

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff filing by Southern) DOCKET NO. 891374-TL
 Bell Telephone and Telegraph Company for)
 a trial of the market reach plan in the) ORDER NO. 22799
 Lake Mary Wire Center of the Sanford)
 Exchange (T-89-597 filed November 29, 1989) ISSUED: 4-11-90
 and T-89-622 filed December 14, 1989).)
 _____)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING EXPERIMENTAL MARKET REACH TARIFF

BY THE COMMISSION:

On November 29, 1989, Southern Bell Telephone and Telegraph Company (Bell) proposed revisions to its general subscriber services tariff for an experimental trial of the Market Reach plan (Market Reach) in the Lake Mary Wire Center of the Sanford exchange (Lake Mary). In a complimentary filing, on December 14, 1989, Bell proposed additional revisions to its general subscriber tariffs to allow the sale of ESSX Service with measured network access registers in Lake Mary.

Market Reach is a LATA-wide calling plan which will expand the current local calling area of the Lake Mary subscribers to include Orlando for seven digit outgoing calls and decrease their intraLATA long distance rates. This plan will mandate local measured service (LMS) for all business subscribers. Residential subscribers will have the option of subscribing to LMS or retaining their current service. The plan also provides business customers with options to further expand their market coverage. Market Reach is a proposed two-year trial.

Bell has offered two additional options for Market Reach. Option A, a special incoming option for receiving calls from Orlando, proposes to provide Market Reach customers with a local Orlando telephone number such that calls to that Orlando

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number will be forwarded to the Lake Mary Market Reach customers. This would allow the Lake Mary customers to receive calls from the Orlando local calling area at no cost to the calling party. These calls will be billed to the Market Reach plan customers at the proposed Sanford-to-Orlando usage rate. Option B, for incoming calls within Bell's long distance calling zone, allows a Market Reach plan customer to pay for all noncoin originated, DDD, intraLATA toll calls received from other Bell exchanges at a 50% discount on the existing toll rates plus a fixed monthly charge for the option. A Market Reach subscriber could choose either or both of these options.

Bell estimates that the yearly gross revenue impact of this plan would be a \$127,800 loss. This estimate was based on the existing 1418 residential and 338 business account customers' calling patterns. Of the 1418 residential customers eligible, 900 customers could save with Market Reach and the company projected that 217 of those customers would choose the plan. Since the proposed Market Reach plan would be mandatory for businesses, all 338 such accounts were included. Applying the estimated incremental costs for total switched investment, yearly planning, engineering and implementation that would be associated with the experimental trial, Bell anticipates that there will be an additional \$120,800 cost for the two-year period. As a result, the total gross cost for the two-year experimental period is estimated to be \$255,600.

In support of the plan, Bell argues that the LATA-wide plan helps respond to customer requests for expanded local calling areas and is in line with the recent movement of intraLATA toll rates towards cost. A discount on outgoing calls to the entire LATA is included as part of the basic Market Reach plan in order to make it more attractive. Market Reach plan customers would have all their outgoing local calls billed on a usage sensitive basis, with a cap for subscribing residence customers and a volume usage discount for business customers. Bell states that the plan was designed to provide the Lake Mary business customers with an opportunity to expand their market coverage and to permit a trial of mandatory local measured service with expanded calling options for business accounts.

According to the Company, the Lake Mary Wire Center was chosen for several reasons. First, customers requested an extended calling plan which allows discounted toll to further

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points in the LATA due to the proximity to Orlando's market area. Second, the customers wanted a better discount than Southern Bell's current OEAS plan providers. Further, Bell has worked more closely with these customers because of the ISDN and fiber-to-the-home trials in Heathrow. Finally, the small size of Lake Mary provides for a trial that is easily monitored. Bell says that the Sanford exchange was chosen for this experiment because it is not considered a seasonal exchange and should encounter less demand fluctuation. Bell states that no central offices besides Lake Mary were chosen because the additional facilities costs associated with equipping every central office in the LATA to provide the new plan would be too costly.

We note that Market Reach will supersede the current Enhanced Optional Extended Area Service (OEAS) plan for the Sanford exchange. The current OEAS options will not be available to business customers served by the Lake Mary wire center. Residential customers of the Lake Mary Central Office subscribing to OEAS to the Geneva, Oviedo and Winter Park exchanges will have the option of OEAS or Market Reach.

Bell states that due to the company's billing system limitations, the residential Market Reach calls to Geneva, Oviedo, and Winter Park must be rated at the 0-10 mileage band MTS rates instead of the current 11-22 mileage band MTS rates. Bell also states that since the drop-back option would only appeal to customers with few, if any, local calls outside their home exchange, the revenue impact of this revision would be negligible. This change to toll call rating will appear to make the Local Measured Service plan more attractive to the consumer since the rates will be dropped back a band.

Bell provided ballots to each Lake Mary business customer to explain the proposed Market Reach plan. Each business customer was also given a comparison bill to show the difference between his current bill and the proposed Market Reach Rates. Bell states that the bill comparisons showed that, out of 338 business accounts, 243 accounts are projected to save and 95 accounts are projected to lose. The ballots allowed the customer to indicate their preference for or against the plan. The ballots were addressed to the independent accounting firm of Peat, Marwick and Mitchell. Because the Market Reach plan is optional for residential customers, Bell did not provide ballots to those customers. Of

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the 197 business customers balloted, 135 ballots were returned, with 123 for, 11 against and 1 indicating no preference.

The proposed tariffs raise certain concerns including: whether LATA-wide reduced toll rates will cover relevant access charges, whether the plan should have increased the number of individual network features available. In addition, the plan did not explain the purposes of the trial or the standards of evaluation of the trial. Moreover, the plan provides for usage sensitive billing in a situation where there is a high percentage of nontraffic sensitive costs. Because the plan projects a loss of \$255,600, it appears that the company would not be able to implement a similar plan on a statewide basis. Further, the Company did not initially explain why payphone providers and shared tenant service providers are not allowed to subscribe to Market Reach.

In response, Bell stated that it did not go farther towards unbundling in this experimental tariff because it would complicate the test. Bell stated that the prices were below aggregated access costs because the projections were based on an expected reduction in access charges. Therefore, the problem is primarily a problem with timing. Finally, Bell states that the purpose of this trial is to generally investigate the viability of this LMS offering.

Bell plans to measure the success of the plan by customer response. This will include analyzing customer usage, customer reaction to the plan, call stimulation or repression, accuracy of estimated lost revenues, percent development for the residential market, percent development for the incoming options, and the impact of the plan on switching and facilities equipment. Further, Bell states that, depending upon the results, it may expand the plan's availability to other exchanges.

Notwithstanding our above stated concerns, we find that Southern Bell's Market Reach trial should be approved. We also note that this is an experimental proposal. The majority of the customers for whom LMS will be mandatory voted in favor of the experimental tariff. This approval is subject to the condition that Bell submit a plan for evaluating the success of the trial within two weeks of the date of this order. The final approval of this tariff is expressly conditioned upon approval of the aforementioned plan by this Commission.

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Based on the foregoing, it is hereby,

ORDERED that Southern Bell's proposed tariff for a trial of the Market Reach Plan in the Lake Mary wire center of the Sanford Exchange is approved as set forth in the body of this Order. It is further

ORDERED that Southern Bell shall submit a proposed plan for evaluating the success of this experimental tariff within two weeks of the date of this Order as set forth in the body of this Order. It is further

ORDERED that this Docket shall remain open pending approval of an evaluation plan.

By ORDER of the Florida Public Service Commission,
this 11th day of April, 1990.



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

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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.