

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Resolution by Manatee) DOCKET NO. 920654-TL
County Board of Commissioners)
requesting extended area service)
between the Palmetto exchange)
and the Sarasota exchange.)
_____)
In Re: Resolution by City of) DOCKET NO. 920725-TL
Palmetto requesting) ORDER NO. PSC-93-0409-FOF-TL
consolidation of the Palmetto) ISSUED: 03/17/93
and Bradenton exchanges.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER DENYING REQUEST TO CONSOLIDATE
EXCHANGES, DENYING REQUEST FOR EXTENDED
AREA SERVICE, REQUIRING IMPLEMENTATION OF
ALTERNATIVE TOLL RELIEF PLAN, AND WITHDRAWING
CONFIDENTIAL TREATMENT OF DOCUMENT NO. 13724-92

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Docket No. 920654-TL was initiated pursuant to Resolution No. 92-138 filed by the Manatee County Board of Commissioners, requesting that we consider requiring implementation of extended area service (EAS) from the Palmetto exchange to the Sarasota exchange. Both of these exchanges are served by GTE Florida Incorporated (GTEFL or the Company) and are located in the Tampa Market Area (local access transport area or LATA).

DOCUMENT NUMBER-DATE

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Docket No. 920725-TL was initiated pursuant to Resolution No. 92-14 filed by the City of Palmetto which requested that we consider requiring consolidation of telephone service within Manatee and Sarasota counties. Upon discussion with the City, it was determined that the resolution requested consolidation of the Palmetto and Bradenton exchanges, not the entire counties of Manatee and Sarasota.

By Order No. PSC-92-0857-PCO-TL, issued August 24, 1992, we directed GTEFL to conduct traffic studies between the Palmetto and Sarasota exchanges to determine whether a sufficient community of interest exists, pursuant to Rule 25-4.060, Florida Administrative Code. By Order No. PSC-92-1055-PCO-TL, issued September 23, 1992, we granted GTEFL's Motion for Extension of Time to complete the traffic studies until November 23, 1992. By Order No. PSC-93-0176-CFO-TL, issued February 4, 1993, we granted the Company's request for confidential treatment of its intraLATA traffic study.

Each of the involved exchanges currently has the following calling scopes:

<u>EXCHANGE</u>	<u>ACCESS LINES</u>	<u>EAS LINES</u>	<u>EAS CALLING SCOPE</u>
Bradenton	97,075	261,029	Myakka, Palmetto, Sarasota
Palmetto	20,579	139,494	Bradenton, Myakka, Tampa-South
Sarasota	141,907	288,949	Bradenton, Myakka, Venice

Current basic local service rates for the involved exchanges are shown below:

Palmetto

R-1	\$10.68
B-1	27.27
PBX	49.42

Bradenton and Sarasota

R-1	\$11.18
B-1	28.57
PBX	50.67

DISCUSSION

The one-way calling volumes on the Palmetto to Sarasota route are insufficient to qualify for nonoptional EAS under Rule 25-4.060(3)(a) which requires a calling rate of at least three M/A/Ms (messages per access line per month) in cases where the petitioning exchange contains less than half the number of access lines as the exchange to which EAS is desired. The Rule further requires that at least 50% of the subscribers in the petitioning exchange make two or more calls per month to the larger exchange to qualify for traditional EAS. The route meets the M/A/M requirement but falls short of the distribution requirement.

It should be noted that GTEFL identified the Palmetto/Sarasota route in its recent rate case as qualifying for flat rate EAS. We decided not to address this route within the rate case since these two dockets were open and parties of record in these two dockets did not participate in the rate case.

When GTEFL submitted the traffic study for the Palmetto/Sarasota route in Docket No. 920654-TL, it was discovered that the route did not qualify for nonoptional EAS as previously indicated by GTEFL in its rate case. In response to a data request, the Company indicated that the route was identified as qualifying for EAS based on the rule criteria staff outlined in its interrogatories to the Company. Interrogatory No. 195 mistakenly quoted the EAS rule requirement as "3 M/M/Ms and 50% of the customers making 1 or more call." The interrogatory should have stated "3 M/M/Ms and 50% of the customers making 2 or more calls." The Company did not catch this mistake and the Palmetto/Sarasota route was identified in its response as qualifying for EAS based on the incorrect criteria.

We do not believe it is appropriate to survey the Palmetto/Sarasota route for flat rate EAS based only on the Company's statement in the rate case. GTEFL has provided the traffic study data for the Palmetto/Sarasota route based on the appropriate EAS rules, and even though the Palmetto/Sarasota route

meets the M/A/M criteria, it clearly falls short of the distribution requirement.

It should also be noted that at the GTEFL public hearing held on June 24, 1992, the citizens in attendance stated that they would reject EAS with any form of additive other than regrouping. This argument was based on the fact that the Bradenton exchange received EAS to Sarasota in 1965 for regrouping only and the citizens of Palmetto want the same treatment. They also indicated that the Extended Calling Service (ECS) Plan would not be acceptable. In addition, the citizens stated that they believed the traffic study would be inaccurate. They contend that a traffic study would not reflect the large number of customers who travel across the river into the Bradenton exchange to place calls to Sarasota on a local basis.

Historically, if a community of interest exists between two exchanges, this is reflected in the traffic study. If a community of interest exists, then the calling volumes and distributions are high enough to support the resolution. When this occurs, it indicates to us that customers are willing to incur a toll charge to communicate with the contiguous exchange. Since the Palmetto/Sarasota route did not meet the Rule requirement for flat rate EAS, we find it appropriate to deny any further consideration of nonoptional, flat rate, two-way EAS along this route at this time.

In addition, we find it appropriate to require implementation of an alternative toll relief plan on the Palmetto/Sarasota route. The plan we believe is appropriate for this route is the ECS Plan. Under this calling plan, residential calls shall be rated at \$.25 per call in both directions regardless of the call duration. Calls by business customers shall be rated at a per minute rate of \$.10 for the initial minute and \$.06 for additional minutes. These calls shall be furnished on a seven-digit basis. Pay telephone providers shall charge end users as if these calls were local calls and the providers shall pay the standard measured usage rate to the Company. GTEFL shall implement these changes within six months of the date this Order becomes final.

The ECS Plan has gained favor for several reasons. Among these are its simplicity, its message rate structure for residential customers, and the fact that it can be implemented as a local calling plan on an intraLATA or 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 have been rather low. Under the ECS Plan, all calls are reclassified as local traffic for all purposes.

In computing revenue impact for the \$.25 plan, we have utilized a formula, based upon 74 existing \$.25 routes, to predict new calling rates based on the old calling rate and the percent change in price. With this formula, we estimate an overall stimulation of 51.5% and an associated annual revenue loss of \$216,507.74. In addition, an existing ECS route (Tarpon Springs/Tampa) was selected to compare to the Palmetto/Sarasota route for purposes of determining a more refined stimulation factor. The Tarpon Springs/Tampa route was chosen because it has a comparable residential/business access line ratio and size. Using this ECS data, we estimate the overall stimulation for the Palmetto/Sarasota route to be 94.6%, with a revenue loss of \$119,810.29. Absent stimulation on this route, the annual revenue loss would be \$332,054.28. We have utilized both analyses since actual ECS stimulation is typically higher than stimulation using \$.25 plan data.

Currently, Palmetto (rate group 3) has toll free calling to the Bradenton, Myakka, and Tampa-South exchanges. The Manatee County Commission states in its resolution that the residents of northern Manatee County (Palmetto exchange) do not receive equitable toll free calling privileges in relation to those in southern Manatee County (Bradenton and Myakka exchanges and a pocket of the Sarasota exchange). Southern Manatee County has toll free calling to the Sarasota exchange, and northern Manatee County believes it should also have toll free calling to the Sarasota exchange. The Manatee County Commission argues that the inequity in toll free intracounty calling privileges represents an undue financial burden to citizens and businesses in northern Manatee County.

In our view, every exchange has some area of interest that requires a toll call, and it could be argued that these calls also place an undue financial burden on the citizens. The EAS rules provide us with a method of measuring the need for toll elimination or reduction based on subscriber usage. If the traffic study does not represent the needed calling volume and distribution to pass the qualifications for flat rate EAS, we conclude that the interest in that specific area is isolated and not reflective of the majority of the subscribers in the exchange. Therefore, the cost

to those customers making the toll calls is not representative of the majority of subscribers and should not be passed on to other subscribers.

We have considered the comments we have received from subscribers and their governmental representatives. To this end, we believe it is appropriate that our staff continue to work with local representatives to determine if a plan can be developed whereby the cost of an extended calling plan can be spread over all of the affected exchanges. This information shall be provided to us for our review at a later date.

The City of Palmetto (City) states in its resolution for consolidation that residents and businesses of Palmetto must place long distance calls to certain southerly portions of Manatee County, as well as vital linking agencies including the Bradenton-Sarasota Airport, the University of South Florida, New College, and various governmental offices. The City contends that Palmetto businesses are critically affected by the undue burden of long distance charges both to and from customers and suppliers. The City argues that the long distance calls are expensive and inconvenient, and interfere with business and commerce within Manatee County, as well as with the provision of efficient emergency services. In addition, the City of Palmetto asks that we include the social and economic interest of the customers in our criteria for determining exchanges.

We believe that since the traffic study indicates that the Palmetto/Sarasota route does not have sufficient traffic to qualify for nonoptional, flat rate, two-way EAS, the same criteria should be applied to consideration of the consolidation request. The calling volume on the Palmetto/Sarasota route indicates that there is a significant community of interest for some of the subscribers in the Palmetto exchange, but not enough to pass the distribution requirement. We believe that based upon the results of the traffic study, the ECS Plan should meet the needs of the majority of subscribers in the Palmetto exchange.

In addition, we believe it would be inappropriate to require GTEFL to incur a cost of \$1,362,113 to consolidate these exchanges when this route does not even qualify for flat rate EAS. Accordingly, we find that the City of Palmetto's resolution to consolidate the telephone service for Manatee and Sarasota Counties shall be denied.

Finally, because we have implemented an alternative toll relief plan, the toll traffic on the Palmetto/Sarasota route has become local. Thus, it is unnecessary to maintain the confidential status of the traffic study for this route.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Resolution No. 92-138 filed by the Manatee County Board of Commissioners is hereby denied to the extent set forth herein. It is further

ORDERED that Resolution No. 92-14 filed by the City of Palmetto is hereby denied as detailed herein. It is further

ORDERED that if no proper protest is filed within the time frame set forth below, GTE Florida Incorporated shall, within six months of the date this Order becomes final, implement an alternative toll relief plan that complies with the terms and conditions set forth in the body of this Order. It is further

ORDERED that the effective date of our actions described herein is the first working day following the date specified below, if no proper protest to this proposed agency action is filed within the time frame set forth below. It is further

ORDERED that the traffic study data contained in Commission Document No. 13724-92 which was previously granted specified confidential classification shall no longer be held confidential when this Order becomes final. It is further

ORDERED that this matter shall continue to be studied as described in the body of this Order. It is further

ORDERED that Docket No. 920654-TL shall remain open. It is further

ORDERED that Docket No. 920725-TL shall be closed at the conclusion of the protest period.

ORDER NO. PSC-93-0409-FOF-TL
DOCKETS NOS. 920654-TL, 920725-TL
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By ORDER of the Florida Public Service Commission this 17th
day of March, 1993.



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 action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), 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 April 7, 1993.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 and effective 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 effective date of this order, 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.