BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of tariff filing to enhance commercial quality video service in the private line tariff by BELLSOUTH TELECOMMUNICATIONS INC. d/b/a SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY. (T-94-595 filed 11/7/94)	DOCKET NO. 941257-TL
In Re: Request for approval of tariff filing to enhance commercial quality video service in the access tariff by BELLSOUTH TELECOMMUNICATIONS, INC. d/b/a SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY. (T-94-594 filed 11/7/94)	DOCKET NO. 941258-TL ORDER NO. PSC-95-0148-FOF-TL ISSUED: February 1, 1995

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TARIFF FILINGS

BY THE COMMISSION:

BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) filed proposed revisions to its Private Line Service Tariff and Access Service Tariff on November 7, 1994, to enhance its commercial quality video service. Commercial quality video service provides for a one-way point-to-point video channel transporting a monochrome or color video signal and two associated audio signals.

Commercial quality video (CQV) service is a full motion, high quality video service comparable to broadcast quality, but with less stringent technical parameters. Some of the applications available with this service include video conferencing, education/training, criminal justice, medical imaging, and security/monitoring. There are two configurations of CQV service, single channel video system and multiple channel video system. Single channel video provides the customer with one video channel between two customer premises and is currently available on a monthly or daily basis. Multiple channel video is also provided between two customer locations, but it can provide a minimum of one video channel and a maximum of sixteen channels on a monthly basis.

Southern Bell asserts the proposed changes to its CQV service will allow the Company to offer a wider choice of service options to end users. According to the Company, the changes will satisfy customer requests for discounted month-to-month rates when committing to longer service periods for commercial quality video service, and will provide a simpler rate structure for end users.

I. Private Line Service Tariff

Southern Bell is proposing changes to its CQV service which has been in effect since May 18, 1993. The proposed changes include the following:

1) **The introduction of channel services payment plans for 36 and 60 months**

In addition to its current monthly rates, the Company is proposing a 36 month term payment plan (24 to 48 months) and a 60 month term payment plan (49 to 72 months) for CQV service. A termination liability charge will be applicable if a customer chooses to discontinue service provided under a payment plan arrangement prior to the end of the chosen service period. However, if a customer chooses to upgrade a single channel video system under a payment plan arrangement to a multiple channel video system, no termination liability charges will apply.

2) **A restructure of the existing interoffice channel for distances from 1 to 50 miles**

The Company is proposing a restructure of the existing rates for interoffice channel for both single channel and multiple channel video systems. The existing interoffice channel has a banded structure with mileage from 1 to 50 miles. Each band provides a fixed and per mile rate; however, the rates are the same for each band. The proposed restructure collapses the mileage bands into one large band, 1 to 50 miles.

3) **The introduction of a new interoffice channel for distances greater than 50 miles**

In addition to the restructure of the existing interoffice channels, the Company is proposing a new interoffice channel rate for distances over 50 miles for both single channel video and multiple channel video systems. Along with a nonrecurring charge with the initial installation of each channel, there will be a fixed and per mile recurring rate for each interoffice channel activated.

The Company asserts that its proposed increase in the monthly fixed rate for interoffice channels, with distances of 1 to 50 miles, is the result of increased costs in the equipment investment to provide this element and from the increase in the percent of digital facilities utilized (from 6% to 15%). The proposed decrease in the per airline mile rate for the interoffice channels is based on the decrease in fiber costs.

4) **A restructure of local channel nonrecurring charges**

The Company is also proposing that the local channel first and additional nonrecurring charges be restructured into one nonrecurring charge to provide a simpler rate structure for end users. These proposed nonrecurring rate changes would not affect any existing customers at this time since they only apply to installation of new services, installation of features and functions, and service rearrangements.

5) **Rate adjustments based on an updated cost study**

A rate adjustment is also proposed for the multiple channel video system (per channel). The proposed increase in the monthly rate for the transmit and receive channels is based on increased costs in materials and annual cost factors.

6) **Deletion of daily rate options**

The current tariff structure for CQV service provides for monthly rates and daily rates (single channel service only). The Company proposes the daily rates and charges for single channel video service be deleted due to lack of demand.

7) **Upgrades to the audio channels from 12 KHz to 15 KHz based on current technology**

Based on the Company's proposed rates, customers purchasing single channel video service with interoffice channel mileage of less than 13 miles will incur an increase in their total monthly rates if they select the monthly payment option. At 13 miles (up to 50), the net effect is a decrease. However, customers would realize a net decrease at a shorter distance than 13 miles by selecting one of the company's proposed payment plan arrangements. A customer selecting multiple channel video service with interoffice channel mileage of greater than 2 miles would experience a net decrease. The current and proposed monthly rates (recurring and nonrecurring) for single channel video service and multiple video service are shown in Tables A thru D.

Table A: Single Channel Video Service (Monthly Recurring Charges)

	Current Rates	Proposed Rates
Local Channel - Transmit	$350	$350
Local Channel - Receive	$350	$350
Interoffice Channel (fixed)	$110	$261
Interoffice Channel (per mile)	$ 80	$ 68

Table B: Single Channel Video Service (Nonrecurring Charges)

	Current Rates	Proposed Rates
Local Channel - Transmit	$285	$320
Local Channel - Receive	$285	$320
Interoffice Channel(fixed)	$315(1-5 miles)	$400(1-50 miles)
Interoffice Channel(fixed)	$335 (5+ miles)	$415(50+ miles)

Table C: Multiple Channel Video Service (Monthly Recurring Rates)

	Current Rates	Proposed Rates
Local Channel - Transmit (per system)	$700	$700
Local Channel - Receive (per system)	$700	$700
Local Channel - Transmit (per video channel)	$105	$117
Local Channel - Receive (per video channel)	$105	$117
Interoffice Channel (fixed)	$ 30	$ 40
Interoffice Channel (per mile)	$120	$116

Table D: Multiple Channel Video Service (Nonrecurring Rates)

	Current Rates	Proposed Rates
Local Channel - Transmit (1st system) (add'l system)	$475 $220	$515
Local Channel - Receive (1st system) (add'l system)	$475 $220	$515
Local Channel - Transmit (per video channel) - 1st - add'l	$140 $ 80	$170
Local Channel - Receive (per video channel) - 1st - add'l	$140 $ 80	$170
Interoffice Channel (fixed)	$315 (1-4 miles)	$400 (1-50 miles)
Interoffice Channel (fixed)	$335 (5+ miles)	$400 (50+ miles)

Southern Bell currently has five CQV customers served out of the Private Line Service Tariff. If the existing customers choose to remain at monthly rates, three customers will not see a rate change and two customers will incur an increase in monthly recurring rates of $79 and $67, respectively. However, the Company asserts that all five customers will experience a rate decrease on average of approximately $79 by selecting one of the proposed payment plan arrangements (36 months or 60 months).

In order to develop the recurring costs for each element in the various payment plans, the Company separated the investments into reusable and nonreusable portions. While the central office network equipment is 100% reusable in place, the Company equipment at the customer premises is only 35% reusable in place. In other words, 65% of the time the Company equipment at the customer premises will be reused at another location, and 35% of the time the equipment will be reused at the same location.

The annual costs, revenues and contribution for CQV service are shown in Table E. These figures represent the Company's forecast for CQV service for a one year period, beginning with the approval of this proposal. The Company's forecast includes the effect of some customers moving to the proposed term plans (36 or 60 months). The Company used a long-run incremental cost methodology for the proposed changes in its CQV service.

The Company estimates that the gross revenue projection for one year, beginning with the effective date of the proposed tariff changes, will total $217,381. The annual costs for this period based on market expectations are approximately $150,594. This equates to a net revenue of $66,787 for the one year period or an overall contribution of 44%.

Table E: Estimated Annual, Revenues, Costs, and Contribution

(000s)

	Total Revenue	Total Costs	Total Contribution
Local Channel	$124	$82	$42
Interoffice Channel	$ 93	$69	$24
Total	$217	$151	$66

Based on the foregoing, we find that Southern Bell's tariff filing to provide revisions its CQV service in the Private Line Service Tariff is appropriate. The proposed rates (recurring and nonrecurring) for the local channel and interoffice channel cover costs and will not have a negative impact on the general body of ratepayers. Also, the Company's proposed changes in its CQV service will allow the Company to offer a wider choice of service options to end users. Furthermore, the changes will provide for discounted month-to-month rates when committing to longer service periods for commercial quality video service, and will provide a simpler rate structure for end users.

II. Access Service Tariff Filing

Southern Bell is proposing changes to its commercial quality video (CQV) service in its Access Service Tariff, which has been in effect since May 18, 1993. Although the proposed changes are comparable to the proposed changes in the Private Line Service Tariff (Docket No. 941257-TL), there are a few minor differences. While the Company elected to delete the daily rates for single channel service in the Private Line Service Tariff, daily rates for single channel service remain an option in the Access Service Tariff in order to maintain uniformity with the interstate Access Tariff.

In addition, although the rates (recurring and nonrecurring) for all elements are identical, the costs for some rate elements are slightly different. The recurring costs for the local channel in the Private Line Service Tariff are slightly higher than those in the access tariff because private line service has more nonreusable investment than access service. Also, the nonrecurring costs for the local channel are slightly lower in the Private Line Service Tariff than those for the comparable offering in the Access Service Tariff. This is due to the higher costs for the billing systems required when acquiring special access.

For purposes of simplification, the Company has proposed one nonrecurring rate for the local channel and the interoffice channel, respectively, regardless of the payment period selected (daily, monthly, 36 or 60 months). However, it should be noted that due to the additional labor required to connect/disconnect and monitor, the nonrecurring costs for the daily customers is slightly higher; therefore, the daily nonrecurring rates for the local channel and interoffice channel in the Access Service Tariff provide a negative contribution. Although these nonrecurring rates provide a negative contribution of 6% (local channel) and 2% (interoffice channel), we find that the contribution loss will be recovered through the contribution of the daily recurring rates for these elements, which provide a contribution of 81% (local channel) and 77% (interoffice channel), respectively. Overall, recurring and nonrecurring charges for one day provide a contribution of 21% (local channel) and 13% (interoffice), respectively, and this increases with additional sequential days.

Southern Bell currently has no CQV customers in Florida under the Access Service Tariff.

The annual costs, revenues and contribution for CQV service are shown in Table F. These figures represent the Company's forecast for CQV service for a one year period, beginning with the approval of this proposal. The Company used a long-run incremental cost methodology for the proposed changes in its CQV service.

The Company estimates that the gross revenue projection for one year, beginning with the effective date of the proposed tariff, will total $14,468. The annual costs to provide the service for this period based on market expectations are approximately $10,462. This equates to a net revenue of $4,006 for the one year period or an overall contribution of 38%.

Table F: Estimated Annual, Revenues, Costs, and Contribution

	Total Revenue	Total Costs	Total Contribution
Local Channel	$8,200	$5,126	$3,073
Interoffice Channel	$6,268	$5,336	$ 932
Total	$14,468	$10,462	$4,005

Based on the foregoing, we find that Southern Bell's tariff filing to provide revisions to its CQV service in the Access Service Tariff is appropriate. The proposed rates (recurring and nonrecurring) for the local channel and interoffice channel cover costs (with the exception of the daily nonrecurring rates) and will not have a negative impact on the general body of ratepayers. Although the daily nonrecurring rates do not cover costs, it appears that the contribution from the recurring rates will cover any contribution loss due to the nonrecurring rates and that it will not adversely affect ratepayers. In addition, the Company's proposed changes in its CQV service will allow the Company to offer a wider choice of service options to end users and will allow the Company to maintain parity with the Private Line Services Tariff offering. Furthermore, the changes will provide the option of discounted month-to-month rates for future customers committing to longer service periods for commercial quality video service and will provide a simpler rate structure for end users.

Therefore, it is,

ORDERED by the Florida Public Service Commission that BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company's tariff filing to enhance Commercial Quality Video Service in its Private Line Service Tariff is hereby approved. It is further

ORDERED that BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company's tariff filing to enhance Commercial Quality Video Service in its Access Service Tariff is hereby approved. It is further

ORDERED that these tariff filings shall be effective January 23, 1995. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariff(s) protested shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, these dockets shall be closed.

By ORDER of the Florida Public Service Commission, this 1st day of February, 1995.

Blanca S. Bayó

BLANCA S. BAYÓ, 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.

The Commission's decision on these tariffs 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 February 22, 1995.

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 these dockets 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.