**FLORIDA PUBLIC SERVICE COMMISSION**

 **FLETCHER BUILDING**

 **101 EAST GAINES STREET**

 **TALLAHASSEE, FLORIDA 32399-0850**

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

 **February 3, 1994**

**TO : DIRECTOR OF RECORDS AND REPORTING**

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

 **DIVISION OF LEGAL SERVICES (MURPHY)**

**RE : DOCKET NO. 931239-TL - REQUEST FOR APPROVAL OF TARIFF FILING TO REDUCE TOUCH CALLING RATES, TO INCREASE DIRECTORY ASSISTANCE AND RETURNED CHECK CHARGES, TO INTRODUCE NON-LISTED TELEPHONE NUMBER SERVICE, AND TO SEPARATELY BILL GROSS RECEIPTS TAXES BY NORTHEAST FLORIDA TELEPHONE COMPANY (T-93-698 FILED 11/30/93)**

**AGENDA: FEBRUARY 15, 1994 - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**PANEL: FULL COMMISSION**

**CRITICAL DATES: TARIFF SUSPENSION DEADLINE - 1/29/94**

 **COMPANY WAIVED 60-DAY RULE**

**SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\931239.RCM**

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 **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the tariff filing to reduce Touch Calling rates, to increase directory assistance and returned check charges, to introduce Non-Listed Telephone Number service, and to separately bill gross receipts taxes by Northeast Florida Telephone Company be approved?

**RECOMMENDATION:** Yes, the tariff filing to reduce Touch Calling rates, to increase directory assistance and returned check charges, to introduce Non-Listed Telephone Number service, and to separately bill gross receipts taxes by Northeast Florida Telephone Company should be approved.

**STAFF ANALYSIS:** Northeast Florida Telephone Company (Northeast or Company) filed proposed revisions to its General Subscriber Service Tariff on November 30, 1993 (Attachment A). The purpose of this filing was to revise several rates and services for local and directory assistance customers. Staff believes the filing is appropriate and should be approved.

 The Company is proposing several changes to various services. An analysis of each proposal follows.

 **Gross Receipts Tax**

 The Company proposes to separate state gross receipts taxes (GRT) from local service rates and bill the entire rate as a separate line item. Traditionally, GRT was imbedded into local service rates. However, the GRT has increased a number of times since its inception. Companies not wishing to raise their local rates every time the tax was increased began billing the incremental rate increases as separate line items, then offsetting any revenue increase with touchtone and/or other decreases as done here. Northeast wishes to remove all GRT from its local rates and bill it as a separate line item while keeping local rates at present levels. This is consistent with Commission decisions in several recent rate proceedings. The estimated annual revenue impact of this proposal is an increase of $42,956.

 **Tone-Phone/Touch Calling Service**

 Northeast proposes to change the name of its touchtone phone service from Tone-Phone to Touch Calling. In addition, it proposes to reduce its touchtone rates as follows:

 Present rate Proposed rate

 residence $2.00 $1.00

 business $2.50 $1.50

 This reduction is consistent with both this Commission's past decisions and other companies' rates. Because touchtone is becoming increasingly more a part of basic local service and not just an optional discretionary service( Northeast's current penetration rate is approximately 80%), the Commission has approved or required reductions or even elimination of various companies' touchtone rates in recent proceedings. Northeast's proposal will bring its touchtone rates more in line with those charged by other companies. The annual revenue impact is expected to reduce the Company's earnings by $62,088 per year.

 **Directory Assistance**

 Northeast has its directory assistance (DA) provided by Southern Bell. Southern Bell charges Northeast $.30 per call for the service. Northeast proposes to raise its local DA charge from $.25 to $.35 so it may recover the Company's costs from Southern Bell and Northeast's billing and collection costs. The annual revenue impact is estimated at an increase of $3,400 per year.

 **Returned Check Charges**

 The Company also proposes to increase its returned check charge from $15.00 to $20.00. This increase will still keep the returned check charge within the Florida limit of $20.00 or 5% of the amount of the check, whichever is greater. The annual revenue impact is estimated at an increase of $1,080 per year.

 **Non-Listed Telephone Number Service**

 Northeast also proposes to introduce Non-Listed Telephone Number service at $1.00 per month. The Company currently provides Non-Published Telephone Number service, which excludes a subscriber's number both from the directory and from directory assistance. Non-listed service will exclude the customer's number from the telephone book, but will make the number available through directory assistance. Most other local exchange companies offer a non-listed as well as non-published number service. The annual revenue impact is estimated at an increase of $4,284 per year.

 Staff believes this proposal is appropriate. The net revenue impact of this filing is as follows:

 Touch Calling ($62,088)

 Directory Assistance 3,400

 Returned Checks 1,080

 Non-Listed Telephone Numbers 4,284

 Gross Receipts Tax 42,956

 **TOTAL REVENUE IMPACT ($10,368)**

 As shown, the proposal will reduce the Company's overall earnings slightly. The current achieved ROE (September, 1993 surveillance report) is 12.63%, which is within Northeast's authorized range of 11.40% to 14.40%. An annual revenue decrease of $10,368, as projected above, will decrease ROE by 0.28% which will not drive earnings below the authorized range.

 Most customers will marginally benefit from this proposal. Although each customer's bill will increase by the imbedded amount of gross receipts taxes (the amount will vary, but is approximately $.12-$.20 per month for a residential customer), 80% of Northeast's customers will experience a larger rate decrease from the reduction in touchtone charges. Customers who exceed their free DA call allowance will experience a $.10 increase in DA rates, and customers with returned checks will also experience an increase. Non-listed service is new to Northeast, so there will be little or no impact to existing customers.

 As previously discussed, most customers will benefit from the proposed rate changes. Some typical residential customer's local service rate changes are as follows:

 **Current with Touch Call (80% of subscribers)**

 R-1 $ 8.00

 Touch Call $ 2.00

 Imbedded GRT $ 0.00 (imbedded in R-1 rate)

 Total $10.00

 **Current without Touch Call (20% of subscribers)**

 R-1 $ 8.00

 Imbedded GRT $ 0.00 (imbedded in R-1 rate)

 Total $ 8.00

 **Proposed with Touch Call (80% of subscribers)**

 R-1 $ 8.00

 Touch Call $ 1.00

 Imbedded GRT $ 0.15 (approximate; $.12 removed from R-1 Total $ 9.15 rate, balance from other local and toll services)

 **Proposed without Touch Call (20% of subscribers)**

 R-1 $ 8.00

 Imbedded GRT $ 0.15 (approximate; $.12 removed from R-1 Total $ 8.15 rate, balance from other svs.)

 Staff believes this proposal is appropriate. The changes proposed will help get Northeast more in line with other companies with regard to the services addressed here. For these reasons, staff recommends this tariff be approved as filed.

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

**RECOMMENDATION:** Yes, if Issue 1 is approved this tariff should become effective on 2/28/94. If a timely protest is filed this tariff should 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.