

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 950404-TL
tariff filing to conduct a)
special promotion of SMARTPath)
Service in the Private Line)
Service tariff by BellSouth)
Telecommunications, Inc. d/b/a)
Southern Bell Telephone and)
Telegraph Company (T-95-206)
filed 3/31/95))

In Re: Request for approval of) DOCKET NO. 950405-TL
Tariff filing to conduct a) ORDER NO. PSC-95-0733-FOF-TL
special promotion of SMARTPath) ISSUED: June 20, 1995
Service in the Access Service)
tariff by BellSouth)
Telecommunications, Inc. d/b/a)
Southern Bell Telephone and)
Telegraph Company (T-95-207)
filed 3/31/95))

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's (SBT or the Company) tariff filing to introduce SMARTPath Service into its Private Line Tariff and to its Access Service Tariff was approved in Docket No. 941219-TL, Order No. PSC-95-0206-FOF-TL, and became effective February 1, 1995. SMARTPath Service is a high capacity network service capable of providing a 1.544 Mbps (T1) transport link with high performance and with a high degree of reliability.

With these filings, SBT has proposed promotions which, if approved, would waive the nonrecurring charges when service is

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ordered pursuant to either the company's Private Line or Access Services Tariffs under a contractual arrangement with a period of 24 months or longer.

SMARTPath Service is a high capacity network offering capable of providing a 1.544 Mbps (T1) transport link with high performance and reliability parameters and a level of redundancy/diversity in the network designed to limit a single event from interrupting service. Southern Bell Telephone and Telegraph Company (Southern Bell or SBT) currently offers Megalink Service, a high capacity service which also provides 1.544 Mbps transport. However, MegaLink service does not guarantee the level of performance and reliability as proposed by SMARTPath Service. SMARTPath Service is designed for customers who have the need to transmit high-speed data between locations with a high degree of reliability and survivability.

SMARTPath Service provides a customer end-to-end service protection. This includes diversity (optional paths) in the loop, serving wire center and interoffice network as well as redundancy in the equipment used to provide the service. A customer desiring to duplicate the same level of reliability, would need two DS1 circuits to get protection similar to one SMARTPath circuit. In this scenario, the extra circuit would be a standby, until service had to be switched due to problems with the primary circuit. SBT provides this redundancy and reliability by building "rings" off of each SMARTPath central office, which actually link two central offices. This ring configuration also occurs for interoffice transport.

SBT states that the purpose of this promotion is to increase customer awareness and promote the sale of SMARTPath Service. The offer proposes to waive the nonrecurring charges associated with the service, to customers who order SMARTPath Service under either of the two possible contractual arrangements provided in the tariff. The Company offers two contractual plans: Plan A which requires a 24-48 month contractual commitment, and Plan B which requires a 49-72 month contractual commitment.

As a result of the proposed promotion in its Private Line tariff, SBT projects that SMARTPath Service will generate approximately \$639,120 in additional revenues over the life of the contracts. Our examination of the cost study has shown that SMARTPath Service Private Line recurring revenues exceed the total costs to provide the service. A net present value (NPV) analysis of the contribution from monthly recurring revenues over the contract lives, including the impact of the cross-elastic effects was performed. Using a discount rate of 12.5%, which is equal to

the lower point of the range at which SBT refunds earnings to its customers, the analysis shows a positive contribution over costs. This discount rate was used as there is no current Commission authorized return on equity for SBT.

As filed, this proposed promotion would benefit potential customers by waiving nonrecurring charges. Based on the review of SBT's cost analysis, the proposal shows no negative impact to the general body of ratepayers. For these reasons, we find that SBT's tariff filing to offer the SMARTPath Service promotion in its Private Line Services tariff from June 1, 1995 to November 30, 1995 is approved.

SBT's proposed SMARTPath Service promotional offering in the Access Services Tariff is essentially identical to that proposed in the Private Line Services Tariff. Although the rates are the same as those in the Private Line Services Tariff, estimated revenues differ due to the difference in estimated demand. As a result of the proposed promotional offering in this tariff filing, SBT projects that SMARTPath Service will generate approximately \$119,554 in additional revenues over the life of the contracts. A Net Present Value analysis of the contribution from the monthly recurring revenues over the contract lives, which included the impact of the cross-elastic effects. This analysis shows that the net impact of the promotion using a discount rate of 12.5% results in a negative contribution amount. This means that the present value of the projected total future contribution from recurring revenues does not completely cover the projected cross-elastic effects and the projected nonrecurring costs. However, the amount of the projected shortfall (\$265) is negligible.

Although the NPV analysis of the promotion in the Access Services tariff results in a small negative amount, the combined effect of the promotions for both tariffs is positive. We believe it is appropriate, for the sake of consistency, that both promotions be run simultaneously. This proposed offering would benefit potential customers by providing savings. For these reasons, we find that SBT's tariff filing to offer the SMARTPath Service promotion in its Access Services Tariff from June 1, 1995, to November 30, 1995, is approved.

Based on the foregoing, 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 offer the SMARTPath Service promotion in its Private Line Services tariff from June 1, 1995 to November 30, 1995 is approved. It is further

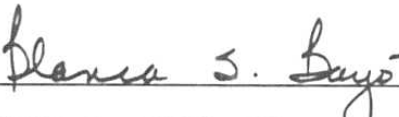
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ORDERED that BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company's tariff filing to offer the SMARTPath Service promotion in its Access Services Tariff from June 1, 1995, to November 30, 1995, is approved.

ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariff 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, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 20th day of June, 1995.



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 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

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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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 11, 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 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.