

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Rule 25-4.045,) DOCKET NO. 931035-TL
F.A.C., Cross-Subsidization of) ORDER NO. PSC-94-0537-FOF-TL
Local Exchange Company) ISSUED: May 9, 1994
Competitive Services by Monopoly)
Services; and Amendment of Rule)
25-9.005(3), F.A.C., Information)
to Accompany Filings)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

NOTICE OF ADOPTION OF RULE

NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has adopted proposed rule 25-4.045, F.A.C., relating to cross-subsidization of local exchange company competitive services by monopoly services; and the amendments to Rule 25-9.005(3), F.A.C., relating to information to accompany filings.

The rules were filed with the Department of State on May 4, 1994 and will be effective on May 24, 1994. A copy of the relevant portions of the certification filed with the Secretary of State is attached to this Notice.

This docket is closed upon issuance of this notice.

By Direction of the Florida Public Service Commission, this 9th day of May, 1994.

BLANCA S. BAYÓ, Director
Division of Records & Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

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FPSC-RECORDS/REPORTING

25-4.045: Cross-Subsidization of Local Exchange Company
Competitive Services By Monopoly Services.

(1) Section 364.3381, F.S., prohibits cross-subsidization of local exchange company (LEC) competitive services by LEC monopoly services. For purposes of Section 364.3381, "cross-subsidization" is defined as pricing of a competitive service below its incremental costs, with the resulting shortfall being recovered through the rates for monopoly services.

(2) For purposes of Section 364.3381, "competitive service" refers to a LEC service which has been determined to be subject to effective competition in accordance with Section 364.338.

(3) When a LEC service has been deemed to be subject to effective competition and an order issued, the local exchange company shall file incremental cost data sufficient to demonstrate that the price for the competitive service is not below its incremental cost. Such cost data shall be filed within 90 days after the date of the order.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01(3)(e), 364.338, 364.3381, F.S.

History: New 5/24/94.

25-9.005 Information to Accompany Filings

(3)(a) When a local exchange telephone company whose annual revenues from regulated telecommunications operations are \$100,000,000 or more files a tariff to introduce a new service, incremental cost data shall be filed sufficient to demonstrate that the proposed rates for the service are not below incremental cost. When a local exchange telephone company whose annual revenues from regulated telecommunications services are less than \$100,000,000 files a tariff for a new service, it shall provide incremental cost data, if available, or otherwise demonstrate that the proposed rates for the service are not below that local exchange company's incremental cost.

(3)(b) Where the change involves a rate or charge and the electric, gas, or telephone utility elects to make a cost study, the utility shall file a cost information statement containing a summary of the cost study performed, including:

- 1.a. All underlying assumptions;
- 2.b. The cost study number, if assigned;
- 3.e. The cost of providing the service or equipment;
- 4.d. The proposed contribution above or below direct cost, stated in both dollars and percent;
- 5.e. A statement as to why each above-cost or below-cost contribution rate was chosen; and

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6.f. The anticipated effect of the change on the company's
rate of return.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01(3)(e), 364.05, 364.338, 364.3381, 366.06,
367.081, F.S.

History: Repromulgated 1/8/75, 10/22/75, Amended 1/18/82, 8/8/85,
formerly 25-9.05 Amended 5/24/94.