**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **May 27, 1993**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM : DIVISION OF COMMUNICATIONS [CHEEK]**

 **DIVISION OF LEGAL SERVICES [KURLIN]**

**RE : DOCKET NO. 930242-TL - REQUEST FOR APPROVAL OF PROPOSED TARIFF TO INTRODUCE DIRECTORY CONNECT PLUS SERVICE BY GTE FLORIDA INCORPORATED (T-93-095 FILED MARCH 1, 1993)**

**AGENDA: JUNE 8, 1993 - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: 60-DAY STATUTORY PERIOD EXPIRES APRIL 30, 1993**

 **COMPANY WAIVED 60-DAY STATUTORY REQUIREMENT**

**SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\930242.RCM**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **CASE BACKGROUND**

 On March 1, 1993, GTE Florida Incorporated (GTEFL) proposed revisions to its General Subscribers Services Tariff to introduce Directory Connect Plus Service. Directory Connect Plus Service allows a customer to have a call automatically completed to the number for which the Directory Assistance Listing was requested. There is a surcharge of $.35 per call. The Directory Connect Plus surcharge is in addition to any applicable Directory Assistance and intraLATA local or toll charges. There is no call allowance for Directory Connect Plus.

 AT&T Communications of the Southern States, Inc. (ATT-C) provides a similar service for interLATA calls called DIRECTory Link Service. This service permits a customer to complete a long distance calling card or operator assisted call to the called station telephone number received from intrastate directory assistance without hanging up the receiver and originating a separate call. ATT-C's DIRECTory Link service is offered when a customer 1) dials intrastate directory assistance using a calling card accepted by the ATT-C network, or 2) requests intrastate Directory Assistance with assistance from the ATT-C operator. The charge per completed call for customer dialed calling card calls is $.85 and $1.25 for operator assisted calls in addition to the $.40 per call to Directory Assistance and any applicable toll charges.

 **DISCUSSION OF ISSUES**

**ISSUE 1:** Should GTE Florida Incorporated's proposed tariff filing to introduce Directory Connect Plus Service be approved?

**RECOMMENDATION:** Yes. GTE Florida Incorporated's proposed tariff filing to introduce Directory Connect Plus Service should be approved. The effective date of the tariff should be June 9, 1993.

**STAFF ANALYSIS:** The proposed tariff revisions make the Directory Connect Plus Service available to customers making local and intraLATA toll sent paid (i.e., 1+ only calls which are billed to the originating line) Directory Assistance calls. To place a Directory Connect Plus call the following is the sequence of events which will occur:

 1. A customer dials the code for Directory Assistance, [e.g., 1+411 or 1+(904)+555-1212].

 2. The call routes from the end user telephone to the end office and proceeds from the end office to the Operator Service Switch and then attaches to a Directory Assistance Operator.

 3. The customer gives the Directory Assistance Operator his request.

 4. The Directory Assistance Operator retrieves the number in the Directory Assistance Data Base and sends the customer to the Audio Response Unit (ARU) for the quotation of the number.

 5. After the number is retrieved, the Operator Services Switch (OSS) looks at the calling and the called number to determine if this call is eligible for call completion. Eligibility is based on restrictions that may be on the called or calling number that would cause the caller not to be given the call completion offer. For example, if the CALLED number resides outside the LATA it will not be a candidate for call completion. This is determined by the location of the call origin and not by the location of the operator services center that processes the completion request. The OSS also verifies any special blocking or screening information associated with the called and calling number.

 6. If Directory Connect Plus is available, the ARU is prompted to make an offer to the customer that the Directory Assistance call requested can be completed for a 35 cent surcharge. If the customer wants to accept the offer, he will touch ONE and the number will be automatically completed.

 7. After the subscriber requests call completion, a Directory Assistance Automatic Message Accounting (AMA) record is produced for billing purposes. For a local call to be completed using Directory Connect Plus, the end user will be charged $.60 ($.25 for the call to Directory Assistance and $.35 for the completion). For an intraLATA toll Directory Connect Plus call, the end user will be charged $.70 ($.35 for the call to directory assistance and $.35 for the completion) plus the applicable toll charges.

 8. If the calling and the called number are not eligible for call completion, the ARU will quote the number and the call completion offer will never be given to the customer.

 Directory Connect Plus Service will not be provided to the following Services:

 a) 800 Service

 b) 976 Service

 c) 900 Service

 d) Inmate Telephone Service

 e) Public Telephone Access Service (PATS)

 for Customer Provided Equipment (CPE)

 f) Public Telephone Service

 g) Semi Public Telephone Service

 GTEFL did not propose Directory Connect Plus for 800 service because an 800 number could be terminating to a point outside GTEFL's LATA, which could cause GTEFL to be in violation of the Consent Decree. In addition, the Northern Telecom DMS 200 switch makes the determination whether the number is eligible for call completion. It looks at the CALLING and the CALLED number. When it sees the 800, because it could be outside the GTEFL LATA, it automatically excludes it from the Directory Connect Plus offer.

 With regard to 900/976 numbers, these types of calls have charges associated with them, and they are not GTEFL charges and the charges are not always clear to the customer. Therefore, GTEFL decided to exclude these calls from the Directory Connect Plus offer. In addition, the same restrictions apply to 900 service as apply to the 800 service discussed above.

 The service will also not be available from Inmate Telephone Service (Inmate service is blocked from all calling except 0+ collect calls), Public Telephone Access Service (PATS), Public and Semi Public Telephone Service. Although it is technically possible to provide this service from a GTEFL pay telephone, the Company is not proposing to do so at this time because the service will not be available to non-LEC pay telephone. This is discussed in greater detail under the Staff Concerns section of this recommendation.

 Alternate billing and operator assisted alternate billing will be available at a later date. The alternate billing will allow the end user to bill the call via a credit card or third party billing arrangement. As with alternate billing, operator assisted alternate billing gives the end user the ability to bill the call, but with the assistance of an operator. Alternate billing is not available for Directory Connect Plus because some additional changes need to made to GTEFL's billing system. GTEFL expects these changes to be made and ready for implementation by September 1993. When the alternative billing is available, the Company will propose a tariff.

COST SUPPORT

 The Directory Connect Plus service will be installed into the existing operator services network. The majority of the cost will be in the installation of the software. GTEFL used a levelized annuity pricing program to develop the cost for Directory Connect Plus. The non-recurring start-up costs are as follows:

 TABLE 1-A

|  |
| --- |
| FIRST YEAR ANNUAL NON-RECURRING COSTS FOR DIRECTORY CONNECT PLUS SERVICE COSTS |
| Installation | $1,783,163 |
| Engineering | $ 323,910 |
| Vendor RTU Fees | $ 170,000 |
| COE Trunk Hardware | $ 100,000 |
| Minor Materials | $ 6,521 |
| Supply Loading | $ 22,350 |
| TOTAL COST | $2,405,944 |

 Attachment A, page 1 of 2, provides the non-recurring start-up cost support for Directory Connect Plus. The Labor costs for Data Base administration which are the engineering and installation costs of the software are the major cost components. The costs for the vendor's one time Right to Use (RTU) fees, the Central Office

Equipment (COE) trunk hardware, minor material and supply loadings were totaled and added to these labor costs to arrive at the total cost.

 Attachment A, page 2 of 2, illustrates the projected annual recurring expenses associated with the service. The first year non-capital expenses are estimated to be $80,000. These expenses include the advertising, promotion, and training expenses of the service. The non-capital expenses for the remaining four years of the forecast are estimated to be $10,000.

 A cost per call was developed from the monthly recurring costs generated from the above expenses. The pricing program applies a monthly recurring expense factor for each of the monthly recurring charge components. The total of these monthly recurring costs were then multiplied by 12 to derive an annual cost. The annual cost was divided by the number of annual forecasted calls to derive a cost per call. (See Attachment B).

 The pricing program used in this cost study seems appropriate because it develops a total recurring cost for the Directory Connect Plus Service including levelizing the non-recurring costs and evenly spreading them over all of the calls to produce a uniform cost per call.

REVENUE INFORMATION

 TABLE 1-B

|  |
| --- |
|  DIRECTORY CONNECT PLUS THREE YEAR  PROJECTED REVENUE IMPACT  |
|  | FORECASTED UNITS | PROPOSED RATE | PROPOSED REVENUE |
| Year 1 | 4,830,599 | $0.35 | $1,690,710 |
| Year 2 | 6,028,588 | $0.35 | $2,110,005 |
| Year 3 | 7,294,591 | $0.35 | $2,553,107 |

 The forecast process for Directory Connect Plus takes the annual Directory Assistance call forecast less the GTEFL owned coin call volume. The forecasted units are then broken into business and residence access lines split. The non-published numbers penetration rate was applied to the residential annual Directory Assistance volumes and then subtracted from the total residential Directory Assistance volumes. The rationale for this is because non-published numbers will not be eligible for Directory Connect Plus, since they are not a part of the data base. This volume was then added to the business Directory Assistance call volumes for a total market view. The non-published market penetration rate was not applied to the business Directory assistance volumes because typically business customers publish their numbers. GTEFL applied a 10% market penetration to the total potential to derive the Directory Connect Plus Unit forecast. The chart below summarizes how this forecast was derived.

 TABLE 1-C

|  |
| --- |
|  FIRST YEAR DIRECTORY CONNECT PLUS FORECAST |
|  PROCESS |  TYPE |  1993 |
| Annual Directory Assistance (DA) Units |  |  55,184,000 |
| Less GTEFL Owned Coin Call Volume |  |  (41,098) |
| TOTAL |  |  55,142,902 |
| % Residential lines of Total Access Lines |  |  74.69% |
| Business/Residence Split Based on Access Lines | Res DA/Annual DA |  41,186,223 |
|  | Bus DA/Annual DA |  13,956,669 |
| Remove Non-published from Residence | Non-Published Mkt.Penetration 16.6% |  6,836,915 |
|  | Published Res |  34,349,318 |
|  | Business DA |  13,956,669 |
|  | Total Potential[(Res)-(Non Pub)+(Bus)] |  48,305,987 |
| Apply Market Penetration |  10% |   |
| Directory Connect Plus Unit Forecast |  |  4,830,599 |
| Directory Connect Plus Revenue Forecast | Rate @ $.35 | $ 1,690,710 |

Staff Concerns

 On March 29, 1993, the staff, the Florida Pay Telephone Association (FPTA), and other industry representatives met with GTEFL to discuss the proposed tariff and address why non-LEC pay telephone providers will be unable to receive the service. Traditionally, the same benefits should be available to callers at non-GTEFL pay telephones as GTEFL pay telephones.

 FPTA's concerns focused on GTEFL's pay telephones having a competitive advantage over non-company pay telephone service providers and that Directory Connect Plus provides GTEFL provides GTEFL with a revenue stream not available to non-Company providers.

 GTEFL did not propose the service from non-Company owned pay telephones (NPATS) because NPATs non-GTEFL pay telephone coin collection is in the instrument and the instrument would have to be modified to recognize this service and collect the proper amount of revenues and remit the proper revenues to GTEFL. GTEFL pay telephone collection instruments reside in the end office or the operator service switch. This allows Directory Connect plus to be offered from GTEFL owned pay telephones only.

 In our meeting, we learned that GTEFL plans to expand the service to NPATs providers when alternative billing becomes available in September 1993. Since alternative billing will be available in a relatively short period of time, GTEFL has revised the portion of its tariff to exclude it own pay telephones from providing Directory Connect Plus until it is available to **ALL** pay telephones. When alternate billing is available in September 1993, the Company plans to file a tariff to extend the service to both LEC and Non-LEC pay telephones. Staff believes that the Company has alleviated the concerns of the staff and the FPTA by removing the availability of service to GTEFL pay telephones until it is available to all pay telephones. In addition, staff notes that we believe this is a very appropriate and reasonable compromise by GTEFL. FPTA agrees. In addition, GTEFL has agreed to work with the non-GTEFL pay telephones owners if any problems occur regarding the implementation of the alternative billing of the service.

 In addition, with intraLATA presubscription, GTEFL could still offer Directory Connect Plus. The end user would choose their interexchange carrier (IXC) and GTEFL could have a billing arrangement with that IXC.

 Some additional concerns are associated with the Directory Connect Plus Service would be what would happen if 2 numbers are requested, or if the operator connects the end user to the wrong number. With this tariff proposal, if 2 numbers are requested, the first number will be verbally quoted, the second number will be quoted by the ARU (automatic response unit) and if the second call is eligible for call completion, the customer will be given the offer to complete the second number. Completion to both numbers is not available at this time.

 If the operator connects the end user to the wrong number, the same policy and procedures apply for a wrong number as followed today: the customer can call the business office for credit for the Directory Assistance charge and the completion surcharge.

Conclusion

 Staff believes that Directory Connect Plus is an added convenience to customers provided by GTEFL. The Directory Connect Plus service is a complementary product offering, is an expansion of Directory Assistance service, and it adds time-savings to the customer. Directory Connect Plus will eliminate frustration for customers who hurriedly call Directory Assistance and do not have the means to record the telephone number. Therefore, based on the information presented in this recommendation, staff recommends that the tariff be approved on the basis submitted. The effective date of the tariff should be June 8, 1993.

**ISSUE 2:** Should the docket be closed?

**RECOMMENDATION:** Yes. If Issue 1 is approved, this tariff should become effective on June 9, 1993. If a timely protest is filed, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed.

930242.MHC