

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

July 8, 1993

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [DREW] *[Signature]*  
DIVISION OF LEGAL SERVICES [ADAMS] *[Signature]*

RE: DOCKET NO. 930565-TL REQUEST FOR APPROVAL OF TARIFF FILING TO WAIVE INSTALLATION CHARGE FOR ESSX INTEGRATED SERVICES DIGITAL NETWORK (ISDN) SERVICE CONTRACT CUSTOMERS FOR THE BASIC RATE DIGITAL SUBSCRIBER LINE ACCESS ARRANGEMENT BY BELLSOUTH TELECOMMUNICATIONS, INC. d/b/a SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY. (T-93-295, FILED 5/28/93)

AGENDA: JULY 20, 1993 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: 60 DAY SUSPENSION EXPIRES JULY 27, 1993

SPECIAL INSTRUCTIONS: I:PSC\CMU\WP\930565.RCM

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Southern Bell Telephone and Telegraph Company's request to waive the installation charge for ESSX ISDN Basic Rate DSL Access Arrangement?

RECOMMENDATION: Yes. The Commission should approve Southern Bell Telephone and Telegraph Company's request to waive the installation charge for ESSX ISDN Basic Rate DSL Access Arrangement. Staff also recommends that Southern Bell be required to maintain information pertaining to the costs and revenues due to the promotion.

STAFF ANALYSIS:

The Company's Proposal

On May 28, 1993 Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) filed a tariff to waive the installation charge for Basic Rate Digital Subscriber Line (DSL) Access Arrangement. Basic Rate DSL Access Arrangement is a component of ESSX ISDN service. ESSX ISDN service is an intraLATA

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and has determined that there is sufficient net contribution.

The net contribution was calculated by first obtaining the difference between the per unit recurring costs and per unit recurring revenues (recurring contribution) for a 60 month contract. This difference amounted to \$8.50. The difference between the per unit recurring and nonrecurring costs was then multiplied by the estimated number of additional customers (428) that the Company expects to sign on to a 60 month contract. Total estimated recurring contribution for a 60 month period is equal to \$218,280.

The next step in calculating the net contribution was determining the difference in per unit nonrecurring costs and the per unit recurring rates to be charged during the promotion period. This difference amounted to \$154.12. Multiplying this amount by 428 customers gives us the total foregone nonrecurring contribution of \$65,963. This amount was then subtracted from the estimated total recurring contribution giving us an estimated net contribution of \$152,317. When discounted at a rate of 13.34%, the present value of the net contribution is \$92,711.

The net contribution estimated by the Company exceeds the foregone revenues due to the proposed waiver of the installation charge. The present value of the foregone revenues due to the waiver will amount to \$72,760, while the contribution due to the proposal will be \$92,711 resulting in a gain of \$19,951.

#### Recommendation

Staff recommends that the Commission approve the Company's request to waive installation charges for Basic Rate DSL Access Arrangement for the following reasons:

1. The proposal has no negative impact on the provision of basic local exchange service.
2. Digital ESSX customers will have the opportunity to increase the capability of their service at a lower cost.
3. The Company has the opportunity to expand its revenues.

Staff also recommends that the Commission require Southern Bell to maintain cost and revenue information pertaining to the promotion. The information should include the actual number of customers and arrangements added during the promotion period, the total amount of additional revenues, the total amount of costs, and the total amount of foregone revenues due to the waiver of installation charges. This will aid staff in determining the success of the Company's proposal and the likelihood of success for similar promotions by this and other companies.

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

**RECOMMENDATION:** Yes, if Issue 1 is approved this tariff should become effective on July 27, 1993. If a timely protest is filed this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed this docket should be closed.