

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

M E M O R A N D U M

JUNE 13, 1996

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

FROM: DIVISION OF COMMUNICATIONS (NORTON) *non*
DIVISION OF LEGAL SERVICES (CANZANO) *msd*

RE: DOCKET NO. 920260-TL - BELLSOUTH, INC. - COMPREHENSIVE
REVIEW OF THE REVENUE REQUIREMENTS AND RATE STABILIZATION
PLAN OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY (T-
96-451 FILED MAY 31, 1996)

AGENDA: JUNE 25, 1996 - REGULAR AGENDA - DECISION ON SUSPENSION
OF RATES - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JULY 30, 1996

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\920260TL.RCM

CASE BACKGROUND

Order No. PSC-94-0172-FOF-TL, issued February 11, 1994 in this docket, approved a Stipulation and Implementation Agreement between BellSouth and the parties to the proceedings. Among other things, the stipulation provided for various rate reductions to be implemented over a three year period. Some of the rate reductions were targeted at specific services and others specified only the dollar amounts, with proposals by interested parties to be submitted to dispose of the designated amounts for each year, 1994 through 1996. Under the revisions to Chapter 364, Florida Statutes, the Commission retains the jurisdiction to implement and enforce the terms and provisions of Order No. PSC-94-0172-FOF-TL. (Section 364.385(3), F.S.)

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The order provided for the following reductions: .

1994:

Reduce Switched Access rates	\$50.0 million
Reduce PBX, NAR, and hunting rates	\$29.0 million
Reduce DID rates	\$ 4.3 million
Reduce NPATS usage rates	\$ 1.0 million
Eliminate Billed Number Screening charges	\$.4 million
*Unspecified	<u>\$10.0 million</u>

\$94.7 million

* Per Order Nos. PSC-94-0669-FOF-TL and PSC-95-0223-FOF-TL, the Commission reduced mobile interconnection usage rates by \$7 million, and other local service rates by the remaining \$3 million.

1995:

Reduce Switched Access rates	\$55 million
*Unspecified	<u>\$25 million</u>

\$80 million

* Per Order No. PSC-95-1391-FOF-TL, the Commission approved implementation of SBT's Extended Calling Service (ECS). This decision is now on appeal before the Supreme Court.

1996:

Reduce Switched Access rates to Jan. 11, 1994 interstate levels	\$40 million
Reduce NPATS usage rates	\$ 1 million
Unspecified	<u>\$48 million</u>

\$89 million

BellSouth (BST) and interested parties are required to submit proposals on the disposition of the unspecified amounts not less than 120 days prior to the scheduled effective date of October 1 of each year. Accordingly, on May 31, 1996, BST submitted proposals for disposition of the \$48 million in rate reductions scheduled for 1996. In addition, four counter proposals have been filed. BST has submitted tariff revisions in conjunction with its proposal, which are the subject of this recommendation.

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DISCUSSION OF ISSUES

ISSUE 1: Should BellSouth's tariff revisions to implement its proposed 1996 rate reductions per Order No. PSC-94-0172-FOF-TL be suspended?

RECOMMENDATION: Yes, BellSouth's tariff to implement its proposed 1996 rate reductions per Order No. PSC-94-0172-FOF-TL should be suspended.

STAFF ANALYSIS: Under the terms of the Stipulation and the subsequent order, the Commission is required to conduct hearings, if requested, to determine the disposition of the unspecified amounts. The scheduled effective date of these reductions is October 1, 1996.

To dispose of its scheduled 1996 amount of \$48 million, BST has proposed, among other things:

- 1) to reduce switched access rates by an additional \$16.4 million over and above the \$40 million specified in the stipulation that would bring BST's switched access rates down to the January 11, 1994 interstate levels. The additional amount proposed here would introduce zone density pricing differentials to four switched access rate elements:
 - * the terminating Carrier Common Line charge;
 - * the DS-1 interoffice piece of switched transport;
 - * the Residual Interconnection Charge (RIC);
 - * and Local Switching.
- 2) to reduce PBX trunk rates and DID charges by approximately \$16 million, and to introduce term contracts for periods up to five years;
- 3) to reduce or eliminate various service connection charges by approximately \$6 million;
- 4) to introduce an expanded calling plan for business customers called Area Plus. This offering would provide for a flat rated basic local calling area, expanded calling area rates of \$.08 per minute out to forty miles, and a 30% discount off intraLATA toll rates. Monthly recurring charges for Area Plus would apply, and would differ by rate group. The expected revenue reduction from this offering would be approximately \$2.2 million.

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5) to eliminate the usage charge on Remote Call Forwarding. The revenue impact of this proposal would be approximately \$2 million.

As noted above, four counter proposals were filed. First, a group of IXCs (ATT, MCI, Sprint Communications, and FIXCA) plus Ad Hoc and McCaw Communications filed a single proposal as follows:

- 1) Reduce PBX and DID trunk charges by \$11 million
- 2) Eliminate the RIC (\$35 million)
- 3) Reduce mobile interconnection rates by \$2 million

Second, Public Counsel, at the request of Senator James Scott, proposed that a reserve fund be established to assist BST customers who have experienced problems with conversion to the 954 NPA.

Third, FCTA has proposed that the nonrecurring charges for interconnection trunks and special access be eliminated for ALECs.

Fourth, Palm Beach Newspapers, Inc. and Florida Today have proposed that usage rates for N11 service be reduced to \$.02.

Staff has recommended that BST's tariff revisions filed in conjunction with its proposal be suspended to allow the opportunity to analyze all parties' proposals and conduct hearings if necessary. As noted previously, despite the fact that BellSouth has elected to be price-regulated, Section 364.385(3), F.S. (the "savings" clause), expressly states that Order No. PSC-94-0172-FOF-TL will remain in effect. Therefore, the Commission has the authority to operate under the former version of Chapter 364, and to suspend the proposed tariff. This is consistent with the Commission's decision for the 1995 rate reductions in this docket.

ISSUE 2: Should this docket remain open?

RECOMMENDATION: Yes, this docket should remain open pending resolution of the remaining issues.

STAFF ANALYSIS: This docket should remain open pending resolution of the remaining issues.