



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** MARCH 4, 1999

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

**FROM:** DIVISION OF COMMUNICATIONS (BARRETT) *for*  
 DIVISION OF AUDITING AND FINANCE (WRIGHT, BROOKINS) *RAB DM*  
 DIVISION OF LEGAL SERVICES (MILLER) *McB for JM* *199*

**RE:** DOCKET NO. 990152-TL - NOTICE OF ELECTION OF PRICE REGULATION BY NORTHEAST FLORIDA TELEPHONE COMPANY, INC.

DOCKET NO. 990126-TL - REQUEST FOR APPROVAL OF TARIFF FILING TO INTRODUCE CUSTOMIZED CODE RESTRICTION WITH PERSONAL IDENTIFICATION NUMBER, SIX-WAY CALLING, CALLER ID WITH CALL WAITING, AND ANONYMOUS CALL REJECTION, BY NORTHEAST FLORIDA TELEPHONE COMPANY, INC. (T-99-0031, FILED ON JANUARY 15, 1999)

**AGENDA:** MARCH 16, 1999 - REGULAR AGENDA - ISSUE 1, PROCEDURAL DECISION - ISSUE 2, TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\CMU\WP\990152.RCM

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### CASE BACKGROUND

Chapter 364, Florida Statutes, allows for local exchange companies to elect price regulation. When a company elects price regulation, certain rates will be capped and the company will be allowed to revise rates only in accordance with the statute.

On February 9, 1999, Northeast Florida Telephone Company, Inc. (hereafter Northeast or the Company) filed notification of election to become subject to price regulation effective immediately and

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subject to the provisions of 364.051, Florida Statutes. The notice is attached to this recommendation (Attachment A).

This recommendation addresses two concerns. Prior to the filing of its election to become subject to price regulation, the Company had filed a tariff (T-99-0031) on January 15, 1999, which was docketed (Docket No. 990126-TL) and set for consideration at the March 16, 1999 Agenda conference. At the time of the tariff filing, Northeast was operating as a Rate-Of-Return regulated entity and had requested an effective date of April 1, 1999, for this tariff. The Company's subsequent filing, the notice of price regulation effective February 9, 1999, nullified the requirement to present future tariff proposals to the Commission prior to approval. Since the Commission had not yet approved the pending tariff, this recommendation combines the two dockets for administrative purposes. It addresses the date for which Northeast's rates should be capped under price regulation and recommends approval of the tariff filing (Docket No. 990126-TL).

**ISSUE 1:** With Northeast's election of price regulation effective February 9, 1999, as of what date should its rates be capped?

**RECOMMENDATION:** With Northeast's election of price regulation effective February 9, 1999, its basic local telecommunications service rates should be capped effective February 9, 1999, pursuant to Section 364.051(2)(b), Florida Statutes. The rates for protected non-basic services should be capped at the rates in effect on July 1, 1995, pursuant to Section 364.051(6)(a)(2), Florida Statutes. Network access services and should be capped effective February 9, 1999, pursuant to Section 364.163(1), Florida Statutes. **(Barrett)**

**STAFF ANALYSIS:** Northeast filed notification on February 9, 1999, of its election of price regulation effective immediately. In doing so, the Company became subject to the provisions of Section 364.051, Florida Statutes. The relevant parts (1), (2), and (6) are noted as follows:

**364.051 Price regulation.-**

(1) SCHEDULE.-Notwithstanding any other provisions of this chapter, the following local exchange telecommunications companies shall become subject to the price regulation described in this section on the following dates:

(a) For a local exchange telecommunications company with 100,000 or more access lines in service as of July 1, 1995, such company may file with the commission a notice of election to be under price regulation effective January 1, 1996, or when an alternative local exchange telecommunications company is certificated to provide local exchange telecommunications services in its service territory, whichever is later.

(b) Effective on the date of filing its election with the commission, but no sooner than January 1, 1996, any local exchange telecommunications company with fewer than 100,000 access lines in service on July 1, 1995, that elects pursuant to s. 364.052 to become subject to this section.

(c) Each company subject to this section shall be exempt from rate base, rate of return regulation and the requirements of ss. 364.03, 364.035, 364.037, 364.05, 364.055, 364.14, 364.17, and 364.18.

(2) BASIC LOCAL TELECOMMUNICATIONS SERVICE.-Price regulation of basic local telecommunications service shall consist of the following:

(a) Effective January 1, 1996, the rates for basic local telecommunications service of each company subject to this section shall be capped at the rates in effect on July 1, 1995, and such rates shall not be increased prior to January 1, 2000. However, the basic local telecommunications service rates of a local exchange telecommunications company with more than 3 million basic local telecommunications service access lines in service on July 1, 1995, shall not be increased prior to January 1, 2001.

(b) Upon the date of filing its election with the commission, the rates for basic local telecommunications service of a company that elects to become subject to this section shall be capped at the rates in effect on that date and shall remain capped as stated in paragraph (a).

(6) NONBASIC SERVICES. - Price regulation of nonbasic services shall consist of the following:

(a) Each company subject to this section shall maintain tariffs with the commission containing the terms, conditions, and rates for each of its nonbasic services, and may set or change, on 15 days' notice, the rate for each of its nonbasic services, except that a price increase for any nonbasic service category shall not exceed 6 percent within a 12-month period until there is another provider providing local telecommunications service in an exchange area at which time the price for any nonbasic service category may be increased in an amount not to exceed 20 percent within a 12-month period, and the rate shall be presumptively valid. However, for purposes of this subsection, the prices of:

1. A voice-grade, flat-rate, multi-line business local exchange service, including multiple individual lines, centrex lines, private branch exchange trunks, and any associated hunting services, that provides dial tone and local usage necessary to place a call within a local exchange calling area; and

2. Telecommunications services provided under contract service arrangements to the SUNCOM Network, as defined in chapter 282, shall be capped at the rates in effect on July 1, 1995, and such rates shall not be increased prior to January 1, 2000 . . .

**364.163 Network access services.-**

For purposes of this section, "network access service" is defined as any service provided by a local exchange telecommunications company to a telecommunications company certificated under this chapter or licensed by the Federal Communications Commission to access the local exchange telecommunications network, excluding the local interconnection arrangements in s. 364.16 and the resale arrangements in s. 364.161. Each local exchange telecommunications company subject to s. 364.051 shall maintain tariffs with the commission containing the terms, conditions, and rates for each of its network access services.

(1) Effective January 1, 1999, the rates for switched network access services of each company subject to this

section shall be capped at the rates in effect on January 1, 1999, and shall remain capped until January 1, 2001. Upon the date of filing its election with the commission, the network access service rates of a company that elects to become subject to this section shall be capped at the rates in effect on that date and shall remain capped for 5 years.

Section 364.052, Florida Statutes, states that after July 1, 1996, a company subject to this section electing to be regulated pursuant to section 364.051, Florida Statutes, will have any overearnings attributable to a period prior to the date on which the company made the election subject to refund or other disposition by the Commission. Staff plans to review the earnings of Northeast up through February 8, 1999, to determine the need for disposition of any overearnings.

In light of the statutory requirements, staff recommends that with Northeast's election of price regulation effective February 9, 1999, its basic local telecommunications service rates should be capped effective February 9, 1999. The rates for protected non-basic services should be capped at the rates in effect on July 1, 1995. Network access services should be capped effective February 9, 1999.

**ISSUE 2:** Should Northeast's proposed tariff filing to introduce Customized Code Restriction with Personal Identification Number, Six-Way Calling, Caller ID with Call Waiting, and Anonymous Call Rejection be approved effective April 1, 1999?

**RECOMMENDATION:** Yes. Northeast's proposed tariff filing to introduce Customized Code Restriction with Personal Identification Number, Six-Way Calling, Caller ID with Call Waiting, and Anonymous Call Rejection should be approved effective April 1, 1999.  
**(Barrett, Brookins)**

**STAFF ANALYSIS:** On January 15, 1999, Northeast filed a tariff (T-99-0031) which offers enhancements to existing custom calling services and also offers select new ones. The tariff introduced

Customized Code Restrictions with Personal Identification Number (PIN), Anonymous Call Rejection, Caller ID with Call Waiting, and Six-Way Calling. The tariff also deleted a service offering entitled Wake-Up Service. Staff notes that there are no current subscribers to the company's Wake-Up Service.

Customized Code Restrictions with PIN is an enhancement of an existing custom calling feature. The new product allows customers who subscribe to the Customized Code Restrictions feature to override the restricted codes on a per-call basis. An additional rate per month (\$0.50) is proposed for Customized Code Restrictions with PIN.

Anonymous Call Rejection is a feature which allows subscribers to automatically reject signals from callers who have blocked delivery of their telephone numbers to the called party. This is a new service offering.

Caller ID with Call Waiting is an enhancement of Caller ID. This feature allows subscribers the ability to receive information about the calling party while on an existing call. The calling identification data of the waiting call is displayed on the customer's display device. The new Caller ID with Call Waiting feature replaces the (stand-alone) Call Waiting option for existing Caller ID subscribers. There is no change in the rate per month for the current Caller ID subscribers who have the Call Waiting option. The only change is that the service offering will be bundled as one feature rather than as a feature (Caller ID) with an option (Call Waiting).

Six-Way Calling is a new feature which allows the establishment of multi-party connections, or calls, to as many as six (6) parties. The total charge for the conference is the sum of:

- 1) The point-to-point usage charge for each called connection and;
- 2) The monthly recurring fee for the Six-Way Calling feature.

The Six-Way Calling feature is priced at two (2) times the existing rate for the Three-Way Calling feature, or \$7.00/Month (\$3.50 X 2).

The deleted Wake-Up Service was an option that allowed telephone subscribers to establish an in-coming signal (ring) at a pre-determined time. This feature has no subscribers, and staff believes there are no prospects for subscribers in the foreseeable future.

Staff believes the enhancements and new service offerings complement the ancillary custom calling features currently available for Northeast subscribers. Northeast filed supportive material which projects the estimated annual revenue impact for each of the new services. Upon review of the annual revenue impact information provided by Northeast, staff estimates annual revenue attributable to this tariff action to be \$ 16,050, and believes that these estimates are reasonable. The company's June 30, 1998, earnings surveillance report indicates that Northeast had an achieved Return on Equity (ROE) of 13.72%. This tariff filing should raise its ROE by 0.32%, bringing its ROE to 14.04%, which is below their authorized ceiling of 14.4% ROE. This information is summarized in chart form in Attachment B.

Staff notes that Northeast was under rate-of-return regulation on the date this tariff was filed (January 15, 1999). The docket associated with this tariff filing (Docket No. 990126-TL) was opened prior to the Company's filing to elect price regulation. The tariff docket was set for review by the Commission for the March 16, 1999, Agenda Conference. The Company requested an effective date of April 1, 1999, for the tariff provisions.

For the reasons explained above, staff recommends that Northeast's proposed tariff filing to introduce Customized Code Restriction with Personal Identification Number, Six-Way Calling, Caller ID with Call Waiting, and Anonymous Call Rejection should be approved effective April 1, 1999.

**ISSUE 3:** Should these dockets be closed?

**RECOMMENDATION:** Yes. With the Commission's approval of staff's recommendation in Issue 1, Docket No. 990152-TL should be closed. If, after reviewing the company's prior period earnings, the staff believes Northeast experienced overearnings, then staff will open a new docket. With the Commission's approval of staff's recommendation in Issue 2, the tariff should become effective on April 1, 1999. If a protest is filed within 21 days from the issuance date of the Order, the tariff should remain in effect with any revenues held subject to refund, pending resolution of the

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protest. If no timely protest is filed, Docket 990126-TL should also be closed. (MILLER)

**STAFF ANALYSIS:** With the Commission's approval of staff's recommendation in Issue 1, Docket No. 990152-TL should be closed. If, after reviewing the company's prior period earnings, the staff believes Northeast experienced overearnings, then staff will open a new docket. With the Commission's approval of staff's recommendation in Issue 2, the tariff should become effective on April 1, 1999. If a protest is filed within 21 days from the issuance date of the Order, the tariff should remain in effect with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, Docket 990126-TL should also be closed.