COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF THE TARIFF OF GTE SOUTH INCORPORATED FILED MAY 30, 2000

CASE NO. 2000-260

<u>ORDER</u>

On December 1, 2000, BellSouth Telecommunications, Inc. ("BellSouth") filed a motion to deviate from the Commission's Order to flow-through the access charge reductions made by Verizon South, Inc., formerly known as GTE South Incorporated ("Verizon"). The flow-throughs were to be accomplished by filing intrastate toll tariffs reducing long-distance rates.

In its motion, BellSouth proposed to offset its toll reductions by an increased tax liability. The Kentucky General Assembly enacted a 6 percent tax on access revenues effective June 1, 2000. BellSouth estimated that the impact of the flow-through on its toll revenues is a \$3.7 million reduction and that the impact of the tax legislation is a \$2.4 million increase. Thus, BellSouth filed intrastate toll tariff reductions of \$1.4 million. The Commission has received information from Verizon indicating that the impact on BellSouth for Case No. 2000-069,¹ for which BellSouth has not filed tariffs, and this case is approximately \$2.3 million.

¹ Case No. 2000-069, The Reduction of Intrastate Toll Rates As a Result of the Elimination of the Residual Interconnection Charge of GTE South Incorporated.

The Commission denies the motion and rejects the tariff. The establishment and implementation of tax policy and the reduction of intrastate toll rates as the result of access charge reductions are unrelated. Kentucky consumers should not be deprived of lower intrastate toll rates triggered by access charge reductions because BellSouth experiences an unexpected tax increase. The Transition Regulation Plan affords BellSouth adequate opportunity to price its services to cover the tax liability without changing an ordered flow-through.

Accordingly, IT IS THEREFORE ORDERED that:

- 1. The motion of BellSouth to deviate is denied.
- 2. BellSouth's tariffs filed in this case are rejected.

3. Within 20 days of the date of this Order, BellSouth shall file intrastate toll tariffs reflecting an annual reduction of \$2.3 million.

Done at Frankfort, Kentucky, this 15th day of December, 2000.

By the Commission

ATTEST:

Deputy Executive Director