

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

November 20, 1995

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (BROWN) *AB*
DIVISION OF LEGAL SERVICES (HATCH) *AD*

RE: DOCKET NO. 951354-TL - NOTICE OF ELECTION OF PRICE
REGULATION BY BELL SOUTH TELECOMMUNICATIONS, INC., (d/b/a
SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY) *H*

AGENDA: 12/05/95 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\951354-TL.DCM

CASE BACKGROUND

The recent changes in Chapter 364, Florida Statutes, by Chapter 95-403, Laws of Florida, allow for local exchange companies to elect price regulation effective January 1, 1996. When a company elects price regulation, certain rates will be capped and the company will be only allowed to revise rates as per the statute.

On November 1, 1995 Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) filed notification that it would be electing price regulation effective January 1, 1996. This recommendation will address as of what date Southern Bell's rates should be capped and if any subsequent rate increases should be reviewed.

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DISCUSSION OF ISSUES

ISSUE 1: With Southern Bell's election of price regulation effective January 1, 1996, as of what date should its rates be capped?

RECOMMENDATION: With Southern Bell's election of price regulation effective January 1, 1996, its rates for basic and certain protected non-basic services should be capped at July 1, 1995 levels according to revised Florida Statutes Chapter 364.

STAFF ANALYSIS: Southern Bell filed notification on November 1, 1995 (Attachment A) that it would elect price regulation effective January 1, 1996. Section 364.051, Florida Statutes, details the provisions of price regulation for the local exchange companies.

Section 364.051(1)(a), Florida Statutes, reads:

For a local exchange telecommunications company with 100,000 or more access lines in service as of July 1, 1995, such company may file with the commission a notice of election to be under price regulation effective January 1, 1996 or,...

Southern Bell has filed its notification pursuant to this provision.

Section 364.051(2)(a), Florida Statutes, reads:

Effective January 1, 1996, the rates for basic local telecommunications service of each company subject to this section shall be capped at the rates in effect on July 1, 1995, and such rates shall not be increased prior to January 1, 1999. However, the basic local telecommunications service rates of a local exchange telecommunications company with more than three million basic local telecommunications service access lines in service on July 1, 1995, shall not be increased prior to January 1, 2001. (emphasis added)

The underlined portions of the above apply to Southern Bell. Therefore, Southern Bell's basic local telecommunications service rates will be capped at the levels in effect on July 1,

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1995. In addition, these rates cannot be increased until January 1, 2001.

Section 364.02(2), Florida Statutes, defines basic local telecommunications service as:

...voice-grade, flat-rate residential and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multi-frequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, such term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

In addition to the basic local telecommunications services being capped, there are caps related to some non-basic services (364.051(6)) and network access services (364.163). Both sections reference the July 1, 1995 date as the cap for rates.

The non-basic services portion (364.051(6)(a)) specifically states:

...However, for purposes of this subsection, the prices of:

1. A voice-grade, flat-rate, multi-line business local exchange service, including multiple individual lines, centrex lines, private branch exchange trunks, and any associated hunting services, that provides dial tone and local usage necessary to place a call within a local exchange calling area; and

2. Telecommunications services provided under contract service arrangements to the SUNCOM Network, as defined in chapter 282,

shall be capped at the rates in effect on July 1, 1995, and such rates shall not be increased prior to January 1, 1999;...

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Southern Bell has filed tariffs subsequent to July 1, 1995 that increased some rates for basic local telecommunications services and the protected non-basic services outlined above. Issue 2 will address what actions should be taken to deal with these changes.

With Southern Bell's election of price regulation effective January 1, 1996, staff recommends that its rates for basic and certain protected non-basic services should be capped effective July 1, 1995 pursuant to Sections 364.051 and 364.163, Florida Statutes.

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ISSUE 2: Should any increases in basic local telecommunications service rates approved since July 1, 1995 for Southern Bell be ordered reduced to July 1, 1995 levels, effective January 1, 1996?

RECOMMENDATION: Yes. The Commission should order Southern Bell to reduce, effective January 1, 1996, any increase in basic local telecommunications service rates and protected non-basic services rates that have become effective since July 1, 1995. These rates should be reduced to their July 1, 1995 levels.

STAFF ANALYSIS: As stated in Issue 1, since Southern Bell has elected price regulation effective January 1, 1996, Southern Bell's basic local telecommunications service rates will be capped at the levels in effect on July 1, 1995. Southern Bell has filed increases to basic local telecommunications services since July 1, 1995 which have been administratively approved by this Commission.

Section 364.051(2)(a), Florida Statutes, reads:

Effective January 1, 1996, the rates for basic local telecommunications service of each company subject to this section shall be capped at the rates in effect on July 1, 1995, and such rates shall not be increased prior to January 1, 1999. However, the basic local telecommunications service rates of a local exchange telecommunications company with more than three million basic local telecommunications service access lines in service on July 1, 1995, shall not be increased prior to January 1, 2001.

The non-basic services portion (364.051(6)(a)) specifically states:

...However, for purposes of this subsection, the prices of:

1. A voice-grade, flat-rate, multi-line business local exchange service, including multiple individual lines, centrex lines, private branch exchange trunks, and any associated hunting services, that provides dial tone and local usage necessary to place a call within a local exchange calling area; and
2. Telecommunications services provided under contract service arrangements to the SUNCOM Network, as defined in chapter 282,

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shall be capped at the rates in effect on July 1, 1995, and such rates shall not be increased prior to January 1, 1999;...

The rates in question are regroupings of the Jensen Beach and West Palm Beach exchanges. The Jensen Beach regrouping (T-95-531) became effective on October 20, 1995, the West Palm Beach regrouping (T-95-533) became effective on October 22, 1995, and the Holley-Nararre regrouping (T-95-624) became effective November 28, 1995. These regroupings involved increases in voice-grade, flat-rate residential and flat-rate single-line business local exchange services which are clearly basic local telecommunications services. In addition, protected non-basic services defined as voice-grade, flat-rate, multi-line business local exchange services, including multiple individual lines, centrex lines, private branch exchange trunks, and associated hunting services were also increased.

Southern Bell may argue that these rates were revised in the due course of business per the Commission's rules and regulations on regroupings. The Company may also indicate that if the Commission orders these rates revised, questions of discrimination may arise from customers with similar calling scopes. However, the language of Section 364.051, Florida Statutes, clearly states that basic local telecommunications services and protected non-basic services will be capped at the rates in effect on July 1, 1995.

We understand that there may be questions of the propriety of having differing rates for similar calling scopes that the Commission has recently implemented regrouping plans to revise the rates for smaller local exchange companies. However, we believe that the rate grouping plans are something that have originated from rate of return regulation. We believe such pricing plans will become a historic anachronism.

With the revisions of Chapter 364 and the encouragement of competition, staff believes that the current rate structures of the local exchange companies ultimately may vary greatly to respond to competitive pressures. In addition, the legislation is very clear that the rates for particular services are capped.

Therefore, staff believes that these rates (approved in the tariff filings noted above) should be revised back to their July 1, 1995 levels, pursuant to Sections 364.051, Florida Statutes, effective January 1, 1996.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action timely files a protest within twenty-one days, this docket should be closed.

STAFF ANALYSIS: With the Commission's approval of staff's recommendations in Issues 1 and 2, and if no person whose substantial interests are affected by the Commission's proposed agency action timely files a protest within twenty-one days, this docket should be closed.

CMU
Attachment A

ORIGINAL
OF COPY

BellSouth Telecommunications, Inc. Fax 904 224-5072
Suite 400 904 224-7790
190 South Monroe Street
Tallahassee, Florida 32301-1550

A. M. Lombardo
Regulatory Vice President

November 1, 1995



Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

950000

RE: Notice of Election of Price Regulation

Dear Ms. Bayo:

Pursuant to Section 364.051(a), Florida Statutes, this letter constitutes notice by BellSouth Telecommunications, Inc. of its election to be under price regulation effective January 1, 1996.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me.

Sincerely,

Anthony M. Lombardo

Enclosures

cc: R. G. Beatty
R. D. Lackey

RECEIVED & FILED

Wm
EPSC-BUREAU OF RECORDS

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