

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff filing to introduce central)
 office local area network service by SOUTHERN BELL)
 TELEPHONE AND TELEGRAPH COMPANY.)
)

DOCKET NO. 900514-TL
 ORDER NO. 23431
 ISSUED: 9-5-90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

ORDER APPROVING TARIFF FILINGS

BY THE COMMISSION:

On May 14, 1990, Southern Bell Telephone and Telegraph Company (Southern Bell) proposed revisions to its General Services Subscribers Tariff to introduce Central Office Local Area Network (C.O. LAN) Service. C.O. LAN Service provides data transport and switching service that offers data communications via a central office data switch. Typically a LAN is a small network within an office which uses one file server to access data bases. Service workstations are connected to the LAN with all relevant peripherals such as modems and printers. C.O. LAN Service provides the customer with capabilities similar to a premises LAN at a reduced cost since the LAN is located in the Telephone Company's Central office. Therefore, the customer does not have to purchase his own equipment but can access Southern Bell's network via voice/data multiplexers.

C.O. LAN Service is a new offering for customers currently subscribing to ESSX Service, or to business and residence customer served from a specially equipped digital central office. In order to subscribe to C.O. LAN the central office must have an AT&T Data-Kit to have compatibility with the customer's premises. Plug-in cards (TY12 or TMS8) are also required and are provided at the C.O. on a demand basis when a customer is connected. These cards allow the end-user to interface with the network located in the central office.

In this filing, Southern Bell used a forward looking incremental cost methodology to develop the C.O. LAN cost study results. The term forward looking indicates that the study is based on future price levels for labor, capital equipment, materials, as well as future technologies. Incremental costs are the direct result of providing the service to a customer. The

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incremental costs include both the capital costs and the operating expenses associated with C.O. LAN Service.

This method is appropriate because the incremental costs are the relevant costs for this decision since they apply to the pricing decision and do not affect costs that are not affected as a result of the decision. Furthermore, since all services with prices set above their incremental cost will not affect other service rates, but will make a contribution to the common and joint costs. In Southern Bell's cost/price comparison, some features showed a higher contribution than others. Pricing for individual features was market based. The net effect of the pricing methodology was a 10% contribution for all the features combined with a contribution range of 5% to 67% with a cost of capital of 13% (cost of debt at 38% and cost of equity at 62%). We believe that no cross subsidy will occur because the additional revenues produced exceed all additional costs. This is consistent with the newly adopted section 364.338(3)(6)(2), Florida Statutes which states "Competitive services provided by local exchange telecommunications companies...shall require that the competitive service be provided pursuant to such safe guards necessary to ensure that the rates for monopoly services do not subsidize competitive services." For this filing, a forward looking incremental cost methodology is appropriate to reflect the future price levels for labor, capital equipment, and materials as well as the cost and expenses of providing the new service.

Due to the potential competition posed to C.O. LAN by PBX services, our Staff reviewed the revenue forecasts and costs at Southern Bell's Office. This review found the cost study acceptable with the proposed rates covering cost with a contribution to common and joint costs. We accept this finding.

Revenue/Customer Impact

Because this is a new service, Southern Bell does not have any customers subscribing to C.O. LAN. Therefore, the customer impact is merely the new rates set forth in the tariff. The four year estimated gross revenue is as follows:

Gross Revenue

First year	\$ 71,150.50
Second year	141,834.01
Third year	226,069.04
Fourth year	277,154.02

A premises LAN, as discussed earlier, has similar features to, C.O. LAN. The main difference is that one network is located on the customers premises

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and the other is located in Southern Bell's central office which the customer accesses. Currently there are ten central offices equipped to provide C.O. LAN Service. The company anticipates by year-end 1990 to have a total of sixteen central offices equipped and by year-end 1991 to have eighteen central offices equipped.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Southern Bell Telephone and Telegraph Company's proposed revision to its general services subscribers tariff to introduce Central Office Local Area Network (C.O. LAN) Service is hereby approved. It is further

ORDERED that this docket is hereby closed.

By ORDER of the Florida Public Service Commission, this 5th day of SEPTEMBER, 1990.


STEVE TRIBBLE, Director
Division of Records and Reporting

(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

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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.