



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-

DATE: DECEMBER 3, 1998

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

FROM: DIVISION OF COMMUNICATIONS (BARRETT, FOGLEMAN)
DIVISION OF LEGAL SERVICES (MILLER) *MCB for JM*

RE: DOCKET NO. 981568-TP - PUBLICATION BY FLORIDA PUBLIC SERVICE COMMISSION OF 1998 STATEWIDE AVERAGE RATES FOR TAX PURPOSES, IN ACCORDANCE WITH SECTIONS 166.231(9) AND 203.01(9), FLORIDA STATUTES.

AGENDA: DECEMBER 15, 1998 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: STATEWIDE AVERAGES ARE REQUIRED BY STATUTE TO BE PUBLISHED BY JANUARY 1, 1999

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMU\WP\981568.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)(d)(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 (LEC) 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)(c), 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.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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

This recommendation will constitute the fourth 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 1998 statewide average rates.

Staff notes that recent statutory changes were made in Sections 166.231(9) and 203.01(9), Florida Statutes. These changes are more fully discussed in Issue 3.

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 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 tax purposes. (Barrett, 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 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 that the statewide average rates for 1998 should be generated using the methodology established in 1995. The statewide average rates contained in this recommendation 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, 1998, and summing these results across 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 1998 Comparative Cost Statistics report. Staff researched each LEC's tariff, as of January 1, 1998, and updated the rates charged for each service where they have changed since last year. The results of staff's calculations are presented in Attachment A.

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. (Barrett, Fogleman)

STAFF ANALYSIS: Attachment A provides the statewide average rates for tax purposes for ninety-nine (99) services. The services listed are the same services listed in the first publication of the statewide average rates in 1995 and ensuing years.

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. All calculations used the methodology outlined in Issue 1. Therefore, staff recommends that the Commission adopt the statewide average rates shown in Attachment A.

ISSUE 3: Should the Commission consider reducing the number of services included for subsequent years in the annual study of statewide average rates?

RECOMMENDATION: Yes, the Commission should reduce the number of services included in the annual study of statewide average rates for subsequent years to the list contained in Attachment B. (Barrett, Fogleman)

STAFF ANALYSIS: Staff noted earlier that the services included in this annual study have not changed since its inception. Staff notes the recently (1998) revised statutory language in Sections 166.231(9)(d)(3) and 203.01(9)(c), Florida Statutes, which includes that the statewide average tariff rates be published for commonly used services. Staff believes that the current list includes services that do not meet this definition and that it would be appropriate for the list to be reduced in future years. Staff proposes that the demand for a portion of the ninety-nine (99) services may have declined and maintaining an on-going calculation of the statewide average value is of little use, considering our willingness to calculate, upon request, the average rate for any non-listed service. Attachment B offers staff's recommended modifications to the current list.

Furthermore, staff recognizes that certain services are no longer being offered by all of the LECs, in particular, some of the central office features, central office feature packages, and selected exchange services. Therefore, staff recommends that the Commission should reduce the number of services included in the annual study of statewide average rates for subsequent years to those shown in Attachment B. (Barrett, Fogleman)

ISSUE 4: 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. If no timely protest is filed, this docket should be closed. (MILLER)

STAFF ANALYSIS: If the Commission adopts staff's recommendations in Issues 1, 2, and 3, 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

1998 - STATEWIDE AVERAGE RATES FOR TAX PURPOSES

<u>GENERIC NAME OF SERVICE</u>	<u>STATEWIDE AVERAGE RATES</u>		
	<u>1998</u>	<u>1997</u>	<u>CHANGE</u>
<u>RESIDENTIAL EXCHANGE SERVICES</u>			
1 Party - Residence	\$10.16	\$10.16	---
Rotary Line - Residence	\$15.03	\$15.02	\$0.01
Message (Access Lines Only) - Residence	\$ 6.51	\$ 6.25	\$0.26
Remote Call Forwarding (Flat Rate) - Residence	\$14.15	\$14.12	\$0.03
PBX - Residence	\$18.21	\$18.21	---
Local Usage Detail, per Call Listed - Residence	\$ 0.01	\$ 0.01	---
Foreign Exchange/Local Channel - Residence	\$21.10	\$20.77	(\$0.33)
<u>BUSINESS EXCHANGE SERVICES</u>			
1 Party - Business	\$26.55	\$26.54	(\$0.01)
Rotary Line - Business	\$36.81	\$36.79	(\$0.02)
Message (Access Lines Only) - Business	\$19.70	\$19.71	(\$0.01)
Direct Inward Dialed Trunk	\$24.28	\$24.23	\$0.05
Remote Call Forwarding (Flat Rate) - Business	\$13.96	\$13.94	\$0.02
PBX Flat Rate - Business	\$46.69	\$46.66	\$0.03
PBX Message Rate - Business	\$23.68	\$23.64	\$0.04
STS Trunk (Flat Rate) - Business	\$31.51	\$31.52	\$0.01
Local Usage Detail, per Call Listed - Business	\$ 0.01	\$0.01	---
Foreign Exchange/Local Channel - Business	\$21.08	\$20.75	\$0.33
Centrex Network Access Registers (NARs)	\$18.93	\$18.91	\$0.02
Centrex Station Lines	\$ 5.51	\$ 5.51	---
<u>CENTRAL OFFICE FEATURES</u>			

Call Forwarding - Residence	\$ 2.77	\$2.35	\$0.42
Call Forwarding - Business	\$ 3.83	\$3.83	---
Call Forwarding Don't Answer - Residence	\$ 1.00	\$1.00	---
Call Forwarding Don't Answer - Business	\$ 2.70	\$2.71	(\$0.01)
Call Forwarding Busy - Residence	\$ 1.00	\$1.00	---
Call Forwarding Busy - Business	\$ 2.14	\$2.14	---
Call Forwarding Customer Busy - Residence	\$ 2.61	\$2.62	(\$0.01)
Call Forwarding Customer Busy - Business	\$ 5.21	\$5.22	(\$0.01)
Speed Calling (8 codes) - Residence	\$ 2.10	\$2.10	---
Speed Calling (8 codes) - Business	\$ 2.59	\$2.59	---
Three Way Calling - Residence	\$ 3.36	\$3.10	\$0.26
Three Way Calling - Business	\$ 3.66	\$ 3.67	(\$0.01)
Call Tracing - Residence	\$ 3.92	\$ 3.91	(\$0.01)
Call Tracing - Business	\$ 4.13	\$ 4.13	---
Caller ID - Residence	\$ 6.60	\$ 6.59	\$0.01
Caller ID - Business	\$ 8.82	\$ 8.80	\$0.02
Caller ID w/ name - Residence	\$ 6.50	\$ 6.49	\$0.01
Caller ID w/ name - Business	\$ 7.86	\$ 7.86	---
Hot Line - Residence	\$ 0.53	\$ 0.53	---
Hot Line - Business	\$ 0.97	\$ 0.96	\$0.01
Repeat Dialing - Residence	\$ 4.02	\$ 4.02	---
Repeat Dialing - Business	\$ 4.64	\$ 4.64	---
Call Return - Residence	\$ 4.20	\$ 4.02	\$0.18
Call Return - Business	\$ 4.82	\$ 4.64	\$0.18
Call Waiting (w/o Cancel Call Waiting) - Residence	\$ 3.97	\$ 3.75	\$0.22
Call Waiting (w/o Cancel Call Waiting) - Business	\$ 4.52	\$ 4.52	---
Enhanced Call Waiting (Call Waiting w/ Cancel Call Waiting) - Residence	\$ 4.17	\$ 3.79	\$0.38
Enhanced Call Waiting (Call Waiting w/ Cancel Call Waiting) - Business	\$ 5.18	\$ 5.51	(\$0.033)
Selective Call Rejection - Residence	\$ 3.59	\$ 3.60	(\$0.01)
Selective Call Rejection - Business	\$ 4.21	\$ 4.21	---
Selective Call Ringing - Residence	\$ 3.59	\$ 3.60	---
Selective Call Ringing - Business	\$ 4.08	\$ 4.09	(\$0.01)
Voice Dialing - Residence	\$ 5.55	\$ 5.55	---
Voice Dialing - Business	\$ 6.06	\$ 6.06	---
Touch Tone - Residence	\$ 0.18	\$ 0.18	---
Touch Tone - Business	\$ 0.18	\$ 0.18	---
<u>CENTRAL OFFICE FEATURE PACKAGES</u>			
Enhanced Call Waiting, 3-Way Calling, and Call Forward- Residence	\$ 7.62	\$ 7.63	(\$0.01)

Enhanced Call Waiting, 3-Way Calling, and Call Forward- Business	\$ 9.56	\$ 9.56	---
Enhanced Call Waiting, 3-Way Calling, and Call Return- Residence	\$ 8.87	\$ 8.88	(\$0.01)
Enhanced Call Waiting, 3-Way Calling, and Call Return- Business	\$11.25	\$11.26	(\$0.01)
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, and Call Forward - Residence	\$11.98	\$11.99	(\$0.01)
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, and Call Forward - Business	\$14.60	\$14.61	(\$0.01)
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, Call Forward, Selective Call Rejection, and Caller ID w/ name - Residence	\$18.51	\$18.53	(\$0.02)
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, Call Forward, Selective Call Rejection, and Caller ID w/ name - Residence	\$21.27	\$21.29	(\$0.02)
Enhanced Call Waiting, Return Call, and Caller ID w/ name- Residence	\$12.12	\$12.12	---
Enhanced Call Waiting, Return Call, and Caller ID w/ name- Business	\$15.30	\$15.31	(\$0.01)
Call Waiting, Call Forwarding, and Speed Calling (8 code) - Residence	\$ 4.25	\$ 4.27	(\$0.02)

SCREENING AND BLOCKING SERVICES

Operator Screening - Residence	\$ 3.99	\$ 3.99	---
Operator Screening - Business	\$ 3.45	\$ 3.45	---
Operator Screening - Residence - PBX	\$ 4.00	\$ 4.00	---
Operator Screening - Business - PBX	\$ 4.00	\$ 4.00	---
Billed Number Screening - Residence	\$ 1.36	\$ 1.36	---
Billed Number Screening - Business	\$ 1.36	\$ 1.36	---
Custom Code Restriction - Residence (for restricted codes: 411, 1+, 0+, 0- & 1DDD)	\$ 2.50	\$ 2.50	---
Custom Code Restriction - Business (for restricted codes: 411, 1+, 0+, 0- & 1DDD)	\$ 3.75	\$ 3.75	---

DIRECTORY ASSISTANCE SERVICES

Directory Assistance - Residence	\$ 0.32	\$ 0.31	\$0.01
Directory Assistance - Business	\$ 0.32	\$ 0.31	\$0.01
Directory Assistance, Home NPA - Residence	\$ 0.32	\$ 0.31	\$0.01
Directory Assistance, Home NPA - Business	\$ 0.32	\$ 0.31	\$0.01

Directory Assistance (List Service - Each Area Code) - Residence	\$ 9.95	\$ 9.96	(\$0.01)
Directory Assistance (List Service - Each Area Code) - Business	\$ 9.95	\$ 9.96	(\$0.01)
Directory Assistance w/ Call Completion	\$ 0.38	\$ 0.38	---
<u>DIRECTORY LISTING SERVICES</u>			
Non Published Number - Residence	\$ 1.90	\$ 1.91	(\$0.01)
Non Published Number - Business	\$ 1.90	\$ 1.91	(\$0.01)
Non Listed Number - Residence	\$ 1.14	\$ 0.93	\$0.21
Non Listed Number - Business	\$ 0.90	\$ 0.93	(\$0.03)
Additional Listing - Residence	\$ 1.15	\$ 1.15	---
Additional Listing - Business	\$ 1.21	\$ 1.21	---
Additional Listing (800 Services) - Business	\$ 1.21	\$ 1.21	---
<u>SERVICE CONNECTION CHARGES</u>			
Primary Service Order Charge - Residence	\$31.70	\$31.79	(\$0.09)
Primary Service Order Charge - Business	\$45.28	\$45.40	(\$0.12)
Secondary Service Order Charge - Residence	\$10.21	\$10.20	(\$0.01)
Secondary Service Order Charge - Business	\$17.24	\$17.26	(\$0.02)
Central Office Charge - Residence	\$32.13	\$32.13	---
Central Office Charge - Business	\$34.36	\$34.36	---
Premises Visit Charge - Residence	\$24.10	\$24.10	---
Premises Visit Charge - Business	\$24.94	\$24.94	---
Trouble Location - Residence	\$42.22	\$34.74	\$ 7.48
Trouble Location (Simple) - Business	\$42.22	\$34.74	\$ 7.48
Trouble Location (Complex) - Business	\$47.82	\$35.93	\$11.89

ATTACHMENT B

**STAFF'S RECOMMENDED LIST OF
 STATEWIDE AVERAGE RATES FOR TAX PURPOSES**

(COMMONLY USED SERVICES TO BE RETAINED ON LIST AS INDICATED)

<u>GENERIC NAME OF SERVICE</u>	<u>RETAIN FOR FUTURE</u>	
	<u>YES</u>	<u>NO</u>
<u>RESIDENTIAL EXCHANGE SERVICES</u>		
1 Party - Residence	X	
Rotary Line - Residence		X
Message (Access Lines Only) - Residence		X
Remote Call Forwarding (Flat Rate) - Residence	X	
PBX - Residence		X
Local Usage Detail, per Call Listed - Residence		X
Foreign Exchange/Local Channel - Residence	X	
<u>BUSINESS EXCHANGE SERVICES</u>		
1 Party - Business	X	
Rotary Line - Business	X	
Message (Access Lines Only) - Business		X
Direct Inward Dialed Trunk	X	
Remote Call Forwarding (Flat Rate) - Business	X	
PBX Flat Rate - Business	X	
PBX Message Rate - Business		X
STS Trunk (Flat Rate) - Business	X	
Local Usage Detail, per Call Listed - Business		X
Foreign Exchange/Local Channel - Business	X	
Centrex Network Access Registers (NARs)	X	
Centrex Station Lines	X	
<u>CENTRAL OFFICE FEATURES</u>		
Call Forwarding - Residence	X	

<u>GENERIC NAME OF SERVICE</u>	<u>RETAIN FOR FUTURE</u>	
	<u>YES</u>	<u>NO</u>
Call Forwarding - Business	X	
Call Forwarding Don't Answer - Residence	X	
Call Forwarding Don't Answer - Business	X	
Call Forwarding Busy - Residence		X
Call Forwarding Busy - Business		X
Call Forwarding Customer Busy - Residence		X
Call Forwarding Customer Busy - Business		X
Speed Calling (8 codes) - Residence	X	
Speed Calling (8 codes) - Business	X	
Three Way Calling - Residence	X	
Three Way Calling - Business	X	
Call Tracing - Residence	X	
Call Tracing - Business	X	
Caller ID - Residence	X	
Caller ID - Business	X	
Caller ID w/ name - Residence	X	
Caller ID w/ name - Business	X	
Hot Line - Residence		X
Hot Line - Business		X
Repeat Dialing - Residence	X	
Repeat Dialing - Business	X	
Call Return - Residence	X	
Call Return - Business	X	
Call Waiting (w/o Cancel Call Waiting) - Residence	X	
Call Waiting (w/o Cancel Call Waiting) - Business	X	
Enhanced Call Waiting (Call Waiting w/ Cancel Call Waiting) - Residence	X	
Enhanced Call Waiting (Call Waiting w/ Cancel Call Waiting) - Business	X	
Selective Call Rejection - Residence	X	
Selective Call Rejection - Business	X	
Selective Call Ringing - Residence		X
Selective Call Ringing - Business		X
Voice Dialing - Residence		X
Voice Dialing - Business		X
Touch Tone - Residence		X
Touch Tone - Business		X
<u>CENTRAL OFFICE FEATURE PACKAGES</u>		

<u>GENERIC NAME OF SERVICE</u>	<u>RETAIN FOR FUTURE</u>	
	<u>YES</u>	<u>NO</u>
Enhanced Call Waiting, 3-Way Calling, and Call Forward- Residence		X
Enhanced Call Waiting, 3-Way Calling, and Call Forward- Business		X
Enhanced Call Waiting, 3-Way Calling, and Call Return- Residence		X
Enhanced Call Waiting, 3-Way Calling, and Call Return- Business		X
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, and Call Forward - Residence		X
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, and Call Forward - Business		X
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, Call Forward, Selective Call Rejection, and Caller ID w/ name - Residence		X
Enhanced Call Waiting, 3-Way Calling, Return Call, Repeat Dialing, Call Forward, Selective Call Rejection, and Caller ID w/ name - Residence		X
Enhanced Call Waiting, Return Call, and Caller ID w/ name- Residence		X
Enhanced Call Waiting, Return Call, and Caller ID w/ name- Business		X
Call Waiting, Call Forwarding, and Speed Calling (8 code) - Residence		X
<u>SCREENING AND BLOCKING SERVICES</u>		
Operator Screening - Residence		X
Operator Screening - Business		X
Operator Screening - Residence - PBX		X
Operator Screening - Business - PBX		X
Billed Number Screening - Residence		X
Billed Number Screening - Business		X
Custom Code Restriction - Residence (for restricted codes: 411, 1+, 0+, 0- & 1DDD)		X
Custom Code Restriction - Business (for restricted codes: 411, 1+, 0+, 0- & 1DDD)		X
<u>DIRECTORY ASSISTANCE SERVICES</u>		

<u>GENERIC NAME OF SERVICE</u>	<u>RETAIN FOR FUTURE</u>	
	<u>YES</u>	<u>NO</u>
Directory Assistance - Residence	X	
Directory Assistance - Business	X	
Directory Assistance, Home NPA - Residence		X
Directory Assistance, Home NPA - Business		X
Directory Assistance (List Service - Each Area Code) - Residence		X
Directory Assistance (List Service - Each Area Code) - Business		X
Directory Assistance w/ Call Completion		X
<u>DIRECTORY LISTING SERVICES</u>		
Non Published Number - Residence	X	
Non Published Number - Business	X	
Non Listed Number - Residence	X	
Non Listed Number - Business	X	
Additional Listing - Residence	X	
Additional Listing - Business	X	
Additional Listing (800 Services) - Business	X	
<u>SERVICE CONNECTION CHARGES</u>		
Primary Service Order Charge - Residence	X	
Primary Service Order Charge - Business	X	
Secondary Service Order Charge - Residence	X	
Secondary Service Order Charge - Business	X	
Central Office Charge - Residence	X	
Central Office Charge - Business	X	
Premises Visit Charge - Residence	X	
Premises Visit Charge - Business	X	
Trouble Location - Residence	X	
Trouble Location (Simple) - Business	X	
Trouble Location (Complex) - Business	X	