BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Restructure and repricing of intraLATA foreign exchange service for local exchange telephone companies.	DOCKET NO. 910612-TL ORDER NO. 25120 ISSUED: 09/26/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
MICHAEL McK. WILSON

ORDER APPROVING SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY AND UNITED TELEPHONE COMPANY OF FLORIDA'S TARIFF FILINGS TO RESTRUCTURE AND REPRICE THE SWITCHED PORTION OF THEIR FOREIGN EXCHANGE SERVICE AND DENYING GTE FLORIDA, INC.'S TARIFF FILING TO RESTRUCTURE AND REPRICE BOTH THE DEDICATED AND SWITCHED PORTION OF ITS FOREIGN EXCHANGE SERVICE

BY THE COMMISSION:

I. Background

Foreign Exchange (FX) service is an exchange service provided from an exchange other than the one from which a subscriber would normally be served. FX services are generally used by a customer to obtain a more beneficial calling area or to make a local number available to customers in a foreign locality, thereby eliminating a toll charge. Also, FX services may be used to identify business with a foreign locality and/or to allow a customer to retain the same telephone number at a new location.

The basic rate structure for this service is divided into two segments, the closed and the open end. The closed end is the dedicated portion of the service from the subscriber's premises to the foreign dial tone office. The open end is the dial-tone end of the FX service where network switching of calls occurs. IntraLATA FX service is a mixed service in that it contains both dedicated and switched service features. The dedicated portion of the service is currently pooled with other interexchange private line revenues in the intraLATA private line pool.

By Order No. 24850, issued July 25, 1991, this Commission approved the first phase of the intraLATA FX restructure which restructured and repriced the dedicated portion of FX and Foreign Central Office (FCO) services to a wire center from a rate center mileage measurement methodology. This eliminated disparities which currently exist between the Private Line Service Tariff and the dedicated portion of the FX and FCO Service Tariffs as a result of the Private Line restructure recently approved by this Commission in Docket No. 890505-TL.

In Docket No. 820537-TP, this Commission approved a restructure and repricing of interLATA FX services. This restructure included the elimination of the flat rate at the open end and replaced it with usage sensitive Feature Group A (FG A) charges. Before this restructure both interLATA and intraLATA FX customers paid the same rates and charges. With the restructure of interLATA FX the services had completely differing structures and rates. However, interLATA and intraLATA FX services are technically the same service and, therefore, we find it appropriate that they be similarly structured. It is for this reason that we have encouraged Southern Bell to submit a tariff such as this to restructure and reprice intraLATA FX service.

II. Southern Bell's Tariff

On June 5, 1991 Southern Bell filed tariff revisions to restructure and reprice the switched, or open end, portion of its intraLATA FX service. We approved Southern Bell's restructure of the dedicated portion of its intraLATA FX by Order No. 24850. This effectively restructured the closed end of all the Florida LECs' intraLATA FX service since all the companies concur with Southern Bell. Southern Bell stated that the restructure of the dedicated portion of intraLATA FX service would decrease revenues by $9.5 million during the initial year of implementation. The implementation of the restructure of the closed end and the open end shall occur at the same time.

FX service is in the declining phase of its product cycle, averaging a loss of approximately 1% of in-service lines each month over the past two years. Conversely, FCO has grown at an average rate of ½% per month over the past two years. Southern Bell anticipates that the FX market will continue to decline approximately 1% per month and FCO will continue to grow approximately ½% per month. The FX decline is due to customers moving to alternative services and the implementation of extended area service.

Southern Bell proposes to restructure the switched portion of its FX service from a flat to a usage sensitive rate structure. The proposed tariff structure includes the following components:

A) An exchange access recurring and nonrecurring rate element for dial tone at the foreign office;

B) Initial and additional minutes of use charges for all calls originated by the FX subscriber (outward) to the foreign exchange (capped at 938 minutes of use for the first two years);

C) A Usage Cap of 938 minutes of use (MOU) not to exceed $63.00 for originating traffic for two years;

D) Reduced nonrecurring rates; and

E) Grandfathered contract services at present rates.

The proposed rates are:

	NRC	Monthly Rate
Exchange Access	$19.50	$45.00
	Initial Minute	Each add'l minute
Usage charges (Originating Usage)	$ .08	$ .06

Usage charges are applied for the first 938 minutes of usage not to exceed $63.00. Southern Bell conducted subscriber line usage studies to determine the appropriate cap. Based on the study, approximately 80% of intraLATA FX customers fall below the usage cap. While the remaining 20% of these customers have usage which may exceed 10,000 MOU per month. Southern Bell proposes that the rate cap be in place for two years to give customers some experience with the usage rates. After the two year cap is lifted, the rates for high volume users will increase if the majority of the customers' traffic is outward.

The exchange access nonrecurring rate element takes the place of the service connection charges applied under the current tariff. The $19.50 rate is the rate currently charged for central office connection charges located in Section A4 of the General Subscriber tariff. Applying only this charge for nonrecurring charges will decrease nonrecurring charges for intraLATA FX services approximately 10%.

The Company developed the rates for the originating usage charges using a three minute call standard as the assumed duration of an FX call and FG A access charges, also based on customer usage studies. The initial minute and additional minute structure is used because it is similar to other comparable toll offerings, such as remote call forwarding, or WATS.

Southern Bell does not propose to measure terminating usage due to technical limitations. The Company stated that it is currently unable to measure terminating traffic and thus has proposed a surrogate in its place. The exchange access rate element, priced at $45.00, will be the surrogate and is intended to maintain the revenue neutrality of the proposal.

The restructure of the dedicated portion of FX and FCO services is expected to result in an estimated loss of $9.5 million for Southern Bell during the initial year of implementation. The Southern Bell proposal to restructure and reprice the switched portion is expected to increase revenue $9.5 million. Therefore, this has resulted in a revenue neutral filing.

To determine the customer impact of the proposed open end restructure, both phases of the restructure must be considered. The proposals involve significant rate and structural changes and the calculation of an average percentage change for a customer is difficult. Some customers will experience rate reductions while others will experience rate increases. Southern Bell states that with the usage cap in place, based on an average interoffice channel of 19 miles, the highest average increase would be 26%. A customer's bill would be higher or lower depending on the length of the interoffice channel and the level of usage, as well as the class of service associated with the FX, such as 1FB, PBX trunk, and ESSX.

Southern Bell also proposes to grandfather those customers who have contract services, such as MegaLink channel services or LightGate service, which are in effect at the time of the approval of the filing, until the contract expires. Southern Bell believes that this, along with the usage cap, should allow FX customers sufficient time to reassess their communications needs in light of the FX restructure and repricing.

With the approval of this proposal, we believe that the question of intraLATA FX restructure for Southern Bell will be resolved. This will reduce customer confusion between the tariffs and greatly simplify the administration of the offerings. Additionally, with the restructure of the dedicated portion of its FX Service, Southern Bell will be able to meet point bill with the other LECs, thereby facilitating the elimination of the Private Line Pool.

The Company has indicated that customers overall will receive only minimal rate increases with the implementation of usage sensitive rates on the open end when the dedicated restructure is also taken into account. Southern Bell is also phasing in the usage rates with a rate cap for the initial two years of the restructure. We find the two year phase-in rate cap is appropriate. Southern Bell also shall provide the customers with detailed information six months prior to the usage cap being lifted. The rate cap shall be eliminated on February 6, 1994. This will allow customers to evaluate the restructure and determine if they should seek an alternative service before the cap is eliminated.

The Company has also provided grandfathering provisions for customers who are currently under contract rates. Services such as MegaLink channel services and LightGate service may include FX service as part of the channel services. These services are usually provided under long term contracts lasting three to seven years. Southern Bell proposes to continue charging these customers the rates noted in their contracts for the duration of the contracts. When the contracts expire the new FX rates and structure would then be applied. We believe that grandfathering will allow these customers additional time to determine if they should retain the FX service.

Southern Bell believes that with the approval of Phase 2, along with already approved Phase 1, the Company will be able to properly price FX service relative to its use and its relationship to various service alternatives. The Company states that it has designed the restructuring of the open and closed ends together to result in a more equitable and uniform rate structure for services offered. The restructure will also allow the elimination of the Private Line Pool.

III. United's Tariff

On July 18, 1991, United Telephone Company of Florida (United) filed tariff revisions to restructure and reprice the switched portion of its intraLATA FX service. United's proposal uses a rate structure and rates similar to Southern Bell's proposal. United intends to continue to provide FX service in the same fashion as Southern Bell. One significant difference is that United will impose measured usage charges on terminating FX traffic.

United's proposal for the open end of FX service involves changing the structure to that of interLATA FX service. United, as most of the other LECS, does not offer a service called interLATA

FX; however, a customer can combine FG A switched access service, special access service, and a dedicated interLATA facility to effectively achieve interLATA FX service.

United proposes the following rates for inward and outward per minute usage charges for the open end of FX service:

	Originating	Terminating
Carrier common line	$.0304	$.0382
Local Switching	.0098	.0098
Line Termination	.0079	.0079
Total	$.0481	$.0559

United states that the Company has excluded the Local Transport rate element because the local transport is already recovered in the closed end special access rates. The rates for local transport recover the cost of transporting a call from the interexchange company's (IXCs) point of presence (POP) to the serving wire center. The interoffice channel charges will recover this cost for intraLATA FX service. The Carrier Access Capacity or Busy Hour Minutes of Capacity charge (BHMOC) has also been excluded since that rate element is being phased out. United intends to modify its open end FX rates whenever the rate levels of its switched access components are changed.

United has also proposed a usage cap to lessen the initial customer impact. United has proposed a combined inward and outward maximum usage charge of $97.50 per line per month for a two year period. The $97.50 is based on the usage charges associated with the 938 inward minutes and 938 outward minutes of usage. The cap is the same that Southern Bell has proposed in its FX restructure. United states that the Company has insufficient data at this time to conclude that its intraLATA FX customers have significantly different usage characteristics from those of Southern Bell in order to warrant a different usage cap. We find that the cap levels are appropriate.

United has indicated that the closed end restructure will result in a revenue decrease of $1.6 million. The Company states that the open end restructure will result in a revenue increase of $1 million. United proposes to use any revenue increase as an offset to the decrease from the closed end restructure. The Company will, therefore, experience a net revenue decrease for the period of the rate usage caps. However, the Company's revenues should increase once the usage cap is lifted. In addition, United has also stated that the Company does not currently provide intraLATA FX service under any long term contract provisions. Therefore, the Company's tariff has omitted the grandfathering language used by Southern Bell. We find this to be appropriate.

We find United's is a sound proposal and takes into account customer impact and gives ample time for customers to adjust their services. United has stated that it can implement the tariff in the six-month time frame we have prescribed. Therefore, we find it appropriate to approve United's tariff proposal to restructure and reprice the open end of FX service. The Company's proposal is appropriate and follows this Commission's intended direction as given in the access charge Docket No. 820537-TP. In order to provide adequate notice to customers, the Company shall also provide detailed usage information six months prior to the rate cap being lifted.

IV. GTEFL's Tariff

On May 7, 1991, GTE Florida, Inc. (GTEFL) also filed tariff revisions to restructure and reprice its intraLATA FX service. We suspended the filing by Order No. 24850, issued July 25, 1991. GTEFL's filing differs from Southern Bell's in that it includes a restructure and repricing of both the switched and dedicated portion of its FX service. Moreover, GTEFL also proposes to impose FG A access charges on the open end of its FX circuits. This is contrary to the other LECs.

This tariff consists of the structure filed by Southern Bell for the closed end of the FX circuit and an originating and terminating usage charge equalling the existing FG A access rates for the open end of the service. The proposed tariff aligns the dedicated portion of FX with the Private Line rate structure we approved in Docket No. 890505-TL. The proposed rate structure for the open and closed segments is as follows:

Dedicated:

A) Local channel charge between a customer's premises and the serving wire center (SWC).

B) Interoffice Channel (IOC) charge between the customer's normal SWC and the dial-tone central office.

C) Bridging charge for each bridged local channel of a multipoint arrangement.

D) A nonrecurring charge applies for the installation of the service.

Switched:

A) FG A usage charges for all calls originated from and terminated to the foreign exchange line.

B) A service ordering charge applies for connection, move or change of service.

The rates used for the local channel, interoffice channel and bridging equipment charges in this tariff are identical to the approved rates in Southern Bell's Private Line tariff Section B3.4. GTEFL currently concurs with this Southern Bell tariff. The elements of the closed end of an FX circuit are technically identical to those used in conjunction with a voice grade private line circuit that were previously approved in Docket No. 890505-TL.

GTEFL believes it is appropriate to bill usage on the open end at FG A access rates. With the restructure of intrastate/interLATA FX service, FG A service has been used to provide the switched end of the service in the interLATA arena. According to GTEFL, this intraLATA tariff provides for a consistent, rational approach to pricing all FX or FX-equivalent services that it provides within the State of Florida.

GTEFL's proposed usage rate components are made up of the FG A usage charges including carrier common line access (CCL), local switching (LS), line termination and local transport. CCL recovers the cost for use of the Company's common lines by the end user to provide access to get to the IXC. The LS element provides cost recovery for the end office switching. The line termination rate element provides end user line termination in the end office. Finally, the local transport element provides for the transmission facilities between a customer's serving end office and the IXC's serving end office. The rates for these are as follows:

	Originating	Terminating
Carrier common line	$.0304	$.0382
Local Switching	.0098	.0098
Line Termination	.0079	.0079
Local Transport	.0160	.0160
Total	$.0641	$.0719

GTEFL proposes that the usage rates charged on the open end of its FX service be the rates outlined above, which are the same as those assessed interLATA FX customers. GTEFL states that the average FX customer will realize an increase in rates due to this new tariff, but GTEFL believes that this tariff structure with usage rates on the open end will appropriately recover the costs associated with providing the service based upon the individual usage levels of the customer. Since intraLATA FX service is something of a substitute for intraLATA toll, those customers with the currently highest volumes of usage are the ones who are realizing the greatest savings today by replacing the greatest volumes of toll with FX usage. It is these customers who are also likely to experience the greatest impact as a result of this change.

GTEFL further states that, with the introduction of Suncoast Preferred, its optional discount intraLATA toll plan, for both originating intraLATA toll calls and remote call-forwarded toll calls, some customers with relatively low volumes of FX usage may find intraLATA toll more economical and may disconnect their FXs.

GTEFL intends to offset the anticipated increase in revenues due to this tariff structure with a reduction in BHMOC charges. Upon approval and implementation of this tariff, GTEFL will monitor the actual total FX revenues and file, if necessary, an appropriate true up. Because of the potential repression of FX service due to restructuring, as well as the potential impact of the implementation of GTEFL's Extended Calling Service (ECS) tariff, GTEFL has proposed that any revenue offset take into account these factors. Much of GTEFL's intraLATA FX service is between St. Petersburg and Tampa and the ECS plan could have a dramatic impact if approved.

The rates used in this tariff filing utilize existing, already approved tariff rates from other sections of the tariff. For this reason, GTEFL did not provide additional cost support for the rates filed in its intraLATA FX tariff. The rates used for the local channel, interoffice channel and bridging equipment charges in this tariff are identical to the approved rates in Southern Bell's private line tariff, Section B3.4. GTEFL concurs with this Southern Bell tariff at this time. These elements of the closed end of an FX circuit are technically identical to those used in conjunction with a voice grade private line circuit that we have previously approved in Docket No. 890505-TL.

The FX usage rates are identical to the switched access charges paid for FG A usage. These rates are in Southern Bell's approved access tariff Sections E3 and E6. GTEFL currently concurs in Southern Bell's access tariff and filed these same rates in its recently submitted intrastate access tariff filing.

GTEFL suggests that the proposed changes would have the following revenue impacts:

Annual FX Revenues	Closed End	Open End	Total
Current Tariff	$9,274,281	$3,399,028	$12,673,309
Proposed Tariff	$6,934,081	$14,908,056	$21,842,137
Impact	($2,340,200)	$11,509,028	$ 9,168,828

The proposed usage revenues are calculated using assumed originating and terminating minutes of use based upon actual interLATA/intrastate FG A usage. These FG A circuits are used to provide the equivalent of interLATA FX service. We find that these revenue projections do not provide an adequate or fair representation of the impact. GTEFL has not performed any detailed analysis of the revenue effect of this filing. We believe that the usage data provided by Southern Bell could be used as a surrogate to determine a more appropriate revenue impact.

We have several concerns with GTEFL's proposed filing. First, the Company has proposed a massive increase in the rates of FX service without any indication that the Company has considered the affect on customers. The rates GTEFL has proposed for the open end will significantly affect customers. While this Commission indicated that the LECS should file tariffs with originating and terminating usage in our Access Charge investigation in Docket No. 820537-TP, the Company has not taken into account the major customer impact of just converting to usage rates. We believe that, with such proposed increases, the Company should have considered a phase-in approach to lessen customer impact and give customers time to make decisions on alternatives. We note that GTEFL could use the Southern Bell usage cap, as United has proposed, for both originating and terminating traffic.

GTEFL has proposed to include all the FG A access rates in the open end access rates for intraLATA FX service. We believe that, while the Company states that intra- and interLATA FX service is the same, an end user gets Equal Access Exchange Area (EAEA)-wide termination with interLATA FX, while the end user will only get the local calling scope of the exchange on the open end with intraLATA FX service. Therefore, we believe that there should be some consideration of the inclusion of all the FG A access charges for intraLATA FX. We believe the local transport rate should be excluded from the rate for intraLATA FX service. The local transport rate element provides for the transmission facilities between a customer's termination and the end office switch(es) where the end user's traffic is switched to originate or terminate. We believe that the dedicated rates cover this portion of the cost. The usage rates should then be reduced to $.0481 for originating and $.0559 for terminating. These are the same rates that United has proposed to charge for the open end.

With the use of rate caps and the lowering of the usage rates, GTEFL's revenue impact would be significantly reduced. If United's revenue impact is used as a guide, the revenue impact would then be closer to our goal of revenue neutrality. Therefore, we believe the result of implementing usage caps and lowering the rates would only be to increase GTEFL's open end revenue approximately $2.3 million. This would provide an offset to the $2.3 million decrease due to the restructure.

Finally, GTEFL has made no proposal on how to address customers with contract rates. We find it appropriate that GTEFL follow Southern Bell's lead and allow these customers to continue under contract rates until the term of the contract has expired. Along with the usage cap, this should allow sufficient time for FX customers to reassess their communications needs in light of the FX restructure and repricing.

Based on the foregoing, we find it appropriate to deny GTEFL's tariff proposal to restructure and reprice both the dedicated and switched portions of its FX service. Although we have no problems with GTEFL's dedicated restructure and repricing, we do have concerns with the proposed switching restructure and repricing. The rates GTEFL has proposed for the open end will cause significant customer impact. We believe the Company has not taken into account the major effect on customers of just converting to usage rates. With such proposed increases, the Company should have considered a phase-in approach to lessen customer impact and give customers time to make decisions on alternatives.

Therefore, we find it appropriate to require GTEFL to file a tariff that has the same rates and structure as United's proposal, including the usage caps for originating and terminating. Also, if GTEFL has any FX service provided under contract provisions similar to Southern Bell, the tariff shall include grandfathering language for these customers. The grandfathering provision should include any customers who currently have FX service provided on a long term basis, three to seven years. These customers should continue to be charged rates under the terms of the contract until the contract expires. If GTEFL has no customers under contract, then GTEFL should simply state that the Company does not provide intraLATA FX under these conditions. If GTEFL were to file a restructure that contained an appropriate usage cap, rates without the local transport portion of FG A charges with provisions for contract customers, we would certainly be disposed to look more favorably on it.

V. Other LECs Shall File Any Proposed Restructure of the Open End of FX Service by September 6, 1991

All of the LECS except for Southland and Vista-United have responded to a data request to all Florida LECs requesting information on the FX restructure. ALLTEL and St. Joe have indicated that they intend to file FX tariffs to restructure how the open end is rated. Since all LECs currently concur with Southern Bell's intraLATA FX services tariff, we find it appropriate that the companies file tariffs to clarify if their concurrence will continue or how they intend to rate the open end of their FX service.

ALLTEL and St. Joe have indicated that their tariffs are forthcoming and should be filed soon. So this restructure can be implemented in six months, all LECs shall have any proposed restructure filed with this Commission by September 6, 1991, with an effective date of February 10, 1992.

Adequate customer notification is essential for any proposed change in customer rates. In many cases, customer groups are small, well organized and have representation and are normally aware of a tariff filing that may affect their interests. However, at times, customers are left unaware of tariffs and are not able to have a representative keep track of this Commission's actions. With any major restructure of an existing service, it is imperative that customers be notified in a timely manner to reduce confusion and to allow the customers to have input into the decision making process.

The proposed intraLATA FX restructure will affect many differing consumer groups. Therefore, all Florida LECS shall notify all existing intraLATA FX customers that this proceeding is underway and could affect their monthly rates for FX service.

Customer specific notification of rate changes shall be initially completed no later than 60 days prior to implementation and then, subsequently, no later than 30 days prior to implementation. The customer specific separate notification shall indicate to the end user the full effect of the restructure on the end user.

United is the only company that has proposed a delayed implementation date for the restructure and repricing of its intraLATA FX service. Southern Bell stated that it intended for the restructure of the dedicated and the switched potions to occur at the same time. However, Southern Bell made no specific proposal for implementation. GTEFL's filing includes the restructure of both portions of the service with no mention of delayed implementation. We find a delayed implementation period is appropriate due to the major changes proposed.

The delayed implementation period shall be six months. This is adequate time to complete our investigation into the restructure of the switched portion of FX service and to provide customer notification. Therefore, the six months delayed implementation period shall end on February 10, 1992. The implementation will include the restructure of the dedicated and the switched portions of intraLATA FX service.

This docket shall remain open because of the outstanding issues still to be addressed. These items include the possibility of a protest to this Order. Therefore, this docket shall remain open.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Southern Bell Telephone and Telegraph Company's tariff filing to restructure and reprice the switched portion of its intraLATA Foreign Exchange Service is hereby approved. It is further

ORDERED that United Telephone Company of Florida's tariff filing to restructure and reprice the switched portion of its intraLATA Foreign Exchange Service is hereby approved. It is further

ORDERED that GTE Florida, Inc.'s tariff filing to restructure and reprice its intraLATA Foreign Exchange Service is hereby denied. It is further

ORDERED that all of the other local exchange companies shall file any proposed restructure of the open end of Foreign Exchange Service. It is further

ORDERED that customer specific notification shall be provided, initially, no later than 60 days prior to implementation and then again, subsequently, no later than 30 days prior to implementation. It is further

ORDERED that this docket shall remain open to address outstanding issues.

By ORDER of the Florida Public Service Commission, this 26th day of SEPTEMBER, 1991.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SFS

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 Commission's decision approving these tariffs is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 10/17/91.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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 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 date this Order becomes final, 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.