

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

M E M O R A N D U M

JANUARY 23, 1992

TO : DIRECTOR OF RECORDS AND REPORTING *SAS*
FROM : DIVISION OF COMMUNICATIONS [CIMERMAN, O'PRY, WIDELL] *RJC*
DIVISION OF LEGAL SERVICES [GREEN, HATCH] *Raw*
RE : DOCKET NO. 910528-TL-EAS - REQUEST BY PUTNAM COUNTY BOARD *US*
OF COMMISSIONERS FOR EXTENDED AREA SERVICE BETWEEN THE *TP*
CRESCENT CITY, HAWTHORNE, ORANGE SPRINGS, MELROSE
EXCHANGES AND THE PALATKA EXCHANGE

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

AGENDA: FEBRUARY 4, 1992 - CONTROVERSIAL - PROPOSED AGENCY ACTION
- PARTIES MAY PARTICIPATE

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

CASE BACKGROUND

Genesis of this docket:

The Putnam County Board of Commissioners filed a resolution requesting implementation of EAS between the Crescent City, Hawthorne, Orange Springs, Melrose exchanges and the Palatka exchange.

Exchange information:

ALLTEL serves the Crescent City, Orange Springs and Melrose exchanges. Southern Bell serves the Hawthorne and Palatka exchanges. The Crescent City and Palatka exchanges are located in the Jacksonville LATA while the Hawthorne, Melrose, and Orange Springs 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. 24717, issued 6/26/91, required the companies to conduct traffic studies. Order No. 24982, issued 8/27/91, granted ALLTEL and Southern Bell an extension of time to file the traffic studies. Both companies requested confidential treatment of the interLATA traffic data which they filed. Confidential treatment was granted by Order No. 25268, issued 10/29/91.

DOCUMENT NUMBER-DATE

00824 JAN 23 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 nonoptional, flat rate, two-way toll free calling? (Refer to Table 1 for a list of routes)

RECOMMENDATION: No, the calling rates on the toll routes considered in this docket do not qualify for nonoptional, flat rate, two-way toll free calling.

STAFF ANALYSIS:

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 one (1) 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 two (2) 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 below, 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. None of the routes qualify for nonoptional, flat rate, two way toll free calling.

INTEREXCHANGE CALLING RATES		
FROM/TO	CALLING RATE M/M/M	CUSTOMERS MAKING 2+ CALLS PER MONTH
Crescent City/Palatka	5.46	47.74%
Hawthorne/Interlachen#	.91	10.74%
Hawthorne/Palatka	confidential	confidential
Hawthorne(pckt)/Palatka	confidential	confidential
Interlachen/Hawthorne#	confidential	confidential
Interlachen/Melrose#	confidential	confidential

INTEREXCHANGE CALLING RATES		
FROM/TO	CALLING RATE M/M/M	CUSTOMERS MAKING 2+ CALLS PER MONTH
Keystone Heights/Palatka	confidential	confidential
Keystone Heights(pckt)/Palatka	confidential	confidential
Melrose/Interlachen#	confidential	confidential
Melrose/Palatka	confidential	confidential
Orange Springs/Palatka	confidential	confidential
Palatka/Crescent City*	.54	6.77%
Palatka/Hawthorne*	confidential	confidential
Palatka/Hawthorne(pckt)*	confidential	confidential
Palatka/Keystone Heights*	confidential	confidential
Palatka/Keystone Heights(pckt)*	confidential	confidential
Palatka/Melrose*	confidential	confidential
Palatka/Melrose(pckt)*	confidential	confidential
Palatka/Orange Springs*	confidential	confidential
Palatka/Orange Springs(pckt)*	confidential	confidential

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

Routes which would be leapfrogged by another route with significant traffic.

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ISSUE 2: Should any alternative plan be offered on any of the toll routes considered in this docket?

RECOMMENDATION: Yes. Calls on the following routes:

Crescent City/Palatka	Hawthorne/Interlachen
Hawthorne/Palatka	Keystone Heights/Florahome
Keystone Heights/Interlachen	Keystone Heights/Palatka
Melrose/Interlachen	Melrose/Palatka
Orange Springs/Palatka	

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. ALLTEL, and Southern Bell should be ordered to implement this change within six (6) months of the final order in this docket. The existing Toll-Pac plan on the Crescent City/Palatka route should be discontinued at the time the \$.25 message rate is implemented. Southern Bell should immediately seek a waiver of the MFJ from Judge Greene to carry the traffic on the interLATA routes. ALLTEL and Southern Bell should file tracking reports as directed by staff.

STAFF ANALYSIS:

Routes with substantial calling:

The Crescent City to Palatka route exhibits one-way calling volumes which would qualify for traditional EAS under the Commission's rules. However, the percentage of customers making two or more calls on this route is just below the threshold requirement for a survey for traditional EAS.

Routes with calling rates consistent with Countywide EAS:

The one-way calling volumes on the Hawthorne/Palatka, Keystone Heights/Palatka, Melrose/Palatka, and Orange Springs/Palatka routes are consistent with the calling volumes seen in other countywide EAS requests.

Routes which would be leapfrogged:

The Keystone Heights/Florahome, Keystone Heights/Interlachen, Hawthorne/Interlachen, and Melrose/Interlachen 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,

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staff recommends that the \$.25 plan be implemented, in both directions, on the routes listed above.

Why these routes?

The recommendation is basically consistent with staff's recommendation in several other countywide EAS dockets. If staff's recommendation is approved every Putnam County exchange would have calling to Palatka, the county seat. The only difference from true countywide calling is that exchanges on the extreme western edge of Putnam County would not have calling to exchanges on the extreme eastern edge of Putnam County (other than Palatka). Unlike the more rural counties where countywide EAS has been implemented (or ordered), Putnam County is relatively close to a city which offers educational facilities, major medical services, shopping, etc. If staff's recommendation is approved every Putnam County exchange would have calling to Palatka, the county seat, and the exchanges in western Putnam County already have calling to the largest city in North Central Florida, namely Gainesville. Finally, a draft rule for countywide calling will soon come before the Commission. 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 when Toll-PAC is implemented, a three minute message will still have a substantial cost to the customer. For example, in the peak period a three minute message from Hawthorne to Palatka or Melrose to Palatka would only be reduced from \$.70 to \$.49 (based on ATT-C rates). However, a more important reason in this particular instance is

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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:

Crescent City/Palatka	Hawthorne/Interlachen
Hawthorne/Palatka	Keystone Heights/Florahome
Keystone Heights/Interlachen	Keystone Heights/Palatka
Melrose/Interlachen	Melrose/Palatka
Orange Springs/Palatka	

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.

ISSUE 3: Should the Commission require ALLTEL and Southern Bell 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 ALLTEL and Southern Bell 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.

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ISSUE 4: 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.

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.

ISSUE 5: Should the revenue impact 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.

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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.

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 6: 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.

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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 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.

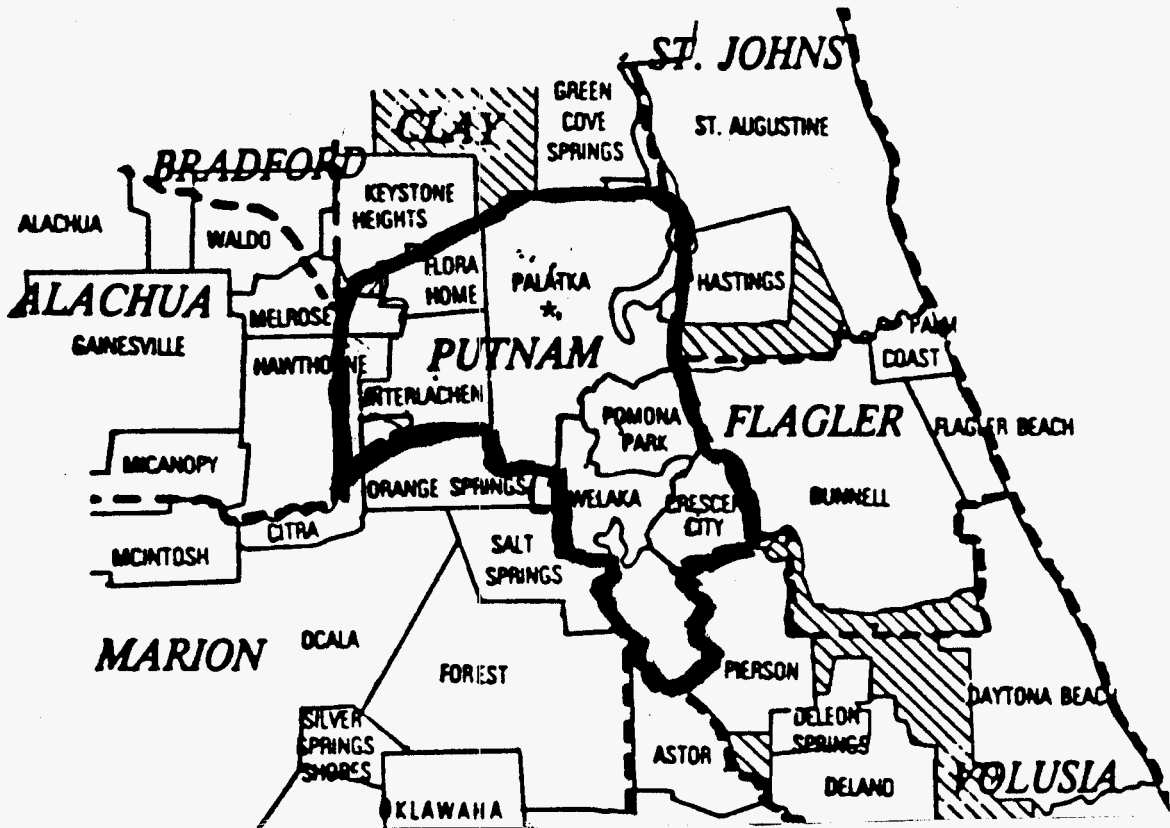
ISSUE 7: Should Docket No. 910528-TL be closed?

RECOMMENDATION: No. This docket should remain open until Southern Bell has 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	EAS CALLING SCOPE	BASIC RATES
CRESCENT CITY	ALLTEL	Jcksnvllc	1,978 8,701	Pierson, Pomona Park, Welaka, {Palatka}	R-1 \$ 9.35 B-1 \$23.40 PBX \$44.55
HAWTHORNE	SBT	Gainsvllc	2,917 86,627	Gainesville, Melrose, Micanopy	R-1 \$ 8.80 B-1 \$23.85 PBX \$53.68
INTERLACHEN	ALLTEL	Jcksnvllc	3,209 19,154	Florahome, Palatka	R-1 \$ 9.60 B-1 \$24.10 PBX \$45.85
KEYSTONE HEIGHTS	SBT	Gainsvllc	4,577 10,849	Melrose, Starke, Florahome (661), {Gainesville}	R-1 \$ 8.10 B-1 \$21.90 PBX \$49.39
MELROSE	ALLTEL	Gainsvllc	2,499 91,409	Gainesville, Hawthorne, Keystone Heights, Waldo	R-1 \$ 9.95 B-1 \$24.70 PBX \$47.20
ORANGE SPRINGS	ALLTEL	Gainsvllc	1,407 97,460	Belleview, Citra, Forest, Mcintosh, Ocala, Oklawaha, Salt Springs, Silver Springs Shores	R-1 \$ 9.95 B-1 \$24.70 PBX \$47.20
PALATKA	SBT	Jcksnvllc	15,241 25,192	Florahome, Hastings, Interlachen, Pomona Park, Welaka, {Crescent City}	R-1 \$ 8.40 B-1 \$22.90 PBX \$51.59