

FLORIDA PUBLIC SERVICE COMMISSION
FLETCHER BUILDING
101 EAST GAINES STREET
TALLAHASSEE, FLORIDA 32399-0850

M E M O R A N D U M

FEBRUARY 27, 1992

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [CIMERMAN, O'PRY] *AC JASAS*
DIVISION OF LEGAL SERVICES [GREEN, HATCH] *cm*

RE : DOCKET NO. 910529-TL-EAS - REQUEST BY PASCO COUNTY BOARD
OF COMMISSIONERS FOR EXTENDED AREA SERVICE BETWEEN ALL
PASCO COUNTY EXCHANGES

DOCKET NO. 880069-TL - PETITION OF SOUTHERN BELL
TELEPHONE AND TELEGRAPH COMPANY FOR RATE STABILIZATION
AND IMPLEMENTATION ORDERS AND OTHER RELIEF

AGENDA: MARCH 10, 1992 - CONTROVERSIAL - PROPOSED AGENCY
ACTION - PARTIES MAY PARTICIPATE

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

CASE BACKGROUND

Genesis of this docket:

The Pasco County Board of Commissioners filed a resolution 4/19/91 requesting implementation of EAS between all Pasco County exchanges (Brooksville, Dade City, Hudson, New Port Richey, San Antonio, Tampa-North, Tampa-West, Tarpon Springs, Trillacoochee, and Zephyrhills). The Hernando County Board of Commissioners filed a resolution 2/10/92 requesting implementation of EAS between the Trillacoochee and Brooksville exchanges.

Exchange information:

GTEFL serves the Hudson, New Port Richey, Tampa, and Zephyrhills exchanges. Southern Bell serves the Brooksville exchange. United serves the Dade City, San Antonio, and Trillacoochee exchanges. The GTEFL exchanges are located in the Tampa Market Area. The Southern Bell and United exchanges are located in the Gainesville LATA. Attachment A is a map of the involved exchanges. Attachment B contains pertinent exchange data.

Pertinent orders:

Order No. 24718, issued 6/26/91, required the companies to conduct traffic studies. Order No. 24858, issued 7/29/91, granted GTEFL an extension of time to file the traffic studies. All three companies requested confidential treatment of the interLATA traffic data. Order No. 25267, issued 10/29/91, granted confidentiality.

DOCUMENT NUMBER-DATE

02047 FEB 27 1992

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: Do the calling rates on any of the toll routes considered in this docket qualify for a survey for nonoptional, flat rate, two-way toll free calling? (Refer to Table 1 for a list of routes)

RECOMMENDATION: Yes, the calling rates on the Trillacoochee-Brooksville route qualify for a survey for nonoptional, flat rate, two-way toll free calling. The Commission should order a survey of customers in the Trillacoochee exchange at the rates shown in issue 2, for the 25/25 plan with regrouping, which is a nonoptional, flat-rate, two-way EAS plan. The survey should begin within thirty (30) days of the final order in this docket. United Telephone should obtain staff's prior approval of the survey letter. The existing OEAS plan on the Brooksville/Trillacoochee should be discontinued at the time EAS is implemented, if the survey passes. None of the other toll routes considered in this docket qualify for a survey for nonoptional, flat rate, two-way toll free calling.

STAFF ANALYSIS:

TABLE 1

INTEREXCHANGE CALLING RATES		
FROM/TO	CALLING RATE M/M/M	CUSTOMERS MAKING 2+ CALLS PER MONTH
Brooksville/Dade City*	1.12	8%
Brooksville/Hudson	confidential	confidential
Brooksville/New Port Richey	confidential	confidential
Brooksville/San Antonio*	.18	2%
Brooksville/Tampa-North	confidential	confidential
Brooksville/Tampa-West	confidential	confidential
Brooksville/Tarpon Springs	confidential	confidential
Brooksville/Trillacoochee*	.88	7%
Brooksville/Zephyrhills	confidential	confidential
Dade City/Brooksville	1.35	15%
Dade City/Hudson	confidential	confidential

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INTEREXCHANGE CALLING RATES		
FROM/TO	CALLING RATE M/M/M	CUSTOMERS MAKING 2+ CALLS PER MONTH
Dade City/New Port Richey	confidential	confidential
Dade City/Tampa-North	confidential	confidential
Dade City/Tampa-West	confidential	confidential
Dade City/Tarpon Springs	confidential	confidential
Hudson/Brooksville	confidential	confidential
Hudson/Dade City	confidential	confidential
Hudson/San Antonio	confidential	confidential
Hudson/Tampa-North	.36	5%
Hudson/Tampa-West	.18	3%
Hudson/Tarpon Springs	1.28	18%
Hudson/Trillacoochee	confidential	confidential
Hudson/Zephyrhills	.06	1%
New Port Richey/Brooksville	confidential	confidential
New Port Richey/Dade City	confidential	confidential
New Port Richey/San Antonio	confidential	confidential
New Port Richey/Tampa-North	.23	3%
New Port Richey/Tampa-West*	.31	5%
New Port Richey/Trillacoochee	confidential	confidential
New Port Richey/Zephyrhills	.06	1%
San Antonio/Brooksville	1.53	18%
San Antonio/Hudson	confidential	confidential
San Antonio/New Port Richey	confidential	confidential
San Antonio/Tampa-North	confidential	confidential
San Antonio/Tampa-West	confidential	confidential
San Antonio/Tarpon Springs	confidential	confidential
Tampa-North/Brooksville	confidential	confidential

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INTEREXCHANGE CALLING RATES		
FROM/TO	CALLING RATE M/M/M	CUSTOMERS MAKING 2+ CALLS PER MONTH
Tampa-North/Dade City*	confidential	confidential
Tampa-North/Hudson	.69	8%
Tampa-North/New Port Richey	.83	11%
Tampa-North/San Antonio*	confidential	confidential
Tampa-North/Trillacoochee	confidential	confidential
Tampa-West/Brooksville	confidential	confidential
Tampa-West/Dade City	confidential	confidential
Tampa-West/Hudson	.45	6%
Tampa-West/New Port Richey	1.25	13%
Tampa-West/San Antonio	confidential	confidential
Tampa-West/Trillacoochee	confidential	confidential
Tampa-West/Zephyrhills	.12	2%
Tarpon Springs/Brooksville	confidential	confidential
Tarpon Springs/Dade City	confidential	confidential
Tarpon Springs/Hudson	1.54	19%
Tarpon Springs/San Antonio	confidential	confidential
Tarpon Springs/Trillacoochee	confidential	confidential
Tarpon Springs/Zephyrhills	.04	1%
Trillacoochee/Brooksville	6.91**	51%
Trillacoochee/Hudson	confidential	confidential
Trillacoochee/New Port Richey	confidential	confidential
Trillacoochee/Tampa-North	confidential	confidential
Trillacoochee/Tampa-West	confidential	confidential
Trillacoochee/Tarpon Springs	confidential	confidential
Zephyrhills/Brooksville	confidential	confidential
Zephyrhills/Hudson	.11	2%

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INTEREXCHANGE CALLING RATES		
FROM/TO	CALLING RATE M/M/M	CUSTOMERS MAKING 2+ CALLS PER MONTH
Zephyrhills/New Port Richey	.18	3%
Zephyrhills/Tampa-West	.07	1%
Zephyrhills/Tarpon Springs	.05	1%

Shaded routes are those for which EAS or some toll alternative has been recommended.

* Routes which are the reverse direction of a one-way route with sufficient calling to justify intracounty EAS or some toll alternative plan.

** Includes OEAS traffic

Rule requirements:

Rule 25-4.060(2), F.A.C. requires a two-way calling rate of two (2) M/M/Ms or greater with at least 50% of the exchange subscribers making two (2) or more calls per month. Alternatively, a one-way calling rate of three (3) M/M/Ms or greater with at least 50% of the exchange subscribers making one (1) or more calls per month is adequate if the petitioning exchange is less than half the size of the exchange to which EAS is sought.

Calling volumes:

The calling rates for all of the routes at issue in this docket are listed in the table above, except for those interLATA routes which have been granted confidential treatment. The calling rates for the interLATA routes which have been granted confidentiality have not been presented in this recommendation. The data, however, is available for review by the Commissioners. The one-way calling volumes on the Trillacoochee-Brooksville route qualify for a survey for nonoptional, flat rate, two-way toll free calling. None of the other routes qualify for a survey for nonoptional, flat rate, two way toll free calling.

25/25 plan:

In all recent EAS dockets in which calling volumes were sufficient to warrant consideration of non-optional, flat rate, toll free calling the Commission has approved surveys on the 25/25 plan with regrouping rather than regrouping alone. Under the 25/25 plan with regrouping subscribers are charged two additives to their standard monthly rates, as shown in issue 2.

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ISSUE 2: At what rates should the non-optional, flat rate, two-way, toll free calling be surveyed?

RECOMMENDATION: Non-optional, flat rate, two-way, toll free calling should be surveyed under the 25/25 plan with regrouping at the following monthly rates:

R-1 \$ 9.57 B-1 \$22.44 PBX \$44.92

STAFF ANALYSIS:

Rates at which to survey:

If the Commission orders United Telephone to survey its Trillacoochee subscribers for non-optional, flat rate, two-way, toll free calling, under the 25/25 plan with regrouping between Trillacoochee and the Brooksville exchange, the new rates at which Trillacoochee subscribers should be surveyed are as follows:

	<u>Present</u>	<u>25/25 Additive</u>	<u>Regrouping</u>	<u>Total Additive</u>	<u>New Rates</u>
R-1	\$ 7.20	\$ 1.62	\$.75	\$ 2.37	\$ 9.57
B-1	\$16.90	\$ 3.79	\$ 1.75	\$ 5.54	\$22.44
PBX	\$33.80	\$ 7.57	\$ 3.55	\$11.12	\$44.92

How rates were calculated:

The 25/25 additives shown above were derived by first calculating the additional calling scope for the Trillacoochee subscribers. The number of access lines by which the calling scope of the Trillacoochee exchanges will increase is simply the number of access lines in the Brooksville exchange (17,709). This number of access lines was then applied to United Telephone's rate group I and the 25/25 additives compute to be R-1 - \$1.62, B-1 - \$3.79, and PBX - \$7.57.

With the addition of 17,709 access lines to the current calling scope of the Trillacoochee (39,579) exchange, the new total would be 57,288, which would regroup from current rate group II to rate group III reflecting the following increases:

	<u>II</u>	<u>Rate Group III</u>	<u>Increase</u>
R-1	\$ 7.20	\$ 7.95	\$.75
B-1	\$16.90	\$18.65	\$1.75
PBX	\$33.80	\$37.35	\$3.55

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ISSUE 3: Should any alternative plan be offered on any of the other toll routes considered in this docket?

RECOMMENDATION: Yes. Calls on the following routes:

Dade City/Brooksville	Dade City/Tampa-North
Hudson/Brooksville	Hudson/Tarpon Springs
San Antonio/Brooksville	San Antonio/Tampa-North
Tampa-North/New Port Richey	Tampa-West/New Port Richey

should be rated at \$.25 per call, regardless of call duration. These calls should be furnished on a seven-digit basis. Non-LEC pay telephone providers should charge end users as if these calls were local \$.25 calls, and the providers should pay the standard measured usage rate to the LEC. GTEFL, Southern Bell and United should be ordered to implement this change within six (6) months of the final order in this docket. Southern Bell and GTEFL should immediately seek a waiver of the MFJ from Judge Greene to carry the traffic on the interLATA routes. GTEFL, Southern Bell and United should file tracking reports as directed by staff.

STAFF ANALYSIS:

Routes with calling rates consistent with Countywide EAS:

The one-way calling volumes on the Dade City/Brooksville, Dade City/Tampa-North, Hudson/Brooksville, Hudson/Tarpon Springs, San Antonio/Brooksville, San Antonio/Tampa-North, Tampa-North/New Port Richey, and Tampa-West/New Port Richey routes are consistent with the calling volumes seen in other countywide EAS requests.

Routes which would be leapfrogged:

No routes would be leapfrogged if some form of toll alternative were implemented on the routes listed above.

Recommendation:

Staff recommends that should any EAS alternative be implemented on any routes in this docket, such alternative be implemented on a two-way basis. Specifically, as outlined below, staff recommends that the \$.25 plan be implemented, in both directions, on the routes listed above.

How does this recommendation differ from other Countywide EAS recommendation?

The recommendation is consistent with staff's recommendation in several other countywide EAS dockets, to the extent that the \$.25 plan has been recommended on some routes with relatively low volume calling. This recommendation differs from other countywide EAS dockets, however, in that even if this recommendation is

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approved there will still be four exchanges in Pasco County which do not have calling to the county seat, Dade City. A major county government services center is located in the New Port Richey exchange, the largest exchange in Pasco County. Thus, New Port Richey functions somewhat as a secondary seat of government in Pasco County. If this recommendation is approved all Pasco County residents could call either Dade City or New Port Richey. A draft rule for countywide calling came before the Commission at the February 4, agenda conference. The Commission decided to go to workshop on the rule. The first workshop is scheduled for March 17, 1992. If that rule goes into effect the remaining intracounty routes would be served by the \$.25 plan.

Past policy:

In several recent dockets the Commission has ordered the \$.25 plan as an alternative to traditional EAS. Recent examples include Franklin, Gulf, Jackson, Holmes, Okaloosa, and Walton Counties where the plan was ordered on a countywide basis (with the rate subsequently reduced to \$.20 per call in all but Franklin and Gulf Counties). In Bradford County the \$.25 plan was ordered on nearly all the intracounty routes, as well as on several routes between Bradford County and Gainesville. The plan has also been ordered recently in the Central Florida area on the Reedy Creek/Kissimmee, Kissimmee/Orlando, St. Cloud/Orlando, West Kissimmee/Orlando, Mt. Dora/Orlando, Mt. Dora/Winter Park, Mt. Dora/Apopka, Sanford/Orange City, and Sanford/Deland routes.

Why the \$.25 plan?

The \$.25 plan has gained favor for several reasons. Among them are its simplicity, its message rate structure, and the fact that it can be implemented as a local calling plan on an interLATA basis. Optional EAS plans, particularly OEAS plans, are somewhat confusing to customers, the additives or buy-ins are generally rather high, and the take rates for most OEAS plans are rather low. The Commission has expressed concern that Toll-Pac may not be a good solution since a three minute message will still have a substantial cost to the customer. For example, in the peak period a three minute message from Hudson to Tarpon Springs or from New Port Richey to Tampa-West would only be reduced from \$.60 to \$.42 (based on GTEFL rates). An additional argument in favor of the \$.25 plan for the interLATA routes is that the \$.25 plan (which converts the traffic to local status, and is implemented on a seven digit basis) is feasible for interLATA routes, whereas most other usage sensitive alternatives to EAS are feasible only for intraLATA routes.

Recap:

Staff recommends that the \$.25 plan be implemented on a two-way basis for the following routes:

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Dade City/Brooksville	Dade City/Tampa-North
Hudson/Brooksville	Hudson/Tarpon Springs
San Antonio/Brooksville	San Antonio/Tampa-North
Tampa-North/New Port Richey	Tampa-West/New Port Richey

Specifically, the \$.25 plan means that all toll traffic on these routes will be reclassified as local and be message rated at \$.25 per message regardless of the duration of the call. Customers may make an unlimited number of calls at \$.25 per call. These local calls will be dialed on a seven digit basis and will be handled by pay telephone providers as any other local call. Southern Bell and GTEFL should immediately seek a waiver of the MFJ from Judge Greene to carry the traffic on the interLATA routes. GTEFL, Southern Bell and United should file tracking reports as directed by staff.

ISSUE 4: Should the Commission require GTEFL, Southern Bell and United to conduct cost studies on these routes?

RECOMMENDATION: No, the Commission should waive Florida Public Service Commission (FPSC) Rule 25-4.061, Determination of Costs requirement on this EAS request and not require GTEFL, Southern Bell and United to conduct cost studies on these routes.

STAFF ANALYSIS:

Rationale:

The traffic studies reflect sufficient community of interest to warrant implementation of an alternative to toll rates, and the alternatives being recommended in this docket do not consider the costs in order to set the rates. The companies should be relieved of the cost studies required by Commission Rule 25-4.061, Determination of Costs.

ISSUE 5: Should the toll alternative plan require full recovery of costs and lost revenues, including incremental costs?

RECOMMENDATION: No, the toll alternative plan should not require full recovery of costs and lost revenues, including incremental costs. Rule 25-4.062(4) should be waived.

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STAFF ANALYSIS:

Rule requirements:

In situations where the qualification for extended area service relies on the calling interest of the petitioning exchange as well as subscriber approval of the plan, recovery of costs is assigned as follows:

[T]he requested service may still be implemented, provided that the entire incremental cost for the new service, less any additional revenues generated by regrouping in either or both exchanges, shall be borne by the subscribers of the petitioning exchange (Rule 25-4.062(4), F.A.C.).

Therefore, on any two-way plan, according to the Rule, the subscribers in the petitioning exchange should bear the burden and the telephone company will recover the costs in whatever manner the Commission deems.

Past policy:

In virtually every EAS docket (e.g. Docket No. 870436-TL, Hastings-St. Augustine EAS) for which cost information has been submitted, it has been shown that full recovery of cost would result in unacceptably high rates to customers. For this reason, the Commission has waived this rule in every EAS docket for which traditional EAS has been recommended. Although this recommendation is for an alternative to traditional EAS the same rationale applies.

ISSUE 6: Should the revenue impact and associated costs of this recommendation on Southern Bell be recognized in Docket No. 880069-TL, and should stimulation be taken into account?

RECOMMENDATION: Yes. Any revenue impact on Southern Bell should be calculated after the plan has been implemented for six months, so as to account for stimulation. The revenue impact should be applied to the EAS set aside in Docket No. 880069-TL.

STAFF ANALYSIS:

EAS set-aside:

In Docket No. 880069-TL an annual sum of \$10 million was set aside for EAS. Southern Bell has been allowed to offset, against the \$10 million pool, the revenue impact of EAS plans implemented since the monies were set aside. In Docket No. 910528-TL, Putnam

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County EAS and Docket No. 910763-TL, St. John's County EAS the Commission voted to allow additional costs, other than lost revenue, to be considered when stimulation is taken into account.

Stimulation:

It has become clear that in instances where the \$.25 plan has been implemented there has been significant stimulation. Staff believes it appropriate to recognize this stimulation in determining the actual revenue impact to Southern Bell. Data for the \$.25 plans implemented in Centel's territory has shown that the bulk of stimulation takes place in the first several months after implementation. Staff believes that six months is an appropriate length of time after which to consider stimulation for this purpose.

ISSUE 7: What is the appropriate treatment of directory listings when seven digit dialed \$.25 plans are implemented?

RECOMMENDATION: Since seven digit dialed \$.25 calls are considered local calls, directory listings should be provided to all affected customers when new directories are published. However, implementation of the \$.25 plan on the ordered routes should not be delayed until new directories are published, nor should a special directory be required.

STAFF ANALYSIS:

Rule requirements:

"When expanded calling scopes are involved, as with Extended Area Service, each subscriber shall be provided with directory listings for all published telephone numbers within the local service area." (Rule 25-4.040(2), F.A.C.)

This rule has generally been interpreted to mean that new, expanded, directory listings be furnished to customers at the time when EAS is implemented.

Rationale:

Unlike traditional EAS, the \$.25 plan can generally be implemented rather quickly, since new facilities are rarely necessary. There has been some question, however, as to whether the involved companies had to provide the additional directory listings at the time the \$.25 plan was implemented. Rather than publishing special interim directories, or distributing copies of

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existing directories, both of which can be expensive, the companies have suggested waiting until the regularly scheduled publishing date for new directories. In one instance this would extend the potential implementation date for an additional six months.

Staff believes that the \$.25 plan should be implemented as quickly as possible when ordered. Staff also believes that it is reasonable to wait until the regularly scheduled publishing date to produce and distribute new directories, rather than subjecting the involved companies, and subsequently the ratepayers, to additional directory expense. Unlike traditional EAS, in instances where the \$.25 plan is ordered, basic local rates do not increase. When basic local rates increase because of EAS, it is reasonable that ratepayers have immediate access to listings for their additional calling scope. This is because they are paying for exactly that, the additional calling scope. With the \$.25 plan no subscriber faces a rate increase, they face only a reduction in the price of their calls.

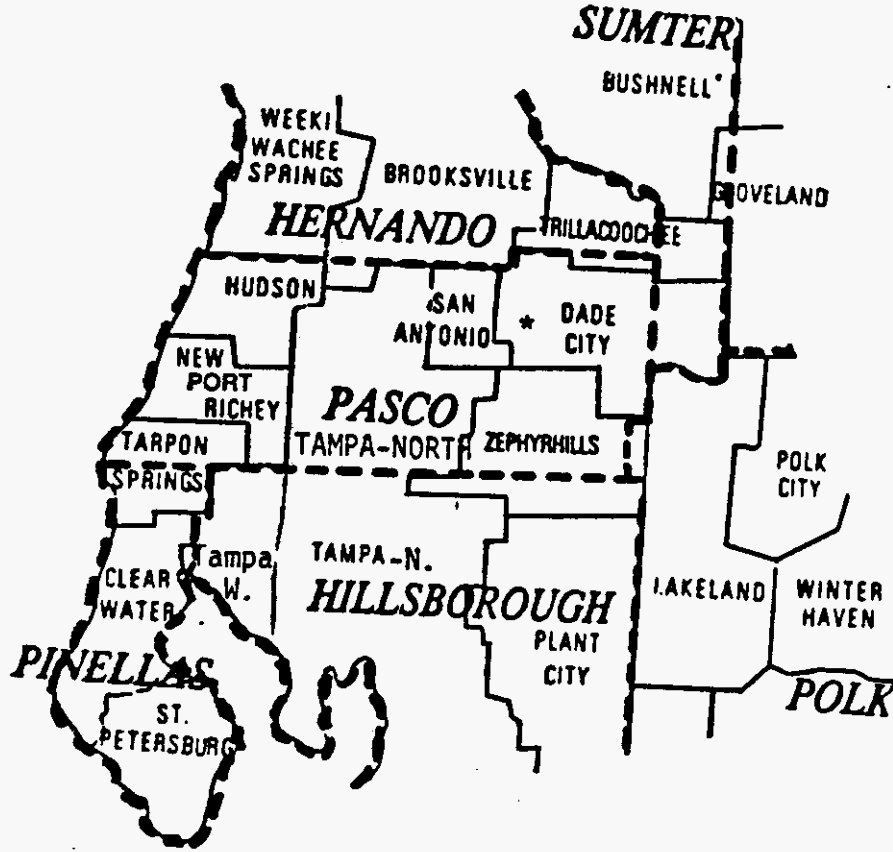
ISSUE 8: Should Docket No. 910529-TL be closed?

RECOMMENDATION: No. This docket should remain open until United Telephone has surveyed the Trillalcoochee customers, the survey results have been reported to the Commission, and GTEFL and Southern Bell have secured the necessary waiver of the MFJ to carry traffic on the interLATA routes, after which the docket should be closed administratively.

STAFF ANALYSIS:

Rationale:

The Commission has ordered implementation of the \$.25 plan on several interLATA routes in several other dockets. In each instance Southern Bell has been required to seek a waiver of the MFJ. In each instance Southern Bell has subsequently submitted a motion for extension of time because the Department of Justice has yet to make a recommendation on any of the pending waiver requests. Rather than closing this docket, only to reopen it several months later, staff recommends this docket be kept open until such time as the waiver is granted.



EXCHANGE DATA					
EXCHANGE	LEC	LATA	ACCESS LINES EAS LINES	LOCAL CALLING AREA	BASIC RATES
BROOKSVILLE	SBT	Gainsvllle	17,004 52,418	Brooksville, Weeki Wachee Springs, (Inverness)	R-1 \$ 8.40 B-1 \$22.90 PBX \$51.59
DADE CITY	United	Gainsvllle	9,433 38,564	Dade City, San Antonio, Trillacoochee, Zephyrhills	R-1 \$ 7.20 B-1 \$16.90 PBX \$33.80
HUDSON	GTEFL	Tampa	37,856 92,948	Hudson, New Port Richey	R-1 \$10.23 B-1 \$26.07 PBX \$52.14
NEW PORT RICHEY	GTEFL	Tampa	55,092 124,884	New Port Richey, Hudson, Tarpon Springs	R-1 \$10.68 B-1 \$27.27 PBX \$54.54
SAN ANTONIO	United	Gainsvllle	2,245 38,564	San Antonio, Dade City, Trillacoochee, Zephyrhills	R-1 \$ 7.20 B-1 \$16.90 PBX \$33.80
TAMPA-NORTH	GTEFL	Tampa	18,944 493,007	Tampa (all), Zephyrhills, (ECS - Clearwater, St. Petersburg, Tarpon Springs)	R-1 \$11.63 B-1 \$29.72 PBX \$59.44
TAMPA-WEST	GTEFL	Tampa	16,792 708,556	Clearwater, Tampa (all), (ECS - St. Petersburg, Tarpon Springs)	R-1 \$11.63 B-1 \$29.72 PBX \$59.44
TARPON SPRINGS	GTEFL	Tampa	31,936 326,491	Tarpon Springs, Clearwater, New Port Richey, (ECS - St. Petersburg, Tampa (all))	R-1 \$11.63 B-1 \$29.72 PBX \$59.44
TRILLACOOCHEE	United	Gainsvllle	2,972 38,564	Trillacoochee, Dade City, San Antonio, Zephyrhills	R-1 \$ 7.20 B-1 \$16.90 PBX \$33.80
ZEPHYRHILLS	GTEFL	Tampa	23,914 59,863	Zephyrhills, Dade City, Tampa-North, San Antonio, Trillacoochee	R-1 \$10.23 B-1 \$26.07 PBX \$52.14