

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff filing to refund )	DOCKET NO.	910930-TL
nonrecurring charges if service is not )	ORDER NO.	25323
installed by the commitment date by )	ISSUED:	11/12/91
GTE FLORIDA INCORPORATED )		

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 SUSAN F. CLARK  
 J. TERRY DEASON  
 BETTY EASLEY  
 MICHAEL MCK. WILSON

ORDER APPROVING TARIFF

BY THE COMMISSION:

On August 28, 1991, GTE Florida Incorporated (GTEFL or the Company) filed revisions to its Access Services Tariff proposing to implement a Performance Commitment Program (PCP). The PCP would provide for switched and special access customers to receive a refund of nonrecurring charges if GTEFL fails to meet installation commitment dates. The Company states that any refund associated with this program will be excluded from the rate making process, thus assuring that the cost of the program is not passed on to the ratepayers.

GTEFL views the PCP as a strategic response to the competitive access market. The Company believes that Alternative Access Vendors (AAVs) offer not only lower prices, but also greater levels of responsiveness when they target GTEFL's end users and largest Intermediary Customers (ICs) for facility bypass. GTEFL contends that access customers are large volume users who not only expect, but demand higher performance in telecommunications services. The Company believes that the PCP would provide additional incentives for access customers to remain with GTEFL, thus optimizing use of the network and providing lower rates to the ratepayers.

GTEFL believes that it is necessary to include switched access customers in the PCP. The Company indicates that the PCP is intended to demonstrate to the IC GTEFL's superior commitment to provision the highest quality service in the shortest intervals possible. When viewed from the customer's perspective, the PCP is effective only if no services are exempt. GTEFL contends that it would be impossible to isolate competitive services from the

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customer's perspective and apply the PCP only in competitive areas. The Company also believes that it is illogical to attempt to motivate only a portion of the workforce based on jurisdiction and service type, and that to do so would be counterproductive.

While we agree that such a program does optimize the use of the network and helps to keep rates low, we also believe that such a program must include safeguards to protect the ratepayers and ensure that PCP commitments are not prioritized to the detriment of the customers who do not qualify for the refund. We must also ensure that the PCP does not discriminate against those customers who do not receive a NRC refund if their installation commitments are not met. Finally, we must implement proper accounting controls to guarantee that the ratepayers do not pay for the PCP.

GTEFL initiated a pilot of the PCP, without actual refunds, in Florida and several other locations from October 1990 until January 1991. Based on the results of the trial, we asked GTEFL to provide us with information regarding what the lost revenue would have been had the PCP been in effect during the 12 months preceding July 31, 1991, and a comparison of installation time results among switched, special access, and business and residential customers. The Company responded that Florida's actual refund would have been less than \$6000 for intrastate during the period from January 31, 1991 to August 1991. The Company also responded that during the 12 month period ending July 31, 1991, average installation time for special access was 12 days, while the average for switched access was 36 days. Additionally, average installation time for business and residential customers was less than 3 days. Finally, GTEFL provided us with the percentage of commitments not met during that period, which were:

Residential and Business	0.4%
Special Access	2.8%
Switched Access	7.3%

This data reflects that residential and business customers have the lowest percentage of missed commitments, and this information is important as a benchmark to measure deterioration of service to this group, if it should occur.

We believe that the PCP does not unreasonably discriminate against other classes of customers. In addition to the indirect benefit that the program should provide by keeping rates low, the

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Company emphasizes that the installation standards for non-PCP customers will not be lowered. We would also note that Rule 25-4.066(2), Florida Administrative Code, requires that at least 90% of all requests for primary service shall normally be satisfied within 3 working days. Primary service includes business and residential service. GTEFL is bound by that requirement regardless of any commitment plan it may institute. Additionally, GTEFL indicates that it may also institute a PCP to cover other customer segments.

For accounting purposes, GTEFL currently recognizes NRCs as revenues when the installation is completed and the service is billed. Accounts receivable is debited and regulated revenue is credited. The Company's objective is for the customer to receive any PCP refund on the customer's initial bill, but no later than the second bill after the completion of the service order. In effect, the Company recognizes zero revenue when the refund is given to the customer. GTEFL indicates that the refund adjustments would have standardized codes which would be tracked on a monthly basis by aggregate amount. Each month this aggregate amount would be added back to the regulated revenues for Earning Surveillance Report purposes only. At any given time, GTEFL's General Ledger would show the reduced amount of revenue by the total refund made for the period.

We believe that the Company's proposed accounting treatment may lead to omitted adjustments in the Earning Surveillance Report. Adding back the NRC revenues to the regulated operations is necessary to prevent the cost of the program being passed on to the ratepayers. We believe that the recognition of the revenue in the regulated operations, regardless of the refund application, would be preferable to GTEFL's proposed treatment. Thus, the General Ledger would reflect the excluded refund amount in the regulated revenues at all times. Therefore, we believe that the Company should recognize the revenue in the regulated operations regardless of the refund application. The Company should debit Accounts Receivable and credit a regulated revenue account for the NRC as it is currently doing. Simultaneously, the Company should debit a below-the-line revenue account and credit Accounts Receivable if the refund adjustment is applicable at the time of the customer's initial bill. If the refund is applied on the subsequent bill, the adjustment should only flow through Accounts Receivable and a below-the-line revenue account. The regulated operations should appear as if there were no refund adjustments.

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Although we have expressed concerns regarding the PCP, we believe that it is innovative, and if combined with particular safeguards, other classes of customers' service standards and the rate base should not be in jeopardy. Thus, we shall approve the PCP with the following requirements:

1. GTEFL shall file quarterly PCP reports to allow our staff to compare trends with the quarterly reports currently required on new primary service requests. The reports shall be mandatory for 12 months, and required thereafter on an exception basis for the next 12 months, on all exchanges, if during any period the Company fails to meet the requirement of Rule 25-24.066. The PCP reports shall be submitted on an exchange basis, separated by switched and special access service, to include:
  - a. The total number of access orders completed;
  - b. The number and percentage of orders meeting the PCP due date;
  - c. The number and percentage of orders that did not meet the PCP due date because of a failure by GTEFL;
  - d. The dollar amount refunded because GTEFL failed to meet the PCP due dates.
2. GTEFL shall recognize the NRC revenue regardless of the refund application. The Company shall debit Accounts Receivable and credit regulated revenue for the NRC. Simultaneously, GTEFL shall debit a below-the-line revenue account and credit Accounts Receivable for the refund adjustment at the time of the customer's initial bill. If the refund is applied on the subsequent bill, the adjustment should only flow through Accounts Receivable and a below-the-line revenue account.

We believe that these safeguards are appropriate in these circumstances. Accordingly, we hereby approve GTEFL's tariff filing to implement a Performance Commitment Program for switched and special access customers.

Based on the foregoing, it is

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ORDERED that GTE Florida Incorporated's tariff filing to implement a Performance Commitment Program which provides for switched and special access customers to receive a refund of nonrecurring charges if the Company fails to meet installation commitment dates, is hereby approved, subject to the terms and conditions set forth in the body of this Order. It is further

ORDERED that this tariff shall become effective October 16, 1991. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirement set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 12th day of NOVEMBER, 1991.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

by: Kay Hlyon  
Chief, Bureau of Records

PAK

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as

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well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 12/3/91

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.