

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by PUTNAM COUNTY BOARD ) DOCKET NO. 910528-TL  
OF COUNTY COMMISSIONERS for extended )  
area service between the Crescent City, )  
Hawthorne, Orange Springs, and Melrose )  
exchanges, and the Palatka exchange. )  
)  
In re: Petitions of SOUTHERN BELL ) DOCKET NO. 880069-TL  
TELEPHONE AND TELEGRAPH COMPANY for )  
rate stabilization and implementation ) ORDER NO. 25772  
orders and other relief. )  
)  
ISSUED: 02/24/92

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
SUSAN F. CLARK  
J. TERRY DEASON  
BETTY EASLEY  
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER DENYING REQUEST FOR EXTENDED AREA SERVICE  
AND REQUIRING IMPLEMENTATION OF ALTERNATIVE TOLL PLAN

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

This docket was initiated pursuant to Resolution No. 91-38 filed with this Commission by the Putnam County Board of County Commissioners. The resolution requested that we consider requiring implementation of extended area service (EAS) between the Crescent City, Hawthorne, Orange Springs, and Melrose exchanges, and the Palatka exchange. These exchanges are served by ALLTEL Florida, Inc. (ALLTEL) and Southern Bell Telephone and Telegraph Company (Southern Bell).

By Order No. 24717, issued June 26, 1991, we directed ALLTEL and Southern Bell to perform traffic studies on the affected routes

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to determine whether a sufficient community of interest exists, pursuant to Rule 25-4.060, Florida Administrative Code. In order to properly evaluate the EAS request, we required the companies to perform traffic studies between the Palatka exchange and the Crescent City, Hawthorne, Keystone Heights, Melrose, and Orange Springs exchanges (with separate studies for the Putnam County pocket areas of the Hawthorne, Keystone Heights, Melrose, and Orange Springs exchanges). In addition, because of the potential for "leapfrogging," traffic studies were also required between the Interlachen exchange and the Hawthorne and Melrose exchanges, and between the Crescent City exchange and the Pomona Park and Welaka exchanges. ALLTEL serves the Crescent City, Interlachen, Melrose, and Orange Springs exchanges, while Southern Bell serves the Hawthorne, Keystone Heights, Palatka, Pomona Park, and Welaka exchanges. Each of these exchanges is located either wholly or partially within Putnam County.

In addition to involving intercompany routes, this request also involves interLATA (local access transport area) routes. The Crescent City, Interlachen, Palatka, Pomona Park, and Welaka exchanges are located in the Jacksonville LATA, while the Hawthorne, Keystone Heights, Melrose, and Orange Springs exchanges are located in the Gainesville LATA. The companies were to prepare and submit the traffic studies to us within sixty (60) days of the issuance date of Order No. 24717, making the studies due by August 26, 1991.

On August 9, 1991, Southern Bell filed a Motion for Extension of Time requesting an extension through and including September 24, 1991, in which to prepare and submit the required studies. As grounds for its request, Southern Bell cited the complexities inherent in interLATA traffic studies in general, as well as the particular complexities here, where numerous routes and pocket areas are involved. On August 14, 1991, ALLTEL filed a similar motion. By Order No. 24982, issued August 27, 1991, we granted both of these requests.

Subsequently, both companies filed the requested traffic study data, along with Requests for Specified Confidential Classification of certain portions of the traffic study data. Southern Bell made its filing on September 24, 1991, and ALLTEL made its filing on September 27, 1991. Each of the companies requested specified confidential treatment of only that data which represented a quantification of traffic along interLATA routes. By Order No. 25268, issued October 29, 1991, we granted both of these requests.

Each of the involved exchanges currently has EAS as follows:

<u>EXCHANGE</u>	<u>ACCESS LINES</u>	<u>EAS CALLING SCOPE</u>
Crescent City	1,978	Palatka*, Pierson, Pomona Park, Welaka
Hawthorne	2,917	Gainesville, Melrose, Micanopy
Interlachen	3,209	Florahome, Palatka
Keystone Heights	4,577	Florahome (661), Gainesville*, Melrose, Starke
Melrose	2,499	Gainesville, Hawthorne, Keystone Heights, Waldo
Orange Springs	1,407	Belleview, Citra, Forest, McIntosh, Ocala, Oklawaha, Salt Springs, Silver Springs Shores
Palatka	15,241	Crescent City*, Florahome, Hastings, Interlachen, Pomona Park, Welaka
Pomona Park	2,501	Crescent City, Palatka, Welaka
Welaka	2,074	Crescent City, Palatka, Pomona Park

\*Optional Calling Plan

Current basic local service rates for the exchanges involved in this EAS request are shown below:

Crescent City (ALLTEL)

R-1	\$ 9.35
B-1	23.40
PBX	44.55

Interlachen (ALLTEL)

R-1	\$ 9.60
B-1	24.10
PBX	45.85

Melrose and Orange Springs (ALLTEL)

R-1	\$ 9.95
B-1	24.70
PBX	47.20

Keystone Heights, Pomona Park,  
and Welaka (Southern Bell)

R-1	\$ 8.10
B-1	21.90
PBX	49.39

Palatka (Southern Bell)

R-1	\$ 8.40
B-1	22.90
PBX	51.59

Hawthorne (Southern Bell)

R-1	\$ 8.80
B-1	23.85
PBX	53.68

DISCUSSION

By Order No. 24717, the companies were directed to conduct traffic studies on the exchanges affected by the resolution to determine if a sufficient community of interest existed pursuant to Rule 25-4.060. For these studies, we requested that the companies measure the messages per main and equivalent main station per month (M/M/M) and percentage of subscribers making one (1) and two (2) or more calls monthly to the exchanges for which EAS was proposed.

A large number of the routes under consideration in this docket are interLATA routes. The actual results of the traffic studies for these particular routes were granted confidential treatment by Order No. 25268. We can report, however, that none of the routes under consideration met the threshold of Rule 25-4.060(2). That Rule requires a two-way calling rate of two (2) M/M/Ms or higher, with at least fifty percent (50%) of the exchange subscribers making one (1) or more calls per month. Alternately, a one-way calling rate of three (3) M/M/Ms or higher, with at least fifty percent (50%) of the exchange subscribers making two (2) or more calls per month is sufficient, if the petitioning exchange is less than half the size of the exchange to which EAS is sought. Since none of the routes exhibited calling rates that met these levels, we shall deny any further consideration of nonoptional, flat rate, two-way EAS along the above routes.

Upon consideration, we hereby propose requiring ALLTEL and Southern Bell to implement the alternative toll plan known as the

\$.25 plan on the following routes (between these exchanges): Crescent City to Palatka; Hawthorne to Interlachen; Hawthorne to Palatka; Interlachen to Orange Springs; Keystone Heights to Florahome; Keystone Heights to Interlachen; Keystone Heights to Palatka; Melrose to Interlachen; Melrose to Palatka; and Orange Springs to Palatka. Calls between these exchanges shall be rated at \$.25 per call, regardless of call duration. These calls shall be furnished on a seven-digit basis and shall be reclassified as local for all purposes. These calls shall be handled by pay telephone providers in the same way and at the same price to end users as any other local call. Customers may make an unlimited number of calls at \$.25 per call.

Because calls on these routes shall be local for all purposes, affected customers shall be provided with appropriate directory listings. However, implementation of the \$.25 plan shall not be delayed nor shall special directories be required. Rather, these listings shall be furnished to affected customers at the next regularly scheduled directory publishing and distribution date. We believe this interpretation of Rule 25-4.040(2), Florida Administrative Code, is reasonable, particularly since basic local rates do not increase under the \$.25 plan as they do with traditional flat rate EAS.

The companies shall implement this plan within six (6) months of the date this Order becomes final. Southern Bell shall immediately begin seeking a waiver of the Modified Final Judgment to allow it to carry traffic on the affected routes. The existing Toll-PAC plan on the Crescent City to Palatka route shall be discontinued simultaneously with implementation of the \$.25 plan. Terminating access charges shall not be paid or collected on routes where the \$.25 plan is implemented, since such routes are considered local.

In reaching this decision, we considered those routes with calling volumes that would qualify for traditional EAS, but with the percentage of customers making two or more calls below the threshold of the Rule. We have also included those routes which would be "leapfrogged" by our proposal. The calling rates on the remaining routes are relatively small. By our action herein, every Putnam County exchange will have calling to Palatka, the county seat. 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. In addition, the exchanges in western Putnam County

already have calling to the largest city in North Central Florida, Gainesville.

In cases where calling rates and community of interest considerations were not sufficient to justify traditional EAS, we have considered various optional toll discount plans. The specific plan offered is generally dependent upon the traffic volumes on the routes under consideration. In cases where traffic volumes are extremely low, or where community of interest factors are insufficient, we have sometimes rejected any toll alternative whatsoever.

The \$.25 plan has gained favor for several reasons. Among these 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. We have also expressed our 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 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.

We recognize that there is an economic impact to ALLTEL and Southern Bell as a result of our proposed calling plan. However, if the \$.25 plan is compared with traditional EAS, it is clear that the impact of the \$.25 plan is not as great as flat rate EAS. In fact, the \$.25 plan offers the opportunity for additional revenue if there is sufficient stimulation. Although stimulation levels can be difficult, even impossible to predict, initial reports concerning the \$.25 plan in other areas of the state show that the number of calls can increase dramatically. While the demographics of these areas may differ, we do believe that some stimulation is inevitable. Accordingly, we find it appropriate to waive Rule 25-4.062(4), Florida Administrative code, which provides for full recovery of costs where the qualification for EAS is dependent upon calling levels and subscriber approval of the petitioning exchange, to the extent that this rule arguably applies in this context. We shall take stimulation into account to determine the actual revenue

impact to Southern Bell when applying this lost revenue to the EAS monies set aside in Docket No. 880069-TL. In addition, we shall approve Southern Bell's request to recognize any additional costs of implementation, other than lost revenue. Because we believe that the bulk of stimulation occurs within the first few months following implementation, we find six (6) months to be an appropriate length of time after which to consider stimulation for this purpose.

We also find it appropriate to waive Rule 25-4.061, Florida Administrative Code. Because the community of interest factors are sufficient to warrant implementation of an alternative to toll rates and the toll relief plan being authorized does not consider costs to set rates, we do not believe it is necessary to require the companies to conduct cost studies on these routes.

Finally, following implementation of the calling plan, the companies shall file quarterly reports with our staff, broken down on a monthly basis. These reports shall include a detailed analysis of the distribution of calling usage among subscribers, over each route, segregated between business and residential users and combined, showing for each category the number of customers making zero (0) calls, one (1) call, et cetera, through twenty-five (25) calls, and in ten (10) call increments thereafter, to ninety-five (95) calls, and ninety-six (96) or more calls. These reports on usage shall be filed for a one year period following implementation. These usage reports shall also include a record of any customer contact, along with the reason for such contact, regarding the \$.25 calling plan.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Resolution No. 91-38 filed with this Commission by the Putnam County Board of County Commissioners is hereby approved to the extent outlined herein. It is further

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

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ORDERED that Southern Bell Telephone and Telegraph Company shall seek a waiver of the Modified Final Judgment as set forth herein. It is further

ORDERED that certain rules as described herein have been waived for the reasons set forth in the body of this Order. It is further

ORDERED that ALLTEL Florida, Inc. and Southern Bell Telephone and Telegraph Company shall file certain reports as set forth herein. It is further

ORDERED that any revenue impact, including additional costs, to Southern Bell Telephone and Telegraph Company shall be applied to the extended area service monies set aside in Docket No. 880069-TL, in accordance with the directives herein. It is further

ORDERED that our proposed action shall become final following expiration of the protest period specified below, if no proper protest to our proposed agency action is filed in accordance with the requirements set forth below. It is further

ORDERED that Docket No. 910528-TL shall remain open until Southern Bell Telephone and Telegraph Company has secured the necessary waiver, after which time the docket shall be closed administratively. It is further

ORDERED that Docket No. 880069-TL shall remain open.

By ORDER of the Florida Public Service Commission, this 24th  
day of FEBRUARY, 1992.

  
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STEVE TRIBBLE Director  
Division of Records and Reporting

( S E A L )

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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  
3/16/92.

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.