

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Statewide average rates) DOCKET NO. 951353-TL
for tax purposes to be published) ORDER NO. PSC-96-0008-FOF-TL
by the Florida Public Service) ISSUED: January 2, 1996
Commission, in accordance with)
Sections 166.231(9) and)
203.01(9), Florida Statutes.)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER REGARDING STATEWIDE AVERAGE RATES

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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. BACKGROUND

Section 166.231(9), Florida Statutes, as amended by Chapter 95-403, Laws of Florida, 1995, states that a municipality may levy a tax on the purchase of telecommunication services. Section 166.231(9)(f)(3) provides that, where the sale of a taxable telecommunications service also involves the sale of an exempt cable television service and where the company does not offer the taxable telecommunications service separately, the amounts identified as taxable shall not be less than the statewide average tariff rates set forth by local exchange companies in tariffs filed with the Public Service Commission on January 1, 1995, and on January 1 each year thereafter for the equivalent services subject to this section. This is also reiterated in Section 203.01(9),

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FPSC-RECORDS/REPORTING

Florida Statutes, Tax On Gross Receipts For Utility Services. The Commission is required to publish statewide average rates for tax purposes annually, beginning on January 1, 1996.

Our staff held two workshops, on October 5, 1995, and October 13, 1995, to obtain input from the those in the industry regarding what must be published to meet this statutory requirement. Local exchange companies (LECs), alternative local exchange companies (ALECs), and the cable industry were represented.

The statewide average rates to be published on January 1, 1996, will be used by each ALEC to calculate taxes on certain taxable telecommunications services when they are bundled with exempt cable services and the telecommunication service is not separately priced. For example, if ALEC X offers cable service for \$21.00 which includes "free" residential telephone service (R-1) and it does not offer the R-1 service separately, then the amount determined to be taxable would be based on the FPSC's statewide average rates publication.

After taking into account the various suggestions made by those participating in the workshops, a formula was developed which gives an amalgamated representation of the statewide average rates for approximately 100 telecommunication services. These rates are weighted based on the percentage of total Florida access lines served by each LEC as of January 1, 1995.

II. THE FORMULA

A. IF THE TELECOMMUNICATIONS SERVICE IS OFFERED BY ALL LECs:

We calculate the statewide average rate for a service that is offered by all of the LECs as follows: 1) Multiply the percentage of each LEC's access lines by the January 1, 1995 rate offered by the LEC. This provides the weighted rate for that particular LEC. This step needs to be repeated for each LEC. 2) The weighted rates for all of the LECs are added together to obtain the statewide average rate for the service.

Step one:

- a) Weighted Rate = % of LEC's access lines X 1/1/95 LEC's Rate
- b) Repeat for each LEC.

Step two:

Add each of the LEC's weighted rates = Statewide Average Rate

A chart and an example of an application illustrating the formula are provided in Attachment A to this Order.

B. IF THE SERVICE IS OFFERED BY ONLY SOME OF THE LECS:

The percentage of each LEC's access lines for the LECS offering the service are added together and used as the denominator. The percentage of each LEC's access lines is used as the numerator. This number is then multiplied by the LEC's rate for the service as of January 1, 1995. The weighted rates are then added together to obtain a statewide average rate.

Step one:

a)
$$\frac{\% \text{ of Company's Access Lines}}{\% \text{ of Total Access Lines for Companies Offering This Service}} \times 1/1/95 \text{ Rate} = \text{Weighted Rate}$$

b) Repeat for each LEC offering this service.

Step two:

Add weighted rates of LECs offering service = Statewide Average Rate

An example of the application of this formula is provided in Attachment B to this Order.

We selected approximately 100 services and calculated the statewide average rate using the formula noted on the preceding pages. These services were selected because they would most likely be bundled with a cable service and perhaps not offered separately.

Many of the services offered by the LECs probably would not be bundled with cable television service, such as pay telephone access lines or late payment charges. For those services not specifically listed in the publication, a request can be made of the Division of Communications to calculate a statewide average rate for any service not included in the initial publication.

III. EFFECT ON THE MUNICIPALITIES

Section 166.231(9)(f)(4), Florida Statutes, protects the municipality or charter county by establishing a "true-up" mechanism for the July 1, 1995 to June 30, 1996 year. Section 166.231(9)(f)(4), states:

If the total amount of municipal utility tax collected by a municipality or charter county from telecommunications pursuant to s. 166.231 (9) for the period July 1, 1995 to June 30, 1996 is less than the amount collected for the period July 1, 1994 to June 30, 1995, the municipality or charter county shall assess each company that remits such tax a prorata share of the shortfall. The shortfall shall be prorated based on the amount of tax remitted by each company for the period July 1, 1995 to June 30, 1996 and the total amount of tax remitted for the same period. By September 1, 1996, the municipality or charter county shall certify to each company the amount of additional tax owed and the tax shall be remitted to the municipality or charter county by October 1, 1996. . . .

For example, during the period of July 1, 1994 to June 30, 1995, a municipality collects \$1,000,000 and for the period July 1, 1995 to June 30, 1996, the municipality only collects \$800,000. This would be a \$200,000 shortfall. Company A paid 35% of the tax for July 1, 1995 to June 30, 1996, Company B paid 45%, and Company C paid 20%. Company A would now be responsible for 35% of the \$200,000 shortfall or \$70,000, Company B would be responsible for 45% or \$90,000. and Company C would be responsible for 20% or \$40,000.

This "true-up" mechanism will protect the municipalities and make them whole for the year July 1, 1995 to June 30, 1996. There is a similar "true-up" mechanism under Section 203.01(3), Florida Statutes, which applies to gross receipts tax but not under Section 212.05 relating to sales tax.

IV. LIST OF STATEWIDE AVERAGE RATES

The statewide average rates for tax purposes for approximately 100 services are found in Attachment C. These services are those that will most likely be bundled with an exempt cable service and may not be offered separately. These rates were calculated using the methodology discussed above.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the methodology for computing and publishing the statewide average rates for tax purposes discussed in the body of this Order is hereby adopted. It is further

ORDERED that the statewide average rates shown in Attachment C to this Order are hereby adopted. It is further

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ORDERED that this Order shall become final and effective unless an appropriate petition is filed in accordance with the "Notice of Further Proceedings or Judicial Review" as set forth below. It is further

By ORDER of the Florida Public Service Commission, this 2nd day of January, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

DLC

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 23, 1996.

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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 substantially 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.

ATTACHMENT A

CHART ILLUSTRATING FORMULA
IF THE TELECOMMUNICATIONS SERVICE IS OFFERED BY ALL LECS:

COMPANY	% OF ACCESS LINES ¹	1/1/95 RATE	WEIGHTED RATE
ALLTEL	.75%	X R	= WR
CENTEL	3.84%	X R	= WR
FLORALA	.02%	X R	= WR
FRONTIER	.04%	X R	= WR
GTEFL	21.90%	X R	= WR
GULF	.10%	X R	= WR
INDIANTOWN	.03%	X R	= WR
NORTHEAST	.08%	X R	= WR
QUINCY	.13%	X R	= WR
SBT	58.11%	X R	= WR
ST. JOSEPH	.30%	X R	= WR
UNITED	14.58%	X R	= WR
VISTA - UNITED	.11%	X R	= WR
TOTAL	99.99% ²		STATEWIDE AVERAGE RATE

¹ Data obtained from 1995 Cost Statistics.

² Does not equal 100 percent due to rounding.

APPLICATION OF FORMULA
IF THE TELECOMMUNICATIONS SERVICE IS OFFERED BY ALL LECS:

Calculation of the Statewide Average Rate for a service offered by all LECS.

CALL WAITING - Residence

LEC	LEC NAME FOR SERVICE	% OF ACCESS LINES		1/1/95 RATE	WEIGHTED RATE
ALLTEL	CALL WAITING	.075%	X	\$3.00	= \$.023
CENTEL	CALL WAITING	3.84%	X	\$3.50	= \$.134
FLORALA	CALL WAITING	.02%	X	\$2.00	= \$.000
FRONTIER	CALL WAITING	.04%	X	\$1.75	= \$.001
GTEFL	CALL WAITING	21.90%	X	\$3.50	= \$.767
GULF	CALL WAITING	.10%	X	\$3.00	= \$.003
INDIANTOWN	CALL WAITING	.03%	X	\$3.00	= \$.001
NORTHEAST	CALL WAITING	.08%	X	\$3.00	= \$.002
QUINCY	CALL WAITING	.13%	X	\$4.50	= \$.006
SBT	CALL WAITING	58.11%	X	\$3.50	= \$2.034
ST. JOSEPH	INCOMING CALL ALERT	.30%	X	\$2.00	= \$.006
UNITED	CALL WAITING	14.58%	X	\$3.50	= \$.510
VISTA - UNITED	CALL WAITING	.11%	X	\$1.75	= \$.002
TOTAL					\$ 3.489

The statewide average rate for call waiting residence is \$3.49.

ATTACHMENT B

APPLICATION OF FORMULA
IF SERVICE IS OFFERED BY ONLY SOME OF THE LECS

EXAMPLE:

Calculation of the Statewide Average Rate for CALLER ID -
 Residence:

LEC	LEC NAME FOR SERVICE	% OF ACCESS LINES/% OF TOTAL ACCESS LINES FOR COMPANIES OFFERING THIS SERVICE	1/1/95 RATE	WEIGHTED RATE
CENDEL	CALLER ID	3.84/98.51 X	\$6.00 =	\$.023
GTEFL	CALLING NUMBER ID	21.90/98.51 X	\$7.00 =	\$ 1.56
NORTHEAST	CALLER ID	.08/98.51 X	\$7.50 =	\$.01
SBT	CALLER ID - BASIC	58.11/98.51 X	\$6.00 =	\$ 3.54
UNITED	CALLER ID	14.58/98.51 X	\$7.00 =	\$ 1.04
TOTAL				\$6.37

The statewide average rate for Caller ID residence is \$6.37.

ATTACHMENT C

1995 - STATEWIDE AVERAGE RATES FOR TAX PURPOSES

<u>GENERIC NAME OF SERVICE</u>	<u>STATEWIDE AVERAGE RATE</u>
RESIDENTIAL EXCHANGE SERVICES	
1 - PARTY	\$10.13
ROTARY	\$15.03
MESSAGE - ACCESS LINE ONLY¹	\$6.21
RESIDENTIAL - REMOTE CALL FORWARDING - FLAT RATE	\$4.07
RESIDENTIAL - PRIVATE BRANCH EXCHANGE	\$23.62
RESIDENTIAL - LOCAL USAGE DETAIL - PER CALL LISTED	\$.01
RESIDENTIAL - FOREIGN EXCHANGE - LOCAL CHANNEL	\$20.76
BUSINESS EXCHANGE SERVICES	
1-PARTY	\$26.65
ROTARY	\$37.08
MESSAGE - ACCESS LINE ONLY¹	\$20.92
DIRECT INWARD DIALED - TRUNK	\$28.52
BUSINESS - REMOTE CALL FORWARDING - FLAT RATE	\$3.53
BUSINESS - PRIVATE BRANCH EXCHANGE - FLAT RATE	\$46.70
BUSINESS - PRIVATE BRANCH EXCHANGE - MESSAGE RATE	\$18.09

BUSINESS - SHARED TENANT SERVICE - TRUNKS	\$34.41
BUSINESS - LOCAL USAGE DETAIL - PER CALL LISTED	\$0.01
BUSINESS - FOREIGN EXCHANGE-LOCAL CHANNEL	\$20.76
CENTREX - NETWORK ACCESS REGISTERS	\$18.26
CENTREX STATION LINES	\$8.49
CENTRAL OFFICE FEATURES	
RESIDENTIAL - CALL FORWARDING	\$2.45
BUSINESS - CALL FORWARDING	\$3.78
RESIDENTIAL - CALL FORWARD DON'T ANSWER	\$1.00
BUSINESS - CALL FORWARD DON'T ANSWER	\$1.03
RESIDENTIAL - CALL FORWARD BUSY	\$1.00
BUSINESS - CALL FORWARD BUSY	\$2.70
RESIDENTIAL - CALL FORWARD CUSTOMER BUSY²	\$2.60
BUSINESS - CALL FORWARD CUSTOMER BUSY²	\$1.18
RESIDENTIAL - CALL WAITING	\$3.49
BUSINESS - CALL WAITING	\$5.26
RESIDENTIAL - CALL TRACING	\$4.22
BUSINESS - CALL TRACING	\$5.08
RESIDENTIAL - CALLER ID	\$6.37
BUSINESS - CALLER ID	\$8.41
RESIDENTIAL - CALLER ID W/ NAME	\$6.36

BUSINESS - CALLER ID W/ NAME	\$8.09
RESIDENTIAL - HOT LINE	\$0.53
BUSINESS - HOT LINE	\$0.97
RESIDENTIAL - REPEAT DIALING	\$4.03
BUSINESS - REPEAT DIALING	\$4.64
RESIDENTIAL - CALL RETURN	\$3.81
BUSINESS - CALL RETURN	\$4.38
RESIDENTIAL - ENHANCED CALL WAITING	\$2.96
BUSINESS - ENHANCED CALL WAITING	\$3.56
RESIDENTIAL - SELECTIVE CALL REJECTION	\$3.05
BUSINESS - SELECTIVE CALL REJECTION	\$3.55
RESIDENTIAL - SELECTIVE CALL RINGING	\$3.59
BUSINESS - SELECTIVE CALL RINGING	\$3.98
RESIDENTIAL - SPEED CALLING - 8-CODE	\$2.22
BUSINESS - SPEED CALLING - 8-CODE	\$2.59
RESIDENTIAL - THREE WAY CALLING	\$3.09
BUSINESS - THREE WAY CALLING	\$3.66
RESIDENTIAL - VOICE DIALING³	\$4.40
BUSINESS - VOICE DIALING³	\$4.80
RESIDENTIAL - TOUCHTONE	\$1.00
BUSINESS - TOUCHTONE	\$1.00

CENTRAL OFFICE FEATURES - PACKAGED	
RESIDENTIAL - ENHANCED CALL WAITING, THREE WAY CALLING, AND CALL FORWARD	\$7.25
BUSINESS - ENHANCED CALL WAITING, THREE WAY CALLING, AND CALL FORWARD	\$9.00
RESIDENTIAL - ENHANCED CALL WAITING, THREE WAY CALLING, AND RETURN CALL	\$7.50
BUSINESS - ENHANCED CALL WAITING, THREE WAY CALLING, AND RETURN CALL	\$9.50
RESIDENTIAL - ENHANCED CALL WAITING, THREE WAY CALLING, RETURN CALL, REPEAT DIALING, AND CALL FORWARD	\$9.50
BUSINESS - ENHANCED CALL WAITING, THREE WAY CALLING, RETURN CALL, REPEAT DIALING, AND CALL FORWARD	\$12.00
RESIDENTIAL - ENHANCED CALL WAITING, THREE WAY CALLING, RETURN CALL, REPEAT DIALING, CALL FORWARD, SELECTIVE CALL REJECT, AND CALLER ID WITH NAME	\$14.50
BUSINESS - ENHANCED CALL WAITING, THREE WAY CALLING, RETURN CALL, REPEAT DIALING, CALL FORWARD, SELECTIVE CALL REJECT, AND CALLER ID WITH NAME	\$16.00
RESIDENTIAL - ENHANCED CALL WAITING, RETURN CALL, AND CALLER ID WITH NAME	\$12.50

BUSINESS - ENHANCED CALL WAITING, RETURN CALL, AND CALLER ID WITH NAME	\$14.50
RESIDENTIAL - CALL WAITING, CALL FORWARD, AND SPEED CALL	\$4.42
SCREENING AND BLOCKING SERVICES	
RESIDENTIAL - OPERATOR SCREENING	\$4.00
BUSINESS - OPERATOR SCREENING	\$3.34
RESIDENTIAL - BILLED NUMBER SCREENING	\$1.36
BUSINESS - BILLED NUMBER SCREENING	\$1.36
RESIDENTIAL - CUSTOM CODE RESTRICTION⁴	\$2.50
BUSINESS - CUSTOM CODE RESTRICTION⁴	\$3.75
RESIDENTIAL - CALL SCREENING - PRIVATE BRANCH EXCHANGE	\$4.00
BUSINESS - CALL SCREENING - PRIVATE BRANCH EXCHANGE	\$4.00
DIRECTORY ASSISTANCE	
RESIDENTIAL - DIRECTORY ASSISTANCE - LOCAL	\$0.31
BUSINESS - DIRECTORY ASSISTANCE - LOCAL	\$0.31
RESIDENTIAL - DIRECTORY ASSISTANCE HOME NPA	\$0.31
BUSINESS - DIRECTORY ASSISTANCE HOME NPA	\$0.31

RESIDENTIAL - DIRECTORY ASSISTANCE - LIST SERVICE	\$10.34
BUSINESS - DIRECTORY ASSISTANCE - LIST SERVICE	\$9.94
DIRECTORY ASSISTANCE CALL COMPLETION	\$0.30
DIRECTORY LISTING	
RESIDENTIAL - NON PUBLISHED NUMBER	\$1.91
BUSINESS - NON PUBLISHED NUMBER	\$1.91
RESIDENTIAL - NON LISTED NUMBER	\$0.93
BUSINESS - NON LISTED NUMBER	\$0.93
RESIDENTIAL - ADDITIONAL LISTING	\$1.15
BUSINESS - ADDITIONAL LISTING	\$1.21
BUSINESS - ADDITIONAL LISTING - 800 SERVICE	\$1.21
SERVICE CONNECTION CHARGES	
RESIDENTIAL - PRIMARY SERVICE ORDER CHARGE	\$31.57
BUSINESS - PRIMARY SERVICE ORDER CHARGE	\$45.10
RESIDENTIAL - SECONDARY SERVICE ORDER CHARGE	\$10.21
BUSINESS - SECONDARY SERVICE ORDER CHARGE	\$17.21
RESIDENTIAL - CENTRAL OFFICE CHARGE	\$32.14

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BUSINESS - CENTRAL OFFICE CHARGE	\$34.36
RESIDENTIAL - PREMISES VISIT	\$24.17
BUSINESS - PREMISES VISIT	\$24.99
RESIDENTIAL - TROUBLE LOCATION	\$28.22
BUSINESS - TROUBLE LOCATION - SIMPLE	\$28.22
BUSINESS - TROUBLE LOCATION - COMPLEX	\$36.28

¹ Does not include usage.

² Allows customer to control activation/deactivation by using dialing tones.

³ This service was not tariffed prior to 1/1/95; therefore, the statewide average rate is based on the current rate for this service.

⁴ Restrictions include: Operator 0- and 0+, 1+900, DDD 1+, 1+555-1212 and 1+NPA-555-1212, 1411, 1976, 1DDD 01, 1DDD 011+.