

FLORIDA PUBLIC SERVICE COMMISSION

**Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850**

MEMORANDUM

August 29, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [CHENE] *gn*
DIVISION OF LEGAL SERVICES [MURPHY] *cm* *H*

RE : DOCKET NO. 910803-TL - PROPOSED TARIFF FILING TO BILL
SUBSCRIBER LINE CHARGES TO CENTREX CUSTOMERS BASED ON
TRUNK EQUIVALENCY BY QUINCY TELEPHONE COMPANY (T-91-317
FILED JULY 3, 1991)

AGENDA: SEPTEMBER 10, 1991 - CONTROVERSIAL - PARTIES MAY
PARTICIPATE

CRITICAL DATES: COMPANY REQUESTED EFFECTIVE DATE:
SEPTEMBER 11, 1991

SPECIAL INSTRUCTIONS: NONE

CASE BACKGROUND

On February 19, 1990, in Docket No. 901011-TL, the Commission approved Quincy Telephone Company's (Quincy or the Company) proposed tariff filing to add centrex service to its General Subscribers Services Tariff.

In an effort to make centrex a more competitively priced service, the use of a trunk equivalency table for the collection of the subscriber line charges (SLC) from end users has been requested by several local exchange companies (LECs), such as Southern Bell and Centel, and approved by this Commission.

The concept of trunk equivalency allows the LEC to base the SLC collected from the customer on a trunk equivalency basis rather than a per station line basis, thus significantly reducing the charge to the customer. The LECs are required to record \$6.00 per line as interstate revenue. If the Company charges less than \$6.00 per line, then this revenue shortfall must be made up from other sources. State PSC approval is necessary in order to shift revenue from the intrastate to the interstate jurisdiction.

Such an approach was approved by the Indiana Public Service Commission for Indiana Bell in 1984. Because of the controversial

DOCUMENT NUMBER-DATE

08677 AUG 29 1991

FPSC-RECORDS/REPORTING

Docket No. 910803-TL
August 29, 1991

nature of this ruling, the case was brought before the FCC and in the summer of 1985, it ruled that its subscriber line charge policy was not undermined by the use of equivalency rates. The FCC made this decision in effect, to allow the state commissions the ability to correct inequities in the rate structures of the telephone companies that would exist between centrex and PBX customers. The ruling gives the state PSCs the opportunity to reevaluate intrastate centrex rates. The FCC allows that such action be taken so that the SLC assessment for both PBX and centrex users can be more equitable.

Docket No. 910803-TL
August 29, 1991

DISCUSSION OF ISSUES

ISSUE 1: Should Quincy Telephone Company's proposed tariff filing to request to bill subscriber line charges to centrex customers based on a trunk equivalency be approved?

RECOMMENDATION: Yes. Quincy Telephone Company's proposed tariff filing to bill subscriber line charges to centrex customers based on a trunk equivalency should be approved. The tariff should be effective September 11, 1991.

STAFF ANALYSIS: On July 3, 1991, Quincy Telephone Company (Quincy) filed revisions to its General Services Tariff to request authorization to bill Subscriber Line Charges (SLC) to centrex customers based on a trunk equivalency. Presently, Quincy bills the SLC for all centrex lines on a per line basis.

The SLC stems from a general regulatory principle, upheld by the Court of Appeals for the D.C. Circuit, that interstate charges may be properly assessed on a service offering when a portion of the costs of providing that service is assigned to the interstate jurisdiction pursuant to the jurisdictional separations procedures set forth in Part 36 of the Federal Communications Commission's (FCC) Rules. Part 36 operates to assign a portion of local exchange line costs to the interstate jurisdiction where the lines may be used jointly for exchange and toll message service.

Presently, Quincy bills all centrex lines for SLCs on a per line basis versus on a trunk basis. If Quincy is allowed to bill the SLC portion of its interstate common line requirement to centrex customers on a trunk equivalency basis instead of billing the charge for each centrex line, the centrex customers will be billed more like PBX customers. Therefore, the centrex service will be more competitively priced with PBX. However, the proposed change will result in a difference between the actual interstate revenues and interstate revenues recognized by the FCC. This Commission has permitted Centel and Southern Bell to recover the revenue shortfall by allowing the companies to transfer intrastate revenue to interstate revenue for regulatory purposes.

Attachment A is the trunk equivalency table which the Company has proposed to add to its local tariff. This table is identical to Centel's. Currently, the SLC charge is \$6.00 per line. Under the current tariff, if a customer had 3 centrex lines, the customer would be charged \$6.00 for all three centrex lines for a total of \$18.00. However, using the proposed trunk equivalency table, a customer with three centrex lines would only be charged \$6.00 for

Docket No. 910803-TL
August 29, 1991

all three lines. Thus the proposed charge is considerably less than the current charge.

As of June 30, 1991, Quincy had 93 centrex lines for which the Company bills the SLC for all centrex lines on a per line basis. The Company's 1991 forecast projects a total of 150 lines. The SLC monthly shortfall is derived by subtracting out the trunk equivalents from the line forecast multiplied by the \$6.00 monthly SLC charge. Quincy's monthly shortfall for 1991 is projected at \$714.00 which is estimated to be \$.08 per access line (i.e., \$714.00 divided by 9,500 access lines yielding \$.08 per access line). If the proposed tariff is approved, Quincy would recover the revenue shortfall by transferring intrastate revenue to interstate revenue for regulatory purposes.

When Quincy originally proposed to offer centrex service, staff investigated whether the service's rates cover the costs of providing the service. Quincy provided the results of the fully-allocated cost study performed by the Company in support of the proposed rates. Staff stated that the proposed centrex rates exceed the fully allocated costs of the service and provide a contribution to the common costs of the Company. When applying the trunk equivalency method, it is important that the rates for the centrex service continue to cover cost; and they do in this instance.

Another important issue when applying an equivalency table is that the rates among other LECs who apply a similar table should appear consistent. When a similar scenario is applied, Centel's, Southern Bell's and Quincy's rates appear to be similar. This helps to assure that the LEC does not price the service below cost which could create an inequitable price relationship and harm the competitiveness of the PBX vendor who supplies a functionally comparable alternative to centrex.

In this situation the rates applied to the centrex service, including the trunk equivalency, are similar to Southern Bell and Centel and the rates cover cost. Staff agrees that since centrex service is very similar to and competitive with PBX service, the customer should not be penalized for choosing to utilize centrex as a service offering. In many cases, absent implementation of trunk equivalency, large users are priced out of the centrex market due to the large recurring SLCs and this tariff filing will allow Quincy to partially offset the SLC by basing the rates on the number of trunks required to serve the centrex instead of individual lines. Therefore, based on the information presented in this docket, staff recommends that Quincy's proposed tariff filing

Docket No. 910803-TL
August 29, 1991

to bill subscriber line charges to centrex customers based on trunk equivalency should be approved.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, with the adoption of staff's recommendation in Issue 1, this docket should be closed if no timely protest is filed.

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**QUINCY'S PROPOSED TRUNK EQUIVALENCY TABLE FOR SUBSCRIBER LINE CHARGE
ANALYSIS OF 1991 IMPACT**

Column (1)	Column (2)	Column (3)	Column (4)	Column (5)	Column (6)	Column (7)
No./ Lines	Equivalency No. Trunks	SLC Equivalent Monthly Rate	1991 Line Forecast	1991 Trunk Equivalents	1991 SLC Monthly Shortfall	Cost/ Access Line
1	1	\$ 6.00	0	0	\$ 0	
2-6	2	12.00	25	8	102	
7-15	3	18.00	0	0	0	
16-21	4	24.00	0	0	0	
22-28	5	30.00	0	0	0	
29-36	6	36.00	0	0	0	
37-45	7	42.00	0	0	0	
46-54	8	48.00	0	0	0	
55-64	9	54.00	0	0	0	
65-75	10	60.00	0	0	0	
76-86	11	72.00	0	0	0	
87-98	12	78.00	0	0	0	
99-111	13	78.00	0	0	0	
112-125	14	84.00	125	23	612	
126-139	15	90.00	0	0	0	
140-155	16	96.00	0	0	0	
156-171	17	102.00	0	0	0	
172-189	18	108.00	0	0	0	
190-207	19	114.00	0	0	0	
208-225	20	120.00	0	0	0	
226-243	21	126.00	0	0	0	
244-262	22	132.00	0	0	0	
263-281	23	138.00	0	0	0	
282-300	24	144.00	0	0	0	
Each Add'l						
15 Lines	+1	\$ 6.00				
		Totals:	150	31	\$ 714	\$ 0.08

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