

FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

January 13, 1994

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [NORTON, BUTLER, GREER, O'PRY] *WBN* *APB* *516* *D*

DIVISION OF FINANCIAL AUDITING AND FINANCIAL ANALYSIS [JOHE, MAUREY] *OM* *pm* *JP*

DIVISION OF LEGAL SERVICES [HATCH, GREEN]

RE : DOCKET NO. 920260-TL, IN RE: COMPREHENSIVE REVIEW OF REVENUE REQUIREMENTS AND RATE STABILIZATION PLAN OF SOUTHERN BELL.

DOCKET NO. 900960-TL, IN RE: SHOW CAUSE PROCEEDING AGAINST SOUTHERN BELL FOR MISBILLING CUSTOMERS.

DOCKET NO. 910163-TL, IN RE: INVESTIGATION INTO THE INTEGRITY OF SOUTHERN BELL'S REPAIR SERVICE ACTIVITIES AND REPORTS.

DOCKET NO. 910727-TL, IN RE: INVESTIGATION INTO SOUTHERN BELL'S COMPLIANCE WITH RULE 25-4.110(2), F.A.C., REBATES.

DOCKET NO. 911034-TL, IN RE: REQUEST BY BROWARD BOARD OF COUNTY COMMISSIONERS FOR EXTENDED AREA SERVICE BETWEEN FT. LAUDERDALE, HOLLYWOOD, NORTH DADE, AND MIAMI.

AGENDA: JANUARY 18, 1994 - CONTROVERSIAL, PARTIES MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\920260.RCM

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

On January 5, 1994 Southern Bell and the Office of Public Counsel filed two motions. The first was a Joint Motion to have the Florida Public Service Commission approve the Stipulation and Agreement Between the Office of Public Counsel and Southern Bell Telephone and Telegraph Company, and to take all actions specified therein. The second was a Motion for Continuance of Hearings and Stay of Discovery. Prehearing Officer Susan Clark partially granted the second motion, staying discovery until January 19, the day after the vote on this item.

At the time the Stipulation and Agreement (Stipulation) were filed, only Southern Bell and the Office of Public Counsel were parties to the Stipulation and Agreement. However, according to Southern Bell's press release, it has been endorsed by the American Association of Retired Persons (AARP), the Office of the Attorney General, and the Florida Consumer Action Network. To our knowledge, no other parties have endorsed the agreement as of this writing.

The Stipulation and Agreement proposes to settle all issues in Docket No. 920260-TL, Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone and Telegraph Company, with the exception of the Dade/Broward EAS case and future rate design issues; Docket No. 900960-TL, Investigation into Southern Bell Telephone and Telegraph Company's Non-Contact Sales Practices; Docket No. 910153-TL, Petition on Behalf of the Citizens of the State of Florida to Initiate Investigation into the Integrity of Southern Bell Telephone and Telegraph Company's Repair Service Activities and Reports; and Docket No. 910727-TL, Investigation into Southern Bell Telephone and Telegraph Company's Compliance with Rule 25-4.110(2) (Rebates).

DISCUSSION OF ISSUES

ISSUE 1: What considerations should the Commission take into account in deciding whether or not to approve the Stipulation and Agreement between the Office of Public Counsel and Southern Bell?

RECOMMENDATION: The Commission should take into account the factors listed below in the Staff Analysis.

STAFF ANALYSIS: In reviewing the Stipulation and Agreement between Southern Bell and the Office of Public Counsel, the staff is aware of the complexity of the agreement and the fact that a party may have yielded on one point in order to gain another, or to preserve the overall agreement. As such, staff is offering its observations on the agreement to assist the Commission in making a decision whether, in toto, it should be approved.

Immediate Rate Reductions:

Another positive aspect of the Stipulation is that it generally reduces some rates from what they are currently, and in each year from now through 1997, there will be additional reductions. Whether the rate reductions proposed by the Stipulation are as great as, or less than, what might be ordered after a full hearing is debatable. However, the fact is that some of the rates proposed here will begin to be implemented as soon as 30 days after the Commission's approval. If the Commission went through the full hearing schedule, it would not be making a decision until mid-May, with rates going in after that. For residential customers, knowing that there will be no increase in local rates through the end of 1997 is reassuring, and Dade/Broward county residents will be glad to hear about the money set aside to address their EAS concerns. For 1994, reductions will occur in the following areas:

- Service connection charges
- Touchtone
- Business hunting rates
- PBX trunk rates
- Network access register rates
- Residential call waiting
- Residential call forwarding.

Extension of Incentive Regulation Plan for Southern Bell

The Commission held hearings in July 1988 and approved in September 1988, an Incentive Regulation Plan for Southern Bell. The Plan has already resulted in \$1.2 billion of refunds and rate reductions for the years 1988 through 1992. Also, over \$325 million has been applied to additional depreciation expense, thus facilitating the development of a modern telecommunications network in Florida. The Commission's existing Incentive Regulation Plan, which is already in place, will result in over \$1.6 billion of refunds and rate reductions for the years 1993 through 1997. The Stipulation will add another \$765 million in rate reductions for the years 1994 through 1997. The Regulatory Incentive Plan implemented by the Commission has provided significant financial benefits to the ratepayers and will continue to do so in the future. The Stipulation extends the Regulatory Incentive Plan through the end of 1997 with certain modifications.

Hearing Avoided:

A positive aspect of this agreement is that a lengthy hearing is avoided. An extensive amount of work has been expended on this case thus far, and the lion's share of the work by both the parties and the staff in preparing for the hearing has already been accomplished. Staff believes that majority of the rate case costs, including the costs associated with obtaining outside expert witnesses, has already been incurred. However, the travel expenses for witnesses will be avoided, and the cost of having highly paid experts sitting through a five week hearing will not occur. Of course, this time saving aspect also applies to the Commission and its staff, who will have this time, which has been planned for the hearing and preparation of the recommendation, available to do other work. The value of this is not to be taken lightly. The workload of this Commission is prodigious, and the ability to move on to other issues is of value.

Concerns About Restricting the Commission's Actions:

The text of the Stipulation and Agreement contains numerous references that purport to require the Commission to act, to refrain from acting or otherwise restrict the actions of the Commission in some manner, or seek action for which the Commission has no authority. Each such instance is discussed separately below. Generally, however, such attempts to bind the Commission to a specified future course of action by reason of

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adoption of the Stipulation must fail as a matter of law. See e.g. United Telephone Company v. Public Service Commission, 496 So.2d 116, 118 (Fla. 1986) (Parties to a contract can never confer jurisdiction). Similarly, parties can not by contract or agreement limit or require the exercise of Commission jurisdiction.

The Commission is statutorily entrusted with the responsibility to insure that Southern Bell's rates, charges and practices are fair, just, and reasonable. See Sections 364.01(2), 364.03 and 364.14, Florida Statutes. The terms of a contract for the rendering of a service of a public nature are subject to the right of governmental authority under existing laws to regulate the service and the charges made for it. State ex rel Ellis v. Tampa Waterworks Co., 48 So. 639 (Fla. 1909).

When the Commission approves a stipulation between the parties to a proceeding, the provisions of the stipulation become part of the Commission's order. However, the Commission can not, by its own order, require or preclude a future Commission from carrying out its mandate. This is analogous to the principle that the legislature in adopting legislation is not bound by actions of prior legislatures nor can it bind future legislatures.

The question of the Commission being precluded from acting was last addressed by the Commission in the context of Southern Bell's rate stabilization plan. In that case, Southern Bell argued that the Commission, in approving the parameters of the rate stabilization, committed to not changing the parameters prior to the expiration of the plan unless some precipitous change in circumstances occurred.

The question arose in the context of several parties' attempt to persuade the Commission that, because the costs of equity capital had fallen, certain amounts of revenue should be held subject to refund pending the outcome of the impending Southern Bell Rate Case. The Commission concluded that regardless of the Rate Stabilization Plan's silence on whether the Plan could be modified due to changes solely in the cost of equity capital and regardless of the Commission's prior approval of the Plan, the Commission determined that it was not precluded from holding money subject to refund pending the rate case if the public interest so required. See Order No. PSC-92-0524-FOF-TL, issued June 18, 1992.

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The Commission, even if it so desired, can not be bound to a specific course of action by parties before it through the approval of a stipulation. As the Commission stated in the GTE Florida, Inc. tax savings proceeding in Docket No. 890216-TL:

[W]e do not possess the legal capacity of a private party to enter into contracts covering our statutory duties. Indeed, we cannot abrogate -- by contract or otherwise -- our authority to assure that our mandate from the Legislature is carried out. As a result, we may not bind the Commission to take or forego action in derogation of our statutory obligations.

See Order No. 22352, issued December 29, 1989.

It is important to note that each instance seeking to confer or preclude Commission jurisdiction is not a fatal flaw to the approval of the Stipulation. The parties are without authority to confer or preclude the exercise of jurisdiction by private agreement. These provisions are simply unenforceable against the Commission and are void ab initio. The parties cannot give away or obtain that for which they have no authority.

While it is clear that the Commission can not be precluded from carrying out its statutory mandate in the future by approving this Stipulation, it must be clearly understood that if the Commission approves the Stipulation and then at some subsequent date finds it necessary to alter the regulatory provisions it may now be approving, such change may be the basis for any party to the Stipulation to abrogate the prospective portions of the agreement.

In the following paragraphs, the staff will comment on various aspects of the Stipulation. Generally, the accounting aspects of the Stipulation will be addressed first, followed by the rate design aspects.

Resolution of all Issues/No Changes in Accounting, Practices, Interpretations, or Procedures (Paragraphs 2 and 3):

The second sentence of Paragraph 2 suggests that the Commission cannot make any changes that would alter Southern Bell's calculations of the Company's earnings during the life of the Stipulation or the other operative provisions of the Stipulation if such change was an issue identified in this case. As discussed, the Commission may, if the public interest demands,

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make any such change when and as needed. It appears that any changes that are imposed by the Commission that affect the Company's earnings but that are not issues in this case will not affect the operation of the Stipulation.

The Stipulation explicitly states that the terms of this Stipulation resolve all issues relating to the determination of Southern Bell's earnings and revenue requirements, including but not limited to accounting adjustments and affiliated transactions. Currently, there are approximately 60 issues relating to the determination of the appropriate net operating income (NOI) and 10 issues relating to rate base and cost of capital. Included in the 60 NOI issues are issues such as the treatment of employee concessions, directory revenues, and effects of labor reduction plans as well as numerous issues relating to the affiliated transactions. Acceptance of the Stipulation would result in the abolishment of all outstanding issues. For the next four years, other than the adjustments that were ordered in Docket 880069-TL, no additional accounting adjustments will be reflected in the Company's earnings calculation. The adjustments ordered by the Commission as a result of Docket 880069-TL are very minimal in comparison to the amounts and subject matters at issue in this docket. This significantly limits potentially needed changes. To the extent that the Commission may determine a change is needed, such change may be the basis for a party to abrogate the prospective portions of the agreement.

Furthermore, the Stipulation states that any changes in accounting rules, practices, interpretations or procedures that could have been considered by the FPSC as a result of its having been part of an issue in the rate case will have no effect on the calculation of Southern Bell's earnings, including but not limited to the sharing and after-sharing cap points. The Commission has a rule docket that is scheduled for a hearing in September 1994, addressing the current regulatory treatment of inside wire. In addition, the staff is currently investigating the LECs' accounting treatment of software expenditures. Any future Commission decisions as a result of these dockets will not be reflected in Southern Bell's earnings during the duration of the plan. To the extent that the Commission may determine a change is needed, such change may be the basis for a party to abrogate the prospective portions of the agreement.

Staff is unsure under the terms of the Stipulation as to what accounting changes may be applied in the calculation of Southern Bell's future earnings. First, it is staff's

understanding that new accounting changes, such as new Statements of Financial Accounting Standard (SFAS) and accounting changes ordered by the FCC may be implemented, if approved by the Commission. Second, Southern Bell currently has an equity ratio greater than other major local exchange companies in Florida. The Company's equity ratio could become higher. Since the equity ratio of Southern Bell is an issue in this case, under the Stipulation, the Commission is precluded from addressing the appropriateness of Southern Bell's equity ratio during the duration of the plan. Third, staff believes that this Stipulation appears to preclude the Commission from reflecting any future Commission audit findings in the earnings calculation other than the correction of errors in reporting the Earnings Surveillance Report. Fourth, staff is not sure if the Stipulation is intended to preclude the Commission from making subsequent adjustments for prudence. Finally, it is unclear whether the Stipulation is intended to preclude the Commission from revising Southern Bell's current depreciation rates.

Calendar Year 1993 Accounting Adjustments (Paragraph 4):

In the Stipulation, the Company proposes to record additional expenses in 1993 for the following items:

- (a) Remaining deferred expenses resulting from Hurricane Andrew.
- (b) Remaining expenses incurred during 1993 associated with the refinancing of its long-term debt.
- (c) Write off the depreciation reserve deficiency resulting from the early retirements of its plant caused by Hurricane Andrew.
- (d) Implementation of SFAS 112.

The sum of these additional expenses being proposed by the Stipulation to be recorded in 1993 is approximately \$129 million. With the exception of item (d), the Company proposed to defer these costs to 1994 and beyond in its current filing. Staff believes that writing off these costs as early as possible will be beneficial to the ratepayers in the long run.

Value of Proposed Rate Reductions (Paragraph 5):

In paragraph 5, the Stipulation lists various rate reductions scheduled to take place during the period 1994 through

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1996. As discussed earlier, there are approximately 60 pending issues addressing the determination of NOI. Staff analyzed the pending issues and projected the outcome of the issues if the stipulation is rejected. Staff believes that there are certain issues for which an adjustment to the Company's filing is necessary. For the purpose of this analysis, staff was very conservative in estimating the outcome of the issues. For 1994, staff estimated budget adjustments, accounting adjustments and disallowances of approximately 120 basis points. One hundred basis points equates to approximately \$34 million according to the Company's filing. In the most recent major rate cases with telephone companies, the Commission made budget adjustments, accounting adjustments and disallowances to the companies' filings of over 200 basis points. Although each case is individual, staff believes that staff's estimated outcome of Southern Bell's case for this recommendation purpose is not out of line in comparison to the Commission's past decisions.

Line 1 of the following table shows the reductions proposed by the Stipulation. Using ROEs recommended by OPC, staff and the Company witnesses, lines 2 through 4 of the following table show the calculated staff reductions based on staff's conservative projected outcome of the issues. On an average over the period 1993 through 1997, the effective rate setting point under the proposed Stipulation is 11.9% ROE with staff's conservative accounting adjustments.

| TABLE 1 (000's) | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| YEAR | 1993 | 1994 | 1995 | 1996 | 1997 | Total |
| 1. Reduction Per Stipulation (a) | (\$106,923) | (\$80,908) | (\$154,300) | (\$235,300) | (\$298,300) | (\$875,731) |
| Staff Calculated Reductions | | | | | | |
| 2. @9.7% with adjust-OPC Wit. (b) | (\$132,224) | (\$226,044) | (\$261,044) | (\$296,044) | (\$331,044) | (\$1,246,401) |
| Difference in Reduction (a-b) | \$25,301 | \$145,919 | \$108,044 | \$62,044 | \$34,044 | \$375,353 |
| 3. @10.8% with adjust-Staff Wit. (d) | (\$94,874) | (\$188,694) | (\$223,694) | (\$258,694) | (\$293,694) | (\$1,059,648) |
| Difference in Reduction (a-d) | (\$12,049) | \$108,569 | \$70,694 | \$24,694 | (\$3,306) | \$188,600 |
| 4. @13.2% with adjust-Co. Wit. (f) | (\$13,382) | (\$107,202) | (\$142,202) | (\$177,202) | (\$212,202) | (\$652,188) |
| Difference in Reduction (a-f) | (\$93,541) | \$27,077 | (\$10,798) | (\$56,798) | (\$84,798) | (\$218,860) |

Adjustment of ROE Cap and Sharing Points (Paragraph 15):

Staff believes that the proposal for adjusting the sharing bands for 1996 and 1997 is a reasonable method. Staff has verified that 6.98% is the average yield on AA utility bonds as reported by Moody's for the period September, October and November, 1993 as agreed by the parties to the Stipulation.

Southern Bell's limit to exposure to disallowances and accounting adjustments through the Stipulation significantly reduces its regulatory risk. In addition, Southern Bell's equity ratio is greater than the average equity ratio for the other Bell operating companies indicating an exposure to financial risk that is less than that of the other Bell operating companies. Risk reduction is generally beneficial due to lowered costs. The reduction in risk exposure--from both the Stipulation and high equity ratio--indicates a return on equity (ROE) for setting rates near the bottom of the range of what is currently being observed by the market for AAA-rated telephone companies.

The Stipulation is silent with respect to an authorized floor for return on equity. The incentive plan approved in Order No. 20162 (Docket No. 880069-TL) for Southern Bell established a specific floor, sharing point and ceiling for the administration of the plan. In Order No. 20162, the floor established by the Commission was 250 basis points below the sharing point. Maintaining the same relationship, the floor would be 9.5% in 1994, 10.0% in 1995, and would be determined based on the movement of the sharing point as specified in the Stipulation for 1996 and 1997. It would have been appropriate for the Stipulation to establish a floor. Absent a floor, there can be no interim rates should Southern Bell seek rate relief.

1992 True-up:

The Stipulation is silent with respect to Southern Bell's 1992 earnings. In the current rate case, Issues 24a and 24b address the Company's 1992 earnings in order to determine whether or not a sharing between the company and ratepayers is necessary. If the Stipulation is accepted by the Commission, the issue of 1992 earnings still remains to be addressed.

Cross-subsidization:

Under Chapter 364.183, Florida Statutes, the Commission has the obligation to ensure that there is no cross-subsidization or improper allocations between regulated and non-regulated

operations. As discussed earlier, there are numerous issues relating to accounting transactions with non-regulated affiliates. For this case those issues would be resolved by acceptance of the Stipulation. However, acceptance of this Stipulation cannot preclude the Commission from meeting its statutory obligation. To the extent the Commission determines a change is necessary, such change may be the basis for a party to abrogate the prospective portions of the agreement.

Touchtone Charge Elimination (Paragraph 5):

Eliminating Touchtone was not a part of Southern Bell's proposal originally. It is, however, a proposal that staff supports. In cases with other companies, the Commission has opted either to decrease the charge, or eliminate it where possible. As of 1991, 93% of all access lines in Southern Bell's territory (96.7% business, 91.2% residence) had touchtone service; this proposal thus will effectively be a basic local rate decrease for them. The value of this aspect of the agreement is \$55,000,000 annually. In 1994, because it would not be implemented until sometime in February, its value would be approximately \$48,000,000.

Other Immediate Rate Changes (Paragraph 6):

The following reductions, according to the Stipulation, dispose of the approximately \$49 million previously set aside by the Commission in Order No. PSC-93-0588-FOF-TL. These tariff changes are to become effective during the first billing cycle falling 30 days after approval by the Commission. The existing credit on customer bills, which amounts to \$.57 monthly on the bills of residential customers in Rate Group 12, and is a proportional reduction for other customers, will be eliminated once these rates go in.

| | |
|-------------------------------------|------------|
| Service Connection Charges | \$14.0M |
| *Reduce Flat Rate PBX, NAR, Hunting | 29.6 |
| Eliminate Flat Rate EAS Additives | .17 |
| **Reduce Residential Custom Calling | 4.3 |
| <u>Implement Lifeline</u> | <u>1.5</u> |
| TOTAL | \$49.57M |

*Note: This number was changed to \$29.6 million in the Implementation Agreement filed January 12, 1994.

**Note: This rate change was eliminated and substituted with a reduction to Direct Inward Dial (DID) rates in the Implementation Agreement filed January 12, 1994.

1. Restructure of Service Connection Charges as proposed by Southern Bell Witness Nancy Sims: The overall effect of this proposal is to reduce service connection charge rates for most customers. It is a \$13,969,603 reduction overall. However, some customers will experience increases. Currently, Southern Bell's service connection charges are the highest of any Florida LEC. The proposed changes place them more in line with other companies. The restructure makes a distinction between the charges for the first and additional lines connected at a given location when they are ordered at the same time, and combines categories, making the tariff simpler.

Today, the charges for new service are the Primary Service Order (per order), Central Office Work Charge (per line), and New Line Connect Charge (per line), which applies only if service has never been provided to the location, or if an additional line is added that has not been used before. For residential customers with previous service at the location, the total current charge to hook up a new line today is \$44.50. If there has not been previous service, the charge is \$76. Additional lines hooked up at the same time are \$19.50 (if prior service) and \$51.00 (if no prior service). Under Southern Bell's proposed rates, the customer would pay the Line Connection Charge of \$40.00 for the first line and \$12.00 for each additional line. For business customers, the existing hook up rates are \$54.50 if there was previous service and \$86 if there was no previous service; additional lines hooked up at the same time are \$19.50 (prior service) and \$51.00 (no prior service). The new proposal charges \$56.00 for the first line and \$12.00 for each additional line. Although this is an increase for a business customer hooking up only one line at a location that previously had service, we believe this is a reasonable rate proposal, and is supported by Southern Bell's cost study.

The existing Secondary Service Order Charge will continue to apply pretty much as it has, but increases from \$9.00 to \$10.00 for residential customers, and from \$12.50 to \$19.00 for business customers. This charge will apply to each customer request for adding or rearranging services such as Custom Calling features (after the initial service order), as it did before. In addition, Southern Bell proposes that this charge apply to a new action, which has not previously had such a charge--changes in directory listings and transfers of responsibility. Only one other

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LEC in Florida has such a charge--United Telephone. United's rate is \$5.00, and staff believes that the charge Southern Bell has proposed for directory changes is rather steep. We do not believe this alone should be a reason not to accept the Stipulation, but the Commission needs to be aware that these increases are contained in the Stipulation.

The Line Change Charge is a new charge that will apply per line to actions such as number changes, temporary suspensions (vacation service), and restorals after service is interrupted for non-payment. This charge is proposed to be \$23.00 for the first line and \$11.00 for each additional residential line, and \$38.00 for the first line and \$11.00 for each additional business line. Today, the telephone number change charge is a Secondary Service Order Charge of \$9.00, plus \$11.50 per line for residential customers, and \$12.50 plus \$11.50 per line for business customers. This will result in a slight increase for residential customers and a fairly significant increase (\$14.00) for business customers. Southern Bell has supported these rates with its cost studies; however, these rates will keep Southern Bell's charges for number changes, suspensions, and restorals at the highest level of any LEC.

Additionally, Southern Bell has proposed to combine the first 15 minute increment of the premises work charge (actual time worked, in 15 minute increments) with the premises visit charge (travel time). Since no premises visit charge ever occurs without one increment of a premises work charge, staff does not have a problem with this proposal. It results in no additional revenue.

Residential

| <u>Present Structure</u> | | <u>Proposed Structure</u> | |
|---------------------------------------|----------|-------------------------------------|---------|
| Primary Service Charge (per order) | \$25.00 | Line Connection Charge (1st line) | \$40.00 |
| Central Office Work Charge (per line) | \$19.50 | Line Connection Charge (add'l line) | \$12.00 |
| New Line Connection Charge (per line) | \$31.50 | Secondary Service Charge | \$10.00 |
| Secondary Service Order (per order) | \$9.00 | Line Change (1st line) | \$23.00 |
| Number Change/Restoral (per no.) | \$11.50 | Line Change (add'l line) | \$11.00 |
| Total New Service Price | | | |
| 1 line with previous service | \$44.50 | | \$40.00 |
| 1 line with no previous service | \$76.00 | | \$40.00 |
| 2 lines with previous service | \$64.00 | | \$52.00 |
| 2 lines with no previous service | \$127.00 | | \$52.00 |
| 1 line - add call waiting | \$9.00 | | \$10.00 |
| 1 line - number change | \$20.50 | | \$23.00 |

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Business

| <u>Present Structure</u> | | <u>Proposed Structure</u> | |
|---------------------------------------|----------|-------------------------------------|---------|
| Primary Service Charge (per order) | \$35.00 | Line Connection Charge (1st line) | \$56.00 |
| Central Office Work Charge (per line) | \$19.50 | Line Connection Charge (add'l line) | \$12.00 |
| New Line Connection Charge (per line) | \$31.50 | Secondary Service Charge | \$19.00 |
| Secondary Service Order Charge | \$12.50 | Line Change (1st line) | \$38.00 |
| Number Change (per number) | \$11.50 | Line Change (add'l line) | \$11.00 |
| Total New Service Price | | | |
| 1 line with previous service | \$54.50 | | \$56.00 |
| 1 line with no previous service | \$86.00 | | \$56.00 |
| 2 lines with previous service | \$74.00 | | \$68.00 |
| 2 lines with no previous service | \$137.00 | | \$68.00 |
| 1 line - add call waiting | \$12.50 | | \$19.00 |
| 1 line - number change | \$20.50 | | \$38.00 |

2. Adjust flat rate business rate, PBX rate, NAR rate, and hunting charges: This proposal disaggregates the charge for hunting service from all flat rate PBX trunks. PBX trunks will then pay the same charge for hunting as do business lines. The relationship of the PBX trunk rate (without hunting) to the business one-party rate will reduce from 220% to 200%, with hunting. In addition, the rate for hunting for business one party service will reduce from 50% of the flat rate to 35% of the flat rate. (A similar change will not occur for residences with hunting.) Originally, Southern Bell estimated that the value of these changes is \$29,600,000 annually, based on 1993 units. However, this number was changed to \$29,000,000 in the Implementation Agreement.

Business Rates (Rate Group 12)

| | <u>current</u> | <u>proposed</u> |
|---------------|----------------|-----------------|
| B-1 Flat Rate | \$29.10 | \$29.10 |
| B-1 Rotary | 43.93 | 39.29 |
| PBX | 65.23 | 59.66 |

3. Eliminate flat rate EAS additives: The removal of these charges actually has already been approved by this Commission in Docket No. 930600-TL, Order No. PSC-93-1106-FOF-TL. Rates were reduced for basic local exchange service customers in Century, Munson, and Yulee. These rate changes became effective September 1, 1993. In its Order, the Commission stated it would consider the revenue effect, estimated annually at \$130,312, when it reached a decision

in Southern Bell's rate case. (Witness Sims attributes a \$170,000 reduction to the elimination of these charges; however, that is in conjunction with the restructure of business rates discussed above, and is not correct when discussing those EAS additives alone).

4. Reduce certain custom calling service charges as proposed by Southern Bell witness Nancy Sims: This involves a reduction in residential Call Waiting from \$3.50 to \$3.35, and a reduction in residential Call Forwarding from \$2.45 to \$2.20. Although we might have chosen other services in which to make reductions, we can support these proposed changes. Southern Bell says they are closer to the rates that were in effect before it introduced its multi-feature discount plan. The value of these changes is \$4,300,000 annually, based on 1993 units. In the Implementation Agreement filed January 12, 1994, these custom calling reductions were eliminated. Instead, the \$4.3 million was used for Direct Inward Dialing (DID) reductions.

Withdrawal of Expanded Local Service (ELS) Plan (Paragraph 7):

The staff supports Southern Bell's withdrawal of its Expanded Local Service Plan. This is a plan which was intended to assist in addressing EAS needs, but was not tied to a community of interest determination. It is an optional plan which required the customer receiving the extended calling to accept measured service for all local calling, although residential customers could choose a flat rate option. The staff has concerns about implementing plans which deter competition on a route absent a community of interest showing. Further, an extended calling plan which requires measured basic local exchange service as a condition of subscription by some classes of customers does not seem appropriate.

Dade/Broward EAS (Paragraph 8):

To resolve the issues in Docket No. 911034-TL, Request by Broward Board of County Commissioners for Extended Area Service Between Ft. Lauderdale, Hollywood, North Dade, and Miami, the Company will set aside \$11 million, beginning in 1995. This involves the following routes: Ft. Lauderdale/Miami, Hollywood/Miami, and Ft. Lauderdale/North Dade. Presumably, the Commission would have some kind of plan in place by January 1, 1995. If the Commission implements the Extended Calling Service (ECS)-type plan (\$.25 per residential message, \$.10/.06 per minute for business), using the Company's estimate of

stimulation, the revenue impact is \$10,891,000. This only includes revenue losses, and not facilities upgrades or other expense changes. However, it is typical for the Commission to not consider anything except revenue losses in EAS cases. The Commission's prior proposal to implement the ECS plan on these routes was protested by the Florida Interexchange Carriers' Association. Since they are not a signator to the Agreement, it is unknown what the final resolution of this protest will be. It should be noted that the \$11 million committed for this project will be adjusted if necessary--if the final revenue loss is greater than \$11 million, this will be taken out of future rate decreases; if the final revenue loss is less than \$11 million, this will result in additional rate decreases elsewhere.

We also note that there are other EAS routes which are not yet resolved, but for which no provisions have been made as part of this Agreement. We presume that the Commission will continue as it has on these issues as they come up.

Future Rate Reductions Process (Paragraph 10):

In the future, Southern Bell has committed to further rate reductions of \$60 million annually on July 1, 1994, \$80 million on October 1, 1995, and \$84 million on October 1, 1996. The Stipulation indicates the manner in which these revenue reductions would occur, as follows:

1. No less than 60 days prior to the revenue reduction target date, Southern Bell would file tariffs with the Commission.
2. The Commission shall approve these tariff filings, unless an interested party timely objects. If the objection results in a delay in the implementation of a rate reduction, Southern Bell must pro rate the delayed reduction in the form of a customer refund.
3. If there is a protest by an interested party, the Commission shall conduct hearings.

The staff has several concerns with this process. This provision requires the Commission conduct hearings, apparently regardless of whether a hearing is required. The Stipulation can not mandate such action by the Commission. The provision also requires the Commission to approve Southern Bell's proposal unless someone objects. By implication, the Stipulation grants Southern Bell's tariff proposals presumptive validity, contrary to the Commission's normal practice. The provision further

requires the Commission to order a refund to all customers of revenues that accrue from a delay in implementation of a rate reduction, again limiting the Commission's discretion regarding the appropriate disposition of such revenues. All of this improperly attempts to bind the Commission to act or from acting consistent with its discretion in the normal world of tariff filings. As discussed above, such attempts to contract away the Commission's authority are void ab initio.

Additionally, the staff has concerns over the short time frame in which the Commission must act. It is true that the time frame involved is a normal tariff filing period; however, the Commission is not typically dealing with dollar amounts of the magnitude proposed by the Stipulation. The staff expects to be able to remedy this to some extent by either proposing changes to Southern Bell in advance of this time, or inquiring of the Company what it expects to propose.

As a general note, the staff has concern over the Stipulation's restricting the Commission's ability to set rates in the future, either by limiting what rate changes can and cannot be made, or by not leaving it within the Commission's discretion to determine where rate changes are needed. Changing conditions in the industry require flexibility, and tying the Commission's hands in making needed rate changes limits the Commission's effectiveness, unnecessarily, we believe. However, we believe the Commission can exercise its jurisdiction and issue a Proposed Agency Action eight months prior to the target dates.

In the Implementation Agreement filed January 12, 1994, this process was changed. It will be discussed in Issue 2.

No Increases in Basic Local Exchange Rates and Directory Assistance (Paragraph 11):

During the term covered by this agreement, through the end of 1997, Southern Bell and OPC have agreed to cap rates for flat rate residential, business single line, and PBX trunk rates, and directory assistance rates. The telecommunications market is rapidly changing, and this may be a difficult commitment to keep, even with the other scheduled rate reductions. By implication, this provision attempts to preclude the Commission from raising any of the rates set forth. It is curious to note that in certain paragraphs of the Stipulation, the parties agree not to propose or support a specific change while in this case the language is directory to all, including the Commission. While it is unlikely that the Commission would on its own motion raise any

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of these rates, it is possible that it could be necessary to do so. Again, such attempts to preclude the Commission from acting must fail legally. Further, the Commission has a rule which requires regrouping, which means a local rate increase, whenever the number of access lines exceeds the minimum for the next higher rate group. We believe this provision of the Stipulation would not affect such action.

Regarding end user directory assistance charges, Southern Bell's directory assistance rate currently is \$.25, with a three call allowance for local directory assistance. Three other local exchange companies in Florida--Centel and United at \$.40, and General Telephone at \$.35--have higher directory assistance rates. Northeast Florida has a current tariff filing to increase its rates to \$.35, so that it is charging more than the \$.30 rate Southern Bell charges Northeast.

Lifeline Implementation (Paragraph 12):

One aspect of the proposed Stipulation which is of concern, primarily because of the legal difficulties surrounding it, but also as a policy decision, is the proposal to implement Lifeline. This is a residential assistance program which is funded through both the interstate and intrastate jurisdictions, by waiving up to the \$3.50 end user common line charge (paid for by all end users using switched local services), with a matching state waiver of up to \$3.50 off of the basic local exchange rate (paid for by other Southern Bell ratepayers). As proposed by Southern Bell, eligibility for Lifeline requires that the subscriber be a recipient of Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid, or Supplemental Security Income (SSI). Lifeline was addressed as a separate item on today's agenda, in Docket No. 930693-TL. If the Commission decides that Lifeline is precluded by current statutory authority, it cannot be approved as part of the approval of this agreement. The value of Lifeline on an annual basis is estimated by Southern Bell to be \$3.0 million after the first year (\$1.5 million in the first year); however, AARP's witness Cooper testified that the annual impact could be as high as \$6.3 million.

Service Guarantee Program (Paragraph 13):

One of the issues in this case has been the quality of Southern Bell's service to its customers. Testimony has been filed which indicates that Southern Bell is not meeting its commitments, according to Commission Rules. As part of the resolution in this case, Southern Bell will implement a Service

Guarantee Program, which will give \$25 to each residential customer and \$100 to each business customer who tells a Southern Bell employee they are dissatisfied with either installation or maintenance of their service. In the event of a dispute, this Commission will resolve the conflict. Staff is concerned over the very loose criterion for customers to qualify for the rebate. General Telephone has a service guarantee program which is tied to meeting a commitment date--a more objective measure. In contrast, Southern Bell's proposed program appears to leave a lot of room for interpretation, with the result that either customers could be receiving excessive rebates, or this Commission would tie up its time resolving whether a customer's dissatisfaction is justified. We understand that this program will be implemented by way of a tariff filing, and it may be possible to define the standards at this time. However, it would have to occur with the agreement of the parties to the Stipulation.

Addition of Outside Plant Employees:

Southern Bell has committed to increase its outside plant forces by at least 275 people. We find this highly unusual in that Southern Bell is agreeing to this course of action with the concurrence of OPC.

Breach of Settlement with Statewide Prosecutor (Paragraph 16):

This provision allows Southern Bell to contest whether any criminal misconduct has occurred. The Commission does not have any authority to make a determination that criminal misconduct has occurred. To that extent, this provision is unenforceable before the Commission. All the Commission could do is ascertain whether an appropriate judicial body has made a finding of criminal misconduct. The provision allowing the Commission to lower the sharing or after-sharing cap points if it is found that there has been material corporate misconduct or a violation of the Stipulation by implication limits the Commission's action to that stated. We believe that this is not intended as a limit on the Commission's discretion to impose a penalty for violations or improper conduct, because otherwise, it is an improper attempt to do so.

Modification of Stipulation (Paragraph 18):

It appears that this provision improperly attempts to limit the Commission's ability to act, impliedly suggesting that the only entities that may seek a change are OPC or Bell. However, we believe that this is not intended to preclude the Commission

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on its own motion from acting to change the Stipulation in the face of material changes. We are also concerned about the provision that attempts to limit the Commission's discretion in establishing an appropriate effective date for any changes made. The provision also impliedly limits the Commission's ability to act by exempting the capped rates, Lifeline, and other rates from any proposal to change. To the extent this is intended, it is void ab initio as a limit on the Commission's statutory authority to act. To the extent that the Commission may determine a change is needed, such a change may be the basis for a party to abrogate the prospective portions of the agreement.

Closing Dockets (Paragraph 20):

This provision seeks to limit the Commission's authority to maintain proceedings as it deems necessary. It requires that Dockets Nos. 910163-TL, 900960-TL and 910727-TL be closed and that Docket No. 920260-TL be left open for only limited enumerated purposes. To the extent that issues in these cases are resolved, they will remain resolved. An open docket alone does not affect any party. Further, the parties cannot limit the scope of a proceeding by virtue of the approval of a Stipulation. The scope of a docket is the sole discretion of the Commission. These proposed requirements on the Commission are, as discussed previously, void ab initio.

Ongoing Work:

According to the language in the stipulation all issues relating to the three investigation dockets are settled by the agreement (paragraph 1). Paragraph 19 indicates that the parties (Southern Bell or OPC) will jointly petition the Commission to conduct workshops on any issue relating to the Commission's quality of service rules. However, there are no provisions for any follow-up on ongoing concerns discovered in the investigations. The staff believes that the terms of the Stipulation do not intend to restrict the Commission or its staff from performing its responsibilities, and we intend to continue working with Southern Bell and interested parties to alleviate these concerns. We anticipate that other questions about what is covered by the Stipulation will arise as time goes on, and it is the staff's intent to proceed with its investigations and other work relating to Southern Bell as it normally does.

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ISSUE 2: What should the Commission take into account in deciding whether or not to approve the Implementation Agreement between Southern Bell and AT&T, MCI, Sprint, FIXCA, Ad Hoc, FPTA, FCTA, DOD, and McCaw, filed January 12, 1994?

RECOMMENDATION: The Commission should take into account the factors listed below in the Staff Analysis.

STAFF ANALYSIS: Late on January 12 Southern Bell filed another Motion asking that the Commission approve an Implementation Agreement for Portions of the Unspecified Rate Reductions in the Stipulation and Agreement Between the Office of Public Counsel and Southern Bell (Implementation Agreement). This Implementation Agreement supersedes the earlier Stipulation, and has been agreed to by AT&T, MCI, Sprint, FIXCA, Ad Hoc, FPTA, FCTA, DOD, and McCaw. This, along with OPC, FCAN, and the Attorney General (all of whom did sign the Stipulation, but did not sign the Implementation Agreement), includes all parties to the case except Broward County whose interest is limited to Docket No. 911034-TL (Broward/Dade EAS). Based on the results of this Implementation Agreement, it appears that every party got its pound of flesh.

The Implementation Agreement is designed to designate specific rate changes to be implemented in the various stages of rate reductions scheduled by the Stipulation. They are as follows:

Reduce Intrastate Switched Access Charges to Reach Parity with Interstate Switched Access Rates:

In the Implementation Agreement, the parties announce their intent to move Southern Bell's switched access charges to interstate levels over the next three years. To accomplish this, the following actions will occur.

A. \$50 million of the \$60 million scheduled for reductions effective July 1, 1994 will be used to reduce switched access charges. The IXCs involved in the docket (AT&T, MCI, Sprint, and FIXCA) agree that they will make no proposal to dispose of the remaining \$10 million in 1994. However, the IXCs may otherwise participate as normal participants in any proceedings to dispose of the remaining \$10 million, except that they may neither seek nor support using the remaining \$10 million for further rate reductions which benefit them.

B. \$55 million of the \$80 million scheduled for reductions effective October 1, 1995 will be used to reduce switched access charges. The IXCs agree that they will neither seek nor support using the remaining \$25 million for further switched access reductions.

C. On October 1, 1996, Southern Bell will reduce its intrastate access charges to parity with interstate access charges. The estimated value of this is \$35 million. This leaves \$49 million out of the original \$84 million for rate reductions in other areas on October 1, 1996. (Note: another \$1 million of this is committed as specified later on, so there is actually \$48 million available).

The staff does not have problems with the reductions to switched access charges. The changes that are occurring in the way of digital technology, local transport restructure, expanded interconnection, and eventually competition in the switched access arena make it difficult to sustain a difference in rates between intrastate and interstate jurisdictions. Since monies are available, using it to reduce these rates is appropriate.

Amendment to Immediate 1994 Reductions:

Per the Implementation Agreement, the following changes will be made to Paragraph 6 of the Stipulation:

A. The original \$29.6 million targeted for reduction of flat rate PBX trunks, Network Access Registers (NARs) and hunting charges for business customers will be changed to a \$29 million reduction.

B. There will be no reduction in custom calling rates. The original \$4.3 million targeted for a reduction in custom calling rates will be used instead for a \$4.3 million reduction in Direct Inward Dialing (DID) rates.

C. Ad Hoc and DOD agree that they will make no proposal to dispose of the remaining \$10 million in 1994. However, they may otherwise participate as is normal in any proceedings to dispose of the remaining \$10 million, except that they may neither seek nor support using the remaining \$10 million for further rate reductions which benefit them.

The change from \$29.6 million to \$29 million for reductions to business rates is insignificant, and certainly is more than offset by the \$4.3 million in DID rate reductions. Staff

supports the reduction in DID rates. The technology for providing DID has become much cheaper with the use of digital and electronic switching, and rate changes to reflect this have lagged these cost savings. DID charges appear in four sections of Southern Bell's tariff, and we believe that the intent of this is that all DID customers will receive the proposed reductions.

The staff is a little concerned, with no signature by the organizations representing (largely) residential consumers (OPC, Attorney General, FCAN), that the DID reduction was accomplished by eliminating the reduction in residential custom calling rates. However, as we said earlier, we did not have strong feelings about the custom calling rate reduction.

We do not have an opinion on the parties' participation or non-participation in the 1994 further rate reductions.

Reductions Affecting NonLEC Payphone Providers:

Per the Implementation Agreement, NonLEC Payphone (NPATS) providers will receive the following rate decreases:

A. On March 1, 1994 usage rates paid by NPATS providers will be reduced by \$.0025 per minute (both peak and non-peak), for both initial and subsequent minutes. This is funded by taking \$600,000 from the originally proposed reduction in PBX/NAR/Hunting rates, and another \$400,000 from Southern Bell funds not part of the Stipulation. The \$400,000 will not be part of the "box."

B. On July 1, 1994, billed number screening and operator line screening will be offered by Southern Bell as part of the current fixed access line charge for NPATS providers. This is funded by Southern Bell funds not part of the Stipulation, and will not be part of the "box."

C. On October 1, 1996 usage rates paid by NPATS providers will be reduced by \$.0025 per minute (both peak and non-peak), for both initial and subsequent minutes. This \$1 million is funded by part of the approximately \$49 million that will be left out of the original \$84 million reduction targeted for 1996, after the switched access reductions.

D. FPTA agrees that it will make no proposal to dispose of the remaining \$10 million in 1994 and the remaining \$25 million in 1995 that would benefit NPATS providers. However, they may otherwise participate as is normal in any

proceedings to dispose of the remaining \$10 million in 1994 and the \$25 million in 1995, except that they may neither seek nor support using the remaining \$10 million in 1994 and \$25 million in 1995 for further rate reductions which benefit them. FPTA will have the right to make and support any proposals to dispose of the remaining \$48 million in 1996.

The interconnection rates for NPATS providers were reduced in Order No. 24101, and were effective February 10, 1992. In this proposal, in Southern Bell's territory only, NPATS usage rates will be reduced twice again in the next two years. Other local exchange resellers, such as Shared Tenant Service Providers, will not receive similar reductions. Staff has mixed feelings about these reductions. Ostensibly, reductions in interconnection rates should result in end user rate reductions. However, at this time to our knowledge, there are no payphones in Florida that charge less than the \$.25 cap for local calls (although they do charge less than the cap for toll calls in many instances). Suffice it to say that we hope that the reductions in these rates will result in lower prices and better service to end users.

As to the elimination of a separate charge for billed number screening and operator line screening for NPATS providers, the staff supported the elimination of the separate charge for billed number screening to ALL customers. Southern Bell of Florida is the only company in the BellSouth region which charges customers separately for this charge. We have difficulty with the notion of eliminating this charge only for one class of customers--NPATS providers. Although we recognize that there are available dollars for making other reductions this year, at a minimum, there will be a period of time in which NPATS providers pay less for the same service than do other customers. Also, this action does tend to commit the Commission to a course of action in disposing of at least some of the \$10 million for 1994.

We do not have an opinion about FPTA's participation or non-participation in the 1994 and 1995 further rate reductions.

Procedure for Disposing of Remaining Dollars in 1994, 1995, and 1996:

Per the Implementation Agreement the Commission shall conduct hearings to determine the rate design for the remaining monies left after the preceding monies have been used: \$10 million in 1994, \$25 million in 1995, and \$48 million in 1996.

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Parties are to submit their proposals (except as limited in this Implementation Agreement) not less than 120 days prior to the scheduled effective date of the reductions. Everyone is to work together to conclude the hearings by the target date. If it is missed, the prior commitment for refunds will be adhered to.

As we discussed earlier, we have difficulty with this stipulation requiring the Commission to hold hearings and also committing it to a time frame for completion, especially a 120 day time frame. However, the 120 days is an improvement over the 60 days given in the earlier Stipulation.

Overall, the disposition of funds proposed by the Implementation Agreement appears to leave the Commission with a sufficient amount of latitude in which to decide future rate reductions.

ISSUE 3: Should the Commission grant Southern Bell and the Office of Public Counsel's Joint Motion for Continuance of Hearings and Stay of Discovery?

RECOMMENDATION: If the Commission approves the Stipulation and Agreement, the Joint Motion should be granted. Otherwise, the Commission should proceed with the hearings as scheduled, beginning January 24, 1994.

STAFF ANALYSIS: OPC and Southern Bell filed a Joint Motion for Continuance of Hearings and Stay of Discovery (the Motion) in conjunction with the stipulation. In support of the request for continuance, OPC and Southern Bell state essentially that, since the first priority of the parties should be the resolution of the issues in this case, the short time between now and the scheduled beginning of the hearing would be better spent by the parties in obtaining adoption of the Stipulation and Agreement rather than preparing for trial. Accordingly, OPC and Southern Bell request an indefinite continuance of the hearings.

There several scenarios that must be considered in whether to grant the Motion and, if so, for how long.

1. If the Commission does not approve the Stipulation then the Motion should be denied. Under this scenario, the parties would proceed to complete discovery according to the Prehearing Officer's ruling on the request to stay discovery and continue to prepare for hearing. No continuance should be granted.
2. If the Commission approves the Stipulation in the form of a Proposed Agency Action then the Motion should be granted to the extent necessary to allow the PAA protest period to expire and, if protested, to allow the parties to get back to town to appear at the hearing. Because of the large number of parties involved in this case, it is possible that a positive endorsement of the Stipulation by each party may not be received at the Agenda Conference. If no party at the Agenda objects to the Stipulation, and if the Commission approves the Stipulation, the order approving the Stipulation must be issued as a PAA to allow parties a chance to protest. The Motion should be granted to the extent necessary to allow the PAA protest period to expire and to allow the parties to return to Tallahassee to litigate the case. Under this scenario, Staff recommends that:

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- A. The PAA protest period be shortened to 14 days as allowed by Rule 25-22.029(2), Florida Administrative Code.
 - B. Parties be cautioned to continue to prepare for hearing and to arrange travel contingent on a protest of the PAA.
 - C. A continuance of three weeks from the date of the issuance of the PAA be granted.
3. If the Commission approves the Stipulation with a positive endorsement from each party then no continuance is necessary. Under this scenario, the hearings would not be necessary and no continuance is needed.

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ISSUE 4: Should these dockets be closed?

RECOMMENDATION: If the Commission approves the Stipulation and Agreement discussed in Issue 1, Dockets Nos. 910163-TL (Repair) and 920260-TL (Rate Case) should be left open due to the pending appeals in those dockets. 910727-TL (Rebate), and 900960-TL (Non-contact Sales) may be closed. Docket No. 920260-TL (Rate Case) and Docket No. 911034 (Broward/Dade EAS) should remain open, pending resolution of remaining issues in those dockets.

STAFF ANALYSIS: The only reason to keep any docket open is to allow resolution of any pending issues. The resolution of 1992 earnings is still outstanding and is not affected by the Stipulation, so Docket No. 920260-TL needs to remain open, and Docket No. 911034-TL needs to stay open until the Broward/Dade EAS issues are decided. There are pending appeals in the Florida Supreme Court related to the Commission's access to records in Dockets Nos. 910163-TL and 920260-TL. These dockets should remain open pending appeals in those dockets.

DN 920260-TL
 Revenue Effects: Proposed Stipulation and Implementation Agreement

Attachment A

| | Annualized Impact | Probable Effective Date | Annual Revenue Effects | | | | Total, 1994-97 |
|--|-------------------|-------------------------|------------------------|---------------|---------------|---------------|----------------|
| | | | 1994 | 1995 | 1996 | 1997 | |
| a) Service Guarantee Plan (average) | \$7,000,000 | 01-Oct-94 | \$2,000,000 | \$7,000,000 | \$7,000,000 | \$7,000,000 | \$23,000,000 |
| b) Eliminate TouchTone | 55,000,000 | 01-Mar-94 | 48,125,000 | 55,000,000 | 55,000,000 | 55,000,000 | 213,125,000 |
| c) Switched access reduction | 50,000,000 | 01-Jul-94 | 25,000,000 | 50,000,000 | 50,000,000 | 50,000,000 | 175,000,000 |
| d) Other revenue reduction | 10,000,000 | 01-Jul-94 | 5,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 35,000,000 |
| e) Switched access reduction | 55,000,000 | 01-Oct-95 | 0 | 13,750,000 | 55,000,000 | 55,000,000 | 123,750,000 |
| f) Other revenue reduction | 25,000,000 | 01-Oct-95 | 0 | 6,250,000 | 25,000,000 | 25,000,000 | 56,250,000 |
| g) Switched access reduction | 35,000,000 | 01-Oct-96 | 0 | 0 | 8,750,000 | 35,000,000 | 43,750,000 |
| h) Other revenue reduction | 48,000,000 | 01-Oct-96 | 0 | 0 | 12,000,000 | 48,000,000 | 60,000,000 |
| i) Dade/Broward EAS plan | 11,000,000 | 01-Jan-95 | 0 | 11,000,000 | 11,000,000 | 11,000,000 | 33,000,000 |
| j) Eliminate charges to NPATS for billed number screening and operator line screening services (1) | 900,000 | 01-Jul-94 | 450,000 | 900,000 | 900,000 | 900,000 | 3,150,000 |
| k) Reduce NPATS usage charges (1) | 400,000 | 01-Mar-94 | 333,000 | 400,000 | 400,000 | 400,000 | 1,533,000 |
| l) Reduce NPATS usage charges | 1,000,000 | 01-Oct-96 | 0 | 0 | 250,000 | 1,000,000 | 1,250,000 |
| Subtotal | \$298,300,000 | | \$80,908,000 | \$154,300,000 | \$235,300,000 | \$298,300,000 | \$768,808,000 |
| m) Reduce & restructure service connection charges; reduce flat rate PBX, NARs and hunting charges; eliminate flat rate EAS additives; reduce DID rates; initiate LifeLine (2) | 49,100,000 | 01-Mar-94 | 49,100,000 | 50,600,000 | 50,600,000 | 50,600,000 | 200,900,000 |
| n) Reduce NPATS usage charges (3) | 600,000 | 01-Mar-94 | 500,000 | 600,000 | 600,000 | 600,000 | 2,300,000 |
| Total | \$348,000,000 | | \$130,508,000 | \$205,500,000 | \$286,500,000 | \$349,500,000 | \$972,008,000 |

Note 1: Funded by SBT funds not part of the Stipulation.
 Note 2: Until these rate changes are in effect, customers will continue to receive credits on their bills.
 Note 3: Portion funded from \$49M set aside funds.