

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: PROPOSED TARIFF FILING BY ALLTEL) DOCKET NO. 890427-TL
 FLORIDA, INC. INTRODUCING DIGITAL CENTREX) ORDER NO. 21654
 SERVICE WITH BANDED RATES) ISSUED: 8-2-89
)

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER APPROVING TARIFF FILING
BY ALLTEL FLORIDA, INC. INTRODUCING
DIGITAL CENTREX SERVICE WITH BANDED RATES

BY THE COMMISSION:

ALLTEL Florida, Inc. filed proposed revisions to its General Subscriber Services Tariff on March 15, 1989 introducing ALLTEL Digital Centrex service (ADC). ADC is a product furnished from digital central office DMS-100 equipment a Northern Telecom which provides business customers with numerous communications features such as call routing and intercom functions. ADC will provide customers with two or more business lines the ability to utilize state-of-the-art communications services provided from ALLTEL's facilities.

ADC is designed to provide the customer with services that are currently available only from a sophisticated Private Branch Exchange (PBX) or key system telephones. The myriad of features available from ADC combine to perform the following functions:

- (1) Direct-Inward-Dialing (DID) and Direct-Outward-Dialing (DOD) of telephone calls to and from ADC stations without having to go through an operator or receptionist.
- (2) Intercom calls between stations of the same ADC system.

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- (3) Identified-Outward-Dialing (IOD) by station number of outgoing long distance calls so that the calling station can be identified.
- (4) Common recorded announcement interception of calls to unassigned station numbers.
- (5) Station Line Hunting.
- (6) Tel-Touch (Touchtone) service.

There are three feature packages available: the Basic Feature Package, Feature Package I and Feature Package II. The Basic Feature Package includes Automatic Line-Direct Connect Number, Call Forwarding (Variable, Busy Line, Do Not Answer), Call Waiting, Consultation Hold, Speed Calling, Three-Way Calling, DID, DOD, and hunting. Feature Package I and Feature Package II are sold in addition to the Basic Feature Package and provide more advanced functions. The features available in Feature Packages I and II are designed to further facilitate the six functions mentioned previously with service such as Call Pickup, Ring Again, Last Number Redial and Executive Busy Override.

ALLTEL's proposed tariff also incorporates the banded rate concept; it asks for approval for a range of rates for the elements of this service. ALLTEL's banded rates proposal is similar to the previously approved banded rates filings of other companies for custom calling-type services. The distinction here is that unlike the custom calling-type offerings, Centrex and CentraNet services are clearly faced with competitive alternatives. (See GTE's CentraNet 1000 service, Docket No. 880454-TL)

According to ALLTEL the purpose of this is to design a rate structure which directly competes with sophisticated key systems and PBXs. These systems are currently being sold by private firms and ALLTEL is attempting to enter this market through the use of central office-based software.

Our primary concerns with this filing were whether the methodology used to determine the costs associated with ADC was adequate and whether the entire range of prices within the

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proposed bands covered ALLTEL's costs to provide ADC. The company projects total costs for the software necessary for this service to be \$56,840 with an expected recovery period of five years. The annual revenue requirement is \$13,852, based on a carrying charge of 24.37%. The carrying charge includes maintenance, depreciation, rate of return, labor, and other costs associated with the ongoing operation of the service. Other costs, including the cost to provide the station line loops to the customer, amount to \$1.91 per month per station line.

ALLTEL predicts that a total of 69 ADC systems utilizing approximately 1,012 lines will be in place by the end of the first five-year period. Assuming that this number of customers is correct, contribution for various ADC systems ranges from 17% to 68%, depending on the configuration. Each feature will recover its costs and provide some contribution even at the minimum rate levels, eliminating the possibility of cross-subsidies.

The rates proposed by ALLTEL consist of floor, current and maximum rates. According to the Company, all three rates were determined by market analyses and experience in other states. The floor rates were set at minimum levels but still above the company's projected costs, including some contribution. ALLTEL predicts a first year revenue increase of \$21,588.00.

ALLTEL's cost support appears to be adequate and shows contribution for each rate element at every price within the proposed bands. However, the per line costs projected by the company depend on how many customers subscribe to ADC. If the actual number of customers is greater than the projections, then the per line costs will decrease, and vice versa. With this information in mind, ALLTEL appears to have properly set its prices for ADC with this filing.

The policies and structure of this service are similar to GTE's approved CentraNet 1000 service, as are the banded rate structures. The banded rates proposed here will better enable ALLTEL to respond to changes in the marketplace.

Upon consideration of the foregoing, we approve ALLTEL's Digital Centrex service with banded rates as filed with the provision that the company shall file reports on the effect of

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changes in rates of ADC service four months after each rate change, for the next 24 months. These reports shall include quarterly data for the period from the last report (or effective date of the tariff for the first report) on the applicable rates, the number of customers participating, what service those customers migrated from if they are not new customers, any previous revenues from those customers, dropping or adding of service, all ADC promotional campaigns, complaints, company revenues, and updated cost and contribution information.

Based on the foregoing, it is

ORDERED that the proposed tariff filing by ALLTEL Florida, Inc. introducing ALLTEL Digital Centrex (ADC) service with banded rates is approved as set forth in the body of this Order. It is further,

ORDERED that the company shall file reports as set forth herein. It is further,

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission,
this 2nd day of AUGUST, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.