

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

July 18, 1996

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

FROM: DIVISION OF COMMUNICATIONS (NORTON) *Alan*
DIVISION OF LEGAL SERVICES (BROWN) *MCB*

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-
96-565 filed May 31, 1996)

AGENDA: JULY 30, 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\920260A.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, F.S., 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.)

The order required reductions to BST's switched access charges each year for three years beginning 1994 until the Company's intrastate switched access charges were at parity with the interstate rates in effect on January 11, 1994. This has required revenue reductions of the following amounts:

1994:	\$50 million
1995:	\$55 million
1996:	\$40 million

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The required rate reductions are scheduled to go into effect each year on October 1. BST has already submitted its 1996 filing to reduce switched access rates which is the subject of this recommendation.

DISCUSSION OF ISSUES

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

RECOMMENDATION: Yes, BellSouth's tariff filing to implement its required 1996 switched access rate reductions per Order No. PSC-94-0172-FOF-TL should be suspended. The filing should be rolled into that phase of this docket which is scheduled to go to hearing October 30 and 31, 1996 to address BST's and other parties' proposals with respect to the \$48 million in unspecified rate reductions.

STAFF ANALYSIS: BST is required to make its final rate reductions to its switched access rates under the terms of the Stipulation and the subsequent order, effective October 1, 1996. The Company has already filed its tariff revisions, about four months before they are scheduled to go into effect. Staff is recommending that the proposed tariff revisions be suspended and that the Commission address these reductions in conjunction with the \$48 million already scheduled for hearing on October 30 and 31. This action would allow staff an opportunity to review and analyze the proposed switched access rate reductions in view of the other proposals in this case.

As noted above, the Stipulation approved in Order No. PSC-94-0172-FOF-TL requires that specific amounts be designated for rate reductions to switched access, and any final Commission decision would need to accomplish this. However, which switched access rate elements to be reduced, and whether and to what extent more reductions are appropriate, can, in staff's opinion, be better addressed in conjunction with the concurrent proceeding to dispose of the \$48 million in unspecified rate reductions. For example, the Company has proposed reductions to Local Switching and Carrier Common Line rates, but no reductions to Local Transport or the Residual Interconnection Charge (RIC) with this filing. It has proposed further reductions to certain switched access rate elements as part of the \$48 million proposal. If the Commission

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approves this recommendation to suspend the tariff and roll it into the scheduled hearings in this docket, staff will pursue discovery on both the proposals.

Suspension is permissible and necessary because, 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.

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 and disposition of the remaining issues and requirements as contained in the Stipulation and Order No. PSC-94-0172-FOF-TL.