

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 940402-TL
tariff filing to introduce Video) ORDER NO. PSC-94-0835-FOF-TL
Connect Service by GTE FLORIDA) ISSUED: July 11, 1994
INCORPORATED. (T-94-220 filed)
4/19/94))
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TARIFF FILING TO INTRODUCE
VIDEO CONNECT SERVICE BY GTE FLORIDA, INC.

BY THE COMMISSION:

I. Case Background

GTE Florida Inc. (GTEFL or Company) filed proposed revisions to its General Subscriber Service Tariff on April 19, 1994 to introduce Video Connect Service. The proposed revisions were considered at the June 23, 1994 Agenda Conference. At that time, the Florida Cable Television Association (FCTA) proffered several reasons why it believed we should deny, or at least suspend the operational date, of the tariff.

II. Description of Service

Video Connect Service is a new service that will provide the movement, management, and control of moving pictures or video frames of information along with associated audio. It is available in several transmission quality levels. The highest quality service is Broadcast Quality followed by Commercial Quality and Business Quality. Both the Broadcast and Commercial Quality Service are available under either an analog or digital transmission format. The Business Quality Service is point-to-point service that uses standard private line transport between serving wire centers.

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The Company has also proposed two optional Video Connect Service Premium services. They are Quad Split and Image Plus Still Frame. Quad Split allows one customer location to view video transmissions from up to three other locations of a multipoint connection on a single monitor over a single video connect access line (VCAL). Image Plus Still Frame provides the transmission of a still frame and the motion video image over a single VCAL.

III. Rate Structure

The rate structure for Video Connect Service consists of five basic elements. They are:

1. Video Connect Access line (VCAL)
2. Video Connect Service Access Port
3. Video Connect Service Transport
4. Video Connect Service Utilization
5. Video Connect Service Premium Services

A VCAL provides the video enabling equipment at the customer's location along with circuit and outside plant facilities to make the connection between the customer premises and the Company's serving wire center. In those instances where a VCAL cannot be provided (i.e., for a customer located outside of the Company's exchange serving area), a Video Connect Service Access Port would provide the customer with a point of entry to the Company's switched video network. A customer may only order this type of access to the Company's switched video transport facilities to terminate transport signals from outside the Company's exchange serving area. For example, a customer located outside of the GTEFL exchange serving area must obtain video transport from his location to the Company's Port to make video connections to customers who have Video Connect Service through the Company's switched video network.

Video Connect Service Transport includes the interoffice transport and termination of the customer's video signals when the service is not served from the same serving wire center. The charge for the transport rate element is assessed on a per airline mile basis.

Video Connect Service Utilization accounts for video switching elements, and video network control elements and trunking facilities. The video switching equipment consists of Multipoint Control Units (MCU), switches specific to the proposed service, which would be located in each serving wire center where customers subscribe to the service. In addition, an MCU would be located at the tandem to handle those customers subscribing to the service

that are located in different serving wire centers. Each MCU switch has 32 Ports available: 26 for subscribers, 2 for trunking, and 4 allocated to optional premium services. The deployment of these switches will be demand driven based on the location of the customer and his needs. This rate element is only applicable when Video Connect Service is offered as a switched service.

Video Connect Service Premium Services (Quad Split and Image Plus Still Frame), as previously discussed, are optional services.

The proposed monthly recurring rates for the Video Connect Access Line, Video Connect Service Access Port and Video Connect Service Transport cover costs and will not have a negative impact on the general body of ratepayers. However, if GTEFL's demand forecasts for the Video Connection Utilization rate element are not achieved, it is conceivable that the general body of ratepayers may have to pay for any undepreciated investment. The Video Connect Utilization rate element is intended to recover the investments in the MCU Cell switch, MCU tandem switch, and trunking facilities. The MCU provides the switching capabilities required for the Broadcast and Commercial Type II services.

The proposed nonrecurring charges for Video Connect Service are the sum of the engineering and installation costs specific to the customer's needs, with the addition of a contribution for general overheads and common costs. The nonrecurring charge for Broadcast bidirectional Type II VCAL has a proposed 175% contribution, while the Commercial Type II VCAL has a proposed contribution of 22.22%. The spread between the contribution levels of these two services is probably due to the existence of alternative providers for Commercial Type II service. Other providers in GTEFL's serving area, such as ICI, MFS and Jones Cable, are all capable of providing similar services. As is apparent from GTEFL's demand forecast for Commercial Type II service, it appears that the Company's proposed Commercial Quality Service will satisfy the bandwidth needs and appeal to a larger market than the Broadcast Quality Service.

IV. Estimated Annual Revenues, Costs and Contribution

The Company estimates that annual revenues will total \$293,349 after the first year of service and increase to \$9,431,268 by the end of the fifth year. Total annual costs are expected to equal \$233,989 at the end of the first year and increase to \$7,445,020 by the end of the fifth year.

V. Discussion and Conclusion

GTEFL asserts that Video Connect Services would provide various applications within the educational, medical, governmental and large business markets. Schools would have the opportunity to extend their teaching facilities to other campuses or off-campus locations. Medical experts could extend their presence in an economical manner to locations in and beyond the geographical areas of their normal practices. Although the government market is varied, it would include prison, jailhouse and courthouse video for educational, medical and informational purposes. Businesses could conduct meetings and seminars and obtain training without incurring the employee travel costs normally associated with these activities.

Today local exchange companies (LECs), cable television companies, alternate access vendors (AAVs), and interexchange carriers (IXCs) are capable of providing similar services. In Florida, Centel currently has a tariff in place to provide a broadcast quality loop between the county jail and the Leon County Courthouse. Also, GTEFL currently offers Multi-Media Data Service (MMDS) which has the capability to provide video transport on a local basis. GTEFL states that its Video Connect Service provides customers additional choices for video services.

At the Agenda Conference, FCTA requested that the Commission deny or, at at least, suspend the operational date of this tariff. FCTA argued this is a new service with broad policy implications. Specifically, FCTA suggested that the Commission has not had the opportunity to view this service in context of the following:

1. Docket No. 930046 - Investigation into which LEC services are effectively competitive
2. Staff Workshops to Develop Competition
3. Docket No. 910757 - Investigation into Safeguards Required to Prevent Cross-Subsidization by Telephone Companies
4. Docket No. 920188 - Application for a Rate Increase by GTE Florida Incorporated
5. GTEFL's Video Dial Tone tariff filing with the FCC.

Upon consideration, on balance, we are not persuaded that we should deny or suspend the operational date of the tariff. However, we are concerned about the issues FCTA has raised. Therefore, we will approve the tariff and, on our own motion, set the matter for hearing at the earliest possible date.

We believe that the monthly recurring rates proposed by GTEFL for the VCAL, Video Connect Access Port and Video Connect Service Transport elements are appropriate since they cover costs and will not have a negative impact on the general body of ratepayers. However, we are concerned about the rate structure of the Video Connect Utilization element. Therefore, to ensure that the general body of ratepayers will not be required to pay for the costs associated with the MCU's included in this rate element, the Company shall provide, in their next MMFR filing, information documenting the demand (projected versus actuals) for the various types of billing units, the number, date and location of MCUs installed along with the associated investments, and total revenues from Video Connect Service. In the interim, this information shall be maintained and readily available upon request by the Commission.

Based on the foregoing, it is

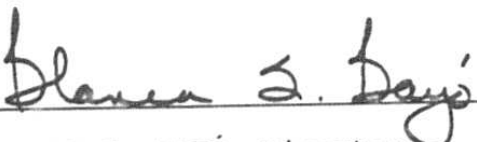
ORDERED by the Florida Public Service Commission that GTE Florida Inc.'s tariff filing to introduce Video Connect Service is approved as set forth in the body of this Order. It is further

ORDERED that the tariff shall be effective June 27, 1994. It is further

ORDERED that this matter will be set for hearing at the earliest possible date. It is further

ORDERED that this docket shall remain open pending the outcome of the hearing.

By ORDER of the Florida Public Service Commission, this 11th day of July, 1994.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

MMB

Chairman Deason dissents from the Commission setting this matter for hearing on its own motion.

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.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 1, 1994.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater 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 of the date this Order becomes final, 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.