



Public Service Commission

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RECORDS AND REPORTING

DATE: November 18, 1999

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

FROM: DIVISION OF COMMUNICATIONS (WOLFE) *mw*
DIVISION OF LEGAL SERVICES (CLEMONS) *gmc dk*

RE: DOCKET NO. 991594-TP - PUBLICATION BY FLORIDA PUBLIC SERVICE COMMISSION OF 1999 STATEWIDE AVERAGE RATES FOR TAX PURPOSES, IN ACCORDANCE WITH SECTIONS 166.231(9) AND 203.01(9), FLORIDA STATUTES.

AGENDA: NOVEMBER 30, 1999 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: STATEWIDE AVERAGES ARE REQUIRED BY STATUTE TO BE PUBLISHED BY JANUARY 1, 2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: I:\PSC\CMU\WP\991594.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 provision 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.

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PPSC 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 fifth publication of the statewide average tariff rates. The access line data and the LEC rates for the services were updated to reflect January 1, 1999 levels to calculate the 1999 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 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. (Wolfe)

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 aggregating rates across all LECs, because 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. Moreover, 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 1999 should be generated using the methodology established in 1995. The statewide

average rates contained in this recommendation are weighted average rates that were generated using a methodology consistent with the prior Order.

A statewide average rate is calculated by weighting the rate each LEC charges for a given service as of January 1, 1999, and summing these results across LECs. The weighting is calculated 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 January 1999 Periodic Reports filed by the incumbent local exchange companies. Staff researched each LEC's tariff, as of January 1, 1999, 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. (Wolfe)

STAFF ANALYSIS: Attachment A provides the statewide average rates for tax purposes for the sixty (60) services approved by the Commission in 1998 by Order No. PSC-99-1753-FOF-TP, issued December 22, 1998.

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.

DOCKET NO. 991594-TP
DATE: November 18, 1999

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. If no timely protest is filed, this docket should be closed. (CLEMONS)

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

1999 - STATEWIDE AVERAGE RATES FOR TAX PURPOSES

| <u>GENERIC NAME OF SERVICE</u> | <u>STATEWIDE AVERAGE RATES</u> | | |
|--|--------------------------------|-------------|---------------|
| | <u>1999</u> | <u>1998</u> | <u>CHANGE</u> |
| <u>RESIDENTIAL EXCHANGE SERVICES</u> | | | |
| 1 Party - Residence | \$10.16 | \$10.16 | --- |
| Remote Call Forwarding (Flat Rate) - Residence | \$14.17 | \$14.15 | \$0.02 |
| Foreign Exchange/Local Channel - Residence | \$21.85 | \$21.10 | \$0.75 |
| <u>BUSINESS EXCHANGE SERVICES</u> | | | |
| 1 Party - Business | \$26.52 | \$26.55 | (\$0.03) |
| Rotary Line - Business | \$36.23 | \$36.81 | (\$0.58) |
| Direct Inward Dialed Trunk | \$24.85 | \$24.28 | \$0.57 |
| Remote Call Forwarding (Flat Rate) - Business | \$14.09 | \$13.96 | \$0.13 |
| PBX Flat Rate - Business | \$46.66 | \$46.69 | (\$0.03) |
| STS Trunk (Flat Rate) - Business | \$31.44 | \$31.51 | (\$0.07) |
| Foreign Exchange/Local Channel - Business | \$21.85 | \$21.08 | \$0.77 |
| Centrex Network Access Registers (NARs) | \$18.94 | \$18.93 | \$0.01 |
| Centrex Station Lines | \$ 5.52 | \$ 5.51 | \$0.01 |
| <u>CENTRAL OFFICE FEATURES</u> | | | |
| Call Forwarding - Residence | \$ 2.77 | \$2.77 | --- |
| Call Forwarding - Business | \$ 3.83 | \$3.83 | --- |
| Call Forwarding Don't Answer - Residence | \$ 1.00 | \$1.00 | --- |
| Call Forwarding Don't Answer - Business | \$ 2.69 | \$2.70 | (\$0.01) |
| Speed Calling (8 codes) - Residence | \$ 2.10 | \$2.10 | --- |
| Speed Calling (8 codes) - Business | \$ 2.59 | \$2.59 | --- |
| Three Way Calling - Residence | \$ 3.35 | \$3.36 | (\$0.01) |
| Three Way Calling - Business | \$ 3.66 | \$3.66 | --- |
| Call Tracing - Residence | \$ 3.92 | \$3.92 | --- |
| Call Tracing - Business | \$ 4.13 | \$4.13 | --- |
| Caller ID - Residence | \$ 6.80 | \$6.60 | \$0.20 |
| Caller ID - Business | \$ 8.50 | \$8.82 | (\$0.32) |
| Caller ID w/ name - Residence | \$ 6.58 | \$6.50 | \$0.08 |
| Caller ID w/ name - Business | \$ 8.84 | \$7.86 | \$0.98 |
| Repeat Dialing - Residence | \$ 4.01 | \$4.02 | (\$0.01) |
| Repeat Dialing - Business | \$ 4.63 | \$4.64 | (\$0.01) |

| | | | |
|--|---------|---------|----------|
| Call Return - Residence | \$ 4.20 | \$4.20 | --- |
| Call Return - Business | \$ 4.82 | \$4.82 | --- |
| Call Waiting (w/o Cancel Call Waiting) - Residence | \$ 3.98 | \$3.97 | \$0.01 |
| Call Waiting (w/o Cancel Call Waiting) - Business | \$ 4.51 | \$4.52 | (\$0.01) |
| Enhanced Call Waiting (Call Waiting w/ Cancel Call Waiting) - Residence | \$ 4.18 | \$4.17 | \$0.01 |
| Enhanced Call Waiting (Call Waiting w/ Cancel Call Waiting) - Business | \$ 5.18 | \$5.18 | --- |
| Selective Call Rejection - Residence | \$ 3.58 | \$3.59 | (\$0.01) |
| Selective Call Rejection - Business | \$ 4.20 | \$4.21 | (\$0.01) |
| <u>SCREENING AND BLOCKING SERVICES</u> | | | |
| Operator Screening - Residence | \$ 3.98 | \$3.99 | (\$0.01) |
| Operator Screening - Business | \$ 3.46 | \$3.45 | \$0.01 |
| 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) | \$ 3.58 | \$3.75 | (\$0.17) |
| <u>DIRECTORY ASSISTANCE SERVICES</u> | | | |
| Directory Assistance - Residence | \$ 0.32 | \$0.32 | --- |
| Directory Assistance - Business | \$ 0.32 | \$0.32 | --- |
| <u>DIRECTORY LISTING SERVICES</u> | | | |
| Non Published Number - Residence | \$ 1.90 | \$1.90 | --- |
| Non Published Number - Business | \$ 1.90 | \$1.90 | --- |
| Non Listed Number - Residence | \$ 1.09 | \$1.14 | (\$0.05) |
| Non Listed Number - Business | \$ 0.84 | \$0.90 | (\$0.06) |
| Additional Listing - Residence | \$ 1.20 | \$1.15 | \$0.05 |
| Additional Listing - Business | \$ 1.26 | \$1.21 | \$0.05 |
| Additional Listing (800 Services) - Business | \$ 1.26 | \$1.21 | \$0.05 |
| <u>SERVICE CONNECTION CHARGES</u> | | | |
| Primary Service Order Charge - Residence | \$31.65 | \$31.70 | (\$0.05) |
| Primary Service Order Charge - Business | \$45.19 | \$45.28 | (\$0.09) |
| Secondary Service Order Charge - Residence | \$10.21 | \$10.21 | --- |
| Secondary Service Order Charge - Business | \$17.24 | \$17.24 | --- |
| Central Office Charge - Residence | \$32.15 | \$32.13 | \$0.02 |
| Central Office Charge - Business | \$34.41 | \$34.36 | \$0.05 |
| Premises Visit Charge - Residence | \$23.95 | \$24.10 | (\$0.15) |
| Premises Visit Charge - Business | \$24.79 | \$24.94 | (\$0.15) |

DOCKET NO. 991594-TP
DATE: November 18, 1999

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|---------------------------------------|---------|---------|----------|
| Trouble Location - Residence | \$41.73 | \$42.22 | (\$0.49) |
| Trouble Location (Simple) - Business | \$41.73 | \$42.22 | (\$0.49) |
| Trouble Location (Complex) - Business | \$47.81 | \$47.82 | (\$0.01) |