULATION |) | |

O R D E R

BellSouth Telecommunications, Inc. ("BellSouth") filed tariffs on July 3, 2000, to implement its proposed changes as necessitated in its annual filing of the price regulation plan. BellSouth has calculated that its annual revenues in its non-competitive basket must be reduced by \$6,608,667.

BellSouth has submitted a motion for deviation from the plan rules to allow it to make this decrease in revenue from the non-traffic sensitive revenue requirement ("NTSRR") instead of the non-competitive basket. 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. In its motion, BellSouth requests that it be allowed to decrease the NTSRR for the entire amount of the reductions required to be made to the Non-competitive Service Category. In addition, BellSouth has calculated an offsetting carrying charge associated with its proposed broadband infrastructure commitment of

its proposed Transition Regulation Plan ("TRP"), pending Commission review in Case No. 99-434.¹

The Commission finds that this annual filing is independent of any proposed plan and furthermore that it relates to productivity gains achieved in 1999. Carrying charges related to commitments for broadband deployment should not be allowed to offset past productivity gains. The proposal to offer broadband deployment is meant to offset current and future productivity gains.

The Commission does, however, agree with BellSouth that further reductions to the non-competitive basket of rates which do not contain subsidies would not serve the purpose of furthering competition. Accordingly, BellSouth may deviate from the plan rules and reduce its NTSRR by the entire amount. Taken together with the reduction of \$428,601 to offset new federal universal service funds to be received, the total reduction to the NTSRR shall be \$7,037,268.

The Commission has permitted BellSouth similar deviations pursuant to previous filings.² The deviation sought here is a limited waiver of the plan, permitting BellSouth to reduce a rate that provides subsidy to other ratepayers without increasing rates for any basic residential services.

¹ Case No. 99-434, The Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan.

² See Case No. 97-074, BellSouth Telecommunications, Inc.'s Application to Restructure Rates, Order dated November 24, 1997 at 2; Case No. 94-121, Order dated August 2, 1999.

All inter-exchange carriers that pay NTS rates to BellSouth must file tariffs demonstrating 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 3, 1999.

2. By October 1, 2000, all inter-exchange carriers that pay NTS rates to BellSouth shall file tariffs demonstrating 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 31st day of July, 2000.

By the Commission

ATTEST:


Executive Director