

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 940177-TL
tariff filing to amend) ORDER NO. PSC-94-0492-FOF-TL
MEGACONNECT Switched Multi-) ISSUED: April 26, 1994
Megabit Data Service (SMDS) to)
include SMDS Access Classes 1 &)
2, and Customer Network)
Management capabilities, by GTE)
FLORIDA INCORPORATED. (T-94-065))

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING TARIFF

BY THE COMMISSION:

On February 8, 1994 GTE Florida Incorporated (GTEFL or the Company) filed a tariff introducing two additional methods for accessing the MegaConnect switching offices. These methods are the Switched Multi-Megabit Data Service (SMDS) Access Class 1 and the SMDS Access Class 2. The tariff also proposes the introduction of Customer Network Management (CNM). CNM allows a MegaConnect customer to view the status of the customer's MegaConnect access interfaces.

MegaConnect is a high-speed, packet-switched data service that transports communications on an intraLATA basis between MegaConnect end-users via switched network facilities. Access to the Company's MegaConnect switching offices requires a 1.544 Megabit per second (Mbps) digital connection between a customer's premises and the Company's switching offices. The service became effective on June 22, 1993.

MegaConnect service currently has no subscribers. The switch that provides MegaConnect service is also used to provide Frame Relay service. Total investment in the switch is \$794,762.17.

DOCUMENT NUMBER-DATE

03898 APR 26 1994

FPSC-RECORDS/REPORTING

MegaConnect provides network access and public switching capabilities for large business customers, such as finance, health care, aerospace, insurance, and professional business services, with bandwidth requirements for interconnecting multiple locations. The service is an overlay to the existing public switched network and is used for interconnecting Local Area Networks (LANs) and rapid transfer of high resolution images and massive computer files across great distances.

GTEFL has proposed to amend the MegaConnect tariff by adding SMDS Access Class 1, SMDS Access Class 2, and Customer Network Management. The Company contends that the proposed changes will provide customers with greater transmission speeds as well as the ability to manage their networks. SMDS Access Class 1 allows for data transmission rates of 4 Mbps while SMDS Access Class 2 allows for data transmission rates of 10 Mbps.

Customer Network Management (CNM) allows customers to view the status of their MegaConnect access interfaces (points of physical entry at the switch) and obtain information on their link (access line) facilities. The CNM customer is allowed access to the Company's network management system via a computer terminal on the customer's premises. This allows the customer to assess how much data traffic is transmitted over his or her link facilities.

The proposed nonrecurring charge for both SMDS Access Class 1 and SMDS Access Class 2 is \$718.00, which is equal to the nonrecurring charge for the current method of access in the current MegaConnect tariff. The proposed monthly rate for SMDS Access Class 1 is \$2,350.00 while the proposed monthly rate for SMDS Access Class 2 is \$2,800.00. The Company is proposing a nonrecurring charge of \$40.00 and a monthly charge of \$19.00 for its CNM service.

The additional investments that the Company will have to make in order to provide SMDS Access Class 1 and SMDS Access Class 2 service include the BNS-2000 AIT-T3 Card Module and DS3 facilities used for service access line facilities. The BNS-2000 AIT-T3 Card Module contains the access ports to which access lines connect. Service access lines are the physical facilities that connect the customer premises to the central offices. Expenditures on the BNS-2000 AIT-T3 Card Module and service access facilities would not be made until a customer made a purchase. The investment amount per BNS-2000 AIT Card Module is \$18,000. The investment amount per service access facility is \$36,644.80. From the information supplied by the Company, the service covers its relevant costs.

The Company estimates demand for SMDS Access Class 1 to grow from one SMDS port during the first year to 155 SMDS ports in the fifth year. Demand for SMDS Access Class 2 is expected to grow from three SMDS ports in the first year to 388 SMDS ports in the fifth year.

Based on its projected demand for SMDS Access Class 1, GTEFL expects total revenues to grow from \$28,200.00 in the first year to \$4,412,644.00 in the fifth year. Total costs are expected to increase from \$24,946.77 in the first year to \$3,866,749.37 in the fifth year.

Total revenues for SMDS Access Class 2 are expected to grow from \$102,954.00 in the first year to \$13,141,628.00 in the fifth year. Total costs during the same period are expected to increase from \$80,003.43 to \$10,347,110.32.

Although the levels of expected contribution are not exceedingly high, they are appropriate because of the competitive nature of the service offering. Competition for MegaConnect service is primarily from alternate access vendors (AAVs). An AAV's primary market is providing LAN to LAN connection and rapid transfer of large amounts of data for large customers.

Because the tariff is an effort by the Company to attract new customers without requiring additional investment in switch equipment and for the other reasons discussed above, we approve this tariff. By Order No. PSC-93-1035-FOF-TL, issued July 14, 1993, we required the Company to file semi-annual reports documenting the demand for and revenue from MegaConnect service for two years. We will continue to use these reports to monitor the progress of MegaConnect.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the tariff proposed by GTE Florida Incorporated is hereby approved for the reasons set forth in the text of this Order. It is further

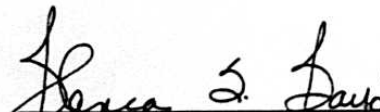
ORDERED that the tariff shall become effective April 9, 1994. It is further

ORDERED that if a protest is filed in accordance with the requirements 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

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

By ORDER of the Florida Public Service Commission, this 26th day of April, 1994.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

DLC

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 May 17, 1994.

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

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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 wastewater 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.