

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: PROPOSED TARIFF BY SOUTHERN BELL)	DOCKET NO.:	881257-TL
TELEPHONE AND TELEGRAPH COMPANY TO)	ORDER NO.:	21163
INTRODUCE NEW FEATURES FOR DIGITAL ESSX)	ISSUED:	5-4-89
SERVICE AND TO PROVIDE STRUCTURAL CHANGES)		
FOR BOTH ESSX SERVICE AND DIGITAL ESSX)		
SERVICE.)		

The following Commissioners participated in the disposition of this matter:

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

ORDER SUBSTITUTING ORDER NO. 20424

BY THE COMMISSION:

We find that Order No. 20424 shall be withdrawn in its entirety and shall be substituted with the text appearing below in Section II.

I. INTRODUCTION

By Order No. 20424, issued on December 6, 1988, we approved Southern Bell Telephone and Telegraph Company's (Southern Bell's) tariff filing to introduce new features for digital ESSX service and to provide structural changes for both ESSX service and digital ESSX service. However, as a result of the concerns raised by AT&T Information Systems, Inc. (ATT-IS), MCI Telecommunications Corporation (MCI), and Ad Hoc Telecommunications Users Committee (Ad Hoc) we directed that the docket remain open so that Southern Bell, ATT-IS, and MCI could submit the data required by our staff to develop information relative to the cost differences that exist between the ESSX offering and competitive offerings, such as the PBX system.

On December 20, 1988, ATT-IS filed its Motion for Reconsideration of our Order, arguing that the Order did not accurately or fairly reflect our action. In support of its motion, ATT-IS submitted a proposed order to be issued upon our withdrawal of Order No. 20424. Upon consideration of the motion filed by the ATT-IS, we hereby deny its motion for reconsideration; however, upon review of our Order, we are persuaded that some of our reasons for ordering the investigation may not be readily apparent. Therefore, Order No. 20424 is withdrawn in its entirety and the following text is substituted.

II. APPROVAL OF TARIFF

Southern Bell Telephone and Telegraph Company's proposed revisions to its General Subscriber Service Tariff which introduces new features for its Digital ESSX service and provides structural changes to both its ESSX service and Digital ESSX service are hereby approved as discussed in detail below.

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A. BACKGROUND

On February 3, 1988, Southern Bell Telephone and Telegraph Company (Southern Bell) filed revisions to its General Subscriber Service Tariff pursuant to Section 364.05, Florida Statutes. In its tariff filing Southern Bell stated that the purpose of the tariff filing was to introduce proprietary rate schedules, to introduce new features for Digital ESSX Service, and to provide structural changes for both ESSX service and Digital ESSX service. At the September 6, 1988, Agenda Conference, we rejected Southern Bell's tariff filing, finding that, as a matter of public policy, proprietary rate schedules were not in the public interest. Our decision was reflected in Order No. 20076 issued on September 27, 1988.

On September 23, 1988, the company again filed revisions to its General Subscriber Services Tariff proposing similar changes in both its Digital ESSX service and its ESSX Service with the notable exception of having eliminated its request for a proprietary rate schedule.

Both AT&T Information Systems, Inc. (ATT-IS) and MCI Telecommunications Corporation (MCI) intervened, requesting that we either reject or suspend and investigate the tariff filing. The arguments raised by the companies were similar to those they had raised in their petitions to intervene filed in Docket No. 880257-TL, with the exception of the argument that we lacked statutory authority to approve Southern Bell's proprietary rate schedule. Having considered the positions of Southern Bell and the intervenors, we conclude that Southern Bell's proposed revisions are appropriate, and with certain exceptions discussed below, approve the tariff filing.

B. DISCUSSION

ESSX is a central office based service which provides Southern Bell's customers with the types of features and call management techniques provided by unregulated customer premises equipment (CPE) providers. Southern Bell provides ESSX service through individual main station lines which travel directly from the customer's premises to the central office. The feature which distinguishes ESSX from either a Key System or a Private Branch Exchange (PBX) is that the software for an ESSX system is contained in the central office, not in the customer's premises.

Inherent in the ESSX offering is the concept of bundled monopoly and competitive services. While the intervenors presented anti-competitiveness and unfair discrimination arguments in opposition to Southern Bell's bundled monopoly services, we find no reason at this time to require Southern Bell to unbundle the monopoly elements from its offering. The arguments raised in support of unbundling involve three service elements of ESSX; the provision of Direct Inward Dialing (DID), Network Access Registers (NAR) and loops, and Touchtone. The intervenors argue that we should require Southern Bell to price these monopoly basic local exchange service elements separate from the competitive features and functions of ESSX service.

With respect to the issue of Southern Bell unbundling the provision of DID, NARs and loops. We have decided that we will not require the company to unbundle these services inasmuch as we believe the services are not provisioned to other customers in the same manner as they are provisioned to ESSX customers. It is this difference in provisioning these services to different customers that shall justify our decision that these services remain

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bundled. The arguments raised in support of unbundling Touchtone are not as easy to dispel since there is no discernible technical difference between Southern Bell providing Touchtone to its ESSX customers and the company providing Touchtone to other customers. However, evidence was presented to demonstrate that the call management options available with ESSX service, cannot be utilized without Touchtone. Accordingly, we believe that Touchtone is an integral component within the ESSX service and will not require Southern Bell to unbundle this service from its ESSX offering. However, our decision herein should not be interpreted to preclude us from revisiting it subsequent to the investigation discussed below.

The intervenors argued that Southern Bell has anticompetitively priced the rates of its monopoly bundled services. We are concerned that this may be the case; however, we have insufficient data to reach that conclusion. We note that our staff's evaluation of Southern Bell's cost methodology and contribution analysis demonstrated that all rate elements provided contribution and were above costs, alleviating for the time being our concerns that ESSX service is being subsidized by other services. However, we believe that we need additional data regarding the cost differences that exist between ESSX service and offerings such as PBX trunks in order to permit us to determine whether it is necessary to make any adjustments or changes to Southern Bell's tariff. Therefore, Southern Bell, ATT-IS, and MCI are directed to cooperate with our staff in the collection and compilation of the information our staff deems necessary to address our concerns relative to the pricing differences that exist between ESSX and the various offerings that compete with it.

Our decision herein also approves that portion of Southern Bell's tariff offering that requested that it be allowed to issue a credit to the Federal Communications Commission (FCC) mandated subscriber line charge (SLC) to offset the impact of this charge to ESSX customers. The effect of Southern Bell's SLC credit will be to establish an equitable pricing comparison between ESSX Network Access Registers and PBX trunks.

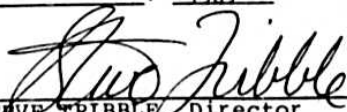
Therefore, based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Southern Bell Telephone and Telegraph Company's proposed revisions to its General Subscriber Services Tariff that introduces new features for its Digital ESSX Service and provides structural changes to both its ESSX Service and Digital ESSX Service are approved to the extent outlined in the body of this Order. It is further

ORDERED that Southern Bell, AT&T Information Systems, Inc., and MCI Telecommunications Corporation, submit to our staff the data it requires to develop information relative to cost differences that exist between the ESSX offering and competitive offerings, such as the PBX system, and that the companies provide any other information our staff deems necessary. It is further

ORDERED that this docket remain open pending the presentation of the information we have requested.

By ORDER of the Florida Public Service Commission,
this 4th day of MAY, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF 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 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 of 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.