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**FLORIDA PUBLIC SERVICE COMMISSION**

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

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

**AUGUST 29, 1991**

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

**FROM :** DIVISION OF COMMUNICATIONS [GRISWOLD] *HC 675*  
DIVISION OF LEGAL SERVICES [KURLIN] *HP*

**RE :** DOCKET NO. 910830-TL UNITED TELEPHONE COMPANY OF  
FLORIDA'S FILING TO OFFER TELESAYER SERVICE (T-91-336  
FILED 7/18/91)

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

**CRITICAL DATES:** SEPTEMBER 16, 1991 EFFECTIVE DATE

**SPECIAL INSTRUCTIONS:** NONE

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve United Telephone Company of Florida's tariff filing to offer TeleSaver Service?

**RECOMMENDATION:** Yes. The Commission should approve United Telephone Company of Florida's tariff filing to offer TeleSaver Service

**STAFF ANALYSIS:** This filing by United Telephone of Florida (United) is to introduce TeleSaver Service, an intraLATA discount toll service. United initially requested it be allowed to offer TeleSaver service in its recent rate case (Docket No. 891239-TL). However, the Commission did not approve the service because the proposed rates did not cover access charges and that the plan appeared to be "broad brush" and not well targeted at potential beneficiaries. This filing addresses both of these concerns.

At the present time there are two plans being offered that are quite similar to TeleSaver service, GTE's Suncoast Preferred Service (SPS) and Southern Bell's Saver Service.

On March 2, 1988, GTE submitted a tariff proposal to offer Suncoast Preferred Service (SPS), an intraLATA discount toll service. SPS was initially offered on an experimental basis out of four central offices in GTE's market area. It consisted of two levels, residential with a recurring monthly charge of \$1.75 and

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"business" with a monthly recurring charge of \$12.00. However, rather than being flat rated, it offered a 20% discount on MTS rates. After a short trial period, GTE requested, and the Commission approved, that the service be expanded to include a third level for larger business users with a monthly recurring charge of \$110.00 and a 30% discount on MTS rates and that it be removed from experimental status and made available LATA wide (see Attachment A).

On May 23, 1990, Southern Bell (SBT) filed a tariff with the Commission to offer an optional toll calling plan titled "Saver Service," an intraLATA flat rated toll plan directed at two groups of customers: residential or small users, and WATS users. The proposed tariff included banded rates for each service option which would allow SBT to change rates within the bands with only thirty days' notice rather than the standard sixty days notice period. (The use of banded rates had been previously approved for SBT's custom calling service in Order No. 18326.)

Initially, Saver Service rates for residential customers were set at \$20.40 for two hours of calling per month, with a charge of \$.1700 per minute for each minute over the two hour minimum. For WATS users, WATS Saver Service was stratified into three levels consisting of 2, 10, and 25 hour blocks with minimum monthly charges of \$20.40, \$96.00, and \$225.00, respectively; and per minute charges for each additional minute over the minimum of \$.1700, \$.1600, and \$.1500, respectively (see Attachment B).

In response to the Saver Service proposed offering, the Florida Interexchange Carrier Association (FIXCA) filed a Petition for Rejection of Saver Service, arguing that SBT's rates did not cover access charges in the aggregate. In that same month, FIXCA also offered a guideline for the imputation of access charges and requested that a hearing be held prior to the implementation of the Saver Service tariff.

July 1990, SBT modified its tariff filing, deleting the high volume option from Saver Service. Finding that access charges were now being covered in the aggregate, the Commission approved Saver Service (Order No. 23418) and denied acceptance of FIXCA's methodology for imputation of access charges at that time. Instead, the Commission found it more appropriate to open a generic proceeding to consider FIXCA's proposed methodology. Several parties participated in the docket including ALLTEL, Centel, Florida, GTEFL, Gulf, Indiantown, Quincy, St. Joseph, Southland, United, Vista-United, Northeast, SBT, MCI, US Sprint, and ATT-C. Six guidelines were subsequently approved (Order No. 24859):

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1. Toll revenues should cover aggregate access charges for the business and residential market segments individually.
2. Access charges should be calculated with originating access charges applied to non-conversation time.
3. Access charges should reflect the time-of-day distribution of the market under consideration.
4. The Busy Hour Minute of Capacity (BHMOc) should be the average BHMOc/minute of use rate realized using the most recent monthly data available.
5. Access costs may be calculated using the most economic network configuration associated with the targeted market segment. For other than high volume customers, actual network configuration shall be used. For high volume customers with 113 hours of use or more per month, special access may be imputed on the originating end in accordance with the methodology adopted by the Commission.
6. The price floor for LEC toll services shall include the LEC's incremental cost of providing billing and collection service.

In the same fashion as SBT's Saver Service, United has stratified its proposed TeleSaver Service into two categories, Residential TeleSaver Service and Business TeleSaver Service. The Business TeleSaver Service is further stratified into three options, Business TeleSaver 1, Business TeleSaver 2, and Business TeleSaver 3. For the residential service and all business options, a minimum amount of time is set with increments of use over the minimum assessed on a per minute basis (see Attachment C). Also like SBT, rate bands are established in which United can adjust rates on a 30 day notice time frame as opposed to the regular 60 day notice period. United is proposing rates be initially set at the top of its bands, which would make its business service rates identical to Saver Service rates and its residential rates somewhat lower than Saver Service's residential rates.

In computing the access charges against which to test its proposed TeleSaver rates, United begins with the methodology approved by the Commission; however, United adds a step not specifically included in the Commission approach (see Attachment D). In the Commission-approved methodology, the application of a non-conversation time factor to tariffed access charges (which

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apply to access minutes) effectively yields total access charges on a per conversation minute basis. This value is then compared to proposed per minute toll rates. For United, toll conversation minutes are accumulated for each toll message, and each call's toll minutes rounded up to the next minute. For example, a call consisting of 3.5 conversation minutes would be rounded up to 4 minutes for billing purposes; consequently, due to United's rounding policy, conversation minutes differ from billed toll minutes for this service. A further hypothetical example is provided in attachment F.

United's proposed TeleSaver rates apply to billable toll minutes; the Company's proposed rates thus are stated on the basis of billed toll minutes, not on conversation minutes. Since the Commission methodology yields access costs per conversation minute, staff agrees with the Company that it is necessary to make a further adjustment to account for United's rounding policy to arrive at access charges stated on a comparable basis with the Company's TeleSaver rates.

Staff would note that this step is not required to compute access costs for Saver Service because SBT does not round up on a per message basis. While the additional step reflected in United's analysis is not included in the methodology approved by the Commission, its inclusion here is to reflect the uniqueness of United's practice of rounding on a per message basis.

As specified above, guideline 5 requires that the incremental cost of billing and collection be included when making the determination that access charges are adequately covered. Staff has reviewed the billing and collection data and finds that the proposed rates adequately cover this additional incremental cost (see Attachment E).

United estimates the service will be of benefit to approximately 5% of residential users, 7% of toll business users and 10% of business users currently using WATS, assuming all potential beneficiaries take advantage of TeleSaver Service. United states that it is offering this service to respond to current high volume users' needs and to meet potential competition in the intraLATA arena.

Staff recommends the Commission approve Telesaver Service. In staff's opinion, the proposed minimum rate level or floor for each service covers the respective cost of the service. In addition, the effective discounts ranging from 32% for residential customers to 40% for large business users indicate potential benefits are substantial (see Attachment C).

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

**RECOMMENDATION:** Yes, if Issue 1 is approved, this tariff should become effective September 16, 1991. 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.

910830.jlg

<u>Suncoast Preferred Calling Plan</u>	<u>Monthly Rate</u>	<u>Applicable Discount</u>
a. Plan 1		
- Per Line	\$ 1.75	
- Total Accumulated Toll Charges		20%
b. Plan 2		
- Per Main Billing Number for Combined Bill Accounts	\$ 12.00	
- Total Accumulated Toll Charges		20%
c. Plan 3		
- Per Summary Billed Account or Per Main Billing Number for Combined Bill Accounts	\$ 110.00	
- Total Accumulated Toll Charges		30%

## SOUTHERN BELL TELEPHONE'S SAVER SERVICE RATES

	Saver		Current
	Minimum	Maximum	
<b>a. Residence</b>			
<b>(1) Option SS2</b>			
(a) 120 minutes (2 hours) minimum, per account, per month	\$16.13	\$21.96	\$20.40
(b) Each additional minute of use	.1344	.1830	.1700
<b>b. Business (Watsaver service)</b>			
<b>(1) Option WS2</b>			
(a) 120 minutes (2 hours) minimum, per account, per month	17.79	21.96	20.40
(b) Each additional minute of use	.1482	.1830	.1700
<b>(2) Option WS10</b>			
(a) 600 minutes (10 hours) minimum, per account, per month	88.92	98.40	96.00
(b) Each additional minute of use	.1482	.1640	.1600
<b>(3) Option WS25</b>			
(a) 1,500 minutes (25 hours) minimum, per account, per month	222.30	225.00	225.00
(b) Each additional minute of use	.1482	.1500	.1500

**UNITED TELEPHONE OF FLORIDA  
RESIDENTIAL AND BUSINESS TELEPHONE  
PROPOSED MAXIMUM AND MINIMUM RATES FOR MONTHLY PACKAGES**

<b>PACKAGE</b>	<b>OPTION</b>	<b>MINIMUM</b>	<b>MAXIMUM</b>	<b>PROPOSED</b>	<b>RESPECTIVE CHARGES WITH CURRENT AVERAGE MONTH RATES (%)</b>	<b>EFFECTIVE DISCOUNT</b>
-----	-----	-----	-----	-----	-----	-----
<b>A. RESIDENTIAL</b>						
	<b>1) RESIDENTIAL TELEPHONE</b>					
	(A) 60 MINUTES (1 HOUR) MINIMUM, PER ACCOUNT, PER MONTH	88.42	99.00	99.00	813.18	32.00%
	(B) EACH ADDITIONAL MINUTE OF USE	88.1484	88.1500	88.1500	88.2197	32.00%
<b>B. BUSINESS</b>						
	<b>i) BUSINESS TELEPHONE 1</b>					
	(A) 120 MINUTES (2 HOURS) MINIMUM, PER ACCOUNT, PER MONTH	917.87	939.40	939.40	939.49	33.00%
	(B) EACH ADDITIONAL MINUTE OF USE	88.1422	88.1700	88.1700	88.2541	33.00%
	<b>ii) BUSINESS TELEPHONE 2</b>					
	(A) 600 MINUTES (10 HOURS) MINIMUM, PER ACCOUNT, PER MONTH	985.82	996.00	996.00	9149.19	36.00%
	(B) EACH ADDITIONAL MINUTE OF USE	88.1430	88.1600	88.1600	88.2486	36.00%
	<b>iii) BUSINESS TELEPHONE 3</b>					
	(A) 1,200 MINUTES (20 HOURS) MINIMUM, PER ACCOUNT, PER MONTH	9288.33	9325.00	9325.00	8373.82	40.00%
	(B) EACH ADDITIONAL MINUTE OF USE	88.1389	88.1800	88.1500	88.2492	40.00%





ATTACHMENT D  
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UNITED TELEPHONE OF FLORIDA  
RESIDENTIAL TELEPHONE PER MINUTE PRICE FLOOR  
RESIDENTIAL PLAN - EFFECTIVE GEN. AND TERM. ACCESS CHARGES PER MIN

D)	AVERAGE INTERNATIONAL MTS 1+ CALL CALLED MTS NUMBER/MESSAGES	4.6344
E)	AVERAGE INTERNATIONAL MTS 1+ CALL CONNECTION MTS NUMBER/MESSAGES (ACCURATE FOR 30 SEC. ROUNDING)	4.1344
F)	CALLED MTS MINUTES VS CONNECTION MTS MINUTES FACTOR ((D))/((E))	1.120936
G)	AVERAGE ACCESS RATE PER MINUTE (USE (C) PAGE 1 OF 2)	00.1541
H)	FACTORED AVERAGE ACCESS RATE PER MINUTE ((G))/((F)) (ACCURATE FOR 30 SECOND ROUNDING)	00.1375
I)	BILLING AND COLLECTION COST PER MINUTE (CIRC COST PER MESSAGE = .0126)/((H))	00.0029
-----		-----
J)	PRICE FLOOR FOR TELEPHONE RESIDENTIAL PLAN PER MIN -----	00.1404 -----

**UNITED TELEPHONE OF FLORIDA  
BUSINESS TELEPHONE PER MINUTE PRICE PLAN  
BUSINESS 1 PLAN - EFFECTIVE 08/16/91. ACCESS CHARGES PER MIN**

**ORIGINATION  
.....**

<b>OUTWARD ACCESS</b>		
.....		
CARRIER CHARGE LINE	00.0304	
LOCAL TRANSPORT	00.0160	
LOCAL DISTANCE (LSD)	00.0000	
LINE TERMINATION	00.0079	
	.....	
	00.0641	
TED Factor	x 09.312	
	.....	
	00.6573	
CHRG PER MINUTE EQUIVALENT	+ 00.0145	
	.....	
	0.071751	
CONVERSION TIME FACTOR	x 1.111	
	.....	
A) AVERAGE ORIGINATING ACCESS RATE PER MINUTE	00.0707	00.0707
		.....

**TERMINATION  
.....**

<b>OUTWARD ACCESS</b>		
.....		
CARRIER CHARGE LINE	00.0302	
LOCAL TRANSPORT	00.0160	
LOCAL DISTANCE (LSD)	00.0000	
LINE TERMINATION	00.0079	
	.....	
	00.0719	
TED Factor	...	
	.....	
	00.0719	
CHRG PER MINUTE EQUIVALENT	+ 00.0145	
	.....	
B) AVERAGE TERMINATING ACCESS RATE PER MINUTE	00.0064	00.0064
		.....
C) AVERAGE ACCESS RATE PER MINUTE ((A)+(B))		00.1661
		.....

ATTACHMENT D

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**UNITED TELEPHONE OF FLORIDA  
BUSINESS TELEPHONE PER MINUTE PRICE FLOOR  
BUSINESS 1 PLAN - EFFECTIVE 08/01/91. AND YEAR. ACCESS CHARGES PER MIN**

01) AVERAGE DISTANCE MTS 1+ CALL BILLED MTS MINUTES/MESSAGES	2.9175
02) AVERAGE DISTANCE MTS 1+ CALL CONVERSATION MTS MINUTES/MESSAGES (ACCOUNTS FOR 30 SEC. ROUNDING)	2.4175
03) CALLED MTS MINUTES VS CONVERSATION MTS MINUTES FACTOR ((D)/(E))	1.204025
04) AVERAGE ACCESS RATE PER MINUTE (SEE (C) PAGE 1 OF 2)	00.1661
05) FACTORED AVERAGE ACCESS RATE PER MINUTE ((G)/(F)) (ACCOUNTS FOR 30 SECOND ROUNDING)	00.1376
06) BILLING AND COLLECTION COST PER MINUTE (COST COST PER MESSAGE=.0134)/(G))	00.0016
07) <b>PRICE FLOOR FOR TELEPHONE BUSINESS 1 PLAN PER MIN</b>	<b>00.1422</b>

ATTACHMENT D

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UNITED TELEPHONE OF FLORIDA  
 BUSINESS TELEPHONE PER MINUTE PRICE PLAN  
 BUSINESS 3 PLAN - EFFECTIVE 08/01/91. ACCESS CHARGES FOR NEW

ORIGINATING

-----

SWITCHED ACCESS

-----

CARRIER CHARGE LINE	00.0004
LOCAL TRANSPORT	00.0160
LOCAL SURCHARGE (LSE)	00.0000
LINE TERMINATION	00.0079

-----  
 00.0243

TED Factor x 00.31X

-----  
 00.0575

SEMIC PER MINUTE EQUIVALENT + 00.0145

-----  
 0.071751

DISCOUNT RATE FACTOR x 1.111

-----

A) AVERAGE ORIGINATING ACCESS RATE PER MINUTE 00.0707 00.0707

-----

TERMINATING

-----

SWITCHED ACCESS

-----

CARRIER CHARGE LINE	00.0002
LOCAL TRANSPORT	00.0160
LOCAL SURCHARGE (LSE)	00.0000
LINE TERMINATION	00.0079

-----  
 00.0241

TED Factor ---

-----  
 00.0241

SEMIC PER MINUTE EQUIVALENT + 00.0145

-----

B) AVERAGE TERMINATING ACCESS RATE PER MINUTE 00.0241 00.0241

-----

C) AVERAGE ACCESS RATE PER MINUTE ((A)+(B)) 00.1461

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ATTACHMENT D

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**UNITED TELEPHONE OF FLORIDA  
 BUSINESS TELEPHONE PER MINUTE PRICE FLOOR  
 BUSINESS 2 PLAN - EFFECTIVE ORG. AND TERM. ACCESS CHARGES PER MIN**

D)	AVERAGE INTERNATIONAL INT 1+ CALL CALLED INT MINUTES/MESSAGES	3.0173
E)	AVERAGE INTERNATIONAL INT 1+ CALL CONVERSATION INT MINUTES/MESSAGES (ACCOUNTS FOR 30 SEC. MESSAGES)	2.5173
F)	CALLED INT MINUTES VS CONVERSATION INT MINUTES FACTOR ((D)/(E))	1.19825
G)	AVERAGE ACCESS RATE PER MINUTE (USE (C) PAGE 1 OF 2)	88.1461
H)	FACTORED AVERAGE ACCESS RATE PER MINUTE ((G)/(F)) (ACCOUNTS FOR 30 SECOND MESSAGES)	88.1386
I)	BILLING AND COLLECTION COST PER MINUTE (COST COST PER MESSAGE-.0184/(G))	88.8844
-----		-----
J)	PRICE FLOOR FOR TELEPHONE BUSINESS 2 PLAN PER MIN -----	88.1430 -----

ATTACHMENT D  
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UNITED TELEPHONE OF FLORIDA  
BUSINESS TELEPHONE PER MINUTE PRICE FLOOR  
BUSINESS 3 PLAN - EFFECTIVE CGL. AND TERM. ACCESS CHARGE PER MIN

**ORIGINATION**  
-----

SWITCHED ACCESS		
-----		
CARRIER CHARGE LINE	00.0304	
LOCAL TRANSPORT	00.0160	
LOCAL SWITCHING (LSE)	00.0090	
LINE TERMINATION	00.0079	
	-----	
	00.0641	
TED Factor	x 00.312	
	-----	
	00.0573	
CHRG PER MINUTE EQUIVALENT	+ 00.0145	
	-----	
	0.071751	
INTERMODULATION TIME FACTOR	x 1.111	
	-----	
A) AVERAGE ORIGINATING ACCESS RATE PER MINUTE	00.0707	00.0707
		-----

**TERMINATION**  
-----

SWITCHED ACCESS		
-----		
CARRIER CHARGE LINE	00.0302	
LOCAL TRANSPORT	00.0160	
LOCAL SWITCHING (LSE)	00.0090	
LINE TERMINATION	00.0079	
	-----	
	00.0719	
TED Factor	---	
	-----	
	00.0719	
CHRG PER MINUTE EQUIVALENT	+ 00.0145	
	-----	
B) AVERAGE TERMINATING ACCESS RATE PER MINUTE	00.0064	00.0064
		-----
C) AVERAGE ACCESS RATE PER MINUTE ((A)+(B))		00.1461
		-----

**UNITED TELEPHONE OF FLORIDA  
BUSINESS TELEPHONE PER MINUTE PRICE FLOOR  
BUSINESS 3 PLAN - EFFECTIVE 08/01 AND VERN. ACCESS CHARGES PER MIN**

D)	AVERAGE INTERNATIONAL RTS TO CALL DOLLED RTS MINUTES/MESSAGES	2.9504
E)	AVERAGE INTERNATIONAL RTS TO CALL CONVERSATION RTS MINUTES/MESSAGES (ACCOUNTS FOR 30 SEC. ROUNDING)	2.0504
F)	DOLLED RTS MINUTES VS CONVERSATION RTS MINUTES FACTOR ((D)/(E))	1.242907
G)	AVERAGE ACCESS RATE PER MINUTE (SEE (C) PAGE 1 OF 2)	00.1441
H)	FACTORED AVERAGE ACCESS RATE PER MINUTE ((G)/(F)) (ACCOUNTS FOR 30 SECOND ROUNDING)	00.1337
I)	SELLING AND COLLECTION COST PER MINUTE (CIRC COST PER MESSAGE-.0134)/(D))	00.0052
J)	PRICE FLOOR PER TELEPHONE BUSINESS 3 PLAN PER MIN	00.1509



	RES	BUS 1	BUS 2	BUS 3
Average call duration (billed minutes)	4.63	2.92	3.02	2.56
Imputed switched access	\$ .1375	\$ .1376	\$ .1386	\$ .1337
Incremental SAC cost/min	\$ .0029	\$ .0046	\$ .0044	\$ .0052
TeleSaver price floor	\$ .1404	\$ .1422	\$ .1430	\$ .1389

United estimates an incremental cost of billing and collection of \$.0134 per message. As shown above, the proposed margins between the TeleSaver rates and the imputed switched access price floor can accommodate this cost.

## Hypothetical:

## Revenue Per Access MOU v. Conversation MOU v. Billed Toll MOU

- 1) Access rate - average revenue per access minute
- |   |           |
|---|-----------|
| a) Revenue requirement                  | \$150,000 |
| b) Access MOUs                          | 1,000,000 |
| c) Access rate per access MOU [(a)/(b)] | \$0.1500  |

## 2) Access rate per conversation MOU

Since conversation MOUs do not include MOUs associated with nonconversation time (e.g., set up, etc.), a conversation MOU is shorter than an access MOU.

Assume the difference is 11%

Then conversation MOUs comparable to (1b) above

- |   |          |
|---|----------|
| a) is:  | 890,000  |
| b) Access rate per conversation MOU [(1a)/(2a)] | \$0.1685 |

An access charge imputation test typically requires that toll average revenue per MOU exceed the access charges per MOU. Generally, the toll ARPM is computed by dividing total toll revenues by total billed toll minutes. If a billed toll MOU equals a conversation MOU, then (2b) above is the correct access charge benchmark to compare with the toll ARPM.

However, depending upon the rounding policy for the toll service, billed toll minutes can differ from conversation minutes.

## 3) Access rate per billed toll MOU

## ASSUME:

- |   |          |
|---|----------|
| a) The LEC rounds up to the next minute; if the rounding is done on a per message (call) basis, then on average a billed toll MOU exceeds a conversation MOU by | 0.5      |
| b) Access charges for (3a) [(2b) x (conversation MOU)]  | \$0.315  |
| c) Due to the rounding difference, (3c) on a billed MOU basis [(3c)/(3a+b)]   | \$0.1475 |

Thus,

Access charges per access MOU	\$0.1500
- access charges per conversation MOU	\$0.1685
- access charges per billed toll MOU	\$0.1475