

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by AT&T-C for approval of ) DOCKET NO. 881508-TI  
 a reduction in its evening and night/ )  
 weekend discount on its MTS and Reach ) ORDER NO. 20609  
 Out Florida Services and a reduction in )  
 its day rates. (T-88-524 filed 11/15/88) ) ISSUED: 1-17-89

The following Commissioners participated in the disposition of this matter:

KATIE NICHOLS, Chairman  
 THOMAS M. BEARD  
 GERALD L. GUNTER  
 JOHN T. HERNDON  
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION  
AND  
ORDER DENYING TARIFF REVISION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action below directing AT&T of the Southern States, Inc. (ATT-C), to file tariff revisions is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

On November 15, 1988, ATT-C filed a tariff revision (the Revision) which proposes to reduce the Evening discount from 35% to 25% and the Night/Weekend discount from 60% to 50% in the rates for its intrastate MTS and Reach Out Florida Services. Additionally, the Revision proposes to offset the revenue increases generated by these lower discounts by reducing Day rates for these services.

By Order No. 16180, issued June 2, 1986, we adopted a range of rates, with a floor and a cap, within which ATT-C could adjust its rates on thirty-days notice under decreased regulatory scrutiny. Rule 25-24.485(4)(d)(2), Florida Administrative Code (the Rule), sets out the procedure to be employed by ATT-C for seeking modification of its rate caps and floors. ATT-C has submitted the data required by the Rule because the company has proposed to decrease its evening, night and weekend discounts which will result in rates above the rate caps. ATT-C has furnished information which shows, according to the company, that any further reduction in the Busy Hour Minute of Capacity (BHMOC) charge on the magnitude of \$25 Million would result in its Night/Weekend rates being below its costs during these periods and its Evening rates approaching those periods' costs. Accordingly, we are requested to authorize an increase in these services' rate caps as well as the proposed increase in rates.

ATT-C maintains that MTS Service is not priced properly, resulting in an erosion in its market during the day. Additionally, the Night/Weekend rates are said by ATT-C to be

DOCUMENT NUMBER-DATE

00515 JAN 17 1989

FPSC-RECORDS/REPORTING

ORDER NO. 20609  
DOCKET NO. 881508-TI  
PAGE 2

barely covering costs currently and are, as mentioned above, vulnerable to being driven below costs by a further BHMOC charge reduction. The Revision is intended to correct these deficiencies by reducing Day rates, thus curtailing market erosion, and by lowering discounts, thereby enhancing the return during these time segments.

Upon review of the cost data furnished, we conclude that ATT-C's Evening and Night/Weekend discounts should be reduced in order to assure that they adequately cover the costs of providing service during these time segments. Since these reduced discounts will lead to rate increases, we find that the authorized caps for Evening and Night/Weekend rates should also be raised to equal the increased rates.

ATT-C's revenue margins produced by the discounted rates are substantially less than those from Day rates. Consequently, many of the company's competitors have concentrated their marketing efforts on subscribers with significant usage during the day, principally business customers. As a result of its competitors' efforts to market to Day customers, ATT-C alleges that it is failing to obtain a share of the market growth and that it has also been losing base minutes of use since 1984.

As ATT-C passes access charge reductions along to its subscribers through rate decreases, its cost allocation procedure creates a circumstance in which the Night/Weekend rates fall below the costs of furnishing the service. Such a result flows from our finding in Order No. 14621, issued July 23, 1985, recon. denied, Order No. 15199, issued October 7, 1985, that ATT-C should allocate 80% of the company's BHMOC costs to the Day portion of OUTWATS rates for recovery. ATT-C has followed the same allocation procedure for MTS Service and assigned the remaining 20% of BHMOC charges for recovery through the Evening rates. Since no BHMOC costs are allocated to Night/Weekend rates for recovery, when ATT-C passes its BHMOC charge decreases through to its customers by MTS rate reductions, Night/Weekend rates are reduced while the costs of furnishing service during these periods are not.

We note that the BHMOC charge is not discounted by time of day. With regard to the other access charges, only originating access charges are time-of-day discounted. While terminating access charges are not discounted for time of day, the terminating Carrier Common Line (CCL) charge is higher than its originating counterpart.

ATT-C provided data indicating that a further \$25 Million reduction in its BHMOC costs would drop its revenue margins generated from Evening rates to only a small amount and from Night/Weekend rates to a negative amount. The company studied its current levels of capacity to meet peak demands by time of day and concluded that a reallocation of costs to match actual capacity would justify considerably smaller discounts than those now in place. If BHMOC costs were eliminated, ATT-C claims that its cost data would support only a 24% Evening discount and a 35% Night/Weekend discount. Nevertheless, ATT-C proposes a 50% Night/Weekend discount and states that it intends to minimize customer impact through seeking future

ORDER NO. 20609  
DOCKET NO. 881508-TI  
PAGE 3

reduction in this discount in conjunction with major rate reductions.

ATT-C proposes to offset the substantial revenue increase realized from the discount reductions by reducing Day rates. ATT-C's stated purpose for this discount change is to align more closely the costs and rates for Evening and Night/Weekend MTS Services and not to increase revenue. We believe this offset to be appropriate.

ATT-C projects the effects of the proposed MTS rate changes in this docket to be a reduction of 7.9% in Day rates and increases of 5.5% and 13.69% in Evening and Night/Weekend rates, respectively. We have examined the company's projected changes in the amounts its subscribers pay for these services in an average month. Also, we have reviewed information indicating that ATT-C's discounts in Florida are higher than in other jurisdictions.

For the above reasons, we believe that ATT-C should implement the MTS rate changes proposed in the Revision. While these entail slight increases in rates for the majority of residential subscribers who use Evening and Night/Weekend services predominantly, business subscribers and the balance of the residential subscribers will benefit. As the discounted services become more profitable, we would expect more rigorous competition during these periods between ATT-C and the other IXCs.

However, while we approve in concept ATT-C's proposals to change MTS rates, we reject the proposed tariff revision because we believe a different effective date to be more appropriate. The Revision proposes that these changes go into effect on December 20, 1988, but we prefer them to become effective contemporaneously with two other pending rate changes. By Order No. 20509, issued December 23, 1988, we directed ATT-C to establish a February 1, 1989 effective date for rate changes resolving 1986 overearnings issues in Docket No. 870460-TI as well as for rate changes flowing through GTE Florida Incorporated's BHMOC charge reduction in Docket No. 881344-TL and for those approved in this docket. Placing all pending rate changes into effect at the same time will be more cost efficient and less disruptive than having them become effective on three different dates.

Accordingly, ATT-C shall file tariff revisions with an effective date of February 1, 1989, aggregating the pending rate changes in the three dockets cited above. The February 1, 1989 effective date will permit us sufficient time to review the forthcoming tariff revisions to assure compliance with our directions in this docket and the other two relevant dockets prior to the rate changes going into effect.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the tariff revision (T-88-524) filed by AT&T of the Southern States, Inc., on November 15, 1988, is hereby rejected. It is further

ORDER NO. 20609  
DOCKET NO. 881508-TI  
PAGE 4

ORDERED that the rate changes proposed by AT&T of the Southern States, Inc., in its tariff revision (T-88-524) filed on November 15, 1988, are hereby approved in concept as discussed in the body of this Order. It is further

ORDERED that AT&T of the Southern States, Inc., shall file tariff revisions designed to change its MTS and Reach Out Florida Services rates in the manner approved in concept herein. It is further

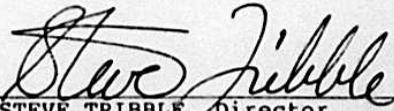
ORDERED that the forthcoming tariff revisions shall have an effective date of February 1, 1989, and shall contain the rate changes approved in concept herein and those approved by Order No. 20509, issued December 23, 1988, and those approved in Docket No. 881344-TL. It is further

ORDERED that the terms of this Order are severable and our action requiring AT&T of the Southern States, Inc., to file tariff revisions is a Proposed Agency Action. It is further

ORDERED that all other terms of this Order shall be considered Final Agency Action. It is further

ORDERED that this docket shall be closed when the tariff revisions that have been ordered herein go into effect.

By ORDER of the Florida Public Service Commission  
this 17th day of JANUARY, 1989.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

DLC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

ORDER NO. 20609  
DOCKET NO. 881508-TI  
PAGE 5

As identified in the body of this order, our action requiring AT&T of the Southern States, Inc., to file tariff revisions is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 6, 1989. In the absence of such a petition, this order shall become effective February 7, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on February 7, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.