

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: REQUEST BY BOARD OF COUNTY) DOCKET NO. 890176-TL
 COMMISSIONERS, SANTA ROSA COUNTY, FOR) ORDER NO. 21648
 EXTENDED AREA SERVICE BETWEEN EXCHANGES) ISSUED: 8-1-89
 IN SANTA ROSA COUNTY AND BETWEEN JAY AND)
 PENSACOLA)
 _____)

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION

AND

ORDER REQUIRING IMPLEMENTATION OF
OPTIONAL EXTENDED AREA SERVICE

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.

BACKGROUND

This docket was initiated by a request filed with this Commission by the Board of County Commissioners of Santa Rosa County in January of 1989. This request asked us to consider requiring implementation of an extended area service (EAS) plan that would result in toll-free calling between all exchanges in Santa Rosa County, as well as between Jay, in Santa Rosa County, and Pensacola, in Escambia County. These exchanges are served by Southern Bell Telephone and Telegraph Company (Southern Bell), which is subject to our regulation, pursuant

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07737 AUG -1 1989

FPSC-RECORDS/REPORTING

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to Chapter 364, Florida Statutes. The demographics of these exchanges are described below.

Munson Exchange

Munson is a very small rural exchange located in the northeastern part of Santa Rosa County. It is bordered on the east by the Okaloosa County line, on the south by the Milton exchange, on the west by the Milton and Jay exchanges and on the north by the Florida/Alabama state line. Blackwater River State Forest covers approximately 80% of the land in the exchange. Many of the residents are employed by the State Forest. Residents go to Milton and Pensacola for shopping, entertainment and medical needs. There is very little community of interest toward Pace from the residents and businesses in Munson.

Pace Exchange

Pace is located in southwest Santa Rosa County bordered on the east by the Milton exchange, on the south by East Bay, on the west by Escambia County and on the north by the Jay exchange. There are two major businesses, Air Products and Chemicals and American Cyanamid, which employ many of the residents. Residents are also employed at Whiting Field and Vanity Fair in Milton and at businesses in Pensacola. Easy access to Milton and Pensacola via U.S. Hwy 90 and I-10 and lower land prices and taxes has made it attractive for workers to settle in this area. Residents go to Pensacola for shopping, entertainment and medical needs. There is very little, if any, community of interest toward Munson from the residents and businesses in Pace.

Milton Exchange

Milton is located in the eastern part of Santa Rosa County and is bordered on the east by the Okaloosa County line, on the south by the Holley-Navarre exchange, on the west by the Pace exchange and on the north by the Jay and Munson exchanges. Milton is the county seat. The majority of the development is within a 10-mile radius of the City of Milton. The area's

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economy is largely dependent upon the Navy's Air Training Installation at Whiting Field. Major businesses are Vanity Fair and Russell Corporation. Access to Pensacola via U.S. Hwy 90 and I-10 and lower-priced land makes this area attractive to people who work in Pensacola. Many of the residents do their major shopping in Pensacola and also go there for entertainment and their medical needs. There is very little community of interest toward Holley-Navarre and Gulf Breeze from the residents and businesses of Milton.

Holley-Navarre Exchange

The Holley-Navarre exchange is located in the southeastern part of Santa Rosa County and is bordered on the east by the Okaloosa County line, on the south by the Gulf of Mexico, on the west by the Gulf Breeze exchange and East Bay, and on the north by the Milton exchange. The exchange takes its name from the inland, small, rural community of Holley and the beach and soundside community of Navarre. There are no major businesses in the exchange, but the tourist industry associated with Navarre Beach provides the largest source of employment in the exchange. Most residents are employed outside the exchange: 49% in Ft. Walton Beach, 18% in Pensacola, 4% in Milton, leaving 29% employed within the exchange. Eglin Air Force Base covers 75% of the land in the exchange, but this area is undeveloped and there is no telephone service. Residents go to Ft. Walton beach and Pensacola for shopping, entertainment and medical needs. There is some community of interest toward Milton from the residents and businesses of Holley-Navarre because Milton is the county seat and provides services connected with the county government.

Gulf Breeze Exchange

Gulf Breeze is bordered on the east by the Holley-Navarre exchange, on the south by the Gulf of Mexico, on the west by Pensacola Bay and on the north by Pensacola Bay and East Bay. This exchange is located in Santa Rosa County except for the southern portion that covers Pensacola Beach on Santa Rosa Island, which is in Escambia County. There are no major businesses in the exchange, but the tourist industry associated with Pensacola Beach provides the largest single source of

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employment in the exchange. Many of the residents in this exchange are employed in Pensacola. Residents do their major shopping in Pensacola and also go there for entertainment and their medical needs. There is some community of interest toward Milton from the residents and businesses of Gulf Breeze because Milton is the county seat and provides services connected with the county government.

Jay Exchange

Jay is a small rural exchange located in the northwest part of Santa Rosa County, bordered on the east by the Munson exchange, on the south by the Pace and Milton exchanges, on the west by the Escambia county line and on the north by the Florida/Alabama state line. Farming is the major source of income in this exchange. Some residents are employed in Pensacola. Residents go to Pensacola for shopping, entertainment and their medical needs.

Pensacola Exchange

The Pensacola exchange is located in the southern most portion of Escambia County. This exchange can be accessed by I-10, and U.S. Highways 29, 90 and 98. The exchange includes the center of economic activity for the two-county Pensacola Metropolitan Statistical Area and is Escambia County's seat of government. In addition, state and national governments have sizable installations within the exchange. The majority of the approximately 13,000 military personnel in the area work and live within the Pensacola exchange. There is very little, if any, community of interest toward Jay from the residents and businesses of Pensacola.

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Present Calling Scope

Each of the involved exchanges currently has EAS as follows:

| <u>EXCHANGE</u> | <u>ACCESS LINES*</u> | <u>EAS CALLING SCOPE</u> |
|-----------------|----------------------|---|
| Gulf Breeze | 10,296 | Cantonment, Holley-Navarre, Pace, Pensacola |
| Holley-Navarre | 3,625 | Ft. Walton Beach, Gulf Breeze, Pensacola |
| Jay | 2,072 | Milton, Munson, Pace |
| Milton | 12,057 | Jay, Munson, Pace, Pensacola |
| Munson | 408 | Jay, Milton |
| Pace | 6,262 | Gulf Breeze, Jay, Milton, Pensacola |
| Pensacola | 110,542 | Cantonment, Gulf Breeze, Holley-Navarre, Milton, Molino, Pace |

*Data as of 2/28/89

DISCUSSION

By Order No. 20714, issued February 9, 1989, Southern Bell was directed to conduct traffic studies on the affected exchanges to determine if a sufficient community of interest existed pursuant to Rule 25-4.060, Florida Administrative Code. In that study, we requested that Southern Bell measure the messages per main and equivalent main station per month (M/M/M) and percentage of subscribers making two (2) or more calls monthly to the exchanges for which EAS was under consideration.

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The traffic studies along these routes indicate that the one-way calling rates are as follows:

| <u>ROUTE</u> | <u>M/M/M</u> | <u>% OF CUSTOMERS MAKING 2 OR MORE CALLS</u> |
|--------------------------|--------------|--|
| Munson to Pace | 2.04 | 31.90 |
| Pace to Munson | .13 | 2.39 |
| Milton to Holley-Navarre | .32 | 4.87 |
| Holley-Navarre to Milton | 1.50 | 18.53 |
| Milton to Gulf Breeze | .52 | 8.50 |
| Gulf Breeze to Milton | .76 | 11.61 |
| Jay to Pensacola | 4.45* | 47.69 |
| Pensacola to Jay | .06 | 1.03 |

* Adjusted for foreign exchange service (FX)

Rule 25-4.060(2)(a), Florida Administrative Code, provides that the calling rate be three (3) or more M/M/Ms, with at least fifty percent (50%) of the exchange subscribers making two (2) or more calls per month to indicate a sufficient community of interest to warrant traditional, nonoptional EAS. As the chart above reveals, none of the affected routes meets this requirement.

Although the calling rates above do not qualify for a traditional nonoptional EAS plan, we believe the higher than average calling rates from Jay to Pensacola warrant further consideration for toll relief. As outlined in Rule 25-4.064, Florida Administrative Code, where requests for EAS do not fully meet the rule requirements for implementation of traditional, nonoptional EAS, the Commission may still give consideration to alternative forms of toll relief, such as optional calling plans. Accordingly, we announce our intention to require Southern Bell to implement its enhanced Optional Extended Area Service (OEAS) plan along the Jay to Pensacola route.

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Optional Extended Area Service Plan

In the last few years, several EAS plans have been presented and implemented in an effort to accommodate both the subscribers' request for relief from toll rates and the local exchange companies' (LECs') need to maintain revenues. For various reasons these plans have fallen into disfavor, either with the Commission, the LECs or the ratepayers.

One primary reason for dissatisfaction has been the customers' lack of choice. EAS, by definition, is a nonoptional plan and, therefore, has often penalized the infrequent user. Southern Bell's OEAS plan is unique in that it does provide options to the type of toll relief a customer may choose.

The OEAS plan gives residential customers the following options: Option 1 - keep current service, Option 2 - subscribe to a flat rate option, Option 3 - subscribe to a discounted toll option, Option 4 - subscribe to a dropback option, or Option 5 - subscribe to an incoming calling option. Option 5 is only available in conjunction with either Option 2 or Option 3. Business customers may maintain current service under Option 1, or choose either Option 3, 4, or 5.

Since April of 1988, we have ordered Southern Bell to implement its OEAS plan in several dockets. Having previously found Southern Bell's OEAS plan to be in the public interest, we hereby direct Southern Bell to implement this plan on the Jay to Pensacola route. The company shall have approved tariffs on file to implement OEAS on this route within six (6) months of the issuance of a consummating order in this docket, or sooner, if the company determines that an earlier implementation date is possible. The tariffs are to reflect the rate structure outlined below:

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OEAS PLAN
JAY TO PENSACOLA

| | <u>OPTION 1</u> (Current Rate) | <u>OPTION 2</u> (Flat Rate) | <u>OPTION 3</u> (Discounted Toll) | <u>OPTION 4</u> (Drop Back) | <u>OPTION 5</u> (Inward) |
|-----|--------------------------------------|-----------------------------------|---|-----------------------------------|-----------------------------|
| R-1 | \$ 8.10 | \$ 9.25 | \$ 3.80* | \$ 7.70 | \$ 4.95** |
| B-1 | 21.90 | N/A | 7.60* | 20.80 | 10.80** |
| PBX | 49.39 | N/A | 15.20* | 46.97 | 16.20** |

* 50% off toll rates with above minimums.

** Above recurring charge plus 50% off toll rates.

We recognize that providing options to customers who seek relief from toll rates requires comprehensive notification to ensure success. Therefore, Southern Bell shall mail a letter and ballot to each customer in the Jay exchange; this mailing shall be separate from the customer's bill. The letter shall explain the OEAS plan and instruct the customer to indicate his choice(s) on the ballot and return it to the company. The ballot shall state that, within the six-month period from the date the OEAS plan is first offered, there is no secondary service order charge for initial subscription and that a customer may switch options free of charge once during that period.

The ballot shall provide a space for customers who choose the inward calling option (Option 5) to indicate whether they desire a nonpublished number. We believe this measure will limit the number of unwanted and unsolicited calls a subscriber with the inward calling option may encounter. Additionally, there is to be no recurring charge associated with the nonpublished number. However, a customer initially selecting the inward calling option who fails to request a nonpublished number shall pay a secondary service order charge should they subsequently request this service.

Any customer who fails to return the ballot shall retain existing toll service. Southern Bell shall submit the letter and ballot to this Commission for approval at least thirty days

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prior to distribution. Again, we wish to emphasize to the company the importance we place upon clear notification to the customer of the available options under this plan, especially the nonpublished number associated with Option 5 and the lack of any change in service if the ballot is not returned.

Insofar as this is still a relatively new EAS plan, we have no historical data to support its feasibility. Therefore, to monitor the customer acceptability and the success of the plan, Southern Bell shall file a follow-up report eight (8) months after implementation, covering the first six (6) months of the plan's implementation. The report shall contain the following information:

1. Trunking and central office requirements before and after implementation of the OEAS plan;
2. Trunking and central office equipment that would have been required as a result of normal growth (without OEAS);
3. The cost of any additional trunking and central office equipment necessary as a result of the implementation of the OEAS plan;
4. The estimated and actual take rates for each option under the OEAS plan, by customer class;
5. The monthly revenues received for each option; and
6. A record of any customer contact regarding 1+ dialing for the flatrate Option 2.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the request filed by the Board of County Commissioners of Santa Rosa County is hereby approved in part and denied in part to the extent outlined in the body of this Order. It is further

ORDERED that Southern Bell Telephone and Telegraph Company shall offer an Optional Extended Area Service Plan which satisfies the terms of this Order. It is further

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ORDERED that the effective date of our action described herein is August 23, 1989, if no protest to this Proposed Agency Action is filed within the time-frames set forth below.

By ORDER of the Florida Public Service Commission, this 1st day of AUGUST, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 22, 1989.

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In the absence of such a petition, this order shall become effective August 23, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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 August 23, 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.