

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Tariff filing to replace fiber distributed data interface network services, an experimental tariff, with CENTEL METROPOLITAN DATA SERVICES, a permanent tariff offering by CENTRAL TELEPHONE COMPANY OF FLORIDA)	DOCKET NO. 910996-TL
)	ORDER NO. 25446
)	ISSUED: 12/9/91
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)	

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 FILING

BY THE COMMISSION:

On September 16, 1991, Central Telephone Company of Florida (Centel, or the Company) submitted a tariff filing to introduce Centel Metropolitan Data Services (CMDS) to replace its one-year experimental filing known as Fiber Distributed Data Interface (FDDI) Network Service, which became effective on September 1, 1990.

The September 16, 1991, filing was suspended at the November 5, 1991 Commission Agenda Conference because of the Company's lack of cost support data. We have now had the opportunity to review the cost support and are prepared to address the merits of the filing.

CMDS is a proposed group of data, voice, and video transport services, designed for use within the metropolitan area of Tallahassee, Florida. The individual services are defined according to the class of service (the interface protocol and the interface speed), ranging from Class 1 through Class 20. The classes of service for which rates are proposed in this filing provide Local Area Network (LAN) inter-networking over a shared fiber optic network. LANs are collections of computing devices connected together to form a network within a building or floor of a building. LANs are considered to be customer premises equipment and are not regulated. CMDS would offer customers a higher-speed method of satisfying LAN interconnection requirements for

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geographically dispersed installations than is available through other services, such as T-1 Service (Centel's High Capacity Service). CMDS speeds range from 1.544 Mbps (similar to T-1 Service) up to 100 Mbps. Centel reports that this application of advanced LAN inter-networking, featuring a "fiber ring" capable of transporting data at multiple rates, up to 100 Mbps, would be the first application of its kind deployed in the United States.

The other CMDS classes, including Classes 1-3 and Classes 10-20, have not yet been defined by the Company. Centel intends to offer these classes of service at an unspecified future date.

The Company anticipates that the State of Florida will be the largest customer of CMDS. The need for inter-networking within and between state agencies is substantial and expected to grow over the next ten years. The State of Florida has worked closely with the Company in the development of a rate structure suitable to both.

The existing service which is most similar to CMDS is Centel's High Capacity Data Service (T-1 Service). CMDS is superior to T-1 service for connecting LANs in several ways. This new technology features: 1) route diversity which results in greater reliability, 2) much greater bandwidth than T-1 Service, 3) flexible routing arrangements within a closed user group, and 4) centralization of information resource technologies. Thus, as customer's needs for interconnecting LANs within the Tallahassee area grows, CMDS is expected to be the preferred means of interconnection.

The proposed CMDS rate structure includes a single monthly recurring rate per port for each class of service. Centel proposes a single rate in order to reduce customer confusion.

Monthly recurring CMDS rates range from \$375 up to \$2000 per port, depending upon the class of service, the number of ports per customer in the building, and the total number of ports per customer. Centel designed recurring CMDS rates to include percentage discounts to customers who have multiple ports within the same building, and additional percentage discounts for total number of ports per customer. These discount arrangements are based on anticipated economies of scale. Demand for multiple ports within a building reflects a more efficient use of terminating equipment than would be possible with a lower level of demand. Further economies of scale are recognized in discounting rates based upon the aggregate number of ports per customer. Such large

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volume service to a single customer allows Centel to experience both reduced vendor equipment costs (through quantity discounts) and reduced administrative costs.

Nonrecurring rates for CMDS were designed to recover the cost of engineering and installing CMDS ports. The nonrecurring rate varies according to the class of service. First and second installations for a particular customer at a specific location (building) are rated higher than third and additional installations. Nonrecurring rates range from \$637.50 to \$2,200 per port.

Centel included an additional consideration in developing nonrecurring rates. Since the Company proposes no termination liability for CMDS, customers can discontinue the service at any time without penalty. Centel designed nonrecurring rates to exceed nonrecurring costs as a way of assuring that the total costs of the service would be recovered. This rate design was the result of negotiations between the Company and the Florida Department of General Services.

We compared the total expected CMDS revenue (years 1 and 2) to total CMDS costs (years 1 and 2) in order to determine whether revenues covered costs for CMDS in the aggregate. We anticipate that CMDS revenues will exceed CMDS incremental cost for years 1 and 2, and therefore find that the rates for year 1 and 2 are appropriate. By our analysis, the CMDS will generate a 38 percent contribution to the common costs of the Company in years 1 and 2. We reviewed only the first 2 years of the service because we find the Company's CMDS forecast for years 3 through 9 to be questionable.

Upon review, we find that CMDS, as proposed by Centel, is a service which will address a growing need in Tallahassee for high speed LAN inter-connectivity. The Company has successfully tested this service through its trial of FDDI Network Service. Thus, we approve Centel's tariff filing to introduce CMDS and to withdraw the out-of-date tariff section regarding FDDI Networking Service, effective November 19, 1991.

Based on the high level of uncertainty regarding the Company's forecast for CMDS beyond year 2, we considered approving the tariff only through year 2, but found that such a decision might restrict demand by making the service appear to be experimental in nature.

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However, Centel shall be required to submit to the Commission a detailed CMDS demand and cost analysis for year 1 (from November 19, 1991 through November 18, 1992) as well as an updated projected CMDS demand and cost analysis for years 2 through 5, so that we can monitor the appropriateness of this service and its rates. Centel shall submit these reports to our staff no later than April 1, 1993.

This Docket shall remain open pending resolution of a show cause proceeding against Centel for providing the experimental offering after the experimental tariff had expired.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that Central Telephone Company of Florida's tariff filing to introduce Centel Metropolitan Data Services, to become effective November 19, 1991, is hereby approved. It is further

ORDERED that Centel shall submit to the Commission a detailed demand and cost analysis for the service for year 1 (November 19, 1991, through November 18, 1992) as well as an updated projected demand and cost analysis for the service for years 2 through 5. The foregoing reports shall be submitted no later than April 1, 1993. It is further

ORDERED that this Docket shall remain open pending resolution of a show cause proceeding against Centel for providing the experimental offering after its experimental tariff had lapsed.

By ORDER of the Florida Public Service Commission, this 9th day of DECEMBER, 1991.


STEVE TRIBBLE, Director
Division of Records and Reporting

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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 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 12/30/91.

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.