BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff filing by SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY to restructure and reprice Private Line and Special Access Services.	DOCKET NO. 890505-TL ORDER NO. 25582 ISSUED: 1/8/92

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY

NOTICE OF PROPOSED AGENCY ACTION
ORDER ADDRESSING REVENUE OFFSETS FOR
THE LOCAL EXCHANGE COMPANIES IN FLORIDA
RESULTING FROM PHASE II OF THE RESTRUCTURE AND
REPRICING OF PRIVATE LINE AND SPECIAL ACCESS SERVICES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. BACKGROUND

This Commission approved the rates and tariffs for the Private Line/Special Access Restructure by Order No. 23400. This Commission set forth a requirement that an additional proceeding be held to determine the appropriate offsets for the proposed increases in private line and special access rates. We ordered the Florida local exchange companies (LECs) to file information to assist us in the determination of the appropriate offsets.

By Order No. 24149, we approved Phase I revenue offsets for the LECs. Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) was the only company that expected a significant revenue increase during the first year of the restructure, or Phase I. The total amount of Southern Bell's expected revenue increase was $9,758,694. We approved revenue offsets of this amount. We also approved offsets to Carrier Common Line Switched Access Originating ($5,800,000), Digital Private Line Services nonrecurring charge waiver ($700,000), and reduction in PBX Touchtone to $1.00 per trunk per month ($3,258,694).

GTE Florida Incorporated (GTEFL) and United Telephone Company of Florida (United) anticipated Phase I revenue decreases and made revenue proposals to address such decreases. Specifically, GTEFL expected a revenue decrease of $2.3 million, and requested certain intraexchange rate increases to offset this decrease. This Commission denied GTEFL's proposed offsets, partly because the Company had previously experienced a revenue increase to billing and collection service rates which more than offset the revenue decrease expected from the restructure of Private Line Services. Meanwhile, United anticipated a $453,014 Phase I revenue decrease, and the Commission agreed to consider the decrease in the Company's then-pending earnings review proceeding. Likewise, Central Telephone Company of Florida's (Centel's) impact was addressed in its earnings review. Centel expected a small revenue increase. All other companies anticipated relatively minor increases or decreases in revenues, so no offsets for these companies were approved.

By Order No. 23400, we required that the approved Private Line/Special Access rates not be implemented until any necessary offsets are been implemented. Thus, Phase II rates will only become effective on January 16, 1992, contingent upon any Phase II offsets being implemented by that time.

II. SOUTHERN BELL'S PROPOSED REVENUE OFFSETS APPROVED

By Order No. 23400, we required Southern Bell to submit its proposed revenue offsets and projected revenue increase for Private Line/Special Access Services which the Company has recently for Phase II. Southern Bell's change in revenue for Phase II is projected to be an increase of $6,424,264. This figure is a summation of the changes in revenue for Private Line/Special Access Services, taking into account the impact of the interexchange private line pool settlements. The summation is shown below:

Private Line Services Revenue Increase:	$254,321
Special Access Services Revenue Increase:	$6,169,943
Private Line/Special Access Revenue Increase:	$6,424,264

These revenue increases are associated with the rate increases from Phase I to Phase II for Southern Bell Private Line/Special Access Services approved in this docket. The Private Line revenue increases are a result of Phase II rate increases for Telpak Services. The Special Access revenue increases are a result of Phase II increases to a wide range of Special Access Services, especially analog private line local channel and interoffice channel rate increases. The Company did not consider stimulation or repression of demand (units) in generating its data. We believe the projected level of revenue increases presented here is reasonable given the approved changes in structure and rates for Private Line/Special Access Services.

PRIVATE LINE / SPECIAL ACCESS OFFSETS		
Nonrecurring Charge Waiver, Digital Services:		($3,296,420)
SWITCHED ACCESS OFFSETS		
Reduction in Feature Group D Carrier Common Line Terminating Switched Access (from $.0382 per MOU to $.0363 per MOU):		($2,179,666)
SYNCHRONET SERVICE / DDAS OFFSETS		
Nonrecurring Rate Reductions	($396,572.00)	
Recurring Month-to-Month	($448,933.50)	
Recurring 3 Year Contracts	($123,221.15)	
Total Synchronet/DDAS Offsets		($ 968,787)
MEGALINK CHANNEL/LIGHTGATE SERVICE OFFSETS		
Recurring Month-to-Month	($ 21,204.00)	
Recurring Contract	($182,532.00)	
Total Megalink/Lightgate Service		($ 203,736)
TOTAL OFFSETS		
Total Reduction (exceeds the Company's projected 1991 revenue increase):		($6,648,608)

We have evaluated each proposed offset listed above with the same considerations utilized to evaluate the offsets we approved in Phase I. The largest revenue offset proposed is the revenue foregone as a result of the approved waiver of digital private line nonrecurring charges in 1991. In Phase I, the nonrecurring charge waivers for digital data services allowed analog customers to transfer their existing analog services to digital services without incurring the penalty of large nonrecurring charges. Our approval to extend the nonrecurring charge waiver to July 11, 1991, by Order No. 20489, resulted in an additional $3,296,420 in waived revenue. We recognized a $700,000 revenue offsets in Phase I related to nonrecurring charge waivers. A comparison of Phase I and Phase II waiver amounts indicates that many customers made the switch from analog to digital services during the extended waiver period (Phase II). The Company reports that many analog customers waited until the final weeks of the most recent waiver schedule before making their service change requests for digital service, since it was to their economic advantage to keep Phase I analog rates as long as possible and since these customers were not expecting an extension of the waiver. We agree that the nonrecurring revenue waiver amount should qualify as a revenue offset in the current Phase II revenue offsets, and that the waiver amount reported by the Company appears reasonable.

The second-largest revenue offset proposed by Southern Bell would be applied to switched access charges - specifically, Feature Group D (FGD) Carrier Common Line (CCL) Terminating Access Rate. The Company proposes a reduction in the charge for this rate element. The current terminating access rate per minute of $.0382 would be reduced to $.0366. The Company's current FGD CCL Originating Access Rate is $.0262 per minute. Based on projected 1991 FGD CCL Terminating demand projections, the proposed CCL Terminating Access rate change would result in a $2,176,666 reduction in CCL Terminating Access revenues. The Company did not propose reductions in CCL Terminating for inferior types of access Feature Groups A and B since it is trying to increase incentives for customers to abandon inferior access alternatives.

We favor switched access rate reductions as a means of offsetting private line revenue increases for three reasons. First, the restructuring and repricing of Southern Bell's Private Line/Special Access Services was undertaken in part to encourage current private line and special access customers who could be served equally well with a switched service to transfer to such a service, thereby creating a more efficient use of the switched network. When reductions in CCL rates are passed through to the end user by the IXCs, decreasing the rates for switched services creates an incentive for customers to replace dedicated services to switched services. A second reason for reducing the switched access rates is to prevent uneconomic bypass of the switched network. Finally, the third reason for reducing the switched access rates is, the favorable impact that such reductions would have on end users MTS, WATS, and 800 rates. This CCL rate reduction would benefit a broad spectrum of network users if such reductions were passed through to end users, including MTS, WATS, and 800 customers. Since ATT-C has been ordered to pass on all access reductions, and other IXCs tend to follow ATT-C, this seems likely.

In Phase I, we approved $5,800,000 in switched access revenue reductions applied to CCL Originating Rates. We find the Company's proposed Phase II reductions to the FGD CCL Terminating Access Rate, resulting in $2,176,666 in reduced revenues, to be appropriate.

In addition to reducing the access payments Southern Bell will receive from IXCs, the proposed FGD CCL Terminating Access rate reduction will also reduce the MABC access payments Southern Bell will receive from other LECs. Southern Bell receives MABC payments from ten LECs in Florida. Southern Bell estimates a $207,000 total reduction in MABC payments as a result of this filing. The reduction in MABC payments from any one LEC to Southern Bell is not significant enough to require LECs to provide revenue offsets.

The third-largest revenue offset proposed by Southern Bell for Phase II is based on a combination of recurring and nonrecurring rate reductions for Synchronet Service and Digital Data Access Service (DDAS). The proposed rate reductions will result in a $968,787 revenue decrease. Southern Bell reports that these rate reductions are proposed in response to increased competition experienced in the provision of intraLATA digital services. We have reviewed the proposed Synchronet and DDAS rates to insure that they exceed the long run, incremental costs for these services as filed in Docket No. 890505-TL. The proposed rates exceed Southern Bell's costs as presented in this docket. We recognize the growing competitive environment for digital private line services, and for this reason we believe that the proposed Synchronet Service and DDAS rate reductions are appropriate, and that the associated revenue reductions shall be included as offsets in Phase II.

The final revenue offset proposed by Southern Bell for Phase II based results from Megalink Channel/Lightgate Service recurring rate reductions. The proposed rate reductions will result in a revenue decrease of $203,736. Southern Bell reports that these rate reductions are proposed for the same reason that the Synchronet/DDAS rate reductions are proposed -- increased intraLATA digital private line competition. Upon review, the proposed rates exceed the associated costs, and we find that the proposed revenue reductions appropriate as offsets in Phase II for the Company.

Other LECs in Florida concur in the Southern Bell tariffs for Interexchange Private Line/Special Access Services. Therefore, Southern Bell's proposed reductions in digital services rates, designed to offset revenue increases in Phase II, will result in a decrease in other LECs' revenues. Because the other LECs have advised us that the impacts will be minimal, we do not believe that any action should be taken to offset these impacts.

The summation of the proposed revenue offsets for Phase II exceeds the Company's expected revenue increase in Phase II by $224,344. We find the Company's proposal to offset revenue increases is sufficient and is directed to appropriate rate elements. Therefore, we find it appropriate to approve the proposed Phase II revenue offsets to the forecasted revenue increases for the Company's Private Line/Special Access Services during Phase II.

III. GTEFL'S PROPOSED REVENUE OFFSETS APPROVED

Under the private line/special access restructuring, special access rate increases will be phased in over three years. The information GTEFL has filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure for Phase II indicates that the Company will experience a second year annual revenue increase of $2.2 million dollars.

GTEFL has proposed a decrease in its BHMOC rate to offset the second phase increase. Specifically, the Company proposes to decrease BHMOC by $.31 to a rate of $2.89. The Company indicates that this proposal will generate an annualized decrease in revenue of $2.2 million. The Company has filed a local private line restructure that will increase rates and thus revenues. The local private line restructure will be addressed in the first quarter of 1992.

The Company will experience a revenue increase in Phase II of the private line/special access restructure of $2.2 million dollars. We find the Company's proposal to reduce its BHMOC rate to be appropriate. Therefore, we hereby approve GTEFL's tariff proposal to decrease its BHMOC rate.

IV. UNITED'S PROPOSED REVENUE OFFSETS APPROVED

The information United filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure indicated that the Company would experience a second year annual revenue increase of $1.5 million. To offset this increase, United is proposing that this Commission address the revenue impact of the restructure in its earnings review.

United has also filed tariff revisions to concur with the rate changes that Southern Bell has proposed for Digital Data Access Service (DDAS). United has requested that the tariff be effective on January 16, 1992. The tariff change will result in a minimal revenue decrease.

If this proposal is approved, there will be no alignment of the special access increase and the offsets due to the recognition of the revenue in the earnings review. The Company will therefore experience a revenue increase with no offset until the resolution of the earnings review. However, United had an approximate $200,000 loss in revenue while last years earnings review was in process.

Since this Company is undergoing an earnings review, it is appropriate to address the revenue impact of the restructure in that proceeding. This is the same approach we used last year under similar circumstances. While this will be contrary to our actions in regard to Southern Bell, Centel and GTEFL, in that the rate increases will go into effect before the offsets, recognizing the revenues in the earnings review will allow us greater flexibility in determining how best to disburse these revenues. We find United's proposal to address the revenue impact of the restructure in its earnings proceeding in Docket No. 910980-TL is appropriate as is United's tariff proposal to mirror Southern Bell's DDAS rates.

V. CENTEL'S PROPOSED REVENUE OFFSETS APPROVED AND COMPANY TO FILE BHMOC REDUCTION

Central Telephone Company of Florida's (Centel or the Company) Phase I revenue offset to its interexchange Private Line and Special Access Services revenue increases was applied to the Company's Busy Hour Minute of Capacity revenue within Docket No. 891246-TL, Centel's rate proceeding. For Phase I, Special Access

Service revenues were expected to increase by $301,242, but interexchange private line settlements were expected to decrease $194,540, yielding an overall increase in revenues of $106,702.

By Order No. 24178, we required Centel in its rate case to file a company-specific Special Access Services tariff by November 16, 1991, to become effective January 16, 1991, thereby discontinuing its concurrence in the Southern Bell Access Tariff. We ordered that all Phase II rates for Centel's Special Access Services be set equal to the rates for private Line Services, and this phase would complete the phase-in process for Centel's Special Access Services. Thus, in contrast to other LECs which have additional rate increases scheduled for January 16, 1993, Centel's Special Access Services rate increases will be complete as of January 16, 1992.

The Company anticipates a revenue increase of $461,251 associated with the conversion of Special Access Services rates to Private Line rates. Phase II changes in interexchange Private Line Services rates, limited to Telpak Services only, are expected to produce an increase in revenue of $11,631. Thus, the Company projects a $472,882 increase in Private Line/Special Access Services revenue.

Centel proposes that any Centel rate reduction required to offset the increase in Phase II revenues be applied to the Company's BHMOC access rate element. We have consistently moved towards reducing and/or eliminating these rate elements for all LECs. The current BHMOC rate for Centel is $3.94 per BHMOC. We estimate that reducing the BHMOC rate to approximately $3.71 per BHMOC will be necessary to offset the anticipated $472,882 rate increase. Therefore, Centel shall file a tariff to reduce its BHMOC access rate element to $3.71 per BHMOC, to be filed no later than January 2, 1992, and to become effective January 16, 1992.

VI. ALLTEL FLORIDA, INC.'S PROPOSAL TO ADDRESS REVENUE OFFSETS DURING EARNINGS REVIEW APPROVED

The information ALLTEL Florida, Inc. (ALLTEL) filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure indicated that the Company would experience a second year annual revenue increase of $97,040.89. The second phase is to take effect on January 16, 1992. To offset this increase, ALLTEL is proposing that this

Commission address the revenue impact of the restructure in its earnings review. If we approve this proposal, the Company will experience a revenue increase with no offset until the resolution of the earnings review.

We believe that since this Company is undergoing an earnings review, the revenue impacts of the restructure can best be addressed in that proceeding. Recognizing the revenues in the earnings review will allow us greater flexibility in determining how to disburse these revenues. Therefore, we find ALLTEL's proposal to address the revenue impacts of the restructure in its earnings proceeding, Docket No. 911108-TL, to be appropriate.

VII. FLORALA TELEPHONE COMPANY'S PROPOSAL TO ADDRESS REVENUE OFFSETS DURING EARNINGS REVIEW APPROVED

The information Florala Telephone Company (Florala) filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure indicated that the Company would experience a second year annual revenue increase of $2,046.60. Florala has made no proposal to offset this increase. If we approve this proposal, the Company will experience a revenue increase with no offset until the resolution of the earnings review.

We believe the revenue impacts of the restructure will best be addressed in the Company's current earnings proceeding. Recognizing these revenues in the Company's earnings review will allow us greater flexibility in determining how these revenues should be disbursed. Therefore, we find that the revenue impacts of the restructure shall be addressed in Florala's earnings proceeding, Docket No. 910729-TL.

VIII. GULF TELEPHONE COMPANY SHALL ADDRESS REVENUE OFFSETS DURING EARNINGS REVIEW

The information Gulf Telephone Company (Gulf) filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure indicated that the Company would experience a second year annual revenue increase of $8,096. Gulf made no proposal to offset this increase. If we approve this proposal, the Company will experience a revenue increase with no offset until the resolution of the earnings review.

We believe the revenue impacts of the restructure will best be addressed in the Company's current earnings proceeding, Docket No. 910730-TL. Recognizing the revenues in the earnings review will allow us greater flexibility in determining how these revenues should be disbursed.

IX. QUINCY TELEPHONE COMPANY SHALL ADDRESS REVENUE OFFSETS DURING EARNINGS REVIEW

The information Quincy Telephone Company (Quincy) filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure indicated that the Company would experience a second year annual revenue increase of $17,815. Quincy made no proposal to offset this increase.

If we approve this proposal, the Company will therefore experience a revenue increase with no offset until the resolution of the earnings review.

Since this Company is undergoing an earnings review, we believe the revenue impacts of the restructure will best be addressed in that proceeding, Docket No. 910461-TL. Recognizing the revenues in the earnings review will allow us greater flexibility in determining how these revenues should be disbursed.

X. ST. JOSEPH TELEPHONE & TELEGRAPH COMPANY SHALL ADDRESS REVENUE OFFSETS DURING EARNINGS REVIEW

The information St. Joseph Telephone & Telegraph Company (St. Joe) filed in response to Order No. 23400 on the revenue impact of the private line and special access restructure indicated that the Company would experience a second year annual revenue increase of $58,963.20. St. Joe made no proposal to offset this increase. If we approve this proposal, the Company will therefore experience a revenue increase with no offset until the resolution of the earnings review.

Since this Company is undergoing an earnings review, we believe the revenue impacts of the restructure will best be addressed in that proceeding, Docket No. 910927-TL. Recognizing the revenues in the earnings review will allow us greater flexibility in determining how these revenues should be disbursed.

XI. NO OFFSETS FOR INDIANTOWN TELEPHONE SYSTEM, NORTHEAST FLORIDA TELEPHONE COMPANY, INC., VISTA-UNITED TELECOMMUNICATIONS, AND SOUTHLAND TELEPHONE COMPANY BECAUSE REVENUE IMPACTS MINIMAL

The revenue impacts to these small LECs on average will result in a .15% increase in their actual return on equity (ROE) as of June 30, 1991.

Comparing the dollar impact to the Companies' actual ROE as of June 30, 1991, shows that Northeast Florida Telephone Company, Inc. (Northeast) has the largest increase at .27%. The respective increases in revenue and impact to ROE for these Companies is not significant enough to consider an offset.

The special access rate increase is being phased in over the next three years. Not all of the LECs will experience an increase in revenues in Phase III. This Commission will again go through this process in 1992 to determine the appropriate offsets for the Phase III rate increases.

This docket shall remain open because of the outstanding issues still to be addressed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the proposals for revenue offsets submitted by Southern Bell Telephone and Telegraph Company, GTE Florida, Incorporated, United Telephone Company of Florida, and Central Telephone Company of Florida are hereby approved. It is further

ORDERED that revenue increases for ALLTEL Florida, Inc., Florala Telephone Company, Gulf Telephone Company, Quincy Telephone Company, and St. Joseph Telephone & Telegraph Company shall be addressed in these companies' current earnings proceedings. It is further

ORDERED that no revenue offsets will be made for Indiantown Telephone System, Inc., Northeast Florida Telephone Company, Inc., Vista-United Telecommunications, and Southland Telephone Company because of the minimal revenue impacts these companies will experience. It is further

ORDERED that if a timely protest is filed pursuant to the requirements set forth below, all increased revenues resulting from this filing shall be held subject to refund. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 8th day of JANUARY, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
SFS

Note: Chairman Beard dissented on Southern Bell's proposal to reduce Feature Group D Access as a revenue offset.

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 herein 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 1/29/92.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 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 wastewater 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.