

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 28, 1995

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

FROM: DIVISION OF COMMUNICATIONS (NORTON) *nbw*
DIVISION OF LEGAL SERVICES (CANZANO) *PH*

RE: DOCKET NO. 921074-TP - EXPANDED INTERCONNECTION PHASE II
AND LOCAL TRANSPORT RESTRUCTURE (T-95-554 filed 8/31/95
BY GTE Florida Inc.; T-95-564 filed 9/5/95 by Central
Telephone Company of Florida; T-95-565 filed 9/5/95 by
United Telephone Company of Florida; T-95-566 filed
9/5/95 by Southern Bell Telephone and Telegraph Company)

AGENDA: OCTOBER 10, 1995 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATES: 10/30/95 for GTE;
11/4/95 for SBT, Centel, and United

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\921074A.RCM

CASE BACKGROUND

In Order No. PSC-95-0034-FOF-TP, issued January 9, 1995, this Commission ruled that Expanded Interconnection for Switched Access was in the public interest. It also approved a new structure for switched access Local Transport, which is to match the rate structure adopted by the FCC. However, the order required that the rates be revised and refiled with cost and other supporting data. These filings constitute the LECs' proposed rates for Local Transport in conformance with that order.

DOCUMENT NUMBER-DATE

09609 SEP 28 1995

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DISCUSSION OF ISSUES

ISSUE 1: Should the tariffs revising and restructuring the switched access Local Transport rate element filed by GTE, Centel, United, and Southern Bell be suspended?

RECOMMENDATION: Yes, these tariff filings should be suspended.

STAFF ANALYSIS: Order No. PSC-95-0034-FOF-TP (the Transport order) required that the LECs refile proposed Local Transport rates, stating that the rates should be designed to encourage efficient utilization of the LEC network and that the rates should relate to each other and to their underlying costs such that they provide the appropriate incentives for IXC customers to order and load their facilities efficiently. To that end, the following guidelines were established:

- 1) The intrastate pricing and structure of Local Transport should accurately reflect the underlying cost structure. Prices should recover incremental costs and provide a contribution to joint and common costs;
- 2) The relationship between prices for various transport options should encourage the optimal and most efficient utilization of the LEC network;
- 3) It is not necessary that contribution levels between the three types of switched transport be identical. However, contribution levels should not be so disparate as to be unreasonably discriminatory or as to distort demand.

In addition to these guidelines, the order required that tariff filings include the following:

- 1) LECs shall develop estimates of their costs for their Entrance Facilities, Tandem Switched, and Direct Trunked transport rate elements to serve as benchmarks against which to measure their pricing proposals. The LECs shall provide incremental cost estimates for each of these elements. Also, to the extent possible, the LEC shall identify the amount of any costs that, while not directly attributable to one of these elements, is associated with this service;

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- 2) LECs shall provide an analysis justifying the contribution levels which they incorporate into their proposed rates;
- 3) LECs shall include a cross-over point analysis in their filings. The cross-over point analysis shall cover different mileage distances, and cross-over points shall be calculated for Entrance Facilities separately from interoffice channels. The Residual Interconnection Charge (RIC) shall not be included;
- 4) The LECS may use demand estimates for the RIC based on currently configured networks, using 1994 demand and as much actual data as is available in the timeframe allowed so that the results will be more accurate.

Staff is planning to study the cost data and the price relationships between the various transport offerings and between the LECs. We expect this proceeding to be controversial. We will conduct discovery and multiple parties will be involved in this process. Staff recommends that these filings be suspended to allow sufficient time to analyze them, conduct a hearing if necessary, and to prepare a recommendation.

ISSUE 2: Should this docket remain open?

RECOMMENDATION: Yes, this docket should remain open.

STAFF ANALYSIS: This docket should remain open until Local Transport tariffs are approved and implemented.