

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

MEMORANDUM

RECEIVED

December 4, 1997

DEC 03 1997

3:05

FPSC - Records/Reporting

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

FROM: DIVISION OF COMMUNICATIONS (MUSSELWHITE, FOGLEMAN)
DIVISION OF LEGAL SERVICES (BOWMAN)

RE: DOCKET NO. 971461-TP - 1997 STATEWIDE AVERAGE RATES FOR MUNICIPAL TAX PURPOSES TO BE PUBLISHED BY THE FLORIDA PUBLIC SERVICE COMMISSION, IN ACCORDANCE WITH SECTIONS 166.231(9) AND 203.01(9), FLORIDA STATUTES.

AGENDA: DECEMBER 16, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: STATEWIDE AVERAGE RATES ARE REQUIRED BY STATUTE TO BE PUBLISHED BY 1/1/98.

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\971461TP.RCM

CASE BACKGROUND

Section 166.231(9), Florida Statutes, 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 amount 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 of each year for equivalent services. This is reiterated in Section 203.01(9), Florida Statutes, Tax On Gross Receipts For Utility Services. Both statutory sections require the Commission to publish statewide average rates for tax purposes annually, beginning on January 1, 1996.

The Commission adopted a methodology for computing the statewide average rates at its December 5, 1995, Agenda Conference. The Commission approved a methodology that resulted in an aggregate representation of the statewide average tariff rates for approximately 100 services. The rates were based on the percent of total Florida access lines served by each LEC providing the service

DOCUMENT NUMBER-DATE

12321 DEC-36

FPSC-RECORDS/REPORTING

as of January 1, 1995, and were first published in Order No. PSC-96-0008-FOF-TL, dated January 2, 1996.

This recommendation constitutes the third publication of the statewide average tariff rates. The access line data and the LEC rates for the services were updated by 12 months to calculate the 1997 statewide average rates.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission maintain the methodology that was adopted in Order No. PSC-96-0008-FOF-TL for computing and publishing the statewide average rates for municipal tax purposes?

RECOMMENDATION: Yes, the Commission should maintain the methodology that was adopted in Order No. PSC-96-0008-FOF-TL for computing and publishing the statewide average rates for municipal tax purposes. (Musselwhite, Fogleman)

STAFF ANALYSIS: The methodology for generating the January 1, 1995, statewide average rates was approved in Docket No. 951353-TL, Order No. PSC-96-0008-FOF-TL, issued January 2, 1996. This methodology results in an aggregate representation of the statewide average rates for municipal tax purposes. The methodology was developed in two workshops during October 1995 in which local exchange companies (LECs), alternative local exchange companies (ALECs), and the cable industry were represented.

Staff recommended an aggregate representation across all LECs given that averaging tariff rates on a company-wide basis (as opposed to statewide) would cause administrative problems as an ALEC's service area may cross LEC boundaries, and given that the Legislature intended for these average rates to include all LECs in Florida, not merely an average within a LEC's service territory. The underlying reasons for this methodology have not changed. Therefore, staff recommends statewide average rates for 1997 should be generated using the methodology established in 1995. This recommendation's statewide average rates are aggregate rates that were generated using a methodology consistent with the prior Order.

A statewide average rate is calculated by weighting the rate a LEC charges for a given service as of January 1, 1997, and summing these results across the LECs. The weighting mechanism is calculated for each LEC that provides a given service by dividing the number of access lines for each LEC by the total number of access lines for all LECs providing the specific service. Access line data was obtained from the 1997 Comparative Cost Statistics report. Staff researched each LEC's tariff, as of January 1, 1997,

DOCKET NO. 971461-TP
DATE: DECEMBER 4, 1997

and updated the rates charged for each service where they have changed since last year.

ISSUE 2: Should the Commission adopt the statewide average rates shown in Attachment A?

RECOMMENDATION: Yes, the Commission should adopt the statewide average rates shown in Attachment A. (Musselwhite, Fogleman)

STAFF ANALYSIS: Attachment A provides the statewide average rates for municipal tax purposes for 99 services. The services listed are the same services listed in the first publication of the statewide average rates. These services are those which staff believes are most likely to be bundled with an exempt cable service and may not be offered separately. These rates were calculated using the methodology outlined in Issue 1.

If a statewide average rate needs to be calculated for a service not included in Attachment A, staff will bring subsequent recommendations before the Commission for approval. Therefore, staff recommends that the Commission adopt the statewide average rates shown in Attachment A.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed if no person whose substantial interests are affected files a protest within 21 days of the issuance of this Order. (Bowman)

STAFF ANALYSIS: If the Commission adopts staff's recommendations in Issues 1 and 2, this docket should be closed unless a person whose substantial interests are affected files a protest within 21 days of the issuance of this Order. If no timely protest is filed, this docket should be closed.

ATTACHMENT A

1997 - STATEWIDE AVERAGE RATES FOR TAX PURPOSES

<u>GENERIC NAME OF SERVICE</u>	<u>STATEWIDE AVERAGE RATE</u>
RESIDENTIAL EXCHANGE SERVICES	
1 Party - Residence	\$10.16
Rotary Line - Residence	\$15.02
Message (Access Lines Only) - Residence	\$ 6.25
Remote Call Forwarding (Flat Rate) - Residence	\$14.12
PBX - Residence	\$18.21
Local Usage Detail, per Call Listed - Residence	\$ 0.01
Foreign Exchange/Local Channel - Residence	\$20.77
BUSINESS EXCHANGE SERVICES	
1 Party - Business	\$26.54
Rotary Line - Business	\$36.79
Message (Access Lines Only) - Business	\$19.71
Direct Inward Dialed Trunk	\$24.23
Remote Call Forwarding (Flat Rate) - Business	\$13.94
PBX Flat Rate - Business	\$46.66
PEX Message Rate - Business	\$23.64
STS Trunk (Flat Rate) - Business	\$31.52
Local Usage Detail, per Call Listed - Business	\$ 0.01
Foreign Exchange/Local Channel - Business	\$20.75
Centrex Network Access Registers (NARs)	\$18.91
Centrex Station Lines	\$ 5.51
CENTRAL OFFICE FEATURES	
Call Forwarding - Residence	\$ 2.35
Call Forwarding - Business	\$ 3.83
Call Forwarding Don't Answer - Residence	\$ 1.00
Call Forwarding Don't Answer - Business	\$ 2.71
Call Forwarding Busy - Residence	\$ 1.00
Call Forwarding Busy - Business	\$ 2.14