

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of GTE FLORIDA)	DOCKET NO. 881344-TL
INCORPORATED Requesting a Reduction to)	
the BHMOC Rate Element. (T-88-500 and)	ORDER NO. 20621
T-88-503 filed 11/2/88))	ISSUED: 1-19-89

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

ORDER APPROVING REQUEST TO REDUCE BHMOC RATE

BY THE COMMISSION:

I. INTRODUCTION

On October 14, 1988, GTE Florida Incorporated (GTEFL) filed a petition requesting approval of a reduction in the Busy Hour Minutes of Capacity Charge (BHMOC) rate element of its switched access charges. The petition also seeks approval for increases in various services involving operator assistance. As discussed in greater detail below, we approve the reduction of GTEFL's BHMOC and the increases in operator services. We have also directed AT&T of the Southern States Inc. (ATT-C) to reduce its MTS and WATS rates to reflect the reduction in access charges it receives.

II. BHMOC REDUCTION

GTEFL's petition proposes to reduce its existing BHMOC rate level by twenty-five percent (25%) from the current level of \$6.60 to \$4.95. This reduction will produce an unstimulated revenue reduction of approximately \$9,885,500 based on data utilizing the twelve months ending June 1988.

In Phase I of the Commission's investigation into NTS Cost Recovery in Docket No. 860984-TP, Order No. 18598, the Commission established four guidelines for LEC's reductions to their NTS access rates. See Order No. 18598 GTEFL has met those guidelines.

The guidelines set forth in Order No. 18598 are as follows:

1. A description of long range plans or goals for access charge reduction.
2. Full justification of all changes in access rates.
3. No automatic revenue increases to other services to offset access revenue decreases.
4. Revenue impacts must be based on the most recent twelve month data.

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By Order No. 19677 issued in Phase II of the NTS proceeding we also required that LECs provide estimates of stimulation resulting from proposed access charge reductions. Further, we believed that the reductions should be limited, if practicable, to a reduced rate ranging from \$3.87 to \$6.60. With respect to its overall plan, GTEFL states in its petition that it intends to further reduce its BHMOC rate. GTEFL states that these future reductions will be made after intrastate dedicated access rates are restructured or when the rates that do not currently cover costs are increased. However, no specific service was named. GTEFL further states that its long-term goal is to phase out the BHMOC rate element over a sufficient period of time to allow for offsets to the resulting revenue reduction.

As justification for its proposed BHMOC reductions, GTEFL submits that as a result of the current level of access rates it is experiencing:

- (1) Low growth in intrastate switched access minutes due to the misreporting of jurisdictional traffic by some IXCs because of the existing rate differentials between interstate and intrastate switched access rates.
- (2) Low growth in intrastate switched access minutes due to service bypass.
- (3) Low growth in intrastate switched access minutes due to facilities bypass.

GTEFL asserts that these occurrences work to the detriment of its local ratepayers due to the lower intrastate revenues being collected. GTEFL proposes to, "produce the proper pricing signals and incentives relative to the recovery of NTS costs in Florida." We note that GTEFL expressed these same concerns throughout Docket No. 860984-TP. However, we also note that the term "low growth" is never defined and with the exception of service bypass no evidence was provided to indicate that any of this was actually occurring.

The third guideline is that no automatic revenue offsets to a LEC's petition would be allowed. GTEFL has asked to offset approximately one tenth of its BHMOC revenue loss by increasing the rates for certain operator services. This request is addressed in detail below. However, GTEFL has also stated that the proposed BHMOC reduction is not conditional on approval of the requested increases in operator services.

The final guideline identified in Order No. 18598 is that the LECs must provide the most current twelve months of BHMOC units available. GTEFL has provided this information.

By Order No. 19677 in Phase II of Docket No. 860984-TP, we ordered a LEC to include in its petition for an access reduction a stimulation estimate or a statement as to why one is not provided. GTEFL states in its petition that it has not provided a stimulation estimate because it has no way to determine the level of the rate reductions of the IXCs. In

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addition, GTEFL points out that in 1987 it made a sizeable reduction to its CCL rate element and was unable to discern any resulting stimulation.

As we noted in Order No. 19677, we have not included stimulation in previous LEC access reductions. The Order further states that our concern there was the case where stimulation affects a LEC's earnings level. The example provided in the Order was where a LEC wished to offset its overearnings with an access reduction it may be necessary to build in stimulation in order to take the LEC's earnings below its authorized earnings ceiling. According to the surveillance report filed by GTEFL for the 12-months ended August 31, 1988, the company is earning a 10.87% return on equity. The \$9,885,000 BHMOC revenue reduction would reduce the return on equity by .95% if everything else remained constant.

Based on the problems regarding calculation of stimulation and the fact that GTEFL's earnings per its surveillance reports do not appear to be excessive, we do not believe that inclusion of stimulation in GTEFL's BHMOC reduction is appropriate. We caution that this decision is limited to the facts of this case.

As stated above, we established a range of rates to guide BHMOC reductions. GTEFL is proposing a \$9,885,500 BHMOC revenue reduction which results in a reduced BHMOC rate of \$4.95. This proposal is within the guideline. GTEFL is able to incur the revenue loss without causing instability. Further, we have previously approved a much greater BHMOC reduction for Southern Bell. Finally, not only will the toll customers in GTEFL's territory benefit but all ATT-C's Florida customers will benefit.

In conclusion, GTEFL has sufficiently met the Commission's guidelines and requirements for implementation of an optional access reduction. Accordingly, we find it appropriate to grant GTEFL's request to reduce its BHMOC rate from \$6.60 to \$4.95. The reduction shall be effective February 1, 1989. This is a 25% reduction in the BHMOC's current rate and will result in an annualized \$9,885,500 access revenue reduction to GTEFL.

III. SOUTHERN BELL'S ACCESS TARIFF REVISION

Currently each LEC except United concurs in Southern Bell's Access Services Tariff. In conjunction with GTEFL's petition to reduce its BHMOC rate, Southern Bell submitted a revision to its access tariff to reflect GTEFL's company specific rate. Currently Southern Bell's access tariff indicates that Southern Bell's BHMOC rate is \$1.37 and all concurring LEC's BHMOC rates are \$6.60. Southern Bell is proposing to individually list each LEC that concurs with Southern Bell's Access Services Tariff and identify the rates for each company. This change will eliminate any question regarding which LECs concur in Southern Bell's Access Tariff and will provide interested parties greater ease in determining each LEC's rate. This tariff filing shows GTEFL's rate to be \$4.95.

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Having approved GTEFL's BHMOC reduction above, we find it appropriate to approve Southern Bell's access tariff revision to identify GTEFL's BHMOC rate as \$4.95. The tariff shall be effective February 1, 1989.

IV. ATT-C RATE REDUCTION

We have previously required ATT-C to pass through all access cost savings to its customers in the form of rate and rate cap reductions to its MTS and WATS/800 services. When GTEFL reduces its BHMOC revenue by \$9,885,500, ATT-C will experience an access cost savings of \$7,681,033. This is based on the percentage (77.7%) of total BHMOC units that ATT-C ordered from GTEFL based on twelve months ending June 1988. Consistent with our past practice, we find it appropriate to require that ATT-C pass on to its customers \$7,681,033 in MTS and WATS/800 rate reductions as a result of GTEFL's BHMOC rate reduction. ATT-C shall file tariffs consistent with this decision by January 1, 1989. ATT-C's rate reductions shall be effective February 1, 1989.

V. GTEFL'S INCREASES IN OPERATOR SERVICES

A. Local Operator Assistance Surcharge Rates

In conjunction with its BHMOC reduction, GTEFL has filed tariff revisions seeking to increase its local operator assistance surcharge rates. These surcharges apply to the operator assistance services used in completing a local call. These services include those performed to complete the following calls: a) Customer-dialed credit card local calls b) Operator-assisted sent-paid, collect, third number, and non customer-dialed credit card local calls and c) person-to-person local calls.

The company proposes to increase the rates for these services because it wishes to bring the level of the rates up to the level it now charges for like services associated with toll calls. The current and proposed rates are as follows:

	<u>CURRENT</u>	<u>PROPOSED</u>
Station to Station Customer-Dialed Credit Card Local Call	\$.70	\$.75
Station to Station Sent-Paid, Collect, Third Number, and Non Customer-Dialed Credit Card Local Call	.70	1.00
Person-To-Person Local Call	1.70	2.50

The annual revenue impact of these increases is \$1,061,781.

In support of its proposed increases, the Company argues these services are largely optional and that the proposed rates would be consistent with those rates already approved by this Commission for toll calls.

As to their first argument, we generally agree. It is often unnecessary to make a credit card local call or a person-to-person local call from a residence or a business. This is strictly an optional service. However, we disagree

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that a non sent-paid local call at a company provided paystation is always optional. This is the only way a customer can dial a non sent-paid call over a company provided paystation.

As to their second argument, we also generally agree. The proposed rates have already been approved for these services when they are associated with a toll call. We see little difference in this service whether its associated with a local or toll call. The Company further stated that the costs between the local and toll services do not differ significantly. According to a cost study provided by the Company, the rates provide an adequate contribution.

We believe that optional services should be rated such that the cost is entirely borne by the cost causer and generates a contribution to keep basic rates low. We note that GTEFL's cost study shows that the proposed rates are consistent with these criteria.

In comparison with other similar LECs, GTEFL's proposed rates are the same as current rates of Southern Bell and Centel, but are higher than those of United. All four of these companies charge the same rates for toll operator assistance. As previously noted, GTEFL proposes to increase its local rates up to this amount. As we mentioned, Southern Bell and Centel have already been approved to charge this amount. We believe an increase up to the amount already approved for General's toll services and the local and toll services of Southern Bell and Centel is acceptable. Therefore, we find its appropriate that the proposed rates be approved.

We wish to point out this type of change is normally not done outside of a rate case. Normally, some decrease of other service rates may be recommended to accompany this increase. In this case, the BHMOC rate reductions will more than offset this increase.

B. Local Operator Verification and Emergency Interrupt

GTEFL also proposes to increase the rates for local Operator Verification and local operator emergency interrupt services. Operator Verification is a service whereby a customer experiencing difficulty completing a call asks the operator to advise him why he is unable to complete the call. Normally the customer has dialed the called party's telephone number several times and has reached a busy signal. At the request of the caller, the operator checks the number and responds that it is either in use or is off-hook (both are referred to as busy status), or is out of working order.

GTEFL proposes to charge for Verification Services only when the operator responds that the line in question is in a busy status. No charge will apply if the line is out of order. If the filing is approved, each verification request that results in a busy status response will be charged \$.95. This policy is similar to existing GTEFL policy for toll calls.

Operator Emergency Interrupt is a service whereby a customer requests that the operator break into a conversation

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and advise the conversing parties to discontinue the conversation as a caller is attempting to reach one of the parties with an emergency call. GTEFL proposes to charge for all interrupt calls except for those to official public emergency agencies. Such agencies include the local police, state police, fire department, licensed hospitals and similar entities. The proposed charge for each interrupt call is \$.45. Since the interrupt call requires that the operator first verify that the called person is conversing, a \$.95 verify charge also applies, or a total charge of \$1.40 per interrupt. This is also similar to existing GTEFL policy for toll interrupt calls.

Verification service is a necessary service and is beneficial to customers and to the telephone company. Customers are apprised of the working status of their communication path and are not unduly burdened by not knowing whether a busy signal will continue indefinitely. The telephone company is likewise apprised of possible problems in its network that it might otherwise not be aware of. The company gains valuable information from its customers when, at the customer's request, an operator finds that a line is not working. The Company can also benefit from reducing call attempts that are taxing to the network. For example, if a line out of order is found and dealt with properly, the customer attempting to reach the nonworking line will reach an intercept recording and will discontinue calling.

Emergency interrupt service is a necessary service and is beneficial to the customer. This service assists the customer in reaching another party when it is critical that he or she do so.

The company proposes to increase the rates for these local services to the amount that is charged for similar toll services. The proposed increase is a substantial amount. It is significantly higher than the charges of other companies for local services but is consistent with charges of other companies for toll services.

The company projects an annual revenue impact of \$212,870. These rates provide a contribution of 89% and 244%, respectively.

We believe that verification and emergency interrupt are necessary services and should be available services. However, they do carry a cost and we believe that they are services which are specialized enough and which are potentially subject to abuse such they should have a charge that provides ample contribution to local service. Therefore, we find it appropriate to approve the proposed increases.

Having approved GTEFL's proposal reductions to its BHMCC and its proposed increases to its operator services, there are no further issues to be addressed in this docket. Therefore, it should be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that GTE Florida, Inc.'s Petition to Reduce its Busy Hour Minutes of

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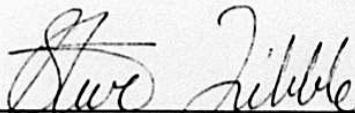
Capacity Charge is granted as set forth in the body of this Order. It is further

ORDERED that Southern Bell Telephone and Telegraph Company's proposed revisions to its Access Services Tariff are approved as set forth in the body of this Order. It is further

ORDERED that GTE Florida, Inc. proposed increases to certain of its operator services are approved as set forth in the body of this Order. It is further

ORDERED that this docket be and the same is hereby closed.

By ORDER of the Florida Public Service Commission,
this 19th day of JANUARY, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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Commissioners Beard and Herndon dissent from the Commission's decision to approve the rate increases for GTEFL's operator assisted services described in the body of this Order.

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.

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,

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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.