

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by residents of	)	DOCKET NO. 870992-TL
Macclenny and Sanderson for extended	)	ORDER NO. 21394
area service in Duval County	)	ISSUED: 6-16-89

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER REQUIRING IMPLEMENTATION OF  
AN OPTIONAL DISCOUNTED 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 substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

This docket was initiated by a citizens' petition filed with this Commission on September 17, 1987, by the residents of the Macclenny and Sanderson exchanges located in Baker County, Florida. The petition requested that we consider implementing toll free dialing from the exchanges of Sanderson and Macclenny to all exchanges in Duval county.

Order No. 18322, issued October 20, 1987, directed Southern Bell Telephone and Telegraph Company (Southern Bell) and Northeast Florida Telephone Company (Northeast), who serve these areas, to conduct traffic studies on all the affected routes to determine whether a sufficient community of interest existed pursuant to Rule 25-4.060, Florida Administrative Code.

The results of the traffic studies demonstrated that only the calling rates on the Macclenny to Jacksonville route and the Sanderson to Jacksonville route exceeded the requirements of Rule 25-4.060(2)(a), Florida Administrative Code. This rule requires a calling rate of three (3) or more messages per main station per month (M/M/M), with at least fifty percent (50%) of the exchanges' subscribers making two (2) or more calls per month. The one-way calling rate on the Macclenny to Jacksonville route was 10.83 M/M/Ms, with 74.06% of the customers making two or more calls per month. The one-way calling rate on the Sanderson to Jacksonville route was 7.52 M/M/Ms, with 59.04% of the customers making two or more calls per month.

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ORDER NO. 21394  
 DOCKET NO. 870992-TL  
 PAGE 2

The above calling rates indicated a strong community of interest, sufficient to warrant consideration of implementation of nonoptional, two-way, flat rate extended area service (EAS). Accordingly, we directed in Order No. 20893, issued March 14, 1989, that customers in both the Macclenny and Sanderson exchanges be surveyed separately for the implementation of nonoptional, two-way, flat rate EAS to Baldwin and Jacksonville at the following rates:

Macclenny and Sanderson Exchanges

	<u>Current Rate</u>	<u>EAS Additive</u>	<u>New Rate</u>
R-1	\$ 8.00	\$10.85	\$18.85
B-1	22.90	31.03	53.93
PBX	34.50	46.76	81.26

On March 30, 1989, letters and ballots were mailed to all subscribers in the Sanderson and Macclenny exchanges of Baker County. The subscribers were asked to vote in favor of or against the nonoptional, two-way, flat rate EAS plan to Baldwin and Jacksonville. The survey was completed on May 1, 1989. In order for the survey to pass, we required a margin of 50% plus one (1) favorable vote out of all subscribers surveyed.

The Macclenny exchange has a total of 4,246 subscribers; therefore, at least 2,124 favorable votes would be required for the survey to pass in Macclenny. 1,168 Macclenny subscribers voted in favor of the EAS plan while 1,357 subscribers were opposed. The Sanderson exchange has a total of 655 subscribers; therefore, at least 328 favorable votes would be required for the survey to pass in Sanderson. 126 Sanderson subscribers voted in favor of the EAS plan while 235 subscribers were opposed. The surveys conducted in Macclenny and Sanderson have failed to meet the voting requirements established for this survey. In this case, even if passage of the survey required a simple majority of voting subscribers to vote in favor, the survey still would have failed. Therefore, we will not require the implementation of nonoptional EAS on these routes.

DISCOUNT TOLL PLAN

Although the results of the subscriber survey fail to meet Commission standards for nonoptional EAS, the call rates on the Macclenny to Jacksonville and Sanderson to Jacksonville routes justify offering the subscribers of these exchanges a reduction in their toll rates. Accordingly, we intend to direct Northeast to file tariffs offering these subscribers the optional plan known as Toll-Pac, to be implemented at the rates of \$5.30 per month for residential customers and \$9.40 per month for business customers. Toll-Pac is a discounted toll plan which offers subscribers a thirty percent (30%) discount off their usual Direct Distance Dial (DDD) rate, whenever the minimum monthly subscription rate is exceeded. Northeast shall have the required tariffs on file with this Commission within thirty (30) days of the issuance of a consummating order in this docket, to be effective sixty (60) days thereafter.

ORDER NO. 21394  
DOCKET NO. 870992-TL  
PAGE 3

In reaching this decision, we have considered the financial impact to Northeast of implementing several optional plans. The resulting revenue impact and estimated effect on return on equity (ROE) for each optional plan was considered. Toll-Pac has the least impact on the company's ROE. None of the other optional plans which we have considered for these routes appear to be viable due to the negative revenue impact on the company. While even Toll-Pac would have an extreme impact on the company's ROE if all customers who would benefit from the plan were to subscribe to it, it is important to note that based on follow-up reports from previous Toll-Pac implementations, only a fraction of those subscribers who would save with Toll-Pac have been shown to actually subscribe to the plan.

Northeast shall send a letter to each customer in the Sanderson and Macclenny exchanges (separate from customer billing) clearly explaining the Toll-Pac plan and notifying customers of its availability. This letter shall also inform customers that there will be no secondary service order charge for thirty (30) days following implementation. Northeast shall submit the letter to our staff for approval prior to mailing. We believe that if customers are adequately informed of the availability of the Toll-Pac plan and if the plan is clearly explained to them, then those customers who would benefit from the plan will be provided sufficient opportunity for participation. By waiving the secondary service order charge which is normally associated with a customer's change in service, Northeast will be removing a deterrent to customers subscribing to the plan.

Northeast shall file a follow-up report with the Commission sixty (60) days after the effective date of the Toll-Pac plan. This report shall reflect the initial thirty (30) day implementation period, and shall include (1) the total number of plan takers, and (2) the estimated revenue impact.

It is therefore,

ORDERED by the Florida Public Service Commission that the petition filed by the citizens of the Macclenny and Sanderson exchanges is hereby approved in part and denied in part to the extent outlined in the body of this Order. It is further

ORDERED that Northeast Telephone Company shall offer the optional discounted toll plan known as Toll-Pac to the Macclenny and Sanderson exchanges as set forth in the body of this Order. It is further

ORDERED that Northeast Telephone Company shall file its revised tariff offering Toll-Pac within thirty (30) days of the issuance of a consummating order in this docket, to become effective sixty (60) days thereafter. It is further

ORDERED that the effective date of our action described herein is July 10, 1989, if no protest to this Proposed Agency Action is filed within the time-frames set forth below. It is further

ORDER NO. 21394  
DOCKET NO. 870992-TL  
PAGE 4

ORDERED that if no protest is filed within the time-frames set forth below this docket shall remain open pending receipt of the follow-up report to be submitted by Northeast Telephone Company after implementation of Toll-Pac on these routes.

By ORDER of the Florida Public Service Commission,  
this 16th day of JUNE, 1989.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ABG

Commissioner Herndon dissented without comment from the decision in this docket.

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 July 7, 1989. In the absence of such a petition, this order shall become effective July 10, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

ORDER NO. 21394  
DOCKET NO. 870992-TL  
PAGE 5

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 July 10, 1989, 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 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 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.