**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **APRIL 22, 1993**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM : DIVISION OF COMMUNICATIONS [YATES]**

 **DIVISION OF LEGAL SERVICES [KURLIN]**

**RE : DOCKET NO. 930381-TL - REQUEST FOR APPROVAL OF TARIFF FILING TO CORRECT AN INEQUITY IN EXTENSION LINE MILEAGE RATES BY UNITED TELEPHONE OF FLORIDA. (T-93-157 FILED 3-30-93)**

**AGENDA: MAY 4, 1993 - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\930381.RCM**

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 **CASE BACKGROUND**

 On September 1, 1992, the Commission approved a restructuring and repricing of local exchange private line services for United Telephone of Florida (United or the Company) in Docket No. 911085-TL (T-91-312). It was determined in this docket that the facilities associated with local private line service and extension service were fundamentally the same, thus the local private line rate also applied to extension line mileage.

 Due to the magnitude of some rate increases, the Commission ordered that changes be implemented in two phases. Phase I became effective on September 1, 1992, and Phase II will go into effect on September 1, 1993.

 The 1992 tariff revisions applied the local private line rate to extension service except one category that was inadvertently excluded. This option allows a subscriber to have the same telephone number for his business and residence at different locations by paying both the B1 and R1 rates.

 The purpose of this filing is to correct the tariff inequity by standardizing the application of the Extension Line Mileage rates. This filing also updates the definitions of the terms of non-switched based remotes, wire centers, etc.

 **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve United Telephone of Florida's (United or the Company) General Exchange Tariff request to standardize the application of extension line mileage rates, and to update the definitions of certain terms?

**RECOMMENDATION:** Yes, the tariff should be approved with an effective date of July 1, 1993.

**STAFF ANALYSIS:** Extension service is addressed in Section A14 of United's General Exchange Tariff. Extension service provides the capability of originating or receiving calls from locations in addition to the location of the main service. An example of extension service is where two or more premises of the same subscriber are used in the conduct of one establishment or business. The service is typically referred to as off-premises extension.

 Another example of Extension Service is that which allows a subscriber to have the same telephone number for separate business and residence locations by paying both the B1 and R1 rates. Essentially, the customer has connecting service between their residence and business locations, with the telephone ringing at both locations when calls are received.

 United's filing will correct the inequity of allowing a separate B1/R1 rate application which is inconsistent with the rate structure approved in Docket No. 911085-TL. The Company indicates there have been no recent requests for the service, and there are only 98 existing customers. Subscribers pay both the B1 ($24.03 in the highest rate group) and R1 ($10.23) rates for a maximum monthly rate of $34.26. Directory listings are provided for both locations as part of the B1 and R1 monthly rates.

 The Company's proposal includes an option that offers a business line with an off-premises extension that requires the application of the extension line mileage rate approved in Docket No. 911085-TL. A second option will continue the practice of charging the B1 and R1 rates, however, the service will be separated into two independent access lines with no extension capability. Service connection charges will not apply and customers will not incur any interruption of service in either option. Specifics of the two options include:

 **OPTION 1:** The customer may retain the existing interconnection of business and residential service by paying the B1 access line rate and the current Phase I extension line

 mileage rate of $14.30. If in the highest rate group, the new Option 1 rate would be $38.33, or an increase of $4.07 over the current combined B1/R1 rate of $34.26.

 Under this arrangement, the customer becomes a business line subscriber with an off-premises extension to the residence. The Company's business line rates are tariffed in 6 groups, therefore, the minimum rate of $15.20 (group 1) will apply, plus the extension mileage rate of $14.30 which will increase to $19.05 under Phase II. The new rate would range from $29.50 (15.20 + 14.30) to $38.33 (24.03 + 14.30), increasing to a range of $34.25 - 43.08 on September 1st. The Option 1 rates compare with the existing service arrangement rates of $21.67 to $34.26 in the highest rate group.

 Option 1 also requires the billing for an Additional Directory listing at $1.25 for the residence location address.

**OPTION 2:** This option allows the customer to continue paying the B1 and R1 rates, but the business and residential services become separate lines with no off-premises extension capability. No additional charges apply. Essentially, the separate lines have no connecting ringing capability and are no different from the dual service to other customers who have separate residential and business lines.

 United indicates a revenue impact statement is not available in view of the uncertainty of selections between the two choices by the 98 subscribers. Hypothetically, if we assume that all existing 98 customers are in the highest rate group (unrealistic) and paying $34.26 for the combined B1-R1 rates, the total current revenue is $3,357 ($34.26 x 98 customers). Under the same scenario, if all customers select Option 1, the 98 customers would pay total revenue of $3,756 under the Phase I extension rates ($24.03 B1 rate + $14.30 ext line rate x 98 customers), increasing to $4,221 when the Phase II extension line rate of $19.05 is implemented on September 1, 1993. These revenue projections are exclusive of the $1.25 monthly charge to list the resident address. If all customers select Option 2, the existing revenue remains unchanged.

 The Company's filing includes a letter to notify customers of their choice of Option 1 or 2. If the tariff is approved, customers will be given 30 days notice to notify their local Customer Service Center of their choice of options by July 1, 1993. Customers not making a choice by this date will have their service continued at the rates described in Option 1.

 In addition to the proposal to correct the inequity in extension line mileage rates, United is also updating the

definitions of some terms in Section A1, Explanation of Terms, General Exchange Tariff.

 Staff recommends approval of the filing as application of the extension line mileage rates is consistent with the restructure in Docket No. 911085-TL. Even though the Company has not provided a revenue impact statement, we concur with the Company's view that any impact should be minimal when considering the small number of customers affected.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** If the Commission approves Issue 1, the tariff should be approved with an effective date of July 1, 1993. If an affected party files a timely protest, the tariff should remain in effect with any increase in revenues held subject to refund pending resolution of the protest. If no timely protest is filed, the docket should be closed.

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