BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff filing to introduce Extended Calling Service (ECS) Plan which allows the conversion of IntraLATA toll routes between the exchanges of Tampa, Clearwater, Tarpon Springs, and St. Petersburg to 7-digit local measured service by GTE FLORIDA, INC.	DOCKET NO. 910179-TL ORDER NO. 25708 ISSUED: 02/11/92

The following Commissioners participated in the disposition of this matter:

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

Pursuant to Notice, a public hearing was held on September 11, 1991, in Tallahassee, Florida.

APPEARANCES:

THOMAS R. PARKER, Esquire, GTE Florida Incorporated, Post Office Box 110, MC 7, Tampa, Florida 33601, on behalf of GTE Florida Incorporated.

VICKI GORDON KAUFMAN, Esquire, McWhirter, Grandoff and Reeves, 522 East Park Avenue, Suite 200, Tallahassee, Florida 32301, on behalf of the Florida Interexchange Carriers Association.

HAROLD McLEAN and JACK SHREVE, Esquires, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on behalf of the Citizens of the State of Florida.

DAVID FALGOUST, Esquire, 4300 Southern Bell Center, 675 West Peachtree Street, Northeast, Atlanta, Georgia 30375, on behalf of Southern Bell Telephone and Telegraph Company.

FLOYD R. SELF, Esquire, Messer, Vickers, Caparello, Madsen, Lewis & Metz, P.A., 215 South Monroe Street, Suite 701, Post Office Box 1876, Tallahassee, Florida 32302-1876, on behalf of the Florida Pay Telephone Association, Inc.

ANGELA B. GREEN, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0863, on behalf of the Commission Staff.

PRENTICE P. PRUITT, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0862, on behalf of the Commissioners.

FINAL ORDER

BY THE COMMISSION:

I. BACKGROUND

On January 29, 1991, GTE Florida, Incorporated (GTEFL or the Company) filed proposed revisions to its General Subscriber Services Tariff to introduce its Extending Calling Service (ECS) Plan in four exchanges. As proposed, the ECS plan (the Plan) would convert all intraLATA (local access transport area) toll routes between the exchanges of Tampa, Clearwater, Tarpon Springs, and St. Petersburg to seven-digit local measured service (LMS). Under the ECS plan, calls between these four exchanges would be billed on a nondistance-sensitive per minute basis, at rates approximately seventy percent (70%) below current intraLATA toll rates. The Plan would be implemented automatically for all customers in the designated exchanges and would have no effect upon either present basic local service rates or current local calling scopes. In its original filing, the Company requested an effective date of January 1, 1992.

On March 5, 1991, the Florida Interexchange Carriers Association (FIXCA) filed a Petition requesting that we reject GTEFL's tariff filing outright or, in the alternative, that we hold a hearing on this matter prior to taking action on the tariff. As grounds for its Petition, FIXCA stated that its members are presently authorized to compete with GTEFL, through resale, for toll traffic between the designated exchanges and that, effective January 1, 1992, its members will be permitted to carry this same toll traffic over their own facilities under existing Commission orders. However, FIXCA alleged, "GTEFL's pricing proposal will effectively and unilaterally remonopolize these services through predatory pricing..." FIXCA further alleged that GTEFL itself admitted that its proposal does not qualify as extended area service (EAS) under Commission rules. Being indistinguishable from toll service, FIXCA continued, the Plan must recover access charges in the aggregate and fails to do so. For these reasons, FIXCA urged that a hearing be held to evaluate the ramifications of this tariff filing.

Upon consideration of the matters set forth in FIXCA's Petition, we found it appropriate to set the matter for hearing and to take no further action on the tariff, pending the outcome of the hearing, noting that GTEFL had waived the sixty-day statutory tariff suspension deadline. These decisions are reflected in Order No. 24488, issued May 7, 1991.

By Order No. 24577, issued May 24, 1991, we set forth the prehearing procedures to be utilized in this docket, including a schedule of key events and a tentative list of the issues to be addressed in the hearing. By Order No. 24687, issued June 20, 1991, we revised the list of issues and set forth the dates and locations for customer service hearings in this matter.

Customer service hearings have been held in this matter at the following times and places: (1) August 15, 1991, 10:00 a.m., New County Courthouse, Clearwater, FL; (2) August 15, 1991, 4:00 p.m., Ramada Resort and Conference Center, Tampa, FL; and (3) August 16, 1991, 10:00 a.m., University of South Florida - St. Petersburg Campus, St. Petersburg, FL. The prehearing conference was held on August 19, 1991, and the evidentiary hearing was held on September 11, 1991, both in Tallahassee.

Intervenor status has been granted to the following entities: the Florida Pay Telephone Association, Inc. (FPTA); the Office of Public Counsel (OPC); and Southern Bell Telephone and Telegraph Company (Southern Bell).

II. INTRODUCTION

Over the years, this Commission has observed continued interest in expanded local calling areas from both residential and business customers. Residential customers have requested the ability to call friends, family, businesses, and services in nearby communities that, in the past, were not thought of as a community of interest. Business customers have been desirous of expanding their markets by becoming part of a larger "local" community. Although GTEFL has also observed this growing community of interest, the calling volumes on the routes under consideration in this docket do not warrant implementation of traditional flat rate

EAS under existing Commission rules. Additionally, with flat rate EAS, low volume users are required to subsidize high volume users because all customers in the exchange receiving EAS must pay an additive each month, regardless of whether they make any calls to the expanded calling area.

To address the growing pressure for expanded local calling in the Tampa, St. Petersburg, Clearwater, and Tarpon Springs areas, GTEFL developed the tariff under consideration here. GTEFL believes that its proposed tariff addresses the needs of its customers in the Tampa Bay area, without putting the burden of paying for this service on the remaining body of ratepayers or the customers who might not benefit from the expanded calling area.

After considering all of the evidence in this matter, we believe it is in the public interest to authorize a toll relief plan similar to the one proposed by GTEFL. We find that there is a sufficient community of interest present to warrant such toll relief. Because of this community of interest, the traffic on these routes shall be reclassified as local for all purposes. As a result, interexchange carriers (IXCs) will be precluded from providing service over their own facilities on these routes. The primary difference between our plan and the Company's proposed plan is in the rates that shall be charged to end users. Under the plan we have authorized, residential customers shall pay $.25 per call, regardless of call duration, while business customers shall pay $.10 per minute for the initial minute and $.06 for each additional minute, per call. We shall also require the Company to include the Plant City/Tampa route in the calling plan when it refiles its tariff.

III. <u>COMMUNITY OF INTEREST</u>

The evidence shows that the ECS plan should be considered a local plan if certain community of interest factors are sufficient to merit some form of nonoptional EAS. All of the parties agreed that if a sufficient community of interest exists, the Plan should be considered a local plan. The only disagreement among the parties relative to this issue regards whether or not a sufficient community of interest exists.

GTEFL's witness Kissell testified that community of interest factors should consist of the following: (a) access to emergency services; (b) access to public schools and other educational facilities; (c) access to medical services, doctors and hospitals; (d) access to shopping facilities; (e) access to county government;

(f) access to state government; (g) access to principal employers; (h) employment; and (i) recreational access. FIXCA, on the other hand, believes GTEFL needs to prove that the areas comprise a single, socially integrated, interdependent community of persons whose participation in the elementary activities of daily life -- education, health, entertainment -- is so intertwined as to make geographical and political boundaries irrelevant. While FIXCA'S position is more restrictive than that of GTEFL, it does contain some of the identical components. FIXCA believes that those factors which establish the exceptional community of interest necessary to justify an exemption from access charges are those that involve the satisfaction of basic needs such as access to health care, employers, and governmental services. Only when these factors are met is below access pricing justified, according to FIXCA's witness Gillan.

FIXCA does recognize calling volume distribution as an objective measurement. GTEFL and FIXCA differ, however, as to how the traffic data should be considered. GTEFL believes it should be on an aggregated basis, whereas FIXCA thinks it should be on a route by route basis.

We find that some level of aggregation is appropriate because the end user thinks in terms of calling the Tampa exchange and not, for example, the Tampa East Central Office. Further aggregation may obscure the merits of including certain routes. On this basis, we find that the relevant routes and calling rates to be considered are as follows:

ECS Routes and Respective Calling Rates

Routes	Messages/Line/Month
Clearwater to Tampa Combined	4.70
Tampa Combined to Clearwater	2.12
St. Petersburg to Tampa Combined	4.50
Tampa Combined to St. Petersburg	2.35
St. Petersburg to Tarpon Springs	.24
Tarpon Springs to St. Petersburg	2.04
Tarpon Springs to Tampa Combined	3.38
Tampa Combined to Tarpon Springs	.26

While GTEFL is not proposing flat rate EAS, our rules governing flat rate plans are useful as a reference point. Rule 25-4.060(2), Florida Administrative Code, requires a two-way calling rate of two (2) messages per main station per month (M/M/Ms) or greater with at least 50% of the exchange subscribers making 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.

Using this calling rate criteria, the routes designated as Clearwater to Tampa combined, Tampa combined to Clearwater, St. Petersburg to Tampa combined, Tampa combined to St. Petersburg, and Tarpon Springs to and from Tampa combined. The percentage of subscribers making one, two or more calls to ECS points is more difficult to assess since the ECS route data available on the record is aggregated. However, the aggregated data shows slightly under half of the subscribers in Tampa and St. Petersburg making one or more calls. In Clearwater, almost 40% of the subscribers make two or more calls; in Tarpon Springs, almost 55% of the subscribers make two or more calls. In summary, three of the four route pairs appear to partially meet the requirements of the rule governing flat rate EAS.

In those instances where the criteria for flat rate EAS is not completely satisfied, but a significant level of calling exists, we have considered requiring implementation of alternative toll relief plans. Over the last year, we have implemented the $.25 plan on several such routes.

Based upon the considerations set forth above, we find that a sufficient community of interest exists to warrant some form of toll relief if the following conditions are met: (1) usage studies partially or completely satisfy the requirements to Rule 25-4.060(2); and (2) there is a demonstrated dependence between exchanges which may include educational, health, economic or governmental services, emergency (911) services, and social/recreational activities.

Therefore, the community of interest factors should include, but not be limited to traffic data (distribution of calling usage among subscribers) and a demonstration that there is a dependency upon the expanded area for its educational, health, economic, or governmental services. These factors, as well as other factors such as emergency (911) service and social and recreational activities should be considered where appropriate. The aforementioned factors should be applied in evaluating whether the ECS plan or some other plan is appropriate.

In considering EAS requests, we have also given consideration to other factors that justify implementation of EAS. For example, in Docket No. 871268-TL, a request for countywide EAS, the record supported a finding that all of the exchanges in Escambia County were dependent upon the Pensacola exchange for employment, higher education, county offices, medical and emergency (911) services, and cultural and social events. See Order No. 21986. We believe, as discussed above, that these are important factors in determining whether a community of interest exists between exchanges under consideration.

GTEFL developed the ECS plan in response to demands from the Tampa Bay community. This was evident from the support of the plan by the public witnesses appearing at the service hearings. A representative from the mayor's office, City of Tampa, testified to the desire to institutionalize the Tampa Bay area. Both the St. Petersburg Area Chamber of Commerce and the Greater Clearwater Chamber of Commerce supported the ECS plan. Witness Holt, testifying on behalf of Citizens' Coalition for Seven-Digit Toll-Free Dialing, believes the Tampa Bay area is a homogenous integrated economic entity. Witness Holt said:

> Some interesting facts on the community of interest that exists is that there are 200,000 residents and visitors who cross the Tampa bays every day, all the bridges, for the following reasons, and this is not an inclusive list, obviously, but this is a substantial one: jobs, beaches, the Lowry Park Zoo, the Bayfront Center and the Mahaffey Theaters, the museums in all the communities, H. Lee Moffit Cancer Center, the All Children's Hospital, St. Pete Junior College, University of South Florida, University of Tampa, Hillsborough Community College, the Tampa Stadium, Tampa International Airport, Busch Gardens, MacDill Air Force Base, their commissary and hospital. . . Tampa Convention Center and let's not forget the federal courts.

Witness Wilson testified at the St. Petersburg service hearing that Birch, Arbitron and A.C. Nielson companies had designated the Tampa Bay area as a single radio and television market. The names of the area's major league sports teams are all "Tampa Bay" --- Buccaneers, Storm, Rowdies and Lightning. The major league baseball expansion franchise currently being sought again is for the Tampa Bay area.

Public witness Rasmussen said, "the extended calling service plan that GTEFL has proposed, we think, is a landmark development in the Tampa Bay area and, therefore, we heartily endorse it." Rasmussen testified that it was artificial that a body of water, a natural barrier, should cause the ECS exchanges to be separated from EAS service and that 1+ dialing should be eliminated and charges substantially reduced for calls within the Tampa Bay area.

GTEFL's witness McHugh testified that Pinellas and Hillsborough counties were both part of the Tampa/St. Petersburg Metropolitan Statistical Area (MSA). An MSA is a county or group of counties that, for statistical purposes, are lumped together by the Department of Commerce. Pasco and Hernando counties are also included. One of the criterion for inclusion in an MSA is a high level of commuting between the communities. McHugh concluded, after looking at quantitative and qualitative information, that there was a strong economic interrelationship and it was very likely that the interdependence would continue to grow. University health centers and health care facilities, recreational opportunities, airports and certain governmental offices necessitate that there be interdependence between the ECS exchanges. An example of this interdependence would be the University Cancer Center, which is located in Tampa, while the Children's Hospital is located in St. Petersburg. McHugh was cognizant that each county had its own county offices; however, all state offices are not located in each county. Tampa International Airport would be another example -- citizens on the west side of the bay, because of the availability of flights, must fly to and from Tampa, although there is an airport facility in St.Petersburg/Clearwater.

The evidence of record further reveals that there are other indicators of a strong community of interest in the integrated bay area. The Maddux Report shows the high correlation between commuters and other commercial factors between the two communities. For example, there is a high correlation between people shopping at the various Maas Brothers throughout the community regardless of where they live. The most compelling quote from the Maddux Report is as follows:

> The problem was that the Census Bureau did not believe Tampa Bay partisans could prove that at least 15 percent of the population commuted to work from one county to another. Benito begged to

> differ and put on a remarkable dog and pony show for Duncan with the help of prominent business leaders from both sides of the bay.
>
> As Benito recalls: "John Lott Brown (Former president of the University of South Florida) gave figures about the student populations, the staff that lives in one county and works in another. The airport authority said that more than half the passengers at the airport originate in Pinellas County. We had someone with the Tampa Bay Bucs give information on the number of season ticket holders from each county. We got the number of Maas Brothers credit cards used in one county that were held by people living in the other county. The Showboat Dinner Theater reported on the number of people who drive to performances from Hillsborough. GTEFL figured the number of calls from Hillsborough to Pinellas and how many originated in each county." A videotape from then NFL Commissioner Pete Rozelle was played, explaining to Duncan that without its MSA designation, Tampa Bay would not have landed the Bucs.
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> When everything was said and done, Benito and Davis took Duncan for a helicopter ride over Tampa Bay at rush hour to show the census man the massive cross-county traffic, with thousands of commuters who worked in one county inching their way home to the other county. Benito said "Now tell me we're a separate market!"

GTEFL's witness Kissell believes the Tampa Bay area is becoming a homogeneous economic area. GTEFL has received requests from subscribers to expand the Tampa Bay calling scope, both at various community functions and through conversations with customer contact employees. The proposed plan, according to Kissell, is the most logical choice to reflect the demographic reality and will help to stimulate further economic growth. One noted area of customer complaint was from Pinellas County residents calling home from Tampa International Airport with calls being toll.

At the hearing, witness Gillan was specifically asked if he believed the evidence put forward in this case was sufficient to warrant any form of toll relief on any of the routes that are under consideration. Gillan responded that the evidence is there that people want lower toll prices. Gillan stated further:

> Well, if you want to give it to everybody, you lower access charges. If you want to just give it to a few people but you want it not to matter what carrier they use, then you implement some access reduction that everyone can avail themselves of.
>
> If you have decided that there's something unique about these people that you want to give them and only them these lower prices, then ECS is a reasonable way of doing it. But that was the caveat, you have to reach the decision that you want these people and only these people to receive it and you want them to receive it at the expense of other people facing higher prices.

As FIXCA itself admits, what we must do is weigh the community of interest factors against the cost of implementing the toll relief.

GTEFL and FIXCA both agree that traffic data is one of the important ways to determine if a community of interest exists. As noted above, GTEFL and FIXCA differ as to what extent traffic data should be aggregated for analysis purposes. We have taken the intermediate position that some level of aggregation is appropriate; specifically, that Tampa should be treated as one entity when discussing routes and calling rates.

Based upon our analysis of calling rates and distributions above, the proposed ECS routes exhibit many of the same usage characteristics as \$.25 plan routes. That is, the criteria for flat rate EAS is not completely satisfied, but a significant level of calling exists. FIXCA notes that "the distribution of calling volumes among ECS exchanges is highly skewed and reveals that only a relatively narrow subset of customers use these routes for anything other than an infrequent, periodic, call." While there is some merit to FIXCA's point of view, we do not find this argument compelling. First, there is Commission precedent to grant toll relief in the form of the \$0.25 plan on routes exhibiting similar usage characteristics. Second, we believe that usage distributions inherently exhibit skewing. There is no evidence on the record that the distribution of calling to the ECS area is any more skewed than the distribution of calling within the current local calling area. FIXCA is correct when stating that "exempting the calls among these routes from contribution will shift the contribution burden to other users." However, this situation is no different from the case of flat rate local calling. In both situations, low users bear some of the burden of providing service to heavy users.

Upon consideration, we find that GTEFL has demonstrated that there is a sufficient community of interest to warrant some form of toll relief. The calling patterns on these routes partially satisfy the criteria for flat rate EAS and GTEFL has shown numerous examples of fundamental dependencies between the ECS exchanges. These fundamental dependencies involve the satisfaction of everyday needs such as jobs, health care, education, governmental services, and recreation. For these reasons, we find that a modified version of the ECS plan shall be offered on these routes.

IV. REQUIREMENTS FOR LOCAL SERVICE

Having found the ECS plan to be local, we shall now address the appropriate treatment of the following areas: (a) accounting; (b) dialing patterns; (c) payphones; (d) cost recovery; (e) resale; and (f) directories.

A. Accounting

GTEFL was the only party that took a position on this issue. GTEFL contends, and we agree, that the revenues from ECS should be booked to Account No. 5001. Account No. 5001 includes revenues derived from the provision of basic area message services, such as flat rate services and measured services. Included is revenue derived from non-optional extended area services (optional extended area services are recorded in Account No. 5002). GTEFL has agreed and shall be required to establish a subaccount for ECS revenues so that they may be separately tracked.

B. Dialing Patterns

Public witnesses, with the exception of witness Campbell, favorably supported the seven-digit dialing proposed for the ECS plan. Witness Rasmussen, representing the Leadership Tampa Alumni and as a member of the Citizens Coalition for Seven-Digit Dialing believed the principal benefit with the ECS plan is getting rid of the 1+ dialing. Witness Campbell's concern was that elimination of the 1+ presented a problem since the calls might be perceived as free.

FIXCA, the only intervenor offering testimony on this issue, expressed concerns that GTEFL's ECS plan contained no provisions for customers to distinguish between a free local call and a measured ECS call. Staff witness Russo's position is that ECS calls should have seven-digit dialing. Witness Russo suggested that perhaps a voice intercept that warns callers that the call has a charge should be used. GTEFL does not believe an intercept recording is appropriate because it will cause delays in the calling process which many customers will find irritating. Some customers do not listen to an intercept recording and will immediately hang up and dial again. According to GTEFL's witness Kissell, GTE South's TriWide℠ service (a 7-digit EAS usage sensitive plan) in North Carolina was readily understood and an acceptable way of placing local calls. GTEFL intends to include details on the ECS plan in the new directories published after the plan is approved. We find that during the interim period, GTEFL shall provide stickers to be placed on current directories, detailing the ECS plan, the NXXs included in the ECS plan, and a telephone number (free call) to receive information about ECS usage charges. Although confusion can exist as to whether the call is free or charged on a measured basis, we note that the $.25 plan (with charges per call on a seven-digit basis) has been in effect on several routes around the state for sometime, with no complaints on this subject.

To alleviate some concern, GTEFL has agreed to provide a recording to advise customers who dial ECS calls on a 1+ basis, that the call should be redialed on a seven-digit basis and that charges apply. We find this to be a reasonable method, since it allows customers to check if charges apply before making the call. In addition, GTEFL has agreed to provide operator assistance (not directory assistance), at no charge, where a customer can request information as to whether the NXX (central office prefix) is an ECS call. GTEFL has committed to engage in an extensive education process through local newspapers and bill inserts to inform customers of the ECS plan. GTEFL has indicated that details of the ECS plan will be included in new directories published after the plan is approved. In addition to the foregoing, GTEFL will have a liberal payment policy on the first month's billing of ECS usage charges, providing credit if the customer was unaware charges applied.

In summary, we find it appropriate that ECS calls be dialed on a seven-digit basis. Customers dialing 1+ to ECS exchanges shall receive a message that the call should be redialed on a seven-digit basis and that charges apply. Operator assistance shall be available at no charge to customers to find out if a particular NXX is an ECS call subject to usage charges. A sticker containing this information shall be provided until directories are republished.

GTEFL shall engage in an extensive education process through local newspapers and bill inserts to inform customers. Finally, GTEFL shall have a liberal payment policy for ECS calls on the customer's first month billing.

C. Payphones

Initially, GTEFL intended to charge ECS minutes of use rates from its pay telephones, as well as from nonLEC pay telephones (NPATS). However, after further consideration, GTEFL revised its position and now believes that an end user should pay $.25 for a local call between ECS exchanges. We agree, since this is consistent with how we have treated payphones on other usage sensitive nonoptional EAS routes. NPATS providers will be required to reprogram their payphones to recognize the NXXs because of our $.25 cap on local calls. Staff witness Russo testified that the NPATS providers should pay regular local interconnection rates between ECS exchanges, the same as they presently pay on all other local calls. We agree.

FPTA expressed concerns about NPATS providers receiving notification of the NXXs in the ECS exchanges. Witness Menard indicated that the Company was willing to notify the NPATS providers in the ECS exchanges of our decisions in this docket and provide them with the NXXs that would be required for reprogramming. We find such action to be appropriate by GTEFL. Accordingly, local payphone calls from both LEC and nonLEC pay telephones shall be $.25 per call to end users. NPATS providers shall pay the regular interconnection charge that applies to local traffic. Finally, GTEFL shall be required to notify the NPATS providers of the affected NXXs so that the payphones can be reprogrammed for local calls.

D. Cost Recovery

GTEFL believes the ECS usage sensitive rates, by design, recover all of the usage sensitive costs associated with ECS calling. FIXCA's witness Gillan argues that "the local designation is one of special privilege, exempting calling and traffic volumes within it from the obligation of significant contribution to the firm's overhead." He further argues that the "local ECS" proposal involves a massive shifting of revenue responsibility that GTEFL has not yet addressed. Therefore, he claims, the ECS proposal should not be approved before the rate implications for other services - whether they would be raised or whether they would forgo potential decreases - are known and understood.

We do not dispute that a revenue reduction will mean less revenue for other services. This is specifically what we balanced when addressing community of interest. The rates do not provide the same high level of contribution GTEFL currently receives from its existing toll rates for these calls. We agree with witness Menard, that local rates need not provide the same high level of contribution that currently exists on toll.

Other parties had no position on this issue. As we stated above, we believe the issue before us is whether or not there is a sufficient community of interest to warrant treating ECS traffic as local traffic. If the answer is yes, then cost recovery is not at issue because local service is residually priced. Like other toll relief plans, the LEC should be allowed to recover all costs and lost revenues, so long as the plan does not make the price of the service uneconomical. Likewise, a toll relief plan should not be found to be in the public interest if the additional costs and revenue losses place an undue burden upon the general body of ratepayers.

E. Resale

Having determined that GTEFL's ECS plan is in the public interest and that it shall be provided as local service, then Sections 364.335(3) (Certificate), 364.337(3) (Alternative Access Vendors), 364.3375 (Pay Telephones), and 364.339 (Shared Tenant Service), govern resale of local service. These statutes outline the entities that can compete with and duplicate local exchange services. Section 364.335(3) reads in part, "The commission may, however, grant such a certificate ... which will be providing either competitive or duplicative pay telephone service pursuant to provision of s. 363.3375 ..." Section 364.339 authorizes shared tenant service in competition with existing local exchange service, provided it is consistent with the public interest. GTEFL's witness Menard testified that if the ECS plan is considered local service, resale prohibitions in its General Services Tariff apply. GTEFL's position seems to conflict with its response to a staff interrogatory which indicated that STS providers could resell usage to ECS exchanges as provided in Section A23 of the General Services Tariff. Menard clarified that STS providers would be subject to the same rates and requirements between ECS exchanges that currently apply to STS providers on local service. FIXCA offered no testimony in support of eliminating these restrictions on resale. We find that the only resale of ECS service shall be by PATS, STS, Mobile Carriers, Cellular, and Radio Common Carriers, etc.; namely, those services which we have previously authorized for resale.

F. Directories

GTEFL's initial position regarding provision of directories to all subscribers in the ECS exchanges was that the estimated costs of $7 million were not considered in pricing ECS service. Should we determine that directories were required for each customer, GTEFL proposed a monthly flat rate of $.60 for all customers in the ECS exchanges. Witness Menard amended this position in her summary stating "GTEFL has determined that it is feasible to make directories for the ECS exchanges available to customers at specified GTEFL locations at no charge to the customer."

FIXCA, the only intervenor taking a position on this issue, questioned GTEFL's unwillingness to provide directories for the ECS exchanges at no charge. Witness Gillan believes that if we conclude that the ECS exchanges form a community of interest, then it follows that directories should be provided to all subscribers. Witness Russo also expressed concern, stating that GTEFL should be required to make directories containing the new calling scope available to all affected subscribers at no charge.

Rule 25-4.040(2), Florida Administrative Code, reads in part "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." Approximately 50% of the subscribers in the ECS exchanges make calls in a given month. People in this area in some cases already receive several large directories, and if their calling to the ECS exchanges is limited, they may not be interested in receiving additional directories. Menard testified that on EAS routes approved "before the rule change, only about 30% of the customers wanted the EAS directories." GTE South's experience under the TriWide℠ plan shows that only about 5% of the subscribers wanted directories for the TriWide℠ exchanges. We find that providing directories at no cost, upon request of the subscriber at GTEFL locations, is a good compromise. Currently, we have not set a policy on the provision of directories under the $.25 plan.

GTEFL has indicated it will make telephone numbers to the ECS exchanges available through local directory assistance, like other local telephone numbers, subject to existing rules and charges. We find this to be appropriate.

In summary, directories shall be made available upon request, at customer convenient locations to be specified later, for all ECS exchanges at no cost to the ECS customer. Directory assistance for

ECS exchanges shall be handled like any other local directory assistance (three call allowance and $.25 per additional call).

V. REVENUE IMPACT AND STIMULATION

As submitted in the original tariff filing, GTEFL estimates the revenue impact of ECS to be a $28,483,904 loss for the test year. This figure does not include any stimulation in usage due to the decrease in rates for calls between the ECS exchanges, nor does it include normal toll growth. GTEFL does not believe that this figure represents the long run revenue impact to the Company because some stimulation is likely. That is, if the rates for calling between the ECS exchanges are reduced by approximately 70%, then, over time, there will be an increase in call volumes, and resulting longer term revenues will be greater than the first year figure represented in the tariff filing.

FIXCA disputed two points of GTEFL's testimony regarding the revenue impact of this filing. First, contrary to GTEFL's projections, FIXCA's witness Gillan believes that the revenue impact of the ECS plan will be much greater than what GTEFL alleges. Gillan disputed GTEFL's revenue estimates in his direct and rebuttal testimonies. Gillan's initial estimates of the claimed loss associated with ECS were approximately $60 million per year through 1995. By the time the case arrived at hearing, FIXCA's position was that the impact of the plan would be somewhere between $17 and $20 million.

In his direct testimony, Gillan presented financial projections based upon internal GTEFL planning documents. The comparison of planning documents contained in the prepared testimonies of Gillan does not correspond to the tariff support provided by GTEFL. Gillan stated that GTEFL's internal planning documents did not accurately depict the effect of ECS as described in the tariff filing. However, GTEFL did not rely upon these documents in supporting its ECS plan. GTEFL's revenue reductions were based solely on a straight mathematical calculation of the revenue loss associated with repricing the service down to ECS rates.

The second dispute between FIXCA and GTEFL concerns the level of stimulation which will occur from the ECS plan. Both estimates accept an initial stimulation in usage due to the implementation of the ECS plan. It is FIXCA's position that stimulation will not occur as estimated by GTEFL, and that pre-ECS growth levels will return after the first year the plan is implemented. Gillan justifies this position by analyzing the TriWide[sm] experience. FIXCA states that GTEFL assumed the rate of growth would jump to 25% in the second and third years after implementation of ECS, even though that rate of growth did not occur in North Carolina after implementation of a similar plan. FIXCA believes that fundamental growth rates remain unaffected by the introduction of ECS-type calling plans, but GTEFL believes calling volumes will grow at higher rates for the first three years of the plan. In fact, the TriWide[sm] data does show additional stimulation after the first year. The data shows that there was approximately 100% stimulation in the first year (including normal growth) and approximately 20% stimulation in the second year (including normal growth). At the time of the hearing in this docket, the TriWide[sm] plan had been in effect just over two years. While the data seemed to show a lower rate of stimulation in the later months of the plan, it also appears that some level of stimulation continues throughout the life of the plan. Gillan is correct, however, that GTEFL overestimated the likely amount of stimulation for the ECS plan, albeit for a different reason. As explained below, it appears that GTEFL made a mathematical error in translating the TriWide[sm] stimulation to the ECS plan.

An additional concern is that GTEFL compared its estimates of revenue in future years against 1990, not against revenue estimates of future years without the ECS plan. Therefore, GTEFL compared volumes in future years against a no-growth scenario. GTEFL would experience growth in toll without the ECS plan; therefore, we find that to compare ECS revenues against a scenario assuming no growth is not reasonable.

GTEFL based its stimulation on the experience with TriWide[sm] Service. TriWide[sm] Service is a service similar to ECS which was introduced by GTE South in Durham, N.C. Calls from GTE South's Durham customers to Raleigh, Chapel Hill, Cary, and Hillsborough had been 1+ intraLATA toll calls. With the introduction of GTE South's TriWide[sm] Service in April of 1989, Durham customers' calls to these exchanges were dialed on a seven-digit basis at rates approximately 65% less than the existing toll rates.

The primary difference between TriWide[sm] and ECS is that ECS is a two-way service. Between the ECS exchanges, all calls in both directions would be seven-digit dialed, measured calls. In addition, a similar rate reduction (70%) is proposed with ECS. The other differences between the two plans are the set up and usage rates, the off-peak discount and the off-peak calling periods. TriWide[sm] rates are $.06 per set-up and $.045 per minute of use during peak calling periods. There is a 50% discount for calls placed during off-peak hours. With TriWide^{sm}, GTE South's Durham customers had reduced rates and 7-digit dialing to the Centel and Southern Bell exchanges. However, calls from Southern Bell's and Centel's customers were still dialed on a 1+ 10-digit basis.

Using the stimulation experienced with TriWide^{sm}, GTEFL believes the revenue impact of the ECS plan for the first year will be approximately a $16,716,433 revenue loss (versus $28,483,904 without stimulation). GTEFL believes that the calling volumes will continue to grow 25% faster than toll usage is growing. Based upon this assumption, GTEFL anticipates a net revenue loss of $11,356,243 during the second year of ECS. A net revenue loss of $4,656,006 is anticipated during the third year. GTEFL estimates that in 1995, the fourth year, ECS will have a positive annual revenue impact. However, GTEFL notes that all numbers are not known and measurable and that the actual stimulation could be more or less. Also, when determining the revenue impact, we have observed that GTEFL used the pre-ECS (1990) revenue levels as a benchmark for all revenue effect calculations. We do not agree with this approach.

For 1992, GTEFL believes a reasonable assumption is that messages of the ECS plan will grow by 120% and minutes by 95%. For 1993 and 1994, GTEFL stimulated both messages and minutes by an additional 25% for each year. Witness Kissell stated that GTEFL filed a slightly higher stimulation in the Florida plan than GTE South actually experienced in TriWide^{sm}. GTEFL's rationale was that it believes that stimulation may be higher with the two-way ECS plan than the one-way TriWide^{sm} plan. In addition, promotional efforts can be more effectively targeted in the Tampa area due to concentrated mass media opportunities.

Although there is no way to test what level of stimulation is appropriate for the ECS plan, we believe that applying a level of stimulation similar to the TriWide^{sm} experience could be reasonable. However, GTEFL apparently erred in its calculation of the expected ECS stimulation. Kissell stated that the stimulation experienced in the TriWide^{sm} plan was 165%. The stimulation applied to the ECS data was approximately 265% (95% the first year, 25% per year for the next two years, and 20% in the next year for a total of 265% stimulation in minutes - the stimulation applied to messages totaled 312%). Thus, while we agree that the stimulation experienced in the TriWide^{sm} plan should be used as a guide to the stimulation which may occur in the ECS plan, it appears that an error was made in the translation. It is unclear how this error occurred.

In the past, we have not used stimulation in determining revenues in rate proceedings. See, e.g., Docket No. 880069-TL, Order No. 20162 and Docket No. 881344-TL, Order No. 21520. This is because we have found that we have not had adequate information to evaluate prior stimulation assumptions. While we agree that some stimulation will occur here, we find that stimulation shall not be recognized in this docket, since the response cannot be estimated with precision. Some of the factors which contribute to uncertainty when making an estimate of stimulation include, but are not limited to: (1) the extent of the price change; (2) whether the service is optional or not; (3) the monthly subscription price (if any); and (4) the demographics of the population under consideration.

For example, GTEFL applied a higher stimulation to the ECS plan than the TriWide℠ experience would suggest because GTEFL believed a two-way calling plan would generate greater usage than a one-way calling plan. This assumption may be reasonable. However, the Clearwater, St. Petersburg, and Tampa areas are heavily populated with retired people on fixed incomes and the demographics of the population may have a significant impact on stimulation, despite two-way calling. Therefore, when attempting to determine the true revenue effect on GTEFL, we find that the level of stimulation cannot be determined with any certainty. However, we also find that various stimulation assumptions are useful for illustrative purposes to gain a better understanding of possible outcomes.

When analyzing the revenue impact, or the "price tag" associated with the ECS plan, we believe it is important that the revenue be compared with and without the ECS plan. FIXCA agrees. GTEFL's analysis of the ECS plan shows that the plan ultimately yields increased revenue flows. However, this is because GTEFL compares revenue levels in different time-periods, not just revenues that occur under different conditions. Therefore, because GTEFL's comparisons always relate revenues after ECS is implemented (1992 beyond) to the revenues that GTEFL recovered from the same routes in 1990 (which is two years prior to ECS's implementation), GTEFL characterizes ECS as providing "positive" net revenues in 1995. This differs markedly from revenues exceeding the level they would have been absent the introduction of the ECS plan. FIXCA believes that under this approach, any price reduction, with or without stimulation, will ultimately show "positive net revenues," since normal growth in the Florida market will eventually cause future revenues to exceed historic levels. OPC agrees with FIXCA on this point and so do we.

We have recalculated GTEFL's revenue impact by applying relevant growth to the test period units and using various stimulation percentages. Without any stimulation, we have calculated a negative revenue impact of $31,562,594 for 1992 and $33,692,515 and $35,977,741 for 1993 and 1994, respectively (these figures include an annual facilities cost of $1,092,296). The revenue impact of the ECS plan given different stimulation assumptions is as follows:

REVENUE IMPACT WITH VARIOUS ECS STIMULATION SCENARIOS					
YEAR	TOLL REVENUE WITHOUT ECS	Stimulations			
		ZERO	100%	150%	200%
1990	$37,073,880				
1991	$39,669,052				
1992	$42,645,885	(31,562,594)	(19,587,007)	(13,599,219)	(7,611,426)
1993	$45,417,097	(33,695,515)	(20,881,637)	(14,474,706)	(8,067,768)
1994	$48,596,294	(35,977,741)	(22,266,891)	(15,411,475)	(8,556,052)

The ECS plan will negatively impact the earnings of GTEFL; however, it is impossible for us to find, unequivocally, that this filing would cause GTEFL to seek rate relief. If GTEFL decides to seek rate relief at a later date, any future revenue impact from the ECS plan shall be considered in the revenue requirement calculation.

An additional concern expressed by FIXCA regarding GTEFL's revenue impact deals with the elimination of the Toll Monopoly Areas (TMAs). Gillan states that there is no reason to assume that anything dramatic is going to happen on January 1, 1992, when TMAs are eliminated, because the only thing that is different is that the IXCs may use their own networks for completion of interEAEA calls. FIXCA asserts that the current access charge system bills carriers the same amount whether they substitute part of their network for GTEFL's or not. Therefore, FIXCA continues, no carrier has an incentive to take traffic off GTEFL's network because the IXC is going to pay GTEFL the same switched access charges either way. FIXCA asserts that GTEFL errs when assuming that competitors will make inroads on the routes in question if ECS is not introduced. We agree that the impact of eliminating TMAs will probably be minimal for switched traffic. However, there is likely to be an impact in the private line arena and for large customers who use special access lines. Yet, as we previously stated in our TMA order, the impact of eliminating TMAs remains unknown. In any event, this does not affect GTEFL's revenue impact calculations, nor does it affect ours. GTEFL's only discussion of the possible impact of TMAs is found in their internal planning documents which discuss factors GTEFL considered when deciding whether to propose this plan.

Another area of concern with GTEFL's projected revenue is how customers who currently subscribe to foreign exchange lines (FX) will react to ECS. FX is a service which provides the appearance of a local presence by allowing a customer located in a distant exchange to have a local telephone number. Currently, FX is provided over usage sensitive lines at an estimated monthly rate of approximately $192.00, depending on mileage, based on GTEFL's newly approved FX rates. There may be an additional revenue reduction associated with FX customers switching to ECS, although we believe this revenue impact will likely be small. The displaced FX revenue would be due to a certain percentage of FX customers no longer subscribing to FX because the ECS plan is more attractive. This is especially applicable to customers who have FX primarily for outgoing calling needs. However, many local businesses want to encourage incoming calling from patrons and subscribe to FX for much the same reasons that regional and national businesses subscribe to 800 service (so that patrons can call them without a charge). In addition, many business customers that are heavily dependent upon incoming calls may hesitate to change their telephone numbers for fear of losing patrons.

The revenue impact from FX customers dropping the service because of ECS is difficult to quantify because we cannot predict which customers will actually switch. A customer may have FX because of outgoing calling needs, incoming calling needs, or some combination of both. Usage data is only available for outgoing calls and is insufficient to predict customer choice between ECS and FX. If all of GTEFL's 3950 business FX customers located in the ECS exchanges were to no longer subscribe to the service, the additional revenue impact to GTEFL would be approximately $9,100,800. However, if we assume that the average business FX customer places 250 calls totalling 1000 minutes per month at peak rates, the FX revenue impact of these customers using the ECS plan will be offset by $2,844,000. Although it is difficult to exactly quantify the revenue impact associated with customers giving up FX due to implementation of the ECS plan, we can assume that the "worst case scenario" revenue effect of all customers giving up the service would be $6,256,800. Although this is a substantial revenue impact, we believe that very few business FX customers will switch to ECS because of the specific reasons cited above. However, we recognize it is inevitable that some FX customers will switch.

In conclusion, the record supports that the expected revenue impact of the ECS plan will be a $30,470,298 loss in 1992 if stimulation is not considered. This does not include an additional $1,092,296 for associated annual carrying charges for incremental facilities costs and billing system expansion for a total 1992 annual net operating revenue of $31,562,594. Stimulation shall not be recognized for the purpose of determining the impact on GTEFL in this docket, since the response cannot be estimated with precision; however, it is reasonable to expect that some level of stimulation will occur. If the ECS plan has a material effect on earnings and a rate case is filed, then stimulation shall be considered as a mitigating factor.

VI. EFFECT ON GENERAL BODY OF RATEPAYERS

GTEFL's authorized range of return on equity (ROE) is 11.3% to 13.3% with a midpoint of 12.3%. This was established in Docket No. 890216-TL, Order No. 22352, issued December 29, 1989. During the hearing in early September, GTEFL indicated that there had been no decision to file a general rate case. However, witnesses Menard and Farmer stated throughout the hearing that it has been determined that if the Company's earnings continue to trend downward, a rate case may be required in the April/May 1992 time frame. GTEFL also asserted, "The important point is that ECS is not creating the need for a general rate application. The fact is that ECS is viewed in the same light as any other source of revenue in planning a general rate case." With GTEFL's projected stimulation, the negative revenue impacts are $16.7 million and $11.3 million for 1992 and 1993, respectively. GTEFL stated that these revenue reductions equate to approximately a 143 and 47 basis point reduction in ROE for 1992 and 1993, respectively, which would not singularly cause a general rate case.

As stated in Section V above, we have recalculated the revenue impact of the ECS plan to correct for several errors in GTEFL's calculations. Without any stimulation, we have calculated a negative revenue impact of $31,562,594 for the first year and $33,695,515 and $35,977,741 for the second and third years, respectively, including an annual facilities cost of $1,092,296.

We have also calculated the revenue impact of the ECS plan given different stimulation scenarios (chart in Section V).

We find that the benefits of implementing ECS (or some modification thereof) make the potential revenue impact a worthwhile risk. Whether it is appropriate that the entire risk should be borne by the general body of ratepayers is not yet known. We believe that monitoring the impact and stimulation which actually occur is critical to making such a determination.

Based upon our own experience with the $.25 plan and GTE South's experience with the TriWide℠ Plan in North Carolina, we believe that stimulation will likely fall between 100% and 150% in the first year and a half of the plan. If the revenue reduction associated with this scenario were apportioned to subscriber lines and trunks in accordance with existing rate relationships, the 1992 impact would be approximately $.60 per R-1 line, $1.60 per B-1 line, and $3.16 per PBX trunk (assuming a stimulated revenue impact of $18 million), or approximately $1.00 per R-1 line, $2.60 per B-1 line, and $5.30 per PBX trunk (assuming an unstimulated revenue impact of $30 million).

Accordingly, we find that the ECS Plan will create a downward shift in GTEFL's revenues and, that after a transition period, revenues are likely to resume growing at the historical rate. The revenue effect may be permanent, in that GTEFL is unlikely to ever attain the revenue level that would have resulted if ECS had not been introduced. Traditionally, overall earnings dictate when a rate case is filed. GTEFL is hereby put on notice that the effect of our approved plan in this docket shall be considered in any future rate proceedings.

VII. DENIAL OF PLAN AS FILED AND REQUIREMENT FOR MODIFIED VERSION OF PLAN

GTEFL obviously supports the plan it filed and believes that an alternative would not be appropriate. GTEFL states that it analyzed, considered, and rejected several alternatives. GTEFL believes its proposal is appropriate because, in contrast to traditional flat-rate EAS, only those customers who actually make ECS calls would incur additional charges. GTEFL argues that under a traditional flat-rate EAS scenario, all customers in an exchange are required to pay for EAS whether or not they use the service. Witness Kissell stated that the costs associated with EAS vary in direct proportion to usage volumes. He further stated that "historically, the price increase associated with the EAS surcharge has not always covered the additional cost of the EAS nor has the surcharge covered the lost toll revenues associated with EAS calling. This problem is exacerbated as call volumes between the EAS exchanges increase at a rate higher than access line growth." Finally, the Company did not propose traditional flat-rate EAS because the calling volumes did not meet the requirements of Rule 25-4.060.

GTEFL also considered and rejected a message rate structure such as the $.25 plan. Witness Kissell stated:

> one intent behind ECS was to insure that the cost for an ECS call was always less than a customer would pay for an equivalent call under the current intraLATA toll rates. With a $.25 per message rate, customers would pay more for short calls made during off-peak hours than they currently pay for these calls made at toll rates. Additionally, a per call charge of $.25 discourages the use of the telephone as a tool to make numerous short calls such as calling several stores to check the availability of a product. GTEFL believes a per message charge of $.25 unduly punishes callers who make calls of short duration.
>
> Conversely, this $.25 charge benefits those users which use the telephone for long periods, such as for dedicated computer applications. A per call charge would encourage the business customer (such as banks) to connect all of their branches for the entire business day for $.25 per day. The costs for these calls would not be fully recovered from the cost causers.

The Company also considered and rejected a toll discount plan similar to its recently introduced Suncoast Preferred plan. According to Kissell, "the public did not believe Suncoast Preferred offered a low enough rate for calls across the Bay. With the current PSC toll pricing requirements, GTEFL is currently unable to offer a toll discount plan for calls across the Bay at rates less than those already offered with its Suncoast Preferred Service." In other words, GTEFL could not offer a toll discount plan with a significantly greater discount than offered by the Suncoast Preferred plan, and still comply with our access charge imputation requirement.

FIXCA originally proposed a route-specific reduction in access costs in conjunction with a blanket authorization allowing IXCs to implement route-specific pricing. The idea was that a route-specific reduction in access charges on the proposed ECS routes, coupled with authorization to implement route-specific pricing, would allow IXCs to lower their prices on those routes. Lower prices would, presumably, provide EAS relief on those routes. FIXCA's position now is that we should consider a LATA-wide reduction in GTEFL's access rates. FIXCA argues that such a reduction would spread the benefits of lower toll prices to a broader array of consumers and would not discriminate among providers of interexchange services.

OPC favors a $.25 message plan on the ECS routes if we decide it is appropriate to implement a type of local service on these routes. OPC asserts that the $.25 plan is "much less like local measured service and much more like the optional message rate service which has been popular in GTEFL exchanges for years." OPC also points out that the revenue impact of the $.25 plan would not be as great as the revenue impact of GTEFL's proposed plan. OPC's estimates show the negative revenue impact of the $.25 plan to be about $3.5 million less than the revenue impact of the ECS plan, using GTEFL's unstimulated revenue projections. Finally, OPC argues that under the $.25 plan, "customers would not have to fear having the 'meter running' while they are on the phone, as they would under the ECS plan."

In reaching our decision in this docket, we considered all of the following EAS options: (1) flat-rate EAS; (2) a toll discount plan; (3) FIXCA's proposal for route-specific access reductions; (4) a message rate; and (5) a measured rate. We agree with GTEFL that traditional flat-rate EAS would not be appropriate on these routes. Notwithstanding the cost causation arguments presented by Kissell, the calling volumes do not meet the requirements of our EAS rules. Further, even if we chose to waive those requirements and conduct a customer survey for flat-rate EAS, we believe the survey would surely fail because of calling patterns on the ECS routes. The call distributions show that fewer than 50% of the customers in each exchange make two or more calls per month on the ECS routes. Since the rules require that more than 50% of those eligible to vote vote in favor of EAS for a survey to pass, it is clear that a survey would fail.

Similarly, we agree with GTEFL that a reduced toll plan, such as Suncoast Preferred, would not offer a significant enough reduction to customers on the ECS routes. Alternatively, if the rates were substantially lower, the plan could not meet the imputation test we require for toll plans. The discount associated with Suncoast Preferred is 20% off standard direct distance dialed (DDD) toll rates. The proposed ECS rates, however, offer approximately a 65% reduction in standard DDD toll rates. Even at that rate, some witnesses at the service hearings stated that they were still interested in flat rate EAS and that a 65% discount was not enough. In addition, there was strong support at the service hearings for seven-digit dialing. A toll discount plan would generally retain 1+ dialing. Thus, we have concluded that customers would not be satisfied with an extension of the Suncoast Preferred plan, or any other toll discount plan.

FIXCA's proposal would not offer a significant enough discount to relieve EAS pressure on the ECS routes and would have a revenue impact too great for GTEFL to absorb. In order to institute a LATA-wide reduction in access charges, GTEFL would first need two separate access charge schedules -- an intraLATA schedule and an interLATA schedule. If intraLATA access rates were reduced such that GTEFL and the IXCs could charge ECS rates, the potential revenue impact would be between $50 and $100 million, depending upon the assumptions used in making the calculations.

We have also considered the $.25 plan as an option on the ECS routes. GTEFL offered several arguments as to why a per minute rate structure was preferable to a per message rate structure. Among these arguments are that a $.25 per message charge unduly punishes callers who make calls of short duration and that some customers would pay more for short calls made during off-peak hours than they currently pay at existing toll rates. On the whole, we agree with these arguments. However, there are also several arguments in favor of a message rate plan, at least for residential customers. Clearly, a message rate structure is easy for customers to understand and accept. A message rate structure also allows customers to easily keep track and control their telephone charges. A customer knows, before a call is placed, exactly how much that call will cost. With a message rate structure, there is no time pressure to cut calls short. Thus, while there are economic considerations in favor of a per minute rate structure, they must be weighed against the social considerations in favor of a message rate structure.

We believe that business customers, in particular, would prefer a per minute rate, as opposed to a $.25 message rate. Of course, if the message rate were $.10, then we believe the rate structure would not be a significant issue to business customers. If the choice, however, is between a per minute structure with a rate of $.10 for the first minute, and a message rate structure at

$.25 per message, the fact that the average duration of a business call is shorter than the average duration of a residential call, and the proportion of very short calls is greater, as well, leads us to conclude that the per minute rate structure would be preferable for business customers.

Having considered and rejected the alternatives of flat-rate EAS, a toll discount plan, and FIXCA's proposal, we were left to weigh the advantages of a measured rate versus a message rate. As outlined above, we believe that a message rate is preferable for residential customers, while a measured rate is preferable for business customers. Thus, the plan we are authorizing shall be a hybrid plan under which residential customers pay a message rate and business customers pay the measured rates described below.

In determining the appropriate rates, we had two main considerations: first, the revenue impact of our plan; and second, the level by which existing rates would be reduced. We find that the rates shall be slightly higher than those proposed by GTEFL in order to reduce the revenue impact of the plan. Specifically, residential customers shall pay a message rate of $.25 per call, while business customers shall be charged a measured rate of $.10 and $.06, rather than GTEFL's proposed $.09 and $.05. Our rates represent a reduction of 63% for business customers, rather than the 69% reduction under GTEFL's proposal. For a three minute call, the $.25 message rate would offer a reduction of 58% as compared to existing rates. Stimulation should not differ markedly our version of the plan. In the Tri-Wide[sm] plan, the rates were reduced by 65% and 142% stimulation was the result. Our rates represent a reduction almost as great as that put in place under the Tri-Wide[sm] plan.

Similarly, we find that an off-peak discount is unnecessary under our plan. First, our rates already offer such a great discount from the existing rates. Second, elimination of the discount would further lessen the revenue impact of our plan. Third, the $.25 message rate, as previously implemented on other routes, does not offer an off-peak discount. Finally, approximately 75% of all business calls on these routes are made in the daytime period. The revenue impact of our plan is estimated as follows:

REVENUE IMPACT WITH AND WITHOUT STIMULATION		
	GTEFL PLAN	MODIFIED PLAN
NO STIMULATION		
1992	($30,470,298)	($28,095,660)
1993	($32,603,219)	($30,062,356)
1994	($34,885,444)	($32,166,720)
1995	($37,327,425)	($34,418,390)
TRI-WIDE STIMULATION		
1992	($19,657,316)	($16,584,674)
1993	($18,029,229)	($14,317,104)
1994	($19,219,275)	($15,319,301)
1995	($20,641,664)	($16,391,652)

The revenue impact calculations submitted by GTEFL showed a 265% increase in minutes of use from 1992 through 1995. This was based on an assumed increase of 95% in 1992, 25% in 1993, 25% in 1994, and 20% in 1995. GTEFL claims that this is the equivalent of the stimulation associated with the Tri-Wide plan. However, the usage data from the Tri-Wide plan actually shows stimulation of approximately 142%. As we discussed in Section V, it is unclear how this error was made. We believe the appropriate figure to use to compare the stimulated and unstimulated revenues of GTEFL's proposed plan and our plan is 142%. The figures shown above do not include any possible facilities costs.

We have also considered whether any other routes should be added to the ECS plan. There are several routes with calling rates which equal or exceed the one-way calling rates on the proposed ECS routes. Of these routes, we find it appropriate that the Plant City/Tampa route be included in our modified plan. The Plant City/Tampa toll route was first examined in Docket No. 850152-TL. At that time, the Plant City to Tampa route exhibited one-way calling volumes of 5.4 M/M/Ms with 48.7% of the customers making two or more calls per month. Although the number of customers making two or more calls per month fell slightly below the threshold required by the EAS rules, we ultimately ordered a survey be conducted for nonoptional flat-rate EAS. The survey failed and an optional EAS plan was later implemented. Since one of the options is a premium flat rate option (available to residential customers only), the number of calls on this route, as shown by data submitted by GTEFL, is substantially higher. Because of the high calling volumes on this route, the fact that the Plant City/Tampa route has previously been considered for EAS, and since Plant City is located in the same county as Tampa, we shall require this route to be included. The premium flat rate option shall continue to be offered, but other EAS options on this route shall be discontinued.

We identified at least twelve other one-way routes which also have substantial calling rates. However, we are not requiring these routes to be included in our modified plan, at this time, for the following reasons: the ECS routes have higher two-way calling rates; several of these other routes are between thirty and forty-five miles; the revenue impact of our plan is already rather substantial; and finally, we believe these routes may be addressed after some experience has been gained with our modified version of the plan.

Overall, our modified version of the plan is very similar to GTEFL's proposal differing primarily in four areas. First, our rates for business customers shall be \$.10 for the initial minute, and \$.06 for each additional minute, rather than the \$.09 and \$.05 proposed by the Company. Second, residential customers shall pay \$.25 per message, regardless of call duration. Third, no off-peak discount shall be offered. Finally, the Plant City/Tampa route shall be included in our version of the plan.

Accordingly, GTEFL's tariff filing shall be denied. GTEFL shall refile its tariff to include the following:

(a) the end user rate shall remain capped at \$.25 for nonLEC payphone providers, remain at \$.25 for LEC payphone providers, and the interconnection rate for NPATS shall remain at the level of the local interconnection rates determined in Docket No. 860723-TP;

(b) resale of ECS shall only be permitted for those services which we have previously authorized for resale;

(c) directories for ECS exchanges shall be made available to customers at convenient locations upon request with no additional charge; directory assistance calls shall be considered local;

(d) rates for business customers shall be $.10 for the first minute and $.06 for each additional minute, rather than $.09 and $.05, respectively, to mitigate the revenue impact to GTEFL; there shall be no off-peak discount;

(e) residential customers shall pay $.25 per call regardless of duration or time of day; and

(f) Plant City shall be added to the ECS routes with calling to the whole Tampa exchange only.

Revised tariffs shall be filed five days after any reconsideration vote in this matter, or five days after the reconsideration period expires, if no reconsideration is requested. After correct tariff pages are filed, the effective date shall be February 8, 1992, unless reconsideration is requested, in which case the tariff shall not become effective until we dispose of the reconsideration request(s). This action will allow GTEFL to notify customers via bill stuffers, media releases, and directory pages of the approved plan. In addition, GTEFL shall file quarterly reports to track any stimulation resulting from implementation of this plan. Finally, all historical usage and access line data for the ECS exchanges, from 1990 forward, shall be retained by GTEFL until we have identified specific data which is required.

Under GTEFL's proposal, bill detail for ECS calls would not be provided as a standard feature; however, it would be offered as an optional service. Bill detail, if requested, would provide the customer with a list of each ECS call made during the billing period. GTEFL's proposed rate for this service is $1.75 per month per customer bill, plus $.12 for each page of ECS billing detail. We shall approve the Company's bill detail proposal. However, the Company shall also explore the feasibility of a record retention policy of 30 to 60 days where bill detail has not been ordered by the customer.

GTEFL shall provide complete instructions to each NPATS provider in the ECS areas regarding the implementation of the plan so the pay telephones can be reprogrammed (e.g., affected NXX codes, end user dialing requirements, and end user rates). For already deployed equipment, NPATS providers shall be permitted to implement our plan within 60 days of the effective date of any tariffs, since each affected phone will require reprogramming. GTEFL has testified that it is willing and able to provide NPATS providers with proper notice.

GTEFL plans to notify its customers of the ECS plan in several ways. The first way is via a bill insert which will be developed to describe ECS, including a map of local calling areas and ECS areas, listing the prefixes in each. The insert will be sent to customers in the ECS-affected areas immediately following our approval of ECS.

GTEFL also plans to notify its customers by print ads, which will also include a map designating local calling areas and ECS areas, listing the associated prefixes. These print ads will appear in both the St. Petersburg Times and The Tampa Tribune as soon as ECS becomes effective. In addition, television ads are being developed which would communicate optional area code (10 digit) dialing in February, 1992. These ads are being modified to include a tagline that area code dialing is not necessary on ECS calls between Tampa, St. Petersburg, Clearwater, and Tarpon Springs.

Finally, directory pages are being developed for inclusion in the directories of ECS communities. The new directories will be distributed in 1992. The directory page will detail the service and include a map highlighting the local calling areas, ECS areas, and list the associated prefixes. We find all of these methods to be appropriate for proper notification regarding the plan.

VIII. SECTION 364.335, FLORIDA STATUTES

An additional issue in this proceeding was whether Section 364.335, Florida Statutes, precludes IXCs from providing service over their own facilities on routes which are determined to be local. The positions of the parties fell along predictable partisan lines when responding to this question.

GTEFL argues that Section 364.335 does not allow IXCs to provide a local service over their own facilities on the ECS routes. The only exception, according to GTEFL, is the provision of a dedicated facility between two points owned by affiliated entities. The Company cites Order No. 24877 in Docket No. 890183-TL as support for this position.

According to GTEFL, FIXCA suggests that IXCs have some lawful role in providing transport or switching functionality in the local exchange network, but the amendment of Chapter 364 by the 1990 legislature does not support such a position. GTEFL believes that which was local before the Chapter 364 rewrite is local today, with the limited affiliated AAV exception. GTEFL cautions us regarding the potential ramifications of this issue. According to GTEFL, FIXCA takes the position that after January 1, 1992, an IXC can carry traffic on any route; that they are only prohibited from providing local exchange service. FIXCA then defines local exchange service as the basic switched product providing ubiquitous connection within a defined geographic area where connections can be established with simple dialing and signalling activity between the subscriber's instrument and the local exchange carrier's network. Thus, according to GTEFL, it is FIXCA's position that, if an interexchange carrier utilizes any technology or functionality that does not include traditional signalling as is utilized today, that function does not constitute local exchange service. GTEFL states that FIXCA believes that an IXC can deploy facilities which are new and innovative within the established local service area and that this would not violate Section 364.335. GTEFL believes it is this aspect of FIXCA's position which should cause us concern.

FIXCA responds that GTEFL's proposal does not present the Commission with any issue involving Section 364.335. FIXCA asserts that Section 364.335 provides direction only when evaluating the proposed entry of a new carrier and that entry is not at issue here. Competition has been allowed along these routes, FIXCA continues, since we issued the first certificate to a competitive IXC.

FIXCA notes that while it has been the Commission's policy to prohibit IXCs from using their own transmission facilities when providing interexchange services within the Tampa EAEA, that policy was not based on Section 364.335. With the expiration of the TMA restriction on January 1, 1992, IXCs will no longer be limited to the use of LEC facilities to provide authorized services. FIXCA adds that Section 364.335's threshold requirement to first determine inadequate service before issuing a certificate to another carrier does not protect just any service that may be offered by a local telephone company. Rather, FIXCA states, its focus is much narrower and limits competition only as to "local exchange services." GTEFL's decision to include ECS in its General Services tariff does not cause such service to become "local" as the term is used in Section 364.335 . . . any more than moving GTEFL's basic exchange service to the MTS section of its tariff would cause the service to become "toll" and exempt it from this protection. While GTEFL's pricing proposal may render competition for message toll service economically impossible, the argument continues, it does not, however, expand a preexisting statutory limitation beyond its original scope.

FIXCA concludes that Section 364.335 does not contemplate or empower -- much less require -- the Commission to "de-authorize" competitive facilities in reaction to a local telephone company pricing proposal. Effective January 1, 1992, the expiration of the Commission's policy limiting toll transmission competition will permit IXCs to use their own transmission facilities along the interexchange routes where GTEFL is offering its ECS service, should they choose to do so. GTEFL's request to label and tariff ECS as a "local" service in its General Services Tariff should not be allowed to supersede Commission policy or to extend GTEFL's statutory monopoly, according to FIXCA.

OPC did not assert a position on this issue in its posthearing brief. Southern Bell states that if we determine that the ECS plan should be characterized as local, as it believes we should, then the statute cited precludes an interexchange company from competing with or duplicating the services provided by GTEFL, absent a finding by the Commission that GTEFL's existing services are inadequate. FPTA does not actually take a position on the issue, but does ask that we remain guided by the important legislative goal of promoting competition.

Section 364.335(3) (1990) provides in pertinent part:

> The commission may not grant a certificate for a proposed telecommunications company, or for the extension of an existing telecommunications company, which will be in competition with or duplicate the local exchange services provided by any other telecommunications company unless it first determines that the existing facilities are inadequate to meet the reasonable needs of the public and it first amends the certificate of such other telecommunications company to remove the basis for competition or duplication of services. The commission may, however, grant such a certificate for a proposed telecommunications company, or for the extension of an existing telecommunications company, which will be providing either competitive or duplicative pay telephone service pursuant to the provisions of s. 364.3375, or private line service by a certified alternative access vendor, without determining that existing facilities are inadequate to meet the reasonable needs of the public and

> without amending the certificate of another telecommunications company to remove the basis for competition or duplication of services.

We have consistently interpreted this provision (renumbered from Section 364.335(4)(1989)) as a prohibition against duplication of or competition with the local exchange company, absent a specific exception provided by statute or authorized by this Commission.

In their positions, the parties do not genuinely dispute that this statute reserves the provision of "local exchange service" to local exchange companies. The heart of the disagreement, rather, revolves around the meaning of the term "local exchange service."

We find that the routes for which ECS has been approved shall be classified as local and held to fall within the ambit of "local exchange service," as that term is employed in Section 364.335. This is consistent with our treatment of EAS as local service. The necessary result of our action shall be to preclude competition on these routes. We do not find it necessary to fully define "local exchange service" at this time in order to take this action. Rather, we find only that these routes constitute "local exchange service" as contemplated in Section 364.335. We categorically reject FIXCA's argument that this section of the statute is not at issue here.

IX. <u>RULINGS</u>

At the beginning of the hearing, we entered rulings on two pending motions. Staff's August 13, 1991, Motion for Extension of Time to Conduct Discovery and FIXCA's August 22, 1991, Motion to File Amended Direct Testimony of Joseph Gillan were both granted.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that each and every one of the specific findings set forth herein be and the same are hereby approved in every respect. It is further

ORDERED that GTE Florida, Incorporated's tariff filing T-91-037 filed January 29, 1991, is hereby denied for the reasons set forth herein. It is further

ORDERED that GTE Florida, Incorporated shall refile its tariff following the guidelines and timeframes established in the body of this Order. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 11th day of FEBRUARY, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

by: Chief, Bureau of Records

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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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer 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 after the issuance 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.