

**BEFORE THE
MISSISSIPPI PUBLIC SERVICE COMMISSION**

DOCKET NO. 95-UA-313

IN RE:

**ORDER OF THE MISSISSIPPI
PUBLIC SERVICE
COMMISSION**

**MISSISSIPPI PUBLIC
SERVICE COMMISSION**

**ESTABLISHING A DOCKET TO
CONSIDER FORMULATING A
PROPERLY STRUCTURED
PRICE REGULATION PLAN
FOR SOUTH CENTRAL BELL**

ORDER

COMES NOW, the Mississippi Public Service Commission ("Commission") and upon due consideration of all the evidence in this docket, the Commission finds as follows:

I. BACKGROUND

The Commission originally opened this docket on July 31, 1995 to consider formulating a properly structured price regulation plan for South Central Bell Telephone Company (now BellSouth Telecommunications, Inc.). The Commission had previously determined that the form of regulation of BellSouth Telecommunications, Inc. ("BellSouth") should be changed from incentive regulation to price regulation. (Order dated July 31, 1995, Docket No. 94-UA-536). Numerous parties intervened in this Docket, voluminous discovery was taken, and the Commission held public hearings on October 23-24, 1995 at which seven (7) different parties presented witnesses and evidence. Subsequently, on November 1, 1995, the Commission approved the Price Regulation Evaluation Plan ("PREP") for BellSouth. Pursuant to the provision of BellSouth's General Subscriber Services Tariff A36.2.3, PREP will expire on December 31, 2001 unless it is renewed or replaced. This same section requires that the Commission shall "institute a formal review of PREP on or about July 1, 2001 to determine if PREP should be continued, modified or discontinued." The Commission's Order of July 2, 2001

in this Docket, directed BellSouth to notify the Commission by July 31, 2001 as to whether BellSouth will seek to continue, modify or discontinue PREP.

Pursuant to the Commission's July 2, 2001 Order, BellSouth, on July 31, 2001, notified the Commission that BellSouth desired to continue operating under PREP and that BellSouth was seeking approval of certain modifications to PREP. Also pursuant to the Commission's Order of July 2, 2001 in this matter, BellSouth, on July 31, 2001, re-filed PREP together with testimony that further explained and supported BellSouth's request that the Commission continue PREP with the modifications that BellSouth was proposing. The Commission also provided in its Order the opportunity for the intervention of any interested parties that were not already a party to the Docket. The Commission's Order further allowed for the filing of Rebuttal Testimony by August 31, 2001 by any party regarding the renewal of PREP. No party filed any rebuttal testimony.

On October 24, 2001, BellSouth and the Mississippi Public Utilities Staff ("MPUS") entered into a stipulation whereby they agreed that PREP should be renewed for an additional term of six (6) years, beginning January 1, 2002 and terminating on December 31, 2007. The MPUS and BellSouth further stipulated that certain performance indicators should be modified in order to more closely monitor BellSouth's performance for high quality service. Each performance indicator provides for a penalty, in the form of a credit to customers' bills, for performance that fails to meet the established benchmarks.

The purpose of PREP has been and continues to be fulfilled. PREP has provided the incentives for BellSouth to become more efficient while deploying the most modern technology in Mississippi for the benefit of all of BellSouth's customers, rural and urban. PREP has provided BellSouth with pricing flexibility in order to respond to the competitive pressures in an evolving

telecommunications market, while at the same time affording protection for basic local service. Additionally, the regulatory flexibility provided through PREP has fostered an environment where, through the regulation of prices as opposed to earnings, BellSouth has become more market-driven and customer-focused, which is beneficial to both BellSouth and its customers. The modifications that BellSouth is proposing will improve the plan and will enhance the Commission's oversight of BellSouth.

The Commission finds that the continuation of high quality service by BellSouth to Mississippi customers is in the public interest. The Commission is satisfied upon review and consideration of the stipulation, that Mississippi customers will be well served by adoption of the stipulation and the benchmarks and penalties contained therein. The Commission is satisfied that BellSouth's commitment to service quality has been satisfactory. The benchmarks and penalties contained in the stipulation should serve to motivate BellSouth to continue that performance.

The Commission, therefore, accepts and adopts the October 24, 2001, stipulation between MPUS and BellSouth as its own, as though fully set forth herein.

II. CONCLUSION

The Commission firmly believes that the adoption of this Stipulation between BellSouth and the MPUS will result in rates that are "fair, just and reasonable" to the ratepayers and that will provide "fair, just and reasonable compensation" to BellSouth.

The Commission does not relinquish any of its lawful authority, including, but not limited, to its authority to require BellSouth to provide competitive providers with non-discriminatory interconnection to its network under reasonable terms and conditions at fair and reasonable rates and other matters deemed to be in the public interest.

IT IS THEREFORE ORDERED THAT:

(1) The Commission accepts and adopts, as its own, the Stipulation between BellSouth and the MPUS dated October 24, 2001, and hereby incorporates this Stipulation in this Order as though fully set forth herein.

(2) PREP, as modified and proposed by the aforesaid stipulation establishes rates that are fair, just and reasonable to the ratepayers, provides fair, just and reasonable compensation to BellSouth, is in the public interest and is hereby approved by the Commission with an effective date of January 1, 2002.

(3) BellSouth shall file an amendment to its General Subscriber Services Tariff, identical to the modified PREP (which is attached as Exhibit "1" to the October 24, 2001 Stipulation between the MPUS and BellSouth), which will modify and become part of its General Subscriber Tariff, with an effective date of January 1, 2002.

(4) BellSouth shall be subject to the service obligations and penalties, as set forth in the Stipulation dated October 24, 2001, between the MPUS and BellSouth and in the proposed modified PREP which is attached to the Stipulation as Exhibit "1". Notice of penalties assessed against BellSouth through operation of the modified PREP shall be given to customers by bill stuffer, as follows:

IMPORTANT NOTICE

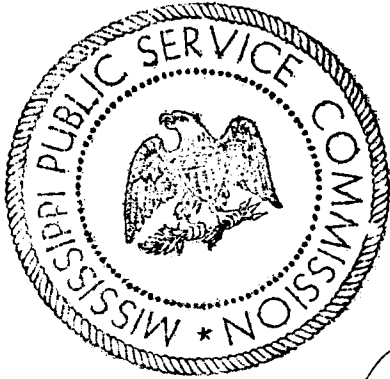
This bill contains a credit ordered by the Mississippi Public Service Commission through operation of service quality measurement penalties under the Mississippi Price Regulation Evaluation Plan (PREP).

(5) The Commission expressly retains jurisdiction over the parties and subject matter of this proceeding and retains authority to alter or amend this Order pursuant to law and regulation as may be necessary in the future.

(6) This Order is effective upon execution.

Chairman Nielsen Cochran voted Aye; Vice Chairman Michael Callahan voted Aye; and Commissioner Bo Robinson voted Aye.

SO ORDERED by the Commission on this the 31ST day of October, 2001.



MISSISSIPPI PUBLIC SERVICE COMMISSION

Michael Cochran
NIELSEN COCHRAN, CHAIRMAN

Michael Callahan
MICHAEL CALLAHAN, VICE CHAIRMAN

Bo Robinson
BO ROBINSON, COMMISSIONER

Attest: A True Copy

Brian U. Ray
Brian U. Ray, Executive Secretary