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MEMORANDUM

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January 17, 1996

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FPSC-RECORDS/REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (CANZANO) *RH*

**RE: DOCKET NO. 921074-TP - PETITION FOR EXPANDED
INTERCONNECTION FOR ALTERNATE ACCESS VENDORS WITHIN LOCAL
EXCHANGE COMPANY CENTRAL OFFICES BY INTERMEDIA
COMMUNICATIONS OF FLORIDA, INC.**

0099-FOF

Attached is an ORDER APPROVING TARIFF to be issued in the above-referenced docket. (Number of pages in Order - 6)

DLC/clp
Attachment
cc: Division of Communications
I: 921074tt.dc

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for expanded) DOCKET NO. 921074-TP
interconnection for alternate) ORDER NO. PSC-96-0099-FOF-TP
access vendors within local) ISSUED: January 18, 1996
exchange company central offices)
by INTERMEDIA COMMUNICATIONS OF)
FLORIDA, INC.)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TARIFFS

BY THE COMMISSION:

By Order No. PSC-95-0034-FOF-TL, issued January 9, 1995, we approved the revised local transport rate structure proposed by the local exchange companies (LECs) to address forthcoming competition. This rate structure matches the rate structure approved by the Federal Communications Commission (FCC) for LEC interstate Local Transport. It was the consensus of the parties that the structure adopted at the interstate level, which includes both tandem and dedicated switched transport options as well as a separate usage based charge designed to ensure revenue neutrality, was the appropriate rate design to adopt.

The rate structure we approved was designed to assess charges in a manner similar to the way in which costs are incurred, and the way traffic is routed through the network. The new structure consists of the following rate elements: 1) entrance facility; 2) direct trunked transport; 3) tandem switched transport; and 4) residual interconnection charge (RIC).

Although we approved the proposed rate structure in Order PSC-95-0034-FOF-TL, we rejected the rate levels proposed by the LECs. We decided that the rate levels and relationships for Local Transport should reflect the underlying costs, and should encourage

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efficient utilization of the LEC network. Accordingly, we required LECs to refile their tariffs with rates that conform to the following guidelines:

- 1) The intrastate pricing and structure of Local Transport should accurately reflect the underlying cost structure. Prices should be set such that they recover incremental costs and provide a contribution to joint and common costs.
- 2) The relationship between prices for various transport options should encourage the optimal and most efficient utilization of the LEC network.
- 3) The amount of contribution need not be identical between the Tandem Switched and Direct Trunked Transport options. However, the difference between contribution levels should not be unduly discriminatory or serve to distort demand for the various options. Therefore, the differences in contribution levels should not disguise the differences (or similarities) in costs.

In addition, the LECs were also required to do the following:

- 1) LECs shall develop estimates of their costs for their Entrance Facilities, Tandem Switched, and Direct Trunked transport rate elements to serve as benchmarks against which to measure their pricing proposals. The LECs shall provide incremental cost estimates for each of these elements. Also, to the extent possible the LEC shall identify the amount of any costs that, while not directly attributable to one of these elements, is associated with this service.
- 2) LECs shall provide an analysis justifying the contribution levels which they incorporate into their proposed rates.
- 3) LECs shall include a cross-over point analysis in their filings. The cross-over point analysis shall cover different mileage distances, and cross-over points shall be calculated for Entrance Facilities separately from interoffice channels. The RIC shall not be included.
- 4) The LECs may use demand estimates for the RIC based on networks as currently configured. The NRC waiver was designed to encourage more efficient trunking configurations on the part of the IXCs. Therefore the

LECs were to use 1994 demand estimates using as much actual data as was available in the timeframe allowed so that the results would be more accurate.

In early September, 1995, BellSouth Telecommunications, Inc. (Southern Bell or SBT), GTE Florida Incorporated (GTEFL), United Telephone Company of Florida (United) and Central Telephone Company of Florida (Centel) refiled their tariffs as required by the order and we suspended their tariffs. See Order No. PSC-95-1371-FOF-TP, issued November 3, 1995. We had anticipated that the filings would be controversial and would require some time to hear the viewpoints of all the parties on the Local Transport rate levels. The tariffs as originally filed did not contain all of the supporting information that was required by the order.

Our staff held a workshop on November 15, 1995 to provide a forum for interested parties to discuss the proposed tariffs. The parties subsequently reached an agreement, and the LECs have submitted revised tariff pages in accordance with their agreed upon rate levels. We believe that the refiled tariffs comport with the requirements of the order and that the rates adequately reflect the policy set forth therein.

We have reviewed the price, cost and contribution relationships between the transport options contained in the LECs' tariffs. The costs vary widely as do the prices; however, the rates reflect a fairly uniform contribution amount per DS1 equivalent circuit, by LEC. The order required that contribution amounts did not distort or disguise variations and/or similarities in cost.

We also required that the contribution levels in the rates for the various transport options need not be identical but should be reasonably close so as not to disguise differences or similarities in costs between the rate elements. The concern was that the LECs could selectively reduce the contribution levels for only some transport options, while maintaining higher levels on others where customers, who because of their limited demand, would not have competitive alternatives available to them. The proposed rates reflect contribution levels that are relatively similar across the various transport options. Upon review, we find that the contribution levels as agreed upon by the parties are reasonable.

The cross-over points reflect a major improvement over those associated with the original filings. A cross-over point is the point at which it is economic, from the customer's (IXC's) point of view, to purchase the next higher grade of service. Most of the cross-over points are logical. The few anomalies at the longer

distances are a function of the rate design and do not constitute a large percentage of the total volume of minutes. The parties have agreed on the rates and are willing to accept the minor anomalies.

The RIC is a non-cost based residual rate element designed to allow the LECs to remain revenue neutral after the restructured rates are implemented. Each LEC has provided workpapers showing the calculation of the RIC in its tariff. Centel has eliminated its BHMOC rate element and transferred the revenues to the RIC. This modification consolidates the two "revenue plug" rates, and accounts for approximately \$.006 of the RIC for that company. The consolidation was approved in concept in the prior proceeding. We have reviewed the calculations and find that the proposed RICs are reasonable and comport with the terms of the order.

We generally adopted the FCC's approach to zone density pricing to afford the LECs some measure of flexibility for pricing access services. Specifically, LECs are allowed to implement three pricing zones. The prices within a zone are uniform, but the prices vary between the zones. Each central office is assigned to a particular density zone based on the number of DS1 equivalent circuits for switched access, high capacity dedicated access, and high capacity private lines. The LECs plan to match their interstate and intrastate zones. The LECs will change the zone assigned to a particular central office if growth patterns sufficiently increase the density, or if competitive conditions change in the area served by that central office.

The LECs have now filed zone prices for some of the Local Transport rate elements. For GTEFL and SBT, the majority of demand is in Zone 1, which reflects the greatest amount of competition and thus the lowest price. For United and Centel, the demand in Zones 1 and 2 are almost equal, but slightly more demand falls into Zone 2. We required that each zone price recover its average incremental cost. Upon review, we find that this requirement has been met.

We also note that with the approval of SBT's tariff, we also approve the rates for the small LECs since they concur in SBT's tariff.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the tariffs filed by BellSouth Telecommunications, Inc. and GTE Florida Incorporated to restructure their Local Transport offerings are

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hereby approved with an effective date of January 1, 1996. It is further

ORDERED that the tariffs filed by United Telephone Company of Florida and Central Telephone Company of Florida to restructure their Local Transport offerings are hereby approved with an effective date of February 6, 1996. It is further

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

ORDERED that a protest of one tariff shall not keep the other tariffs from becoming final. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this Order shall become final. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 18th day of January, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

DLC

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 8, 1996.

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.