

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: REQUEST BY AT&T COMMUNICATIONS)	DOCKET NO. 890634-TI
OF THE SOUTHERN STATES FOR APPROVAL OF)	ORDER NO. 21628
ITS REQUEST TO REMOVE THE \$70 PER LINE)	ISSUED: 7-28-89
MINIMUM MONTHLY CHARGE ON WATS)	

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING AT&T'S REQUEST TO REMOVE
 THE MINIMUM MONTHLY W.A.T.S LINE CHARGE

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ELIMINATING THE REQUIRED MINIMUM WATS
 CHARGE FOR LOCAL EXCHANGE COMPANIES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed in Section II of this Order 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.

SECTION I - Order Approving AT&T'S Request to Remove the
 Minimum Monthly WATS Line Charge

On May 1, 1989 ATT-C filed a tariff requesting to make minor textual changes to its WATS tariff and to remove the \$70 minimum usage charge ordered by this Commission in 1985 when ATT-C and the Local Exchange Companies introduced their separate WATS tariff offerings. In Order No. 14621 we imposed

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a \$100 minimum usage charge on WATS, with \$70 on ATT-C's WATS service and \$30 on the LEC's WATS-like service. As we stated in that Order:

A purpose of the minimum usage charge was to prevent uneconomic use of the OUTWATS dedicated access line by deterring low volume users from migrating from MTS to OUTWATS. In addition, it appears that there are certain costs associated with OUTWATS such as recording and billing costs which are incurred and which are not recovered by the existing \$38 recurring monthly charge for dedicated access line charge, and which may not be recovered through low volume usage. The elimination of the minimum results in an under pricing of OUTWATS services that makes OUTWATS more attractive to low volume users, encourages migration from MTS to OUTWATS, and encourages an economically inefficient proliferation of dedicated access lines to low volume users.

Many of the characteristics of the toll market have changed since 1985 when this minimum charge was implemented. For example, the disparity between one minute of MTS and one minute of WATS has narrowed dramatically and there are now WATS-like services offered by ATT-C and its competitors marketed to small toll users, and these services do not have minimum usage charges. ATT-C states that since 1984 it has experienced a decline in its WATS market. In contrast, ATT-C's MTS minutes of use has continued to grow since 1984 despite ATT-C's loss in market share.

Over the past few years ATT-C has reduced its MTS rates such that the disparity between MTS and WATS is decreasing, resulting in less incentive for customers to move from MTS to WATS. For example, in 1985 the WATS rate for the 0-10 hour block (which is the relevant block for low usage customers) was \$.3325 per minute for daytime use, while the average MTS rate per minute was \$.4533 for daytime use, a difference of \$.1208. Currently, the first taper in WATS is \$.2350 a minute compared with the MTS average rate per minute of \$.2866, a difference of only \$.0516.

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In order for a customer to purchase WATS from ATT-C that customer must first acquire a dedicated WATS access line from the LECs. The charge for this line is \$38 per month; thus, the WATS customer has a monthly up front charge that MTS customers do not. The \$38 WATS access line charge is separate from the \$70 minimum usage charge. Thus, if a WATS customer only used one hour of WATS, his bill for that month would be \$38 plus \$70 or \$108. That \$38 charge alone represents over two (2) hours of MTS service in the highest rate band.

In addition, the difference between the MTS rates for each mileage band is decreasing: in 1985 there was a \$.43 difference in initial rates from the first to the last mileage band of MTS, and a \$.34 difference in additional periods. Now, the differences in the initial period rates from the first to the last band is \$.19 and the additional periods differ by only \$.17. Thus, even the longer distance callers would not receive as great an advantage by migrating to WATS.

Finally, ATT-C provided support documentation showing that all costs will be covered with as little as one hour of WATS usage, if the minimum usage charge is removed.

Based on the foregoing, we find that AT&T's request to drop this minimum line charge should be granted.

SECTION II - Elimination of the Required Minimum WATS Line Charge for Local Exchange Companies

LECs do not have the same competitive incentive to remove the WATS minimum usage charge that ATT-C does, since the LECs have a monopoly on the provision of intraEAEA toll service. The only type of competition the LECs face for WATS is resold WATS. It appeared in the responses from the LECs' data request that the majority did not need the minimum usage charge to cover costs, however, they were not anxious to lose this source of revenue.

Eliminating the minimum usage charge will have little revenue impact on the LECs. For example the revenue impact on Southern Bell and United would be an annual loss of revenue of \$133,641 and \$54,000, respectively. This amounts to less than one basis point (.01) of equity. Additionally, with the

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removal of the minimum usage charge, the LECs, other than Southern Bell, only stand to lose \$13.50 a month per customer (that pays the minimum usage charge).

We initiated this charge to insure that the LECs were recovering recording, billing and collection costs. The two LECs that expressed a concern that the WATS rates may not cover costs, Indiantown and Northeast, cited high loop costs and little to no usage revenue contribution as their reasons. We do not believe that this minimum usage charge should remain in place statewide because two small LECs with few WATS customers have high loop costs. The majority of WATS customers are in SBT, GTEFL, Centel, and United's territories and those that responded indicated that they were covering costs.

We, therefore find that the required minimum WATS line charge for Local Exchange Companies should be eliminated.

Based on the foregoing, it is hereby

ORDERED that ATT-C's filing to make textual changes and eliminate its minimum monthly WATS usage charge is approved. It is further

ORDERED that the required \$30 LEC minimum usage charge is eliminated effective upon the passing of the period allowed for protest of this proposed action.

By ORDER of the Florida Public Service Commission
this 28th day of JULY, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JSR

by: Kay Flynn
Chief, Bureau of Records

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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.

The action proposed in Section II of this Order 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 August 18, 1989. In the absence of such a petition, this order shall become effective August 21, 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 this order becomes final and effective on August 21, 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.