

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into EAEAs, TMAS,)	DOCKET NO. 880812-TP
1+ restriction to the LECs and elimina-)	
tion of the access discount)	
)	
In re: Petition by SOUTHERN BELL)	DOCKET NO. 880069-TL
TELEPHONE AND TELEGRAPH for rate)	
stabilization and implementation orders)	ORDER NO. 23659
and other relief)	
)	ISSUED: 10-24-90

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

ORDER APPROVING ATT-C TARIFF REDUCING CERTAIN RATES

BY THE COMMISSION:

On August 31, 1990 AT&T Communications of the Southern States, Inc. (ATT-C or the Company) filed a tariff proposing to reduce the rates for certain of its toll services. The proposed reductions are designed to flow through to ATT-C's customers the effects of several Commission actions which reduced the switched access charges that ATT-C pays to the local exchange companies (LECs).

By Order No. 23540, issued October 1, 1990 in Docket No. 880812-TP, we took several actions which affected the LECs' access charge rate levels. We increased the LS1 rate to the LS2 rate level, eliminated the discount on FGB terminating access, modified the application of the discount for less than equal access to an equal access capable basis, eliminated the provision that allows PBX trunk rates to be offered to resellers, and eliminated the WATS pro-rate credit. These actions resulted in a net increase in access charges. Instead of allowing the LECs to keep the increase in revenues resulting from these access rate increases we required each LEC to reduce its Busy Hour Minute of Capacity (BHMOC) rate by the same amount as its revenue increase. The revenue change is a \$3,793,461 reduction in total industry BHMOC revenues. The BHMOC reduction took effect October 1, 1990.

By Order No. 23628, issued October 16, 1990, in Docket No. 880069-TP, the Commission further reduced Southern Bell Telephone

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and Telegraph Company's (Southern Bell's) BHMOC by approximately \$18,620,000. This reduction was funded by amounts that were set aside pursuant to Order No. 20162 for disposition subsequent to the Commission's decision regarding Southern Bell's depreciation represcription in Docket No. 890256-TP. See Orders Nos. 20162 and 23132. In addition to Southern Bell's BHMOC reduction we also proposed to reduce the BHMOC rates of: Alltel, Centel, Indiantown, Northeast, Quincy, St. Joseph, United and Vista-United. These proposed BHMOC rate reductions are based on the access charge expense reduction these LECs will receive under our LEC toll bill and keep plan due to Southern Bell's reduction of its BHMOC. See Order No. 23628.

As with all switched access charge reductions, ATT-C is required to pass them to their customers through switched service rate reductions. Indeed, ATT-C has itself committed to flowing all access reductions through to its customers. Historically, ATT-C reduced its rates for its MTS, OUTWATS and 800 Services in response to access reductions. The reductions were spread among these services based on the proportional share of revenues generated by each service.

ATT-C's latest filing proposes to spread the reductions among all of its switched services. In addition, the Company has proposed to not reduce the Night/Weekend MTS rate because that rate is now just covering cost. The net effect of these proposed changes to ATT-C's annual gross revenues is a reduction of \$19,459,022.

ATT-C proposes three basic changes in the manner in which its rates are reduced in response to access charge reductions. First, ATT-C would pass on its switched access reductions to all of its switched services in the following categories: MTS, Outbound, and Inbound services. Second, the Company would spread reductions proportionately between each of these service categories based on access minutes rather than revenues generated by the service. Finally, ATT-C desires the flexibility to reduce rates within the above service categories based on market conditions, rather than on a precise per minute allocation within each category.

In support of its first change, ATT-C argues that when the first round of access reductions occurred in 1987, MTS, WATS and 800 Services were its principle services. Since then, the Company has introduced several new services which have proven popular while

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the original OUTWATS and 800 Services have declined in demand. Since all of the switched services incur the BHMOC charge, ATT-C argues that the reductions should be shared by these new services. ATT-C's current switched services by service category are: MTS - MTS, Reach Out Florida; INBOUND SERVICES - 800 Readyline, Megacom 800, Classic 800; OUTBOUND SERVICES - ALL PRO and PRO WATS Florida, Basic WATS, Megacom WATS, One Line WATS, SDN.

ATT-C's second proposed change is to also allocate BHMOC reductions among the service groups based proportionately on access minutes of use rather than on the revenues that each service category generates. The BHMOC expense is based on total ordered quantities of access minutes for a busy hour, not on the revenues generated by the services provided by ATT-C. Consequently, ATT-C argues that access minutes are a more logical basis upon which to allocate the expense reductions as the BHMOC rates are reduced. A comparison of the revenues versus access minutes shows that there is approximately a 3% shift in the allocation from one category to another.

ATT-C's third requested change is for authority to allocate the reductions for specific services within a service category based on market conditions such as demand trends, competitors' prices, costs, and profit margins. In anticipation of its requested pricing flexibility, ATT-C proposes in this tariff to: retain current rates for classic OUTWATS and 800 Services because of declining popularity; reduce Megacom and Megacom 800 rates by an additional amount equivalent to the classic WATS/800 usage; maintain current NIGHT/WEEKEND rates because they have a negative or very small margin; and reduce the DAY and EVENING rates, where it has a healthy margin, by a larger amount to include the NIGHT/WEEKEND usage.

In addition, ATT-C asks to retain its current SDN Service rates, recognizing that these rates were recently adjusted in August in order to make them more competitive. ATT-C also asks to retain its current One Line WATS rates since this service was recently introduced and is already priced competitively.

Upon consideration, we find that ATT-C's proposed tariff to implement the LEC's BHMOC reductions should be approved. The allocation of the reduction among all the switched services is reasonable since each of these services contributes to BHMOC expense. In addition, changing the allocation from service

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revenues to access minutes also appears reasonable. With respect to the other changes proposed by ATT-C in this tariff, they appear reasonable based on the information before us. The reductions will reach most residential and business customers and the rates that will be reduced are those in which ATT-C is earning its greatest profits. Further, in light of our ongoing forbearance experiment with ATT-C, it is appropriate that the Company be allowed to price its services and position itself strategically in the market. While we have approved the Company's proposed implementation of the BHMOC reductions in this instance, we do not adopt ATT-C's proposed changes as our policy for all of ATT-C's future access driven rate reductions.

Therefore, based on the foregoing, it is

ORDERED by the Florida Public Service Commission, that AT&T Communications of the Southern States, Inc.'s tariff filing to implement the BHMOC reductions stemming from Orders Nos. 23540 and 23628 is approved as set forth in the body of this Order. It is further

ORDERED that Dockets Nos. 880812-TP and 880069-TP will remain open.

By ORDER of the Florida Public Service Commission, this
24th day of October, 1990.


STEVE TRIBBLE, Director
Division of Records and Reporting

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CWM/TH