

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NO. U-23933

LOUISIANA PUBLIC SERVICE COMMISSION,
EX PARTE

Docket No. U-23933 - In re: Three year review of the BellSouth's Price Cap Plan under the Regulations for Competition in the Local Telecommunications Market, as amended 8/6/98 to address whether the cap on interconnection offerings should continue.

(Decided at Open Session held March 24, 1999)

BellSouth Telecommunications, Inc. ("BellSouth") has been operating under the Consumer Price Protection Plan (the "Price Plan") since April 1, 1996 pursuant to the Louisiana Public Service Commission's General Order dated August 6, 1998, In re: Amendments to General Order dated March 15, 1996, as Amended October 16, 1996, as Amended April 1, 1997, and as Amended June 18, 1998 - *In re: Regulations for Competition in the Local Telecommunications Market*. (Decided at the June 18, 1998 Open Session). Section 701.A.1 of the Price Plan provides that, effective April 1, 1996, an ILEC with more than 100,000 access lines statewide shall be regulated pursuant to the terms and conditions of the Price Plan. The Price Plan is based on the ILEC's rates for service rather than its rate of return. Monitoring, reporting and tracking under the Price Plan shall be directed toward the ILEC's rates for services, revenues, expenses, costs and service quality.

Section 701.A.6 of the Plan states that the Price Plan shall apply to all regulated services offered by the ILEC prior to the adoption of the Price Plan and to all Basic Services, Interconnection Services and Non-Basic Services introduced by the ILEC after adoption of the Price Plan. Section 701.J.4 states that the Commission shall review the Price Plan at the end of the third (3rd) year of the Plan with particular attention to the following issues:

- a. The status of universal service
- b. The ILEC's compliance with Plan rules and reporting requirements
- c. Just and reasonable rates (as determined without reference to a rate of return or other rate base proceeding)
- d. Modification to Plan parameters
- e. Service Quality
- f. The consumer and marketplace impacts of price regulation
- g. The continuation of price caps on the Interconnection Services category subsequent to the third year of the Price Plan.

The Audit Division completed its review of BellSouth Telecommunications Inc.'s performance during the first three years of operation as required by the Commission's General Order and submitted its detailed results in the aforementioned categories together with the following Staff Recommendations:

1. Status of Universal Service: The staff recommended that the Commission adopt one of the two following options:
 - (a) BellSouth be directed to provide telephone service as soon as possible but no later than year end 1999 to both the Mink and Shaw/Blackhawk communities with all extraordinary costs to be borne by BellSouth. Customers in these communities should only pay the normal installation and monthly charges. BellSouth may petition the Commission to consider the extraordinary costs in their Universal Service Funding proceeding currently pending before the Commission.
 - (b) Provisions for telephone service to the Mink and Shaw/Blackhawk communities be evaluated during the State's Universal Service Docket and be presented to this Commission for a decision.

2. Just and Reasonable Rates: Based upon staff's review and analysis of BellSouth's prices within the Region and its performance during the initial three (3) years of the Plan, staff believes that BellSouth's prices are just and reasonable. Staff recommends that BellSouth's prices continue to be monitored but no changes are recommended at this time.

3. Status of Competition: Staff recommends that the commission maintain its focus on the benefits of competition to the Louisiana consumer. Recent decisions such as the U.S. Supreme court decision will have to be addressed as will many other issues, some of which are already in docketed proceedings before the Commission.

4. Service Quality: The staff recommends no changes to the Service Quality measurements or reporting standards at this time. Staff did note, however, that the performance ratings slipped noticeably in several areas, namely; % of Installation Appointments within 5 days decreased from 95.2% to 92.4%, % of Out of Service Cleared within 24 Hours decreased from 64.62% to 61.51%, and % of Overall Residence Satisfaction decreased from 70.8% to 62.9%. Although BellSouth raised its measurement standard in its Survey from "Satisfied" to "Very Satisfied" effective January, 1996, Staff believes that BellSouth should make a concerted effort to bring the level of service for those areas back to the level of its previous ratings. Because these measurements are such a good standard from which to determine overall quality of service performance for any ILEC including BellSouth, the Staff should be directed to continue closely monitoring these measurements and report to the Commission as required.

5. Modification to Plan Parameters: Section 701.B.2 provides that the Commission may, if deemed in the public interest after notice and a hearing, modify any aspect of the Price Plan. Under the Price Plan, the price cap on interconnection services will expire after three (3) years or on April 1, 1999. The Staff recommends one change to the Plan parameters, and that is that the cap on rates for interconnection services be extended from **three to five years**. The Commission published notice of its intent "to address whether the cap on interconnection offerings should continue" in its February 19, 1999 Bulletin, stating that Interventions will be accepted for 30 days." Interventions were received from AT&T of the South Central States, MCI/Worldcom and the Small Company Committee. Since this is the only proposed modification to the Price Plan, Staff recommended that the Commission request, and BellSouth agree, on the record, to continue to maintain the price cap in place pending hearings addressing the advisability of maintaining the price cap on interconnection services, which will be held in the next few weeks.

This matter was considered at the Commission's March 24, 1999 Business and Executive Meeting. On motion of Commissioner Field, seconded by Commissioner Dixon, with Commissioner Blossman voting in favor of the motion and Commissioners Sittig and Owen dissenting, the Commission voted to accept Staff's first recommendation that provision for telephone service to the Mink and Shaw/Blackhawk communities be evaluated during the State's Universal Service Docket and be presented to this Commission for a decision.

On Motion of Commissioner Dixon, seconded by Commissioner Blossman, with Commissioner Field voting in favor of the motion and Commissioners Sittig and Owen dissenting, the Commission voted to accept Staff recommendations number two (2) through five (5).

IT IS THEREFORE ORDERED THAT:

(1) Status of Universal Service: The issue of the provisioning of telephone service to the Mink and Shaw/Blackhawk communities shall be evaluated in the pending Docket No. 20883 (Subdocket-C) dealing with State Universal Service.

(2) Just and reasonable Rates: BellSouth's prices are just and reasonable, based upon a review and analysis of BellSouth's prices within the Region and its performance during the initial three years of the Price Plan, and Staff shall continue to monitor BellSouth's prices.

(3) Status of Competition: This Commission shall maintain its focus on the benefits of competition to the Louisiana consumer, and address recent decisions, including the U.S. Supreme Court decision, in appropriate proceedings.

(4) Service Quality: No changes shall be made to BellSouth's Service Quality measurements or reporting standards at this time. The Commission does take notice, however, that the performance ratings slipped noticeably in several areas, namely, % of Installation Appointments within 5 days decreased from 95.2% to 92.4%, % of Out of Service Cleared within 24 Hours decreased from 64.62% to 61.51%, and % of Overall Residence Satisfaction decreased from 70.8% to 62.9%. Although the Commission acknowledges that BellSouth has raised its measurement standard in its Survey from "Satisfied" to "Very Satisfied" effective January, 1996, BellSouth is ordered to make a concerted effort to bring the level of service for those areas back to the level of its previous ratings. Staff is directed to continue to closely monitor these measurements and report back to the Commission as required.

(5) Modification to Plan parameters: The Commission accepts Staff's recommendation to make one change to the Plan parameters, and that change is that the cap on rates for interconnection services be extended from three years to five years, subject to hearings as necessary within the next few weeks to address the advisability of maintaining the price cap on interconnection services. In the interim, BellSouth shall continue, as agreed, to maintain the price cap on interconnection services in place pending the Commission's final determination on whether the Plan should be modified to extend the price cap on interconnection services from three years to five years.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA**

April 13, 1999

C. DALE SITTIG (DISSENTS)

DISTRICT IV
CHAIRMAN C. DALE SITTIG

/S/ JACK "JAY" A. BLOSSMAN, JR.

DISTRICT I
VICE CHAIRMAN JACK "JAY" A. BLOSSMAN, JR.

DON OWEN (DISSENTS)

DISTRICT V
COMMISSIONER DON OWEN

/S/ IRMA MUSE DIXON

DISTRICT III
COMMISSIONER IRMA MUSE DIXON

/S/ LAWRENCE C. ST. BLANC

SECRETARY
LAWRENCE C. ST. BLANC

/S/ JAMES M. FIELD

DISTRICT II
COMMISSIONER JAMES M. FIELD

Service List
Docket No. U-23933

All Commissioners

Uma Subramanian - LPSC Staff Attorney

Arnold Chauviere - LPSC Utilities Division

Farhad Niami - LPSC Economics Division

Stanley Perkins - LPSC Auditing Division

A- Victoria McHenry, Esq., BellSouth Telecommunications, Inc., 365 Canal St., Ste. 3060, New Orleans, LA 70130-1102 (PHONE-504/528-2050) (FAX-504/528-2948)

I - David L. Guerry, Long Law Firm, Two United Plaza, Suite 800, 8550 United Plaza Blvd., Baton Rouge, LA 70809-7013 (Rep. AT&T) (PHONE-225/922-5110) (FAX-225/922-5105)

I - Janet S. Boles; Boles, Boles & Ryan, 7809 Jefferson Hwy., Suite D3, Baton Rouge, LA 70809 (Rep. Small Company Committee of the La. Telephone Assn.) (P-225/924-2686) (FAX-225/926-5425)

I - Katherine W. King, Kean, Miller, et al, P.O. Box 3513, Baton Rouge, LA 70821 (Rep. MCI WorldCom) (P-387-0999) (FAX-388-9133)

IP - Alicia Freysinger, Attorney at Law, 1515 Poydras St., Suite 1150, New Orleans, LA 70112 (Rep. e.spire) (Phone-504/568-1500) (Fax-504/568-1400) (UNDER ADVISEMENT)

IP - Catherine F. Calhoun, Simoneux, Ryan, et al, Acadian Centre, Suite 600, 2431 S. Acadian Thruway, Baton Rouge, LA 70808 (Rep. Sprint) (Fax-928-6881) (Phone-928-6880)
E-mail: SRCD@Sprintmail.com (UNDER ADVISEMENT)