**FLORIDA PUBLIC SERVICE COMMISSION**

 **Capital Circle Office Center 2540 Shumard Oak Boulevard**

 **Tallahassee, Florida 32399-0850**

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

 **July 2, 1997**

**TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)**

**FROM: DIVISION OF COMMUNICATIONS (MUSSELWHITE)**

**DIVISION OF LEGAL SERVICES (PELLEGRINI)**

**DIVISION OF AUDITING AND FINANCE (WRIGHT)**

**RE: DOCKET NO. 970714-TL - REQUEST FOR APPROVAL OF TARIFF FILING TO REVISE RATES FOR DIRECTORY ASSISTANCE, DIRECTORY LISTINGS AND CUSTOM CALLING FEATURES, AND TO INTRODUCE TWO CUSTOM CALLING FEATURE PACKAGES BY FRONTIER COMMUNICATIONS OF THE SOUTH, INC. (T-97-0501 FILED 6/4/97)**

**AGENDA: 07/15/97 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE**

**CRITICAL DATES: 30-DAY SUSPENSION DATE: WAIVED BY THE COMPANY**

**SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\970714TL.RCM**

 **CASE BACKGROUND**

On June 4, 1997 Frontier Communications of the South, Inc. (Frontier or the Company) filed a tariff to revise its rates for directory assistance, directory listings, inside wire maintenance, custom calling features, and to introduce two custom calling feature packages.

 **DISCUSSION OF ISSUES**

**ISSUE 1:** Should Frontier's proposed tariff filing to revise its rates for directory assistance, directory listings, custom calling features, and to introduce two custom calling feature packages be approved?

**RECOMMENDATION:** Yes. Frontiers proposed tariff filing to revise its rates for directory assistance, directory listings, custom calling features, and to introduce two custom calling feature packages should be approved, with an effective date of July 15, 1997. (Musselwhite, Wright)

**STAFF ANALYSIS:** Through its tariff filing, attached hereto as Attachment A, Frontier seeks approval to revise its rates for directory assistance, directory listings, custom calling features, and to introduce two custom calling feature packages. By Order No. PSC-93-1167-FOF-TL, in Docket No. 930493-TL, issued August 10, 1993, the Commission approved Frontiers request to provide minimum and maximum (banded) rates for all custom calling features. The Commission further ordered that Frontier could adjust its actual rates for custom calling features provided that the rates stayed within the approved range and thirty (30) days notice was given to the Commission and to Frontiers customers. In its decision, the Commission stated:

...a permanent banded rate structure will give the Company the flexibility to modify its rates within an established band upon thirty day notice to the Commission. This will enable the Company to generate maximum contribution from discretionary services because this, in turn, minimizes the pressure for increased local basic service rates.

Custom Calling Features

Currently, Frontier charges $1.75 for all basic residential custom calling features, excluding Visual and Audible Message Waiting Indication whose rates are not being changed. Under its proposal, Frontier seeks to increase these basic residential custom calling features to $2.00. Frontier is also proposing to increase rates of two of its advanced residential custom calling features, Caller ID and Caller ID Plus Name. Caller ID, which is currently $4.00, and Caller ID Plus Name, which is currently $5.00, would both be increased to $6.00.

Frontier is also proposing to change its custom calling features rates for business customers. Currently, Frontier charges $2.25 for all basic business custom calling features, excluding Visual and Audible Message Waiting Indication whose rates are not being changed. Under its proposal, the Company seeks to decrease these basic custom calling features to $2.00. Frontier is also proposing to decrease the charge for one of its advanced business custom calling features, Caller ID Plus Name, from $7.00 to $6.00.

Staff would note that the proposed rates for all residential and business services are in line with the rates other local exchange telecommunications companies are charging for the same services.

Miscellaneous Charges

Through its tariff filing Frontier also seeks approval to increase the Companys rates for directory assistance, non-published numbers, non-listed numbers, additional listings, and extra line matter in reference listings. Table A below shows the current and proposed rate for each service.

**TABLE A**

|  |  |  |
| --- | --- | --- |
| **SERVICE** | **CURRENT RATE** | **PROPOSED RATE** |
| Directory Assistance | $.25 | $.30 |
| Non-published number | $1.75 | $2.50 |
| Non-listed number | $.40 | $2.00 |
| Additional listings | $.35 | $1.00 |
| Extra line matter | $.35 | $1.00 |

In comparison to the rates being charged by other incumbent local exchange telecommunication companies, Frontiers current rates are low. Table B shows the current rates for the above miscellaneous services by BellSouth, Sprint, GTEFL, and ALLTEL.

**TABLE B**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **COMPANY** | **NONPUB NOS.** | **NONLIST NOS.** | **ADD. LISTING** | **DA** |
| BellSouth  | $1.75 | $.80 | $1.20 | $.25 |
| Sprint | $2.35 | $1.60 | $1.25 | $.40 |
| GTEFL | $2.00 | $1.10 | $.95 | $.40 |
| ALLTEL | $1.50 | $1.50 | $1.00 | $.25 |

In Docket No. 960776-TL, Frontiers Petition for a limited scope proceeding to change existing rate relationships, staff performed a review of earnings for the twelve month period ending December 31, 1996. Based on that limited review, it appears that Frontier will not over earn when the increased revenues resulting from this tariff filing are taken into account. The increased revenues of approximately $35,609 results in an incease in ROE of 1.56%. Frontier reported earning a negative 12.2% ROE for the twelve month period ending December 31, 1996. As shown in the tables above, Frontiers current rates are low for the majority of services compared to the rates charged by other companies. Frontiers proposed rates more closely follow the approved rates for the companies above. Therefore, staff believes that the increases in rates are appropriate.

In addition to the above rate changes, Frontier is proposing two custom calling feature packages called Total Package and Super Package. Frontiers Total Package includes: Caller ID Name & Number, Anonymous Call Rejection, Call Forward, Call Waiting Deluxe, Voice Mail (10 Message), Repeat Dial (\*66), Message Waiting Indication, Speed Dial 8, Three-Way Calling, and Maestro 1500CW Rental. The Total Package is available to residential customers for $14.95, and to business customers for $17.95, per month. The Super Package includes: Caller ID Name & Number, Anonymous Call Rejection, Voice Mail, Message Waiting Indication, and Maestro 1500 CW Rental. The Super Package also includes a choice of two of the following custom calling features: Call Waiting, Speed Call 8, Speed Call 30, or Three-Way Calling. The Super Package is available to residential customers for $9.95, and to business customers for $12.95, per month. These custom calling feature packages are similar to offerings already approved by the Commission for other local exchange telecommunications companies such as Sprint-Florida and ALLTEL.

In summary, the Commission has found banded rates to be an appropriate policy for maximizing revenues while reducing upward pressure on local rates. The services that will be affected are discretionary services that can be used at the customers option. Frontier has provided the Commission with thirty (30) days notification, as well as provided thirty (30) days notification to Frontiers customers through two (2) billing inserts, attached hereto as Attachment B. Also, the rate changes proposed by the Company will help Frontier improve its negative return on equity percentage, without putting the Company in an overearnings situation.

Based on the reasons cited above, staff recommends that the Commission approve Frontiers request to revise its rates for directory assistance, directory listings, custom calling features, and to introduce two custom calling feature packages.

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

**RECOMMENDATION:** Yes. If the Commission approves staff's recommendation in Issue 1, this tariff should become effective on July 15, 1997. If a protest is filed within 21 days from the issuance date of the Order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed. (Pellegrini)

**STAFF ANALYSIS:** If the Commission approves staff's recommendation in Issue 1, this tariff should become effective on July 15, 1997. If a protest is filed within 21 days from the issuance date of the Order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed.