

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: PROPOSED TARIFF FILING BY ALLTEL) DOCKET NO. 890816-TL
 FLORIDA, INC. INTRODUCING DIGITAL CENTREX) ORDER NO. 21653
 II SERVICE WITH BANDED RATES) ISSUED: 8-2-89
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The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER APPROVING TARIFF FILING
BY ALLTEL FLORIDA INTRODUCING
DIGITAL CENTREX II WITH BANDED RATES

BY THE COMMISSION:

ALLTEL : Florida, Inc. filed proposed revisions to its General Subscriber Services Tariff on May 15, 1989 introducing ALLTEL Digital Centrex II service (ADC-II). ADC-II is a product furnished from digital central office (DMS-10) equipment. ADC-II is nearly identical to ALLTEL Digital Centrex (ADC) at the basic feature package level. See Docket No. 890427-TL. Northern Telecom provides the software for both services. ADC is provisioned out of DMS-100 central offices which have the capability for more advanced software. ADC-II is provisioned from DMS-10 offices whose software cannot provide the features in ADC's Feature Package I and II because of technical constraints.

ADC-II will provide customers with two or more business lines served from these central offices the ability to utilize some of the same centrex-type features offered with ALLTEL's ADC that is provisioned from the company's DMS-100 switch.

ADC and ADC-II are nearly identical at the Basic Feature Package level, providing the following functions:

- (1) Direct-Inward-Dialing (DID) and Direct-Outward-Dialing (DOD) of telephone calls to and from ADC-II stations without having to go through an operator or receptionist.

DOCUMENT NUMBER-DATE
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 FPSC-RECORDS/REPORTING

ORDER NO. 21653
DOCKET NO. 890816-TL
PAGE 2

- (2) Intercom calls between stations of the same ADC-II system.
- (3) Identified-Outward-Dialing (IOD) by station number of outgoing long distance calls so that the calling station can be identified.
- (4) Common recorded announcement interception of calls to unassigned station numbers.
- (5) Station Line Hunting.
- (6) Tel-Touch (Touchtone) service.

The only difference in ADC and ADC II is that ADC-II provides all of the ADC Basic Feature Package functions, plus Call Pickup, Distinctive Ringing, Class-of-Service Restrictions and Call Transfer which are offered under the Feature Package I option with ADC. The rest of ADC's Feature Package I and all of Feature Package II's functions cannot currently be provisioned through the software available to DMS-10 offices.

ALLTEL's proposed filing here also incorporates the banded rate concept as it has proposed for ADC, asking the Commission to approve a range of rates for the elements of this service.

Our primary concerns with this filing are that the methodology used to determine the costs associated with ADC-II was equivalent to the one used for ADC and that the entire range of prices within the proposed bands covered ALLTEL's costs to provide ADC-II.

ALLTEL cost support data projects total costs for the software necessary for this service to be \$28,680. It expects to recover these costs over a five year period. The annual revenue requirement is \$6990, based on a carrying charge of 24.37%. The carrying charge includes maintenance, depreciation, rate of return, labor, and other costs associated with the ongoing operation of the service. ALLTEL predicts that 63 customers will subscribe to a total of 918 ADC-II lines during the first five years. Assuming that this number of

ORDER NO. 21653
 DOCKET NO. 890816-TL
 PAGE 3

lines is correct, contribution per line can be calculated as follows:

ADC-II CONTRIBUTION ANALYSIS

	<u>RATE</u>	<u>COST</u>	<u>CONTRIBUTION PER LINE</u>	<u>% CONTRIBUTION PER LINE</u>
Min.	\$3.00	\$2.65*	.35	12%
Current	\$5.50	\$2.65	2.85	52%
Maximum	\$7.50	\$2.65	4.85	65%

*\$.74 software cost + \$.68 line card cost + \$1.23 local loop cost

As shown, each feature will recover its costs and provide some contribution even at the minimum rate levels, eliminating the possibility of cross-subsidies. The difference in contribution levels in ADC-II when compared to ADC arise from a difference in software costs and the expected number of customers/lines subscribing to the services.

ALLTEL's cost support methodology mirrors that of its ADC filing. The rate levels at the minimum, current, and maximum levels are identical to those of ADC. It appears that this tariff filing will fill the need for Centrex service for those customers who are not provisioned from the company's DMS-100 central office.

In view of our discussion above, we approve ALLTEL's ADC II proposal as filed with the provision that the company shall be required to file reports on the effect of changes in rates on ADC-II service four months after each rate change for the next 24 months. These reports shall include quarterly data for the period from the last report (or effective date of the tariff for the first report) on the applicable rates, the number of customers participating, what service those customers migrated from if they are not new customers, the previous revenues from those customers, dropping or adding of service, all ADC-II promotional campaigns, complaints, company revenues, and updated cost and contribution information.

ORDER NO. 21653
DOCKET NO. 890816-TL
PAGE 4

Based on the foregoing, it is

ORDERED that the proposed tariff filing by ALLTEL Florida, Inc. introducing ADC-II service with banded rates is approved as set forth in the body of this Order. It is further

ORDERED that ALLTEL Florida, Inc. shall file reports as set forth in the body of this Order.

By ORDER of the Florida Public Service Commission,
this 2nd day of AUGUST, 1989.


STEVE TRIBBLE Director
Division of Records and Reporting

(S E A L)

JSR

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

ORDER NO. 21653
DOCKET NO. 890816-TL
PAGE 5

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.