

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

April 4, 1996

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

FROM: DIVISION OF COMMUNICATIONS (STAVANJA) *with*
DIVISION OF LEGAL SERVICES (ERSTLING) *RUE For SLE*
PP for TH

RE: DOCKET NO. 960401TL - - TARIFF FILING TO ADD ADVANCED
DIGITAL SERVICES TO THE GENERAL SUBSCRIBER SERVICES
TARIFF BY ALLTEL FLORIDA, INC. (T-96-133 FILED 2/29/96)

AGENDA: 4/16/96 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: APRIL 29, 1996

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\960401TL.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve ALLTEL's request to introduce Advanced Digital Services into its General Subscriber Services tariff?

RECOMMENDATION: Yes, the Commission should approve ALLTEL's request to introduce Advanced Digital Services into its General Subscriber Services tariff.

STAFF ANALYSIS:

Service Description

Advanced Digital Services (ADS) are communications services which, utilizing Integrated Services Digital Network (ISDN) standards, make it possible to send, receive, and modify information using regular telephone lines. ISDN architecture provides for the simultaneous transmission of voice and data over the same telephone line. The ISDN architecture consists of digital central office switching systems which connect Basic Rate Access (BRA, also known as Basic Rate Interface) equipped lines to a customer's premises.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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ADS-BRA is a service arrangement that can be used in conjunction with a customer's residential service, individual business line, or Centrex service. Using the ISDN architecture, ADS-BRA provides the customer with the capability to send information from a personal computer and talk to the person on the other end of the line at the same time.

Transmission of voice and data over ADS-BRA utilizing ISDN architecture is done through the use of two types of channels, or pathways, but uses only one physical line. The "B" or Bearer channels are used to carry voice and data. The "D" or Delta channel is used to carry signalling and control for the "B" channels. The "D" signal determines if information is ready to be received. The complete ADS-BRA-ISDN line provides 2 B channels and one D channel, and is known as "2B+D."

Company Proposal

The Company is proposing to introduce ADS into its General Subscriber Services tariff and offer the service to residential and business customers. In addition to basic ISDN service, ALLTEL is also proposing to offer optional calling services such as custom calling services, electronic key telephone service, and various packet-switched data service options. Custom calling features include call forwarding, call transfer, conference calling, three-way calling, and others. Electronic key telephone service features include intercom calling, and caller ID. The custom calling features have already been approved and are currently offered in ALLTEL's tariff for analog lines. For ADS, the rates and charges for each feature apply to each B channel to which these services are assigned.

Customer Impact

If approved, it will be necessary for ADS to be ordered in conjunction with basic exchange access service (R1, B1, or Centrex). This is because the rates and charges are designed to recover the cost associated with the provisioning of ISDN service over and above the cost of providing basic local service. The rates and charges for ADS are shown in Table 1.

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Table 1: Rates and Charges for Advanced Digital Services

	SERVICE CONNECTION CHARGE	MONTHLY RECURRING CHARGE
Residential ADS BRA	\$ 75.00	\$ 12.75
Business ADS BRA	\$125.00	\$ 12.75
Centrex ADS BRA	\$125.00	\$ 12.75
Distance Extension Charge	N/A	\$ 39.25
Circuit-Switched Voice (per B channel)	\$ 10.00	\$ 3.00
Circuit-Switched Data (per B channel)	\$ 10.00	\$ 3.00
Circuit-Switched Alternate Voice/Data (per B channel)	\$ 10.00	\$ 4.00
High Speed Packet Switched Services (per B channel)	\$100.00	\$120.00
Low Speed Packet Switched Services (per D channel)	\$ 25.00	\$ 7.50
D Channel Signalling (per D channel)	**	**
Circuit Switched Usage Charges for each add'l minute over 2,400 minutes per month (per B channel per month)	N/A	\$ 0.02

** Service included with Basic Rate Access

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The purpose of the recurring Distance Extension charge is to recover the cost of providing the service to customers who are within the serving central office area, but are served at a transmission range greater than 18,000 cable route feet from the central office.

How much customers would pay for 2B+D service depends on what type of service they wish to provision over the channels. If a customer wants the ability to send data and talk to the recipient over the phone at the same time, then one circuit switched voice B channel and one circuit switched data B channel would be ordered (a D channel for signalling is included with BRA). If a customer needed packet switching capability also, then a low-speed packet switched D channel would be ordered in combination with the above mentioned B channels.

ADS is a new proposed service. ALLTEL does not provide any other ISDN type service. Therefore, there is no customer impact.

Company Impact

When a customer subscribes to ADS, ALLTEL is assessed an activation charge by NORTEL (formerly known as Northern Telecom). This activation charge is a one time fee paid per line to activate ISDN on the line. If the customer decides to cancel service, ALLTEL is not assessed another activation fee by NORTEL, because the line will remain activated and ready for use by a prospective subscriber. Since ALLTEL doesn't lose line activation when a customer cancels service, the activation charge is treated as an investment. By treating the activation charge as an investment, customers will not be required to enter term agreements with associated termination liabilities. The line would remain active, and a new subscriber could use that same line.

ALLTEL's cost study demonstrates that the proposed rates cover costs and provide adequate contribution. Table 2 provides the estimated revenues, costs and contribution for ADS over 3 years. The revenues represent both nonrecurring and recurring charges. The costs include depreciation, taxes, plant-specific costs, billing costs and other administrative costs associated with providing access to the local network.

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Table 2: Estimated Revenues, Costs and Net Revenues for Advanced Digital Services

	Year 1	Year 2	Year 3	Totals
Gross Revenues	\$7,453	\$11,355	\$17,157	\$35,965
Costs	3,849	5,099	7,747	16,695
Net Revenues	\$3,604	\$ 6,255	\$ 9,410	\$19,270

Recommendation

Staff believes that ALLTEL's tariff proposal will offer advanced communications opportunities to business and residential customers. Staff recommends that the Commission approve ALLTEL's tariff to introduce Advanced Digital Services.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If the Commission approves the recommendation in Issue 1, this tariff should become effective on April 30, 1996. If a protest is filed within 21 days from the issuance of the Order, this tariff should remain in effect with any increase in revenue held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: If the Commission approves the recommendation in Issue 1, this tariff should become effective on April 30, 1996. If a protest is filed within 21 days from the issuance of the Order, this tariff should remain in effect with any increase in revenue held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.