

FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

July 22, 1993

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING
FROM : DIVISION OF COMMUNICATIONS [CHASE, BROWN, O'PRY] *Le* *top*
DIVISION OF LEGAL SERVICES [MURPHY, HATCH] *cy*
RE : DOCKET NO. 930580-TL -- REQUEST FOR APPROVAL OF A TARIFF FILING TO OFFER ALARM TRANSPORT SERVICE BY GTE FLORIDA INCORPORATED. (T-93-288, FILED 5/27/93)

DOCKET NO. 920335-TL -- PROPOSED TARIFF TO ALLOW CONTRACT SERVICE ARRANGEMENTS FOR EXTENDED COMMUNICATIONS SERVICE (EXCS) AND AREA COMMUNICATIONS SERVICE (ACS) BY SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY. (T-92-211 FILED 3/16/92)

DOCKET NO. 910967-TL -- PROPOSED TARIFF FILING TO REPRICE AND RESTRUCTURE LOCAL PRIVATE LINE SERVICES BY GTE FLORIDA INCORPORATED. (T-91-473, FILED 9/1/91)

AGENDA: AUGUST 3, 1993 --CONTROVERSIAL-- PARTIES MAY PARTICIPATE-- (ISSUES 1, 2, 3, AND 4)

CRITICAL DATES: THE COMPANY HAS WAIVED THE 60 DAY STATUTORY LIMITATION FOR T-93-288.

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\930580.RCM

CASE BACKGROUND

By Order No. PSC-92-0401-FOF-TL, issued May 5, 1992, in Docket No. 910967-TL, the Commission approved GTE Florida, Incorporated's (GTEFL) tariff filing to restructure and reprice local intraexchange private line services with an effective date of August 1, 1992.

By Order No. PSC-92-0738-FOF-TL, issued July 29, 1992, the Commission delayed the implementation of the restructure until December 1, 1992, due to the concerns about the impact of the rate increases on the alarm industry. In addition, the Commission directed GTEFL to determine if alternatives were available, such as derived channel service or some form of switched service. In

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DISCUSSION OF ISSUES

ISSUE 1: Should GTEFL's tariff filing for Alarm Transport Service (Docket No. 930580-TL) be approved?

RECOMMENDATION: Yes, GTEFL's tariff filing for Alarm Transport Service (Docket No. 930580-TL) should be approved. In addition, the proposed waivers of non-recurring charges should be approved. The effective date of the filing, if approved, should be August 10, 1993.

STAFF ANALYSIS:

On June 15, 1993 this docket (930580-TL) was opened to address GTEFL's tariff filing to offer Alarm Transport Service.

Alarm Transport Service

The new service that GTEFL proposes to offer to alarm companies as an alternative to private line service is called Alarm Transport Service (ATS). The network infrastructure of Alarm Transport Service is based on Derived Channel multiplex (DCX) technology (See Attachment A). DCX-based service is considered acceptable and economical by the alarm industry compared to the restructured local private line service.

Alarm Transport Service is offered to alarm and security companies (agencies) for residential and business line customers (clients) or to other entities that perform their own private alarm monitoring. ATS provides for continuous transmission of signals which can identify a change in alarm monitoring sensors located on the client's premises.

ATS utilizes a scanner located in the client's serving central office which is connected through the client's basic exchange access line. The scanner continuously checks the Subscriber Terminal Unit (STU) at the client's premises for a change in status signal. The STU is connected to alarm or monitoring sensors located on such places as windows or doors. For example, if a burglar breaks into the client's premises, a change in status signal is immediately transmitted through the scanner to two centrally located message switches (one for backup). The message switch, upon receipt of an STU's message, consults its database to determine the customer's appropriate alarm agency, then routes the message to that agency for handling (See Attachment A).

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Other LECs

A similar DCX-based alarm service called WatchAlert is offered by Southern Bell and United Telephone. The Commission approved Southern Bell's WatchAlert tariff in 1985 in Docket No. 850273-TL. United's WatchAlert tariff, T-87-013, went into effect on March 16, 1987.

Southern Bell's offering of WatchAlert has been successful, while United's WatchAlert has not. As a result, United obsoleted its WatchAlert Service in July of 1991 to be deleted in July of 1993.

On May 6, 1993, United filed revisions requesting that the Commission extend the WatchAlert tariff for an additional year. United has been contacted by Southern Bell regarding the deletion of this service, and Southern Bell has requested that United delay exit from the market for one year. Southern Bell has had success in South Florida with the WatchAlert Service. They now have approximately 12,000 customers in that area.

Orlando is a rapidly growing city in which the demand for such alarm services is expected to grow. Southern Bell intends to turn its marketing efforts to the Orlando area. Southern Bell believes that it would enhance its efforts if United continued to be a participant in the WatchAlert market. Southern Bell serves the city of Orlando, while United serves the surrounding areas such as Winter Park, Apopka, Winter Gardens, Kissimmee, and St. Cloud. Therefore, Southern Bell wants United to continue to offer WatchAlert so that the alarm companies located in Orlando can serve clients in the United service area.

This will allow Southern Bell to market WatchAlert in the Orlando area and prove to United that there may be revenue potential for the service. By leaving the service as it is, United believes it will be able to re-evaluate the service and decide whether to exit formally from the market if it is not widely accepted in the Orlando area, or to re-enter the market if it proves to now be more acceptable to the customers in this area. The Commission approved United's extension at the June 22, 1993 Agenda Conference.

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The following is a comparison of the costs and the estimated revenues for the first three years of the service:

	Costs	Revenues with NRC Waivers	Revenues without NRC Waivers
Year 1	\$ 210,709	\$ 181,392	\$ 296,552
Year 2	\$ 213,929	\$ 247,213	\$ 247,458
Year 3	\$ 217,397	\$ 306,622	\$ 306,662
Total	\$ 642,035	\$ 735,472	\$ 850,632

Staff recommends that GTEFL's Alarm Transport Service (930580-TL) should be approved. In addition, staff recommends that the proposed waivers of non-recurring charges discussed above be approved. The effective date of the filing, if approved, should be August 10, 1993.

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ISSUE 2: Should Docket No. 930580-TL be closed? .

RECOMMENDATION: Yes, with adoption of staff's recommendation in Issue 1, Docket No. 930580-TL should be closed at the end of the protest period. If the tariff is protested it should go into effect on August 10, 1993 with any increase in revenue held subject to refund.

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(See Attachment A) as discussed in Issue 1. With this solution, it is appropriate to consider possible implementation dates for the restructure of the alarm portion of GTEFL's local private line service (910967-TL) which is the subject of this issue.

Implementation of the Alarm Portion of Local Private Line

GTEFL would like to implement the alarm portion of the local private line tariff (910967-TL) as soon as its Alarm Transport Service tariff (930580-TL) in Issue 1 is approved. However, GTEFL realizes that alarm companies did not have the DCX-based option when the restructure was first ordered. Staff believes that there needs to be some transition time since a DCX-based service like Alarm Transport Service is just now being offered by GTEFL.

Sonitrol has asked for a year and a half before Phase I implementation because it has to convert all of the equipment for each of its clients. It estimates that it can convert one client per day, and it has approximately 300 clients.

Staff believes that there are three different options for implementing the alarm portion of GTEFL local private line service.

I. Option 1

The first choice for implementation would be to order a three-part rate phase-in process for the alarm portion of local private line service. This would be totally separate from the rest of local private line service that is already at Phase I rate levels. The following chart represents the revenue impacts and effective dates of a three-part phase-in process beginning April 1, 1993:

OPTION 1* Rates	Annual Present Revenue	Annual Proposed Revenue	Annual Revenue Change	Percent Increase	Effective Date
Current to Phase I	\$690,403	\$997,968	\$307,565	44.55%	4/1/94
Phase I to Phase II	\$997,968	\$1,316,319	\$318,351	31.90%	4/1/95
Phase II to Phase III	\$1,316,319	\$1,755,330	\$439,011	33.35%	4/1/96

*Based on June 1993 billing units.

A positive aspect of this option is that it would give the alarm companies the same amount of time to adjust to the rate increases as was given to everyone else. A negative point of this option is that the phase-in process would not be complete until April 1, 1996. This creates higher costs for GTEFL since it would have to

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continue to bill alarm companies separately. Although this option would give alarm companies the same amount of time to phase-in the new rates as everyone else, staff believes that it would be too long of a process and an unfair burden to GTEFL to continue to bill separately.

II. Option 2

The second option for implementation of the alarm portion of GTEFL's local private line service is to go from current to Phase II rates on April 1, 1994 and from Phase II to Phase III rates on December 1, 1994. The following chart represents the revenue impacts and effective dates of option 2:

OPTION 2* Rates	Annual Present Revenue	Annual Proposed Revenue	Annual Revenue Change	Percent Increase	Effective Date
Current to Phase II	\$690,403	\$1,316,319	\$625,916	90.66%	4/1/94
Phase II to Phase III	\$1,316,319	\$1,755,330	\$439,011	33.35%	12/1/94

*Based on June 1993 billing units.

A positive point of option 2 is that it puts the alarm phase-in process back on the same schedule as the rest of the local private line rates. A negative aspect of it is that it has a dramatic revenue and rate impact on April 1, 1994. Staff believes that this is too dramatic of an increase for the first step of the rate increases.

III. Option 3

The third option for implementation of the alarm portion of GTEFL's local private line service is to go from current to Phase I rates on April 1, 1994 and from Phase I to Phase III rates on December 1, 1994. The following chart represents the revenue impacts and effective dates of option 3:

OPTION 3* Rates	Annual Present Revenue	Annual Proposed Revenue	Annual Revenue Change	Percent Increase	Effective Date
Current to Phase I	\$690,403	\$997,968	\$307,565	44.55%	4/1/94
Phase I to Phase III	\$997,968	\$1,755,330	\$757,362	75.89%	12/1/94

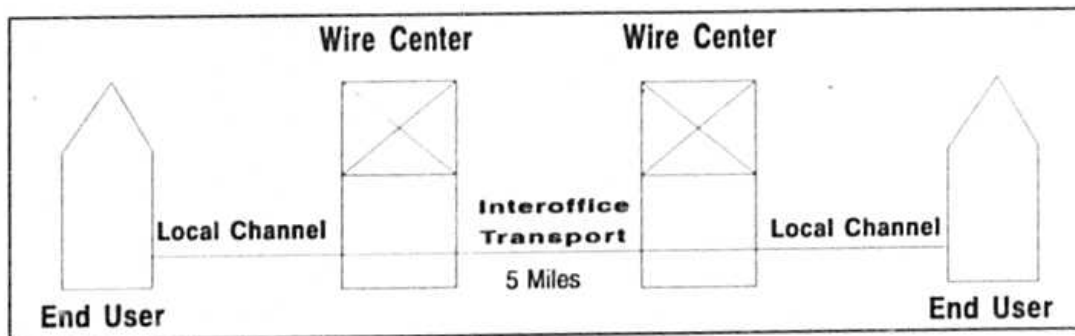
*Based on June 1993 billing units.

The positive aspect of option 3 is the same as option 2 in that it

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In the arrangement above, the customer is charged \$12.88 per month for private line service under the current rates. If the rates were to go to Phase I levels on April 1, 1994 (Option 3) the customer would pay \$20.00 per month, a 55% increase. However, if the rates went to Phase II levels on April 1, 1994 (Option 2) the customer would pay \$26.00 per month, a 102% increase. This is a lower increase relative to the next scenario because the arrangement does not have the interoffice rate element.

The second example depicts a customer who will experience a much higher than average increase.



In the above diagram, the customer is charged \$17.08 per month for private line service under the current rates (\$12.88 plus an additional \$4.20 due to the 5 interoffice miles). If the rates were to go to Phase I levels on April 1, 1994 (Option 3) the customer would pay \$39.00 per month, a 128% increase. However, if the rates went to Phase II levels on April 1, 1994 (Option 2) the customer would pay \$52.25 per month, a 206% increase.

Conclusion

Option 3 puts the alarm phase-in process back on the same schedule as the rest of the local private line rates. Also, the impact from the increase is not as great as in option 2. By only going to Phase I on April 1, 1994, it will allow customers time to make arrangements for alternative services such as the Alarm Transport Service tariff (930580-TL) proposed in Issue 1 of this recommendation. Therefore, staff recommends that Phase I of the alarm portion of GTEFL's local private line restructure should be effective April 1, 1994. Phase III rate levels should be implemented 8 months later on December 1, 1994 as originally ordered. In addition, GTEFL should be ordered to notify its customers of the rate changes both 60 and 90 days before the implementation dates.

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ISSUE 4: Should Docket No. 910967-TL be closed?

RECOMMENDATION: Yes, Docket No. 910967-TL should be closed at the conclusion of the tariff protest period, assuming no timely protest is filed. If a timely protest is filed, this tariff should remain in effect with any increase in revenue held subject to refund pending resolution of the protest.

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ISSUE 6: Should Intermedia Communications of Florida, Inc., Notice of Voluntary Dismissal of its Protest of Southern Bell Telephone and Telegraph Company's tariff (Docket No. 920335-TL) to allow contract service arrangements for extended communications service (EXCS) and area communications service (ACS) be acknowledged?

RECOMMENDATION: Yes. Intermedia's Voluntary Dismissal of its protest should be acknowledged.

STAFF ANALYSIS:

Docket No. 920335-TL was opened on April 13, 1992 to address Southern Bell's proposed tariff to add Extended Communications Service (EXCS) and Area Communications Service (ACS) to the list of services available through contract service arrangements in Tariff Section A5.7 of the General Subscribers Service Tariff. By Order No. PSC-92-0341-FOF-TL, the Commission approved Southern Bell's proposed tariff. Intermedia Communications of Florida, Inc. (Intermedia) filed a petition on June 3, 1992 protesting the tariff.

Intermedia also filed a petition protesting Order No. PSC-92-0401-FOF-TL, approving the restructuring of GTEFL's private line services.

Because these dockets are interrelated, by Order No. PSC-92-1473-FOF-TL, issued December 21, 1992, the Commission ordered hearings on Intermedia's protests in both dockets. Intermedia has now filed for voluntary dismissal of its protest in both Dockets (920335-TL and 910967-TL). Staff believes the dismissal should be acknowledged. The issues can better be considered in pending generic dockets such as the Which LEC Services Are Effectively Competitive--930046-TP, Cross-subsidization--910757-TP, and Cost of Service--900633-TL dockets.

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ISSUE 7: Should Docket No. 920335-TL be closed?

RECOMMENDATION: Yes, with the issuance of an order acknowledging Intermedia's voluntary dismissal of its protest in Docket No. 920335-TL, that docket should be closed.