

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: TARIFF PROPOSAL BY AT&T) DOCKET NO. 891124-TI
 COMMUNICATIONS OF THE SOUTHERN STATES,) ORDER NO. 22248
 INC. TO RAISE DIRECTORY ASSISTANCE RATES)
 FROM \$.25 to \$.35 (T-89-447 FILED 8/30/89))
 _____) ISSUED: 11/30/89

The following Commissioners participated in the disposition of this matter:

- MICHAEL McK. WILSON, Chairman
- THOMAS M. BEARD
- GERALD L. GUNTER
- JOHN T. HERNDON

FINAL ORDER APPROVING TARIFF FILING

BY THE COMMISSION:

On August 30, 1989, ATT-C filed this tariff proposal to increase its directory assistance charge of \$.25 to \$.35 per call. Public Counsel petitioned to intervene on September 22, 1989. The filing states that ATT-C's purpose for the increase is that the \$.25 rate does not cover the Company's costs and that the number of competitors offering directory assistance has increased. If the increase is approved, the Company estimates that it will receive a net revenue increase of \$1,428,104.

1) Evolution of Commission Policy Regarding the Provision of Directory Assistance

We initially set AT&T Communications of the Southern States, Inc.'s (ATT-C's) directory assistance charge at \$.25, by Order No. 13934 issued in 1984. After a complete investigation, we determined that, due to public interest considerations, directory assistance should not be set at a rate to assure full recovery of costs. We made that initial determination, in the context of the access docket, after reviewing all of the elements of providing directory assistance service and their associated costs. In Order No. 13934, we established three main policies regarding the directory assistance charge. The first of those was to create a deterrent to customers' abuse resulting from attempts to circumvent the charge. The second policy was to provide the local exchange companies (the LECs) and ATT-C a cost savings

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resulting from the repression effect of the rate increase when the directory assistance plan was first implemented. The third policy was to provide a contribution to the cost of providing the service--not to allow total recovery of costs.

We determined that the provision of directory assistance was in the public interest and we recognized this by providing for three free local directory assistance calls per month and by allowing exemptions for handicapped persons. We also recognized that the provision of directory assistance stimulated overall usage of the network and, therefore, other than the operator time, the "costs" associated with its provision would be inappropriately separated out as costs unique to directory assistance.

We determined that some charge for directory assistance should be established to allow the LECs and ATT-C to recover some of the cost to provide directory assistance and to create a deterrent effect from customer abuse. Upon review of the customer impact data subsequently submitted by the LECs and ATT-C, we issued Order No. 14452 permitting the implementation of the directory assistance charge effective July 1, 1985.

On March 2, 1987, ATT-C filed a tariff proposal to increase the amount charged for interLATA intrastate directory assistance calls from \$.25 to \$.30. By Order No. 18342, on October 6, 1987, we denied that tariff filing and found that ATT-C's directory assistance charge was never specifically designed to recover costs on a per call basis. The main purpose of the local directory assistance charge is to provide the LECs and ATT-C the cost savings incurred from the decrease in use of directory assistance because of the charge we had authorized for the service. The directory assistance charge provides a contribution to the cost of providing the service, but it is not intended to fully recover the costs of providing directory assistance.

2) Impact of our Approval of ATT-C's Petition for Forbearance

ATT-C filed a "Petition to Forbear From Earnings Regulation of ATT-C for a Trial Period" (the Petition) on April 2, 1987, which basically requested exemption from traditional rate base and rate of return regulation for a two-year trial period. ATT-C stated that it should be treated like the other interexchange carriers (the IXC's) and that the competitive

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marketplace could provide more effective regulation and more fairly determine how much ATT-C would earn from its provision of interexchange toll services in the State of Florida.

By Order No. 19758, issued August 3, 1988, we granted ATT-C's Petition with the two year trial period beginning on July 11, 1988, and ending July 10, 1990. At the end of the trial period, we will take whatever action seems appropriate, whether it be to impose full rate of return regulation on ATT-C, to extend the forbearance period, or to choose some other alternative method for the regulation of ATT-C that appears to be more in the public interest.

3) An Increase in ATT-C's Directory Assistance Charge is Now Appropriate in Light of the Forbearance Experiment and Other Changes in the Toll Market

Since our original directory assistance decision in 1984 the toll market has changed dramatically. There are currently 87 interexchange carriers (IXCs) competing for the provision of long distance service. Further, ATT-C is no longer the only IXC offering directory assistance in Florida. With the exception of ATT-C and two other IXCs, all other IXCs' rates range from \$.50 to \$1.25. Clearly, if some IXCs choose to charge \$1.25 while others charge \$.25 for directory assistance, it is not a competitively priced service. While it is necessary to provide directory assistance as a complement to toll service, it is considered to be a nuisance service by the IXCs. This is why some IXCs charge as much as \$1.25. However, if the service is not covering costs, those revenues must be recovered from another ATT-C service. It appears that ATT-C over the past year has attempted to align all of its rates to, at a minimum, cover cost plus provide some revenue.

We find that this tariff filing is consistent with our decision in granting ATT-C forbearance. At the end of the forbearance trial period, July 10, 1990, we will evaluate all of ATT-C's actions during the two year trial and determine what action seems appropriate. We may impose full rate of return regulation on ATT-C, or extend the forbearance trial, or select an alternative method to regulating ATT-C. At a minimum, the impacts of this tariff and resulting revenues will be evaluated along with all other ATT-C actions in regard to public interest considerations.

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The cost information ATT-C has submitted indicates that the costs of providing directory assistance have not changed significantly since we denied ATT-C's earlier proposal to increase its rate from \$.25 to \$.30. However, while we established our policy to set directory assistance rates at less than full cost recovery in 1984, and reaffirmed that decision in 1987, we believe that changes in the market warrant reconsideration of that decision. First, we have approved relaxing some of the traditional regulatory treatment of ATT-C and allowing the market place to establish the price of services. Secondly, the current rate charged by ATT-C for directory assistance service to the end user does not cover the cost of providing the service and it is a rational business decision for ATT-C to desire to increase the directory assistance rate to cover costs. Third, there are a large number of IXCs in the toll market and they provide alternatives to ATT-C's directory assistance services.

Through regulatory price constraints, ATT-C has been bearing the burden of the nuisance directory assistance calls. ATT-C believes that due to the low rates they are forced to charge, that end users will utilize ATT-C's directory assistance services to acquire long distance numbers then proceed to place the call over ATT-C's competitors' toll services. If, in fact, this is happening, not only is ATT-C unwillingly benefiting its competitors, it is doing so without the ability to cover its costs. For these reasons, we find it appropriate to approve ATT-C's tariff request to increase its directory assistance charge from \$.25 to \$.35.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that AT&T Communications of the Southern States, Inc.'s tariff proposal to increase the amount it charges for interLATA intrastate directory assistance calls from \$.25 to \$.35 is hereby approved. It is further

ORDERED that this docket is hereby closed.

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By ORDER of the Florida Public Service Commission,
this 30th day of NOVEMBER, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

Commissioner Betty Easley dissented from the Commission's decision in this matter.

(S E A L)

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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, 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.