

NEWS RELEASE

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COMMISSION APPROVES PRICE REGULATION PLAN FOR BELLSOUTH REDUCING RATES BY \$60 MILLION

The North Carolina Utilities Commission (NCUC) issued an Order today approving a price regulation plan for BellSouth Telecommunications, Inc. (BellSouth). This plan provides for some \$60 million in rate reductions over time, including the elimination of touchtone charges for all customers at the end of the first year and a significant reduction over a three-year period in the access charges paid by interexchange carriers for access to BellSouth's local network in order to complete long distance calls. The NCUC is also requiring the interexchange carriers to pass through their access charge reductions to their long distance customers in the form of reduced long distance rates.

The approval of the price regulation plan represents an historic shift from traditional rate base/rate of return regulation, where an examination of a utility's costs of service was a predominant element, to a more limited form of regulation based on the prices charged by the utility. The General Assembly in 1995 directed the Commission to allow price regulation for local exchange companies as part of House Bill 161, which also opened up local telephone service to competition. One of the purposes of price regulation is to allow a local exchange company greater flexibility to meet competitive pressures. The Commission's job is to balance the interests of the local exchange companies and those of the various parties, including competing local providers, so that the public interest is protected as telecommunications becomes more competitive.

Aside from the rate reductions, the price regulation plan sets up various service baskets within which services are grouped. Rates in the baskets are adjustable up or down on the basis of inflation and other factors. The plan also contains price caps, and basic residential rates are capped for three years. The plan approved by the Commission reflects the intense negotiations between the Public Staff, which represents the using and consuming public, and BellSouth. The Public Staff and BellSouth presented a joint stipulation to the Commission prior to the hearing held this past winter. However, the plan approved by the Commission modifies the proposed plan in the light of the positions presented by other affected parties, including long-distance companies, large business customers, pay phones providers, the Department of Defense, and the Attorney General's Office, as, for example, in the inclusion of specific anticompétitive safeguards in the plan.

The NCUC will be reviewing BellSouth's price regulation plan toward the end of five years to determine how the plan is working and what aspects of it may need to be modified. The NCUC also retains the authority to make changes, if necessary, to the plan in the interim if conditions change and the public interest so requires. The price regulation plan is expected to go into effect on June 3, 1996, if BellSouth accepts the plan.