

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

RECEIVED

RECEIVED

MEMORANDUM

August 12, 1997

AUG - 8 1997
3:00
FPSC - Records/Reporting

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

FROM: DIVISION OF COMMUNICATIONS (OLLILA) *S.M.O.*
DIVISION OF LEGAL SERVICES (CULPEPPER) *KC MKB*

RE: DOCKET NO. 970274-TP - FLOW-THROUGH OF 1997 LEC SWITCHED
ACCESS REDUCTIONS BY IXCS, PURSUANT TO SECTION
364.163(6), F.S.

AGENDA: AUGUST 18, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION
- INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: RATE REDUCTIONS EFFECTIVE OCTOBER 1, 1997 PER
SECTION 364.163(6), FLORIDA STATUTES

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\970274TP.RCM

CASE BACKGROUND

Section 364.163(6), Florida Statutes, requires any LEC whose current intrastate switched access rates are higher than its December 31, 1994, interstate switched access rates to reduce its intrastate switched access rates by 5 percent annually, beginning October 1, 1996. Reductions are required until such time as a LEC's current intrastate switched access rates reach December 31, 1994 interstate levels.

Section 364.163(6), Florida Statutes, also requires that the intrastate switched access rate reductions be "flowed-through" to long distance customer rates by any interexchange telecommunications company (IXC) whose switched access rates are reduced by the section. In Order No. PSC-96-1265-FOF-TP, issued October 8, 1996, the Commission required facility-based IXCs to flow-through the reductions, i.e., to reduce long distance rates by the amount necessary to return the benefits of the rate reductions to their customers.

Pursuant to Order No. PSC-97-0604-FOF-TP, issued May 27, 1997, LECs are required to file supporting documentation with their tariffs for the October 1, 1997 switched access rate reductions. This documentation is to include a calculation of ~~the LEC's current~~

08084 AUG-8 97

FPSC-RECORDS/REPORTING

DOCKET NO. 970274-TP
DATE: August 12, 1997

intrastate composite switched access rate per minute using the same methodology that the LEC used to calculate its intrastate composite switched access rate and its December 31, 1994, interstate composite switched access rate in the LEC's October 1, 1996, filing.

Effective December 31, 1996, Centel's Certificate of Public Convenience and Necessity No. 33 was merged into United's Certificate of Public Convenience and Necessity No. 22, and the name was changed on United's certificate to Sprint-Florida, Inc. (Orders PSC-96-1543-FOF-TL, PSC-96-1543A-FOF-TL, and PSC-96-1578-FOF-TL in Docket No.961362-TL)

As a price-regulated LEC, Sprint-Florida's tariff filings are presumptively valid pursuant to Chapter 364.051(6)(a). Sprint-Florida's intrastate switched access rates are higher in its Centel area than in its United area.

On August 1, 1997, Sprint-Florida, Inc. filed revised tariffs and supporting documentation for its 1997 intrastate switched access rate reduction. Sprint-Florida also made the United and Centel rates equal. Sprint-Florida, Inc. calculated its 1997 intrastate switched access rate reduction on a weighted total company basis. On a weighted total company basis, the rate reduction was 5.2 percent, with a total dollar reduction of \$10,247,364. United's rates were reduced 1.4 percent, with a dollar reduction of \$1,999,160. Centel's rates were reduced by 16.9 percent, bringing them in parity with United's rates. The impact of Centel's dollar reduction is \$8,248,204.

DISCUSSION OF ISSUES

ISSUE 1: Should Sprint-Florida be required to withdraw its tariff filing T-970814, for its 1997 intrastate switched access rate reductions, and refile it in compliance with Order No. PSC-97-0604-FOF-TP?

RECOMMENDATION: Yes. Sprint-Florida should be required to withdraw this tariff filing and refile tariffs with separate rate reductions of no less than a 5 percent reduction in Centel's intrastate composite switched access rate and no less than a 5 percent reduction in United's intrastate composite switched access rate so that Sprint-Florida is in compliance with Section 364.163(6), Florida Statutes, and Commission Order No. PSC-97-0604-FOF-TP. The tariffs should be refiled no later than August 25, 1997. (Ollila)

DOCKET NO. 970274-TP
DATE: August 12, 1997

STAFF ANALYSIS: Staff believes that Sprint-Florida's tariff filing is inconsistent with Section 364.163(6), Florida Statutes. Section 364.163(6), Florida Statutes says:

Any local exchange telecommunications company whose current intrastate switched access rates are higher than its interstate switched access rates in effect on December 31, 1994, shall reduce its intrastate switched access rates by 5 percent annually beginning October 1, 1996.

Furthermore, Section 364.02(6), Florida Statutes says:

"Local exchange telecommunications company" means any company certificated by the commission to provide local exchange telecommunications service in this state on or before June 30, 1995.

It is less than eight months since Centel and United became one LEC: Sprint-Florida. At the time Section 364.163(6) became law, Centel and United were separate LECs. Although Centel and United are now Sprint-Florida, staff believes that the statute requires a 5 percent reduction for each LEC's intrastate composite switched access rate, whether or not a merger has taken place, as long as there are separate rates subsequent to the merger.

In addition, staff believes that Sprint-Florida's August 1, 1997 tariff filing is not in compliance with Commission Order No. PSC-97-0604-FOF-TP. This Order requires that LECs file their tariffs and supporting documentation using the same rate reduction methodology that they used in their October 1, 1996 filings. Again, on October 1, 1996, Centel and United were still separate entities. Yet, in this tariff filing Sprint-Florida uses a weighted total company basis to calculate its intrastate composite switched access rate reductions, even though there are different rates for Centel and United in Sprint-Florida's tariff. Staff believes that because there are different rates for the Centel and United areas in the tariff, Sprint-Florida is required to calculate separate 5 percent reductions in the intrastate composite switched access rates for Centel and United. If Sprint-Florida wishes to bring the Centel and United rates to parity, then those rate reductions need to occur in addition to the 5 percent reductions in intrastate composite switched access rates required of Centel and United.

DOCKET NO. 970274-TP
DATE: August 12, 1997

Most importantly, staff believes that there exists the potential for discriminatory treatment for those IXCs that serve the United area. Under Sprint-Florida's proposed rate structure, Centel's intrastate composite switched access rate is reduced by 16.9 percent while United's intrastate composite switched access rate is reduced by only 1.4 percent. Although 78 percent of Sprint-Florida's access minutes are in the United area, IXCs who serve predominantly this area will only experience a 1.4 percent reduction. It is highly likely that IXCs serving the United area would not receive the switched access reduction envisioned by the statute. Thus, those IXCs' customers would not receive the reductions in long distance rates also contemplated by the statute.

Staff applauds Sprint-Florida for its desire to bring the rates for Centel and United into parity. Lowering Centel's rates to achieve parity is likely to produce cost savings for Sprint-Florida, in addition to lowering access charges for the IXCs that purchase access from Sprint-Florida in its Centel area. However, any attempt by Sprint-Florida to bring Centel's and United's intrastate switched access rates to parity with each other, as part of this filing, should occur in addition to United's 5 percent reduction in its intrastate composite switched access rate and Centel's 5 percent reduction in its intrastate composite switched access rate.

Therefore, staff recommends that Sprint-Florida should be required to withdraw this tariff filing and refile its tariffs with separate rate reductions of no less than a 5 percent reduction in Centel's intrastate composite switched access rate and no less than a 5 percent reduction in United's intrastate composite switched access rate so that Sprint-Florida is in compliance with Section 364.163(6), Florida Statutes, and Commission Order No. FSC-97-0604-FOF-TP. These tariffs should be refiled no later than August 25, 1997.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open to handle any protests filed in response to the Order from this recommendation and any subsequent tariff filings necessary to ensure compliance with Section 364.163(6), Florida Statutes, for the year 1997. If a protest is filed within 21 days from the issuance of the Order from this recommendation, and the protest is unresolved by the tariff filing date, the tariffs should be filed as ordered. Those tariffs, filed in response to Section 364.163(6), Florida Statutes, which are effective October 1, 1997, should remain in effect pending the resolution of any protest. (Culpepper)

DOCKET NO. 970274-TP
DATE: August 12, 1997

STAFF ANALYSIS: This docket should remain open to handle any protests filed in response to the Order from this recommendation and any subsequent tariff filings necessary to ensure compliance with Section 364.163(6), Florida Statutes, for the year 1997. If a protest is filed within 21 days from the issuance of the Order from this recommendation, and the protest is unresolved by the tariff filing date, the tariffs should be filed as ordered, so that the IXCs can make the proper rate changes to flow-through Sprint-Florida's switched access rate reduction. Those tariffs, filed in response to Section 364.163(6), Florida Statutes, which are effective October 1, 1997, should remain in effect pending the resolution of any protest.