**FLORIDA PUBLIC SERVICE COMMISSION**

 **FLETCHER BUILDING**

 **101 EAST GAINES STREET**

 **TALLAHASSEE, FLORIDA 32399-0850**

 **M E M O R A N D U M**

 **DECEMBER 20, 1993**

**TO : DIRECTOR OF RECORDS AND REPORTING**

**FROM : DIVISION OF COMMUNICATIONS (COLEMAN)**

 **DIVISION OF LEGAL SERVICES (PIERSON)**

**RE : DOCKET NO. 931064-TL TARIFF PROPOSAL TO RESTRUCTURE THE RATES FOR DIRECTORY ASSISTANCE DATABASE SERVICE BY SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY (T-93-617, FILED 10-26-93)**

**AGENDA: JANUARY 4, 1994 - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: COMPANY WAIVED 60 DAYS**

**SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\931064.RCM**

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 **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the tariff to restructure rates and add an auditing provision for Directory Assistance Database Service requested by Southern Bell Telephone and Telegraph Company be approved?

**RECOMMENDATION:** Yes, Southern Bell Telephone and Telegraph Company's tariff request to restructure rates and add an auditing provision for Directory Assistance Database Service (DADS) should be approved with an effective date of January 5, 1994.

**STAFF ANALYSIS:** On October 26, 1993 Southern Bell Telephone and Telegraph Company (Southern Bell, or the Company) filed a request to restructure the rates for Directory Assistance Database Service. Southern Bell Telephone and Telegraph Company would also like to delete and modify certain provisions which have already been established in the DADS tariff.

**THE CURRENT TARIFF**

 Directory Assistance Database Service (DADS) is a system which provides, upon request, a base file of business and residential directory listings and a daily update file of the directory listing changes. Southern Bell Telephone and Telegraph Company provides these files to Interexchange Carriers (IXCs) by central office prefix (i.e., NNX) on magnetic tapes.

 The listing includes the Local Exchange Subscriber name, address and telephone number listing. Directory assistance type services are as follows: 1) Voice Directory Assistance (DA Operator or DA Operator System assisted) and 2) Electronic Directory Assistance (Data Systems Assisted).

 DADS **does not provide** the following listings: **Non-published,** **Non-listed, Secondary, Independent Telephone Company listings,** and **listings that are deemed by the Company as inappropriate to provide.** However, DADS will identify the request as either Non-Published or Non-Listed when a customer calls. There is no way possible that any non-published, non-listed number can be obtained through this service.

 Interexchange Carriers (IXCs) could be expected to subscribe to this service to provide their own directory assistance service, instead of via the LEC. There is a charge for the Central Office Base File which is $0.04 per listing, a use fee of $0.15 per use of a listing, and an administrative fee of $13.59 monthly, for a minimum of 12 months, per CO Base File ordered. Customers are required to subscribe to this service for a minimum of 12 months so that the database can be kept current and updated.

**COMPANY'S PROPOSED RESTRUCTURE**

 Southern Bell Telephone and Telegraph Company would like to restructure this service and decrease the use fee from $0.15 to $0.07 per DADS customer's end user request. The Company would also like to delete the provision from its tariff which states that customers will not be allowed to change DADS data, and to add a provision which allows the Company to perform an audit of the customer's records. The provision will state that the Company may perform an audit on this service at anytime.

 The Company believes that in order to keep a good record of the use for this service, the provision for auditing on a periodic basis is needed. Southern Bell is proposing these tariff changes to assure that the service is properly administered and to assure the accuracy of DADS usage by customers. The Company has indicated that the DADS customers are not reporting the usage on each service that they provide to their end user. The billing for the service is done on the basis of what the customer reports to the company; therefore, auditing must be done to assure that the customer is truthful in his report.

 DADS customers currently pay $.15 each time an end user requests DA type service. Under the Company's proposal they pay $.07 each time. The customer reports the number of end user requests it gets on a monthly basis to Southern Bell. This is no different from the current tariff, but there appears to be a problem with the accuracy of the reports. Therefore, the company would like to make it clear that an audit can be done at any time. The result of the audit will be presumed correct and Southern Bell will adjust the subscriber's bill accordingly.

 The use fee is being decreased to $.07 based upon market experience. Southern Bell believes that the rate decrease is a more realistic price which a potential subscriber will be more willing to pay. Southern Bell believes that the reduced use fee will increase subscription of this service.

 When the DADS subscriber provides Directory Assistance (DA) to its end users through the use of DADS, Southern Bell neither provides DA service nor receives the revenue associated with its provision. Currently, there is only one subscriber to DADS in Florida. This subscriber provides directory assistance to the cellular industry. Southern Bell has discussed these changes with its DADS subscriber. The customer is willing to pay the restructured rate and agrees to the auditing provision.

 The auditing provision will not only be useful to the Company, but it is of use to the DADS subscriber as well, in that it can give an accurate account to the subscriber as to the number of requests received from the DADS subscriber end users.

 Southern Bell expects to receive 200,000 customer end user requests per month. Fifteen percent of this demand would be new, stimulated demand that will create no cross- elastic impact on DA service. The cost of providing DADS will be unchanged due to this filing. Based on this information, Southern Bell projects a demand of 2,400,000 customer end user requests per year; 2,040,000 will displace DA access demand, and 360,000 will be created due to new applications developed by the DADS subscriber.

 Demand and Revenue Information

 Table 1-A

|  DEMAND FOR DADS |
| --- |
|  |  Year 1 |  Year 2 |  Year 3 |
| Existing DADS customer End User Requests |  2,040,000 |  2,182,800 |  2,335,596 |
| New DADS customer End User Requests |  360,000 |  385,200 |  412,164  |
| Total DADS customer End User Requests |  2,400,000 |  2,568,000 |  2,747,760 |

 Based on the information in Table 1-A, Southern Bell projects the demand for DADS will increase due to the change in the use fee. This information was acquired through a customer survey. It is assumed that the demand for DADS will grow at a rate of seven percent annually. The seven percent is the same rate as that forecasted for Directory Assistance Access. The Company's original projections for this service were much higher than the current projections.

 TABLE 1-B

|  |
| --- |
|  PROJECTED REVENUE |
|  |  Year 1 |  Year 2  |  Year 3 |
| Gross Revenue |  $336,524 |  $360,081 |  $385,287 |
| Net Revenue |  $134,003 |  $143,383 |  $153,420 |

 Table 1-B illustrates the gross and net revenue projected for three years by the Company. The projected net revenue includes expenses, cost savings and cross elastic impact. Southern Bell has revised the original demand and revenue projections for DADS downward.

 The Commission approved Directory Assistance Database Service on March 4, 1993. This service has been moderately successful, but the Company would like to increase customer subscription, thereby increasing revenue gained from the use of this service. Staff believes that Southern Bell's tariff proposal to decrease the use fee rate and add a provision for auditing is acceptable and should be approved.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, if Issue 1 is approved this tariff should become effective on 01/5/94. If a timely protest is filed this tariff shall remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed this docket should be closed.