

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for waiver of Order PSC-96-0012-FOF-TL to consolidate number of non-basic service categories by Verizon Florida Inc.

DOCKET NO. 050294-TL  
ORDER NO. PSC-05-0602-PAA-TL  
ISSUED: June 1, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON  
LISA POLAK EDGAR

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING VERIZON FLORIDA INC.'S  
PETITION FOR WAIVER OF ORDER NO. PSC-96-0012-FOF-TL

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

**I. Background**

On April 25, 2005, Verizon Florida Inc. (Verizon or Company) filed a petition for a waiver of Order No. PSC-96-0012-FOF-TL<sup>1</sup> to consolidate the existing ten non-basic service categories to the same five categories approved previously for BellSouth Telecommunications Inc. (BellSouth) pursuant to a similar waiver request (Docket No. 041213-TL). Per Section 364.051, Florida Statutes, incumbent local exchange companies (ILECs) have been able to elect price regulation since January 1, 1996. Section 364.051(5)(a), Florida Statutes, limits rate increases by a price-regulated ILEC, for any non-basic service category, to 6% or 20% within a 12-month period, depending on whether or not there is another carrier providing local telecommunications service in a given exchange. This Commission established non-basic service categories in order to implement this statutory provision. The original ten non-basic

<sup>1</sup> Issued on January 4, 1996 in Docket No. 951159-TL, Investigation to Determine Categories of Non-Basic Services Provided by Local Exchange Companies Pursuant to Section 364.051(6), Florida Statutes.

DOCUMENT NUMBER-DATE

05294 JUN-1 05

FPSC-COMMISSION CLERK

service categories were established by the above referenced order, wherein we approved a proposed stipulation among certain parties to Docket No. 951159-TL.

**II. Decision**

Verizon’s Petition for Waiver of Order No. PSC-96-0012-FOF-TL is hereby granted.

The statutory limitation on non-basic rate increases does not apply to individual services, but rather to the average rate change (considering both increases and decreases) across all the services in a non-basic category, over a 12-month period. With each tariff filing, Verizon submits a price-out for the affected non-basic service category, showing beginning of period and proposed revenue, to demonstrate that the overall rate increase is within the statutory limit. Verizon takes the position that competition is increasingly limiting its ability to increase prices, which indicates that fewer non-basic service categories are needed.

The following chart depicts the present and Verizon’s proposed non-basic service categories:

Residence Non-Basic Exchange Access	Residential Non-Basic Service
Residential Optional Services	
Business Non-Basic Exchange Access	Business Non-Basic Service
Business Optional Services	
Local Directory Assistance and Directory Services	Local Directory Assistance and Directory Services
Toll Services	Other Optional
Operator Services	
Transport Services	
Public and Semi-Public Telephone	
Miscellaneous Services	Miscellaneous Services

Verizon proposes to migrate the revenue for each existing category to the appropriate new category, at the end of the current 12-month pricing period. According to Verizon, and we agree, this approach will allow us to transition to the new categories, while maintaining compliance with Section 364.051(5)(a), Florida Statutes.

The size and structure of the non-basic service categories can directly influence Verizon's flexibility to adjust prices and be compliant with the statute. With a larger number of services included in a non-basic service category, Verizon can increase some rates significantly if market conditions favor the Company, while lowering other rates to address competitive pressures. For this reason, we find that the services in a non-basic category should be subject to similar competitive and market conditions. Finally, a system of fewer, but larger, non-basic service categories inherently provides more pricing flexibility, although competitive and market conditions will dictate to what extent this flexibility is actually used.

From this Commission's perspective, the proposed category structure does reflect differences in the competitive pressures facing Verizon. Combining the existing Non-Basic Exchange Access and Optional Services categories for residential and business, respectively, makes sense since both types of services are provided by the end user's local telephone company. The state of competition in the local market should affect pricing of exchange access and optional local services in a similar manner. We also find that Verizon's request to combine Toll Services, Operator Services, and Transport Services<sup>2</sup> is logical since these types of services are recognized as being some of the most competitive.

We next consider whether Verizon's rate increase history provides any indication of how Verizon might utilize additional pricing flexibility, and how customers might be affected. In reviewing Verizon's rate increase history for the various categories, we did not discern any concerns with the proposed consolidation. For the non-basic service categories that Verizon proposes to combine, the Company has used only a limited portion of the current pricing flexibility, which indicates that the additional pricing flexibility gained through consolidating categories is unlikely to lead to higher increases in the future.

Based on the above reasoning, we grant Verizon's Petition for Waiver of Order No. PSC-96-0012-FOF-TL and reduce the number of non-basic service categories from ten (10) to five (5) for Verizon. This action is consistent with Order No. PSC-05-0278-CO-TL, issued in Docket No. 041213-TL, in which we granted the same relief for BellSouth.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Verizon Florida Inc.'s Petition for Waiver of Order No. PSC-96-0012-FOF-TL is granted as set forth in the body of this Order. It is further

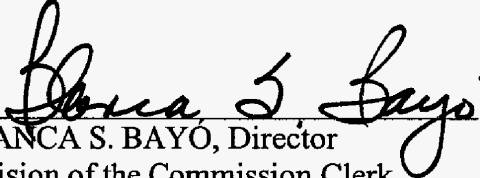
ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

---

<sup>2</sup> Our staff believes that the Public and Semi-Public Telephone category is no longer applicable since these retail services have been deregulated.

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 1st day of June, 2005.

  
BLANCA S. BAYO, Director  
Division of the Commission Clerk  
and Administrative Services

(SEAL)

JLS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 22, 2005.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.