

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of SOUTHERN BELL)	DOCKET NO. 880069-TL
TELEPHONE AND TELEGRAPH COMPANY for)	ORDER NO. 23628
rate stabilization)	ISSUED: 10-16-90
)	

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 REDUCING SOUTHERN BELL'S BHMOC RATE
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING CERTAIN LEC'S BHMOC RATES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed in Section III 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.

I. INTRODUCTION

By Order No. 20162, issued October 13, 1988, the Commission implemented a rate stabilization and incentive regulation plan for Southern Bell Telephone and Telegraph Company (Southern Bell). In conjunction with the incentive regulation plan we also reset the Company's authorized range of earnings as well as certain rates. As part of the review of Southern Bell we reserved \$147,743,082 of Southern Bell's 1990 earnings for later disposition subject to the results of Southern Bell's next depreciation represcription.

By Order No. 23132, issued June 29, 1990, in Docket No. 890256-TL, we prescribed new depreciation rates for Southern Bell. The new rates increase depreciation expense for 1990 by approximately \$119.5 million. This amount does not include the offsetting reduction in revenue requirements resulting from the decrease in rate base. Therefore, at a minimum, there is approximately \$28,234,082 (\$147,743,082 - \$119,509,000) that is now subject to further disposition in accordance with Order No. 20162. The reduced revenue requirements resulting from the decrease in rate base should increase the amount to be disposed of for 1990 by

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approximately \$9 million. We note that Motions for Reconsideration of Order No. 23132 are currently pending. However, these motions are seeking a lower level of depreciation expense and will not affect the amount subject to disposition discussed above.

II. REDUCTION OF SOUTHERN BELL'S BHMOC

The Busy Hour Minute of Capacity Charge (BHMOC) is one of several individual rate elements that together constitute our intrastate switched access charges. It is this rate element that has been targeted historically targeted for reduction in the event access charges are reduced. In resetting certain of Southern Bell's rates as part of the rate stabilization proceedings, we reduced Southern Bell's Busy Hour Minutes of Capacity Charge (BHMOC) rate from \$6.60 to \$1.37. In view of our concern regarding the current disparity between interstate switched access charges and Florida's intrastate switched access charges it has been proposed by our Staff that we utilize some of the revenues described above to further reduce Southern Bell's BHMOC rate.

Southern Bell does not oppose access reductions; however it argues that the revenues available for reductions should be used to reduce both the Company's toll rates and access rates. Southern Bell contends that the existing pricing relationship between its access rates and its toll rates should be maintained. AT&T Communications of the States Inc. argues that any reductions should be to access charges.

Upon consideration we find it appropriate to reduce only Southern Bell's BHMOC. BHMOC reductions will reduce the disparity between inter- and intrastate access charges. This will help clear the way for lower intrastate toll rates. ATT-C will, as it has committed in the past, flow through the reductions to its rates. We expect the other IXCs to lower their rates because of competitive pressures. We note Southern Bell's concern regarding its toll rates. We will defer that issue to our review of Southern Bell's rate stabilization plan currently scheduled for later this year.

In accordance with our decision here, effective October 1, 1990, Southern Bell shall reduce its BHMOC from \$1.37 to \$0.14. Based on Southern Bell's original budget for 1990, upon which rates are currently set, this reduction will dispose of \$18,620,000 annually. In addition to the reduction discussed above we note

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that, as a result of our decision in Docket No. 880812-TP, on October 1, 1990, there will be a net increase in access charges due to changes made to our access rates and structure. These increases are to be offset by an equivalent decrease in each LEC's BHMOC rate. Southern Bell's increased access charges will lead to a reduction of \$.14 in its BHMOC rate. The cumulative effect of these two actions is that on October 1, 1990, Southern Bell's BHMOC should be reduced to zero. Southern Bell shall file tariffs consistent with our decision discussed above within fifteen (15) days of the date of this Order.

III. REDUCTION OF CERTAIN LEC'S BHMOC RATES

Under our intraLATA LEC toll bill and keep plan the LEC originating an intraLATA interLEC toll call bills its applicable toll rate and keeps the toll revenue from the call. In addition, the originating LEC must also pay terminating access charges to the terminating LEC. Alltel, Centel, Florala, Indiantown, Northeast, Quincy, Southland, St. Joseph, United and Vista-United each pay and receive BHMOC related revenue to and from Southern Bell. Only GTE Florida and Gulf do not pay and receive access charges to or from Southern Bell. The reduction in Southern Bell's BHMOC rate will result in less terminating access expense for all LECs other than GTE Florida and Gulf. In order to avoid a windfall to these LECs it appears appropriate to reduce the BHMOC rates of these LECs to offset the expense savings. We note, however, that both Southland and Florala are both currently earning well below the floor of their respective allowed range of earnings. Accordingly, we find that Alltel, Centel, Indiantown, Northeast, Quincy, St. Joseph, United and Vista-United shall reduce their respective BHMOC rates commensurate with the terminating access charge expense reductions they will each receive as a result of Southern Bell's BHMOC reduction. These BHMOC reductions shall take effect on October 1, 1990, in order to coincide with the access charge changes made in Docket No. 880812-TP. Because of Florala's and Southland's earnings situations they will not be required to reduce their BHMOC rates.

The specific BHMOC rate reductions for each effected LEC are as follows:

Alltel	- \$.28	Quincy	- \$.07
Centel	- \$.06	St. Joseph	- \$.20
Indiantown	- \$1.90	United	- \$.07
Northeast	- \$1.37	Vista-United	- \$.05

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The data used to derive the specific BHMOC rate changes is drawn from the evidentiary record in the Toll Monopoly proceedings in Docket No. 880812-TP. It will be administratively easier for all concerned if the rate reductions discussed herein and those stemming from the TMA proceeding coincide.

Based on the foregoing, it is


ORDERED by the Florida Public Service Commission that Southern Bell Telephone and Telegraph Company shall reduce its BHMOC rate as set forth in the body of this Order. It is further

ORDERED that Alltel Florida, Inc.; Central Telephone Company of Florida; Indiantown Telephone System, Inc.; Northeast Florida Telephone Company; Quincy Telephone Company; St. Joseph Telephone and Telegraph Company; United Telephone Company of Florida and Vista-United Telecommunications shall reduce their respective BHMOC rates as set forth in the body of this Order. It is further

ORDERED that a protest by an affected LEC of the reduction proposed in Section III of this Order will not affect this Order becoming effective for the remaining LECs that do not protest.

ORDERED that this Docket remain open.

By ORDER of the Florida Public Service Commission, this
16th day of OCTOBER, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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.

As identified in the body of this order, our action in Section III 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 November 6, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date 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 the action in Section III of this Order becomes final and effective on the date described above, 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.

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Any party adversely affected by the Commission's final action in Section II of this Order 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.