

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

September 14, 1995

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (NORTON) *Nor*
DIVISION OF LEGAL SERVICES (ELIAS) *RVE H*

RE: DOCKET NO. 920260-TL - SOUTHERN BELL - COMPREHENSIVE
REVIEW OF THE REVENUE REQUIREMENTS AND RATE STABILIZATION
PLAN OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY (T-
95-487 FILED 08/07/95)

AGENDA: SEPTEMBER 26, 1995 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: October 1, 1995

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\920260B.RCM

CASE BACKGROUND

This docket was initiated pursuant to Order No. 25552 to conduct a full revenue requirements analysis and to evaluate the Rate Stabilization Plan under which Southern Bell (SBT or the Company) had been operating since 1988. Hearings were rescheduled several times in an effort to address all the concerns and issues that arose with the five consolidated proceedings over the ensuing two and a half years.

On January 5, 1994, a Stipulation and Agreement Between OPC and Southern Bell was submitted. On January 12, 1994, Southern Bell filed an Implementation Agreement for Portions of the Unspecified Rate Reductions in Stipulation and Agreement Between OPC and Southern Bell. Other parties filed motions in support of the Stipulation and Implementation Agreement. The Commission voted to approve the terms of the settlement at the January 18, 1994 agenda conference (Order No. PSC-94-0172-FOF-TL). The terms require, among other things, that rate reductions be made to certain of Southern Bell's services. Some of the reductions have already been implemented, including a \$50 million reduction to switched access charges in 1994. Other reductions are scheduled to occur according to the following time table:

DOCUMENT NUMBER-DATE

09047 SEP 14 95

FPSC-RECORDS/REPORTING

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- 10/1/95 * Switched access reductions - \$55 million
 * Unspecified rate reductions - \$25 million
 - went to hearing August 31, 1995. Vote to be
 taken at September 26, 1995 agenda.
- 10/1/96 * Switched access reductions - \$35 million
 * Unspecified rate reductions - \$48 million

This recommendation addresses Southern Bell's filing to reduce its switched access charges by \$55 million, scheduled to become effective October 1, 1995.

DISCUSSION OF ISSUES

ISSUE 1: Should Southern Bell's filing to reduce its switched access charges by \$55 million, be approved as filed?

RECOMMENDATION: Yes, Southern Bell's filing to reduce its switched access charges by \$55 million, should be approved as filed effective October 1, 1995.

STAFF ANALYSIS: Pursuant to the January 5, 1995 Stipulation and January 12, 1995 Implementation Agreement, Southern Bell has proposed to reduce its switched access rates in three phases as shown below:

SBT Proposed Switched Access Rate Changes

-- Figures are expressed in cents per access minute --

Rate Elements	Previous rate	7/1/94 (\$50M)	10/1/95 (\$55M)	10/1/96 (\$36M)	Inter-state 12/29/93
CARRIER COMMON LINE Originating	2.600	2.600	1.061	1.000	1.000
Terminating	2.927	2.927	2.927	1.853	1.853
LOCAL TRANSPORT	1.540	.706 ¹	.706 ¹	.706 ¹	Varies ²
LOCAL SWITCHING	1.300	1.160	.876 ³	.876 ³	.839
INFORMATION SURCHARGE	0	0	0	0	.037
COMPOSITE RATE Originating	5.440	4.466	2.643	2.582	2.582
Terminating	5.767	4.793	4.509	3.435	3.435
TOTAL SWITCHED ACCESS	11.207	9.259	7.152	6.017	6.017

As can be seen in the chart above, the Company has proposed or will propose reductions to all of the switched access rate elements. The 1994 reduction was approved, and is shown here for

¹Since Florida Local Transport rates are not distance sensitive, proposed rate is a weighted average of the interstate rates.

²Rates vary by distance.

³Includes information surcharge.

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informational purposes only. As can be seen, this year's filing is the second of the three planned reductions to SBT's switched access rates. Last year, SBT reduced its Local Transport rates by \$43 million and its Local Switching rates by \$7 million.

In this 1995 filing, SBT has proposed to reduce the Carrier Common Line by \$38.4 million, and the Local Switching rate by \$16.5 million, for a total reduction of \$54.8 million. As shown on the chart above, the composite switched access rate for SBT will go from its current \$.09259 to \$.07152 per access minute, a reduction of over two cents per access minute.

Staff believes that the Commission's general intent, although not its explicit policy, has traditionally been to reduce other non-traffic sensitive switched access rate elements after elimination of the BHMOC, before reducing traffic sensitive ones (Local Switching and Local Transport). Last year, Southern Bell requested to reduce its Local Transport rates, as it perceived a major competitive threat in that area. In keeping with the Company's plan, it is proposing to reduce the CCL rates this year.

Last year, staff sought the reactions of the four major IXCs in Florida as well as FIXCA, to the three year plan of the company, and none had any problems with the proposed schedule of SBT's switched access reductions. Staff believes SBT's proposal is reasonable, and recommends its approval.

ISSUE 2: Should this access charge reduction be flowed through to Mobile Interconnection Usage Rates?

STAFF RECOMMENDATION: No, SBT's scheduled switched access reduction under consideration in this issue should not be required to be flowed through to Mobile Interconnection Usage Rates. As the Commission determined at the September 12, 1995, agenda conference, SBT's mobile interconnection rates of \$.0203 on-peak for Type 1, 2A, and 2D, and \$.0100 for Type 2B, are appropriate.

STAFF ANALYSIS: Historically, mobile interconnection usage rates have been calculated by applying a formula based on intrastate switched access charges. Thus, when a LEC reduced its switched access charges, it also had to flow through the reduction to mobile interconnection usage rates. At the September 12, 1995, agenda conference, the Commission voted to eliminate the formula, and to freeze the usage rates at current levels for all the

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interconnection types except Type 2B, which was set at \$.01 per access minute (Docket No. 940235-TL). The parties were allowed 60 days from the date of the order, to negotiate any changes. If the negotiations are not successful, the local exchange companies are to file tariffs, effective December 31, 1995, reflecting those rates which the Commission voted to approve on September 12, 1995.

Since the Commission voted to eliminate the flow through for mobile interconnection usage rates, SBT's current tariff is inconsistent with the Commission's decision. Given the timing of the Commission's decision in Docket No. 940235-TL and this access reduction, there could be a question as to whether the SBT access charge reduction in this proceeding should be flowed through to SBT's mobile interconnection rates. Normally, this would not be an issue because rate changes do not typically occur between the date a decision is made and the effective date of the tariffs filed reflecting that decision. In this case, however, the application of the formula as reflected in the current tariff could be construed as requiring SBT to decrease mobile interconnection rates for the period from October 1, 1995 to December 31, 1995. This is an anomalous result which staff believes that the Commission should explicitly avoid, and reject before the effective date of the access charge reduction.

We would note that the revenue impact, on a percentage basis, is not substantial (approximately \$1.7 million annually to SBT). We do not believe that any party will be significantly affected. We recommend that SBT's scheduled switched access reduction under consideration in this issue should not be required to be flowed through. As the Commission determined at the September 12, 1995, agenda conference, SBT's mobile interconnection rates of \$.0203 on-peak for Type 1, 2A, and 2D, and \$.0100 for Type 2B, are appropriate.

ISSUE 3: Should the proposal to reduce Vista-United's Busy Hour Minute of Capacity (BHMOC) rate from \$3.40 to \$3.15 be approved?

RECOMMENDATION: Yes, Vista-United's BHMOC rate reduction should be approved as proposed.

STAFF ANALYSIS: In this filing, SBT has also reduced the Busy Hour Minute of Capacity (BHMOC) rate of Vista-United Telephone Company, who concurs in SBT's access tariff. The proposal consists of a \$.15 reduction per BHMOC, from \$3.40 to \$3.25.

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Whenever SBT reduces its access rates, the intraLATA LEC toll rates that the LECs pay for terminating each others' traffic, are also reduced. Since this reduces the expenses of the other LECs, Vista-United generally prefers to utilize the expense reduction to reduce its BHMOc. The revenue effect is approximately \$20,000 annually. Staff recommends that this be approved.

ISSUE 4: Should this docket remain open?

RECOMMENDATION: Yes, this docket should remain open after the protest period on this filing, in order to allow the remaining activities to be completed. If a timely protest is filed, this tariff should remain in effect with any revenues held subject to refund pending the resolution of the protest.

STAFF ANALYSIS: Whether or not the Commission approves staff's recommendations, this docket should remain open.