

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comprehensive review of) DOCKET NO. 920260-TL
the revenue requirements and) ORDER NO. PSC-95-1295-FOF-TL
rate stabilization plan of) ISSUED: October 19, 1995
Southern Bell Telephone and)
Telegraph Company.)
_____)

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

BY THE COMMISSION:

This docket was initiated pursuant to Order No. 25552 to conduct a full revenue requirements analysis and to evaluate the Rate Stabilization Plan under which BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (SBT or the Company) had been operating since 1988. Hearings were rescheduled several times in an effort to address all the concerns and issues that arose with the five consolidated proceedings over the ensuing two and a half years.

On January 5, 1994, a Stipulation and Agreement Between OPC and Southern Bell was submitted. On January 12, 1994, Southern Bell filed an Implementation Agreement for Portions of the Unspecified Rate Reductions in Stipulation and Agreement Between OPC and Southern Bell (collectively referred to herein as the Stipulation and Implementation Agreement). Other parties filed motions in support of the Stipulation and Implementation Agreement. The Commission voted to approve the terms of the settlement at the January 18, 1994 agenda conference (Order No. PSC-94-0172-FOF-TL). The terms require, among other things, that rate reductions be made to certain of Southern Bell's services. Some of the reductions have already been implemented, including a \$50 million reduction to switched access charges in 1994. Other reductions are scheduled to occur according to the following time table:

DOCUMENT NUMBER-DATE

10344 OCT 19 95

FPSC-RECORDS/REPORTING

- 10/1/95 * Switched access reductions - \$55 million
 * Unspecified rate reductions - \$25 million
- 10/1/96 * Switched access reductions - \$35 million
 * Unspecified rate reductions - \$48 million

The \$25 million unspecified rate reduction was considered at a hearing held July 31, 1995, and will be addressed in a separate Order. This Order addresses Southern Bell's filing to reduce its switched access charges by \$55 million, scheduled to become effective October 1, 1995.

On August 7, 1995, Southern Bell filed a tariff to implement the switched access charge reduction required by Order No. PSC-94-0172-FOF-TL to be implemented October 1, 1995. Southern Bell proposed to reduce its switched access rates in three phases as shown below:

SBT Switched Access Rate Changes Implemented and Pending

-- Figures are expressed in cents per access minute --

| Rate Elements | Previous rate | 7/1/94 (\$50M) | 10/1/95 (\$55M) | 10/1/96 (\$36M) | Inter-state 12/29/93 |
|-----------------------|---------------|-------------------|-------------------|-------------------|----------------------|
| CARRIER COMMON LINE | | | | | |
| Originating | 2.600 | 2.600 | 1.061 | 1.000 | 1.000 |
| Terminating | 2.927 | 2.927 | 2.927 | 1.853 | 1.853 |
| LOCAL TRANSPORT | 1.540 | .706 ¹ | .706 ¹ | .706 ¹ | Varies ² |
| LOCAL SWITCHING | 1.300 | 1.160 | .876 ³ | .876 ³ | .839 |
| INFORMATION SURCHARGE | 0 | 0 | 0 | 0 | .037 |
| COMPOSITE RATE | | | | | |
| Originating | 5.440 | 4.466 | 2.643 | 2.582 | 2.582 |
| Terminating | 5.767 | 4.793 | 4.509 | 3.435 | 3.435 |
| TOTAL SWITCHED ACCESS | 11.207 | 9.259 | 7.152 | 6.017 | 6.017 |

¹Since Florida Local Transport rates are not distance sensitive, proposed rate is a weighted average of the interstate rates.

²Rates vary by distance.

³Includes information surcharge.

As is detailed in the chart above, the Company has proposed or will propose reductions to all of the switched access rate elements. Last year, SBT reduced its Local Transport rates by \$43 million and its Local Switching rates by \$7 million. The 1994 reduction was approved, and is shown here for informational purposes only. This year's filing is the second of the three planned reductions to SBT's switched access rates.

In this filing, SBT has proposed to reduce the Carrier Common Line by \$38.4 million, and the Local Switching rate by \$16.5 million, for a total reduction of \$54.8 million. As shown on the chart above, the composite switched access rate for SBT will go from its current \$.09259 to \$.07152 per access minute, a reduction of over two cents per access minute.

Historically, non-traffic sensitive switched access rate elements have been reduced after elimination of the BHMOC, before reducing traffic sensitive ones (Local Switching and Local Transport). Last year, Southern Bell requested to reduce its Local Transport rates, as it perceived a major competitive threat in that area. In keeping with the Company's plan, it is proposing to reduce the CCL rates this year. We believe SBT's proposal is reasonable, and should be approved. Therefore, we find that Southern Bell's filing to reduce its switched access charges by \$55 million, shall be approved as filed, effective October 1, 1995.

Historically, mobile interconnection usage rates have been calculated by applying a formula based on intrastate switched access charges. Thus, when a LEC reduced its switched access charges, it also had to flow through the reduction to mobile interconnection usage rates. At the September 12, 1995, agenda conference, the Commission voted to eliminate the formula, and to freeze the usage rates at current levels for all the interconnection types except Type 2B, which was set at \$.01 per access minute (Order No. PSC-95-1247-FOF-TL, issued October 11, 1995 in Docket No. 940235-TL). The parties were allowed 60 days from the date of the order, to negotiate any changes. If the negotiations are not successful, the local exchange companies are to file tariffs, effective December 31, 1995, reflecting those rates which were approved on September 12, 1995.

Since the Commission voted to eliminate the flow through for mobile interconnection usage rates, SBT's current tariff is inconsistent with the Commission's decision. Given the timing of the Commission's decision in Docket No. 940235-TL and this access charge rate reduction, there could be a question as to whether the SBT access charge reduction in this proceeding should be flowed through to SBT's mobile interconnection rates. Normally, this

would not be an issue because rate changes do not typically occur between the date a decision is made and the effective date of the tariffs filed reflecting that decision. In this case, however, the application of the formula as reflected in the current tariff could be construed as requiring SBT to decrease mobile interconnection rates for the period from October 1, 1995 to December 31, 1995. We reject this anomalous result.

The aggregate revenue impact, on a percentage basis, is not substantial (approximately \$1.7 million annually to SBT). Consistent with our decisions as expressed in Order No. PSC-95-1247-FOF-TL, SBT's scheduled switched access reduction under consideration in this filing should not be incorporated (flowed through) into SBT's mobile interconnection usage rates. As determined in Docket No. 940235-TL, SBT's mobile interconnection rates of \$.0203 on-peak for Type 1, 2A, and 2D, and \$.0100 for Type 2B, are appropriate.

Therefore, we find that the switched access rate reductions approved in this order shall not be flowed through to Mobile Interconnection Usage Rates.

In this filing, SBT has also reduced the Busy Hour Minute of Capacity (BHMOC) rate of Vista-United Telephone Company, who concurs in SBT's access tariff. The proposal consists of a \$.15 reduction per BHMOC, from \$3.40 to \$3.25.

Whenever SBT reduces its access rates, the intraLATA LEC toll rates that the LECs pay for terminating each others' traffic, are also reduced. Since this reduces the expenses of the other LECs, Vista-United generally prefers to utilize the expense reduction to reduce its BHMOC. The revenue effect is approximately \$20,000 annually. This proposal appears to be reasonable. Therefore, we find that Vista-United's BHMOC rate reduction should be approved as proposed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Southern Bell's filing to reduce its switched access charges by \$55 million, shall be approved as filed, effective October 1, 1995. It is further

ORDERED that the switched access rate reductions approved in this order shall not be flowed through to Mobile Interconnection Usage Rates. It is further

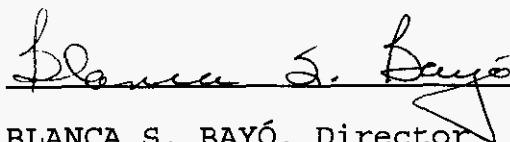
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ORDERED that Vista-United's Busy Hour Minute of Capacity rate reduction shall be approved as filed. It is further

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 this docket shall remain open after the protest period for this tariff filing, to continue implementation of the Stipulation and Implementation Agreement.

By ORDER of the Florida Public Service Commission, this 19th day of October, 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 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 November 9, 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.