

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for review of rates) DOCKET NO. 860723-TP
 and charges paid by PATS providers to) ORDER NO. 23273
 LECs) ISSUED: 7-31-90
)

Pursuant to Notice, a Prehearing Conference was held on July 9, 1990, in Tallahassee, Florida, before Commissioner THOMAS M. BEARD, as Prehearing Officer.

APPEARANCES:

NORMAN H. HORTON, Jr., & DAVID B. ERWIN, Esquires, Mason, Erwin & Horton, P.A., 1311-A Paul Russell Road, Suite 101, Tallahassee, Florida 32301, on behalf of ALLTEL Florida, Inc, Gulf Telephone Company, The Florida Telephone Company, Inc., Indiantown Telephone System, Inc., Northeast Florida Telephone Company, Inc., St. Joseph Telephone & Telegraph Company, Southland Telephone Company, Vista-United Telecommunications, & Quincy Telephone Company.

MICHAEL W. TYE, Esquire, 315 South Calhoun Street, Suite 860, Tallahassee, Florida 32301, on behalf of AT&T Communications of the Southern States, Inc.

BRUCE W. RENARD, FLOYD R. SELF, & BARRY E. SELVIDGE, Esquires, Messer, Vickers, Caparello, French, Madsen & Lewis, P.A., Post Office Box 1876, Tallahassee, Florida 32302-1876, on behalf of Florida Pay Telephone Association, Inc.

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

JUDITH ST. LEDGER-ROTY, Esquire, Reed, Smith, Shaw & McClay, 1200 18th Street, N.W., Washington, D.C. 20036, and LEE RAU, Esquire, Reed, Smith, Shaw & McClay, 8201 Greensboro Drive, Suite 820, McLean, Virginia 22102, on behalf of Intellicall, Inc.

ALAN N. BERG, Esquire, Post Office Box 5000, Altamonte Springs, Florida 32716-5000, on behalf of United Telephone Company of Florida.

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HARRIS R. ANTHONY & E. BARLOW KEENER, Esquires, c/o Marshall M. Criser, III, 150 So. Monroe Street, Suite 400, Tallahassee, Florida 32301, and J. LLOYD NAULT, II & MARY JO PEED, Esquires, 4300 Southern Bell Center, 675 W. Peachtree Street, NE, Atlanta, Georgia 30375, on behalf of Southern Bell Telephone and Telegraph Company.

LEE L. WILLIS, Esquire, Ausley, McMullen, McGehee, Carothers & Proctor, Post Office Box 391, Tallahassee, Florida 32302, on behalf of Central Telephone Company of Florida.

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

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

PREHEARING ORDER

I. BACKGROUND

On August 26, 1988, the following parties entered into a Stipulation to resolve the issues in this docket: Florida Pay Telephone Association, Inc. (FPTA), Southern Bell Telephone and Telegraph Company (Southern Bell), Central Telephone Company of Florida (Centel), GTE Florida, Inc. (GTEFL), United Telephone Company of Florida (United), and AT&T Communications of the Southern States, Inc. (ATT-C). Upon review of this Stipulation, we voted to defer our consideration of the issues addressed in the Stipulation until the September 6, 1988, Agenda Conference.

During the September 6, 1988, Agenda Conference, we voted to reject the Stipulation and continue with the hearing scheduled for September 8 and 9, 1988. However, at that hearing, upon further review of the Stipulation and the issues set forth in the Prehearing Order, we reconsidered our decision

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to reject the Stipulation. Upon reconsideration, we voted to adopt all portions of the Stipulation as resolution of all pending issues except as to those issues identified in paragraphs 3 and 4 of the Stipulation. Accordingly, on October 6, 1988, we issued Order No. 20129 accepting certain portions of the Stipulation. The Order established that the terms of the Stipulation shall remain in effect for a period of two years from September 8, 1988, or until September 8, 1990. As to those issues identified in paragraphs 3 and 4 of the Stipulation, we received evidence and testimony upon which we made a final determination, as reflected in Order No. 20610, issued January 17, 1989.

Among other things, Order No. 20610 continued the nonLEC PATS rate cap at the ATT-C direct-distance-dialed (DDD) daytime rate, plus applicable operator/calling card charges, plus the up to \$1.00 PATS surcharge. Additionally, this Order reiterated our policy that all 0- and 0+ intraLATA traffic be routed to the LEC from nonLEC pay telephones, consistent with our prior decisions in Docket No. 871394-TP.

On February 1, 1989, FPTA filed a Motion for Clarification and/or Reconsideration of Order No. 20610. Timely responses to FPTA's motion were filed by GTEFL, Southern Bell and United. FPTA's motion asked us to reconsider or clarify the following portions of Order No. 20610: (1) the historical basis of the \$1.00 surcharge; and (2) the requirement that all 0- and 0+ intraLATA traffic be routed to the applicable LEC from nonLEC pay telephones. All three responses to FPTA's motion urged that it be denied.

By Order No. 21614, issued July 27, 1989, we denied FPTA's motion. An additional portion of Order No. 21614 was a Notice of Proposed Agency Action (PAA) whereby we would: (1) require all LECs to bill, collect, and remit to nonLEC PATS providers the up to \$1.00 surcharge on 0- and 0+ intraLATA LEC-handled calls placed from nonLEC pay telephones, to be done as soon as possible, but no later than January 1, 1990; and (2) change the rate cap for intraLATA calls placed at nonLEC pay telephones from the ATT-C daytime rate, plus applicable operator/calling card charges, plus \$1.00, to the applicable LEC time-of-day rate, plus applicable operator/calling card charges, plus \$1.00. No protest was filed to our proposal, so Order No. 21614 became final on August 18, 1989, as reflected in Order No. 21761, issued August 21, 1989.

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By Order No. 22022, issued October 9, 1989, we denied a Motion to Reconsider, Clarify, or Stay Portions of Order No. 21614 filed by FPTA.

On November 1, 1989, the LECs began filing tariff proposals in response to Order No. 21614. By Order No. 22385, issued January 9, 1990, as amended by Order No. 22385-A, issued January 19, 1990, we approved the LECs' tariff proposals but ordered that all nonrecurring charges imposed for initiation of the service be held subject to refund by the LECS, pending our further investigation into the matter of the nonrecurring charges.

By Order No. 22514, issued February 8, 1990, we granted a Motion for Extension of Time to comply with Order No. 21614 filed by Vista-United Telecommunications (Vista-United). Vista-United was granted an extension until March 1, 1990, to complete all of the actions necessary to comply with Order No. 21614. By Order No. 22764, issued April 3, 1990, this deadline was subsequently extended to June 1, 1990.

On March 12, 1990, the Prehearing Officer issued Order No. 22669 by which certain parties would be dropped from the docket unless, within twenty days following the issuance of the Order, the person or entity wishing to retain party status filed a motion to renew its intervention in this docket. Subsequently, the nine small LECs (see Note in Section IV below) sought to renew their party status in this docket. All nine were granted intervention by separate orders issued on April 4, 1990.

Order No. 22824 was issued on April 13, 1990, and delineates the prehearing procedures to be followed in this proceeding, including a list of the issues to be addressed.

By Order No. 22874, issued April 30, 1990, we approved Southern Bell's tariff proposal to implement incremental billing of additional minutes of usage to nonLEC PATS providers, retroactive to January 1, 1990, with interest. Additionally, we voted on our own motion to extend the terms of the Stipulation, due to expire September 8, 1990, until a new order is issued from the upcoming hearing to be held August 1 through 3, 1990.

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By Order No. 23075, issued June 14, 1990, we denied the Motions for Reconsideration of Order No. 22824 filed by Southern Bell, GTEFL, and Centel.

In Order No. 23046, issued June 7, 1990, we clarified Order No. 21614 to state that the PATS surcharge does not apply to local calls originating at nonLEC pay telephones. We noted, however, that the issue of compensation for non-sent-paid local calls would be addressed in the upcoming hearing.

Finally, in Order No. 23076, issued June 14, 1990, we denied the Motions to Withdraw from this docket filed by seven of the small LECs and by Centel.

II. TESTIMONY AND EXHIBITS

Upon insertion of a witness's testimony, exhibits appended thereto may be marked for identification. After opportunity for opposing parties to object and cross-examine, the document may be moved into the record. All other exhibits will be similarly identified and entered at the appropriate time during hearing. Exhibits shall be moved into the record by exhibit number at the conclusion of a witness's testimony.

Witnesses are reminded that on cross-examination, responses to questions calling for a yes or no answer shall be answered yes or no first, after which the witness may explain the answer.

III. ORDER OF WITNESSES

<u>Witness</u>	<u>Appearing For</u>	<u>Issues</u>
Presson	Intellicall	1-4 and 7-14
Abrams	PCSI	Issue 8
Fedor	FPTA	Issue 8
Hanft	FPTA	All issues
Cornell	FPTA	All issues except 8

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<u>Witness</u>	<u>Appearing For</u>	<u>Issues</u>
Dick	So. Bell	9, 10
Sims	So. Bell	1-8, 11-15
Scobie	GTEFL	5-7, 10-12, and 14
James	GTEFL	1-4, 8-9, 13 and 15
Reynolds	United	All non-legal issues
Eudy	ALLTEL	1, 2, 3, 4 and 11
Huttenhower	Vista-United	1, 2, 3, 4 and 11
Carroll	Northeast	1, 2, 3, 4 and 11
Thomas	Gulf	1, 2, 3, 4 and 11
<u>Rebuttal</u>		
Presson	Intellicall	As shown above
Fedor	FPTA	" "
Hanft	FPTA	" "
Cornell	FPTA	" "
Sims	So. Bell	Issues raised in the direct testimony of FPTA's witnesses, Hanft & Cornell

NOTE: Witnesses will be called in the order listed above, beginning with all direct testimony and followed by all rebuttal testimony.

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IV. BASIC POSITIONS

SMALL LECS' BASIC POSITION:

NOTE: ALLTEL, Florala, Gulf, Indiantown, Northeast, Quincy, St. Joe, Southland, and Vista-United shall be referred to jointly in the balance of this Order as the "small LECS" where they are acting jointly.

The basic position of the above-named LECS is that the Commission should adopt charging schemes for the provision of pay telephone service that tend to place the cost on the cost causers and also adopt operational requirements that are workable and manageable for smaller LECS and adaptable to their particular circumstances.

AT&T'S BASIC POSITION:

AT&T objects to the contention of some of the parties that dial-around compensation for intrastate interLATA dial around should be used as a substitute for so-called surcharges. AT&T objects to compensation for dial-around traffic for several reasons which are explained fully in AT&T's position on Issue 3.

AT&T further submits that the LECS should be required to provide operator call screening and blocking to nonLEC PATS providers in order to protect against fraud. The types of screening and blocking which AT&T submits should be required are explained fully in AT&T's position on Issue 7.

FPTA'S BASIC POSITION:

FPTA supports a regulatory environment in which all end user surcharges can be eliminated for callers at nonLEC pay telephone ("NPATS") instruments. Rate and interconnection policies should promote the widest distribution of high quality, full service pay telephones throughout Florida. The resulting regulatory environment should allow all pay telephone providers, LEC and nonLEC alike, to effectively operate and compete for customers and locations. Several Commission actions are necessary to meet these public interest goals: (1) authorize use of "store and forward" technology for intraLATA toll and local 0+ call completion, or where the NPATS provider elects not to use such technology, require the LECS to

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compensate the NPATS provider for traffic routed to the LECs' operators; (2) with the authorization for store and forward processing or direct LEC compensation to NPATS providers for intraLATA and local operator-assisted calls, reduce the intraLATA toll and local non-sent-paid rate cap to the applicable LEC transmission rate and operator-assist charge; (3) upon authorization of store and forward processing for local and intraLATA 0+ calls and establishment of a compensation mechanism for end user dialed access calls routed to alternative interexchange carriers (IXCs), reduce the current rate cap for interLATA calls to the daytime AT&T rate plus applicable operator-assist charges; (4) establish a flat rate interconnection charge for NPATS providers at the B-1 level; (5) require the LECs to make available all necessary screening and blocking services, with all such services priced at a level that more closely tracks costs; (6) require the LECs to place their pay telephone operations in a separate subsidiary or, at a minimum, institute the necessary cost accounting and allocation requirements to protect the public interest; (7) permit NPATS and LEC pay telephone ("LPATS") providers to subscribe to extended local service and alternative toll service plans offered by the LECs, with end user rates set at a level to reflect the specific discounts made available; (8) adopt generic rules for service to penal institutions and mental hospitals in order to end the current case-by-case waiver process now required; and (9) initiate a rulemaking proceeding to address public interest pay telephone service and to establish criteria and service responsibilities for such locations.

GTEFL'S BASIC POSITION:

It is GTEFL's general position in this docket that the existing level and structure of LEC nonLEC PATS interconnection rates and associated services are appropriate and have allowed for open entry into market. The appropriate structure for network interconnection is to establish a flat monthly charge to cover the cost of providing access to the network plus measured usage charges to cover the traffic sensitive costs for use of the public switched network. The existing rate structure incorporates this approach and has allowed a substantial rate of entry in GTEFL's service territory since late 1986 with competitive nonLEC PATS expanding from 201 phones in 1986 to 3,920 in 1989.

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GTEFL believes that the primary purpose of this docket is to examine the end user rates of nonLEC PATS providers and such providers' cost of service. GTEFL understands that LEC costs and corresponding rates are only relevant to the extent that they indicate that existing rates to nonLEC PATS providers are too high in relation to cost. In regard to the foregoing, it is GTEFL's opinion that the nonLEC PATS surcharge for toll calls is appropriate.

In regard to LEC costs, GTEFL is of the opinion that the existing rates are appropriate given the rate of entry into the market. Therefore, a further examination of LEC costs is not appropriate at this time.

In regard to the LEC payphone operations, the Commission has not established a cost methodology which is a necessary predicate before any examination of LEC profitability can be made. In addition, existing LEC PATS end user rates were established before competition in this state was authorized by the Commission and the Company has not done the necessary cost studies in order for this type of analysis to be done. GTEFL has managed its business by comparing local revenue with controllable expenses under the responsibility of the Public Communications Department. This analysis shows that GTEFL's PATS operations are covering controllable expenses and is making a contribution to common costs and overheads.

In light of the pending legislation which substantially modifies the existing Chapter 364, GTEFL suggests that any examination of LEC profitability is premature at this time.

INTELLICALL'S BASIC POSITION:

Intellicall's basic position in this proceeding is that nonLEC (sometimes referred to as "private") pay telephone providers should be authorized to utilize store and forward technology for intraLATA calls placed from their pay telephones, just as they are presently permitted to provide "1+" intraLATA cash calls from their pay telephones. Intellicall believes authorization of this type of competition preserves the private pay telephone providers' ability to compete, and is necessary: (1) in order to continue to spur towards innovation which this type of competition provides; and (2) provide pay telephone providers a revenue source for non-sent paid intraLATA calls - a need which has been critical

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and whose absence is exacerbated by the fact that consumers are relying on the convenience of non-sent paid billing mechanisms as an alternative to paying cash.

UNITED'S BASIC POSITION:

United's basic position is as follows: the existing rate structure and rate levels are appropriate and compensate the LEC for its costs to provide local service. Additionally, end user surcharges and LEC subsidies to nonLEC PATS providers are inappropriate.

SOUTHERN BELL'S BASIC POSITION:

Southern Bell takes the position that no changes in the present rates and rate structure for payment by nonLEC PATS providers to the LECs for local service are necessary. The current rate structure and rates which were previously stipulated to by various parties in this docket have established an appropriate cost sensitive tariff structure for the LECs. The contribution derived from these rates insures that the average ratepayer is not burdened by the provision of service to the nonLEC PATS providers. At the same time, the number of nonLEC PATS providers and lines in the State of Florida has increased significantly demonstrating that the rates do not in any way hamper or impede competition. Similarly, many non-LEC PATS providers have apparently been profitable. All 0+ and 0- calls should continue to be routed to the LEC for completion.

Finally, no action should be taken on the part of the Commission as to the manner in which pay telephone service is provided by the LECs. The LECs currently provide quality pay telephone service in the public interest.

CENTEL'S BASIC POSITION:

Central Telephone Company of Florida agrees with the basic position of Southern Bell.

PCSI'S BASIC POSITION:

Phone Control Security, Inc. has become a party in this docket solely because of the Commission's ruling in Order No.

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23151, issued July 5, 1990, in Docket No. 891168-TC. PCSI has no position on any of the issues in this proceeding other than Issue 8.

STAFF'S BASIC POSITION:

None pending discovery.

V. ISSUES AND POSITIONS:

ISSUE 1: Should there be a cap on end user charges for intraLATA 1+, 0+ and 0- toll calls placed from nonLEC pay telephones? If so, what should the cap be?

SMALL LEC'S POSITION: No. A cap implies flexibility that the small LECs can not handle administratively. The present surcharge system that has evolved is acceptable, if the surcharge is uniform on a statewide basis.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: Theoretically, rate caps should be unnecessary, at least for toll calls, given the requirement for access to all available IXCs. Nevertheless, FPTA shares the Commission's public interest concerns in this area and supports reasonable and compensatory end user rate caps for intraLATA 1+, 0+, and 0- toll calls. FPTA members have never wanted to charge higher rates than the LECs for the same service, but up to now business economics, combined with certain regulatory restrictions, have precluded elimination of these surcharges. FPTA's fundamental premise is the need for the NPATS provider to be compensated for all revenue-generating calls originating at the pay telephone, while supporting rate caps in order to adequately protect the public. As such, there are two main considerations for the setting of an appropriate rate cap on intraLATA 1+, 0+, and 0- toll calls: (1) authorize use of store and forward for intraLATA toll call completion or, where the NPATS provider elects to not use such technology, require the LECs to compensate the NPATS provider for traffic routed to the LECs' operators; and (2) with the authorization of store and forward processing or direct LEC compensation to NPATS for

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intraLATA 0+ call completion, reduce the intraLATA toll rate cap to the applicable LEC transmission rate and operator-assist charge.

GTEFL'S POSITION: In a truly competitive marketplace, end user prices should be determined by market forces. Today, competition in the pay telephone business is focused squarely on the location owner and not on the end user. If this were a truly competitive marketplace, end user knowledge of rate levels in advance through proper signage would be all that would be needed to protect the end user from excessive prices. Unfortunately, end users do not price shop to place a phone call as they do for automobiles. The current cap on end user charges has served the ratepayers well and should be retained in order to protect those end users who do not have the time to shop for pay telephone service.

The level of the capped surcharge should protect end users from excessive charges for the use of pay telephone service and at the same time fairly remunerate the nonLEC PATS provider for use of the instrument by the end user. A large number of Commission complaints could indicate the current surcharge is too high. A reduction in the number of nonLEC PATS locations could indicate the need for a higher cap.

INTELLICALL'S POSITION: Intellicall believes that rates charged to end users for intraLATA "1+", "0+" and "0-" toll calls from nonLEC pay telephones should both be reasonable and permit private providers to recover their costs, including opportunity cost of providing service. A rate cap which accomplishes both goals is one means to assure the Commission that end users are not being overcharged for service, assuming the Commission believes that marketplace forces haven't or won't work adequately to provide that same protection. Intellicall takes no position at this time on what the cap should be.

SO. BELL'S POSITION: Southern Bell currently takes no position on this issue other than to state that the Commission should satisfy itself that any rates charged by nonLEC PATS providers are fair, just and reasonable.

UNITED'S POSITION: Yes, the cap for end user charges on intraLATA 1+, 0+ and 0- toll calls from nonLEC payphones should be the LEC tariff rates.

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CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 2: Should there be a cap on 0+ and 0- local calls from nonLEC pay telephones? If so, what should the cap be?

SMALL LECS' POSITION: No. A cap implies flexibility that the small LECS can not handle administratively. The present surcharge system that has evolved is acceptable, if the surcharge is uniform on a statewide basis.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: Sharing the Commission's public interest concerns, FPTA supports reasonable and compensatory end user rate caps for 0+ and 0- local calls from NPATS instruments. While local 0+ and 0- calls currently must be routed to the LECs with no compensation to the NPATS provider, FPTA has specifically rejected a surcharge on 0+ and 0- local calls, due to its concern over the impact of the calling public. Thus, absent an additional end user surcharge, store and forward processing, or the payment of a commission by the LEC out of its transmission and operator revenues, there can be no cost recovery of providing the instrument to end users for local operator-assisted call, much less fair competition with the commissions paid by the LECs to premise owners. The data presently available from FPTA members indicates that nearly 50 percent of all intraLATA toll and local operator-assisted calls are local calls. In fact, Southern Bell's own data shows that over 50 percent of all intraLATA operator-assisted calls over its network are local in nature. For sound regulatory and economic reasons, one type of call should not subsidize another call. In general, each call should pay for itself, and a surcharge on certain calls should not be implemented to compensate for 0+ and/or 0-local call access. Therefore, FPTA believes the Commission should authorize use of store and forward for 0+ call completion or, where the NPATS provider elects not to use such technology, require the LECs to compensate the NPATS provider for the local traffic routed to

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the LECs' operators. With the authorization for store and forward or direct LEC compensation to NPATS for local operator-assisted calls, local non-sent-paid rates can be capped at the applicable LEC transmission rate and operator-assist charge.

GTEFL'S POSITION: A capped surcharge may be in order to reimburse the nonLEC PATS provider for the use of the instrument by the end user. Based on end user expectations of reasonable pricing and the underlying charges for an operator handled local call as well as the shorter holding times generally associated with local calls, the level of capped surcharge intuitively should be less than that used for toll calls.

INTELLICALL'S POSITION: See Answer to Question No. 1.

SO. BELL'S POSITION: Southern Bell currently takes no position on this issue other than to state that the Commission should satisfy itself that any rates charged by nonLEC PATS providers are fair, just and reasonable.

UNITED'S POSITION: Yes, the cap for end user charges on 0+ and 0- local calls from nonLEC payphones should be the LEC tariff rates.

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 3: Should there be a cap on end user charges for interLATA intrastate 1+, 0+ and 0- toll calls placed from nonLEC pay telephones? If so, what should the cap be?

SMALL LECS' POSITION: No position.

AT&T'S POSITION: The Commission is currently examining the current rate caps for PATS providers in order to determine if these methods benefit the end user, while fostering a competitive environment. Insofar as determining that dial-around compensation for intrastate interLATA dial around

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should be used as a substitute for so-called surcharges (more precisely, the rate cap applicable to PATS payphones of AT&T daytime operator assisted rates plus \$1 for an intrastate, interLATA call), AT&T objects to compensation for dial-around traffic for several reasons.

Dial-around compensation would be logically impossible in today's competitive environment. Since PATS providers are paid compensation on the basis of contractual agreements, only the IXC which has a contract with a particular PATS provider has the information required for such payments, e.g. originating line number, location, etc. Such information is proprietary because of competitive/marketing considerations, and would be unavailable to other IXCs. Both the set up and payment of dial-around compensation would be costly to the IXCs and such costs would ultimately flow through to all ratepayers. As such the cost producer (the end user at the payphone) is not the cost payer (the general base of customers for intrastate interLATA traffic).

The PATS provider currently has the ability to make a business decision based on the competitive forces and conditions in the marketplace. Specifically, the PATS provider has the ability to choose the long distance carrier which will prove to yield the most profit to the investor. The public payphone market presents a unique twist to the concept of competition in that it is the PATS provider (owner of the instrument or his/her agent) who makes the decision on the default (0+) interexchange carrier while the end user pays for such service. As both the Florida Public Service Commission and the Federal Communications Commission have stated, this end user has the right to choose the carrier to carry his/her interLATA call. Surely this consumer should not be charged extra for the ability to make such a choice, since this would be counterproductive to competition itself.

Similarly, the PATS provider has the ability to receive a fair return on his/her investment through commissions for long distance service, which are the results of a contract between a PATS provider and an IXC. In a competitive marketplace, there is no reason to compensate the PATS provider for traffic carried by an IXC other than the IXC under contract with the PATS provider. If the PATS provider is not receiving adequate compensation in the form of commission payments, due to the rate of dial-around, he/she has the option to choose another IXC.

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The payment of compensation for dial-around traffic discourages the positive economic results of competition. PATS providers are not encouraged to make the best possible business decision when choosing an IXC, since the owner is compensated regardless of which IXC is chosen. While the Commission has ruled that the private payphone service made available by PATS providers is in the public interest in that it brings to consumers the benefits of competition, this Commission has not found any reason why any PATS provider should be guaranteed a profit solely by virtue of his/her participation in the marketplace.

FPTA'S POSITION: FPTA supports end user rate caps on interLATA 1+, 0+ and 0- toll calls if reasonable and compensatory. Because there is no transmission or operator monopoly for interLATA calls, many NPATS providers have deployed store and forward technology for interLATA purposes. In some instances this has resulted in a decreased interLATA surcharge. However, because of the complete absence of compensation on local-operator assisted calls and 800, 950, and 10XXX calls, it has not been possible to fully reduce or eliminate the up to \$1.00 surcharge on interLATA calls. While receipt of proper compensation on intraLATA toll and local operator-assisted calls will help, without compensation on the calls which end users route directly to their carrier of preference, FPTA members still have a large volume of revenue-generating calls routed to long distance carriers for which there remains no compensation. NPATS providers should be allowed to provide service in a manner whereby rates on any call will not be higher than AT&T rates. Thus, FPTA supports the IXCs directly compensating NPATS providers for these access code calls dialed through 800, 950, or 10XXX methods because they are the ones receiving the bulk of the revenue derived from these calls through transmission charges. As such, a minimum level of 25 cents per access code call placed from a NPATS instrument should be approved by this Commission to fairly compensate for the revenue-generating opportunity afforded. Overall, the Commission should reduce the current cap for interLATA 1+, 0+, and 0- toll calls to the daytime AT&T rate plus applicable operator-assist charges upon authorization of store and forward usage to process local and intraLATA toll 0+ calls and the establishment of a compensation mechanism for end user dialed access to alternative IXCs.

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GTEFL'S POSITION: Yes. GTEFL believes a capped surcharge is the proper method for end user compensation of the nonLEC PATS provider for the use of the pay telephone in completing interLATA intrastate 1+, 0+ and 0- toll calls. The cap also affords protection to the end user.

The capped surcharge should be set at the same level as that determined appropriate by this Commission for intraLATA 1+, 0+ and 0- toll calls placed from nonLEC pay telephones.

INTELLICALL'S POSITION: See Answer to Question No. 1.

SO. BELL'S POSITION: Southern Bell currently takes no position on this issue other than to state that the Commission should satisfy itself that any rates charged by nonLEC PATS providers are fair, just and reasonable.

UNITED'S POSITION: Yes, the cap for end user charges on 1+, 0+ and 0- interLATA calls from nonLEC pay telephones should be the dominate carrier tariff rates.

CENDEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 4: If the Commission determines the PATS surcharge is not appropriate for 1+, 0+ and 0- intraLATA local and toll calls placed from nonLEC pay telephones, should the LECs be required to compensate the nonLEC pay telephone provider for these calls? If yes, what should be the appropriate level of compensation?

SMALL LECS' POSITION: No.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: FPTA has continually advocated that direct compensation from the LECs for the delivery of local and intraLATA traffic generated from NPATS instruments is much preferred over the application of an end user surcharge on

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these calls. However, due to the significant segment of traffic involved with local and intraLATA calling, end user surcharges, such as the current \$.75 addition to all 0- and 0+ intraLATA toll calls, have been necessary in order for NPATS providers to receive a fair return on their investment for equipment, maintenance, and other costs associated with the provision of pay telephone service to the public. Even so, currently for operator-assisted local calls, the NPATS provider receives nothing from the LECs for furnishing the entry point to the LEC network and generating LEC revenues. A reasonable and equitable solution to this problem, consistent with the principle of fair compensation for revenue-generating traffic, is to allow NPATS providers the option of either using store and forward technology to process these calls or receiving compensation from the carrier for delivering this traffic. Most importantly, by applying either of the two options, NPATS providers can charge end users the same or lower rates for these calls, with no additional surcharge, while receiving fair compensation for the traffic generated. For these commission payments, FPTA would recommend that the Commission order the LECs to pay, at a minimum, compensation to NPATS providers at the same level paid today to their own premise owners for equivalent traffic volumes at similar locations with LPATS instruments.

GTEFL'S POSITION: No. Compensation from a LEC to a nonLEC PATS provider would be inappropriate and could lead to the establishment of a dangerous precedent for other customer groups. A call delivered to the LEC from a nonLEC PATS pay phone is no different than a call delivered to the LEC from any other customer. LEC local and toll rates are not designed to recover the investment and expenses incurred by nonLEC PATS providers. A requirement to make a payment to a nonLEC PATS provider would represent a direct subsidy from the general body of ratepayers to a private profit-oriented business.

INTELLICALL'S POSITION: LECs should be required to compensate private pay telephone providers for calls which are routed to the LECs for call handling and completion. In the absence of answers to interrogatories propounded on Southern Bell and GTE, Intellicall has no position on the level of commission appropriate.

SO. BELL'S POSITION: The current requirement that all 0+ and 0- traffic be routed to the LECs should be retained. The

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surcharge was adopted in order for the nonLEC PATS providers to receive revenue for these non-sent paid (cashless) intraLATA calls. The actual effect of the surcharge, which became effective January 1, 1990, has not yet been determined and should therefore, remain in place.

UNITED'S POSITION: No, subsidies from the LEC are inappropriate.

CENDEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 5: Currently the stipulated rate structure and level for interconnection of nonLEC pay telephones to the local exchange telephone network are as follows:

- A. Flat rate line charge of 80% of the applicable b-1 rate.
- B. An on-peak measured rate element for local calls of \$.04 for the first minute of use and \$.02 for each additional minute of use.
- C. For Southern Bell, an off-peak measured rate element for local calls of \$.02 for the first minute of use and \$.01 for each additional minute of use; and for the rest of the LECs, an off-peak rate element for local calls of \$.03 for the first minute of use and \$.01 for each additional minute of use. Off-peak discount periods are the same as the current tariffs for non-LEC pay telephone interconnection.
- D. A monthly minimum charge of \$30.00 per line including both flat rate and usage charges.

What is the appropriate rate structure and level for interconnection?

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SMALL LEC'S POSITION: The current rate structure and level are appropriate.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: In general, FPTA wants rate and interconnection policies that will promote the widest distribution of high quality, full service pay telephones throughout Florida. Thus, the interconnection rates paid by NPATS providers should be restructured and priced lower to get them in line with comparable services and the costs imposed on the network. FPTA is recommending that the Commission establish a single flat rate charge for all NPATS that would replace the current flat rate element (80 percent of the B-1 rate) and the measured rate element for LECs with measurement capability and the \$65.00 rate for LECs without measurement capability. Based upon industry knowledge and experience, there is effectively no difference between pay telephone line service and B-1 service, and this should be the rate that applies to LEC pay telephone operations and NPATS providers. If a measured rate structure is to be continued, reductions should occur in both the flat rate element to 60 percent of the B-1 rate, and in the usage rate elements since, even accepting the LECs' own data, only the peak hours initial minute charge appears to relate to cost, necessitating a reduction in the other usage charges. Thus, should measured service rates continue to be required, FPTA advocates rates no greater than \$0.04 for the first minute and \$0.01 for each additional minute and \$0.01 for all offpeak minutes. However, establishing a flat rate interconnection charge for NPATS providers at the B-1 level and eliminating local measured service is the optimal solution to these problems.

GTEFL'S POSITION: The current rate structure and levels are appropriate and should be maintained. The structure properly recognizes the need for a flat monthly charge to cover the LEC's cost of providing access to the switched network, plus measured rate charges to cover the traffic sensitive costs for use of the switched network. The current level of rates reflects the LEC's costs of providing service and is low enough to allow entry into the market by nonLEC PATS.

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INTELLICALL'S POSITION: In the absence of answers to its interrogatories propounded on Southern Bell and GTE, Intellical has no position on the appropriate rate level at this time. However, as a policy matter, it believes that the rates charged nonLEC pay telephone providers should be cost based. It notes however, that both LEC and nonLEC pay telephone operations must be charged the same rates for equivalent services; thus, if the LECs are permitted to charge themselves less for access than their own costs, either the charges to themselves must be increased, or the charges to the nonLEC PATS providers decreased to assure nondiscriminatory treatment. Intellicall does not presently believe that the LECs charge themselves and private provides in the same manner.

SO. BELL'S POSITION: The currently approved rate structure and rate levels are appropriate. The usage based rate structure covers Southern Bell's costs, has permitted the vigorous growth of nonLEC PATS providers, and is in line with this Commission's previous decisions applying usage based rates to resellers of local exchange service, such as shared tenant and cellular providers, as well as to resellers of toll service.

Such a rate structure also properly imposes rates to cover costs on the cost causer. Since nonLEC pay telephone providers continue to resell LEC services, there should be no change in the usage based pricing structure.

UNITED'S POSITION: With the exception of directory assistance service, the current rate structure and rate levels are appropriate at this time. The rates and charges fairly reflect the functions and costs of the services provided by the telephone companies to the nonLEC pay telephone providers. In some instances, the rates are lower than similar service provided by United to our other customers. Additionally, nonLEC PATS providers should pay for directory assistance service as do interexchange carriers, cellular carriers and STS providers.

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

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ISSUE 6: Currently the flat rate in areas where local measuring and billing are not available is \$65.00. What is the appropriate rate level?

SMALL LECS' POSITION: The current rate structure and level are appropriate.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: FPTA is recommending that the Commission establish a single flat rate charge for all NPATS that would replace the current flat rate element (80 percent of the B-1 rate) and the measured rate element for LECs with measurement capability and the \$65.00 rate for LECs without measurement capability. At a minimum, a flat rate structure for all NPATS and LPATS interconnections would certainly be simpler and less costly to administer. FPTA thus advocates the establishment of a flat rate interconnection charge for NPATS providers at the B-1 level at all locations without applying additional usage rates for local calls.

GTEFL'S POSITION: The current rate of \$65.00 appears to be appropriate. However, GTEFL is able to measure local usage in every central office in its service area.

INTELLICALL'S POSITION: See Answer to Question No. 5.

SO. BELL'S POSITION: Southern Bell provides measuring and billing in all areas. Therefore, Southern Bell has no position on this issue.

UNITED'S POSITION: The \$65.00 current flat-rate charge should be maintained. This charge was established and agreed to by the PATS providers in the stipulation of Docket No. 860723-TP, Order No. 20129. United sees no reason to reduce the rate at this time and did not propose any changes in its rate case, Docket No. 891239.

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

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ISSUE 7: Should the LECs be required to provide operator call screening and blocking to nonLEC PATS providers? If so, what particular screening and blocking should apply and under what rates, terms and conditions?

SMALL LECs' POSITION: Yes. Where LECs can provide the service, it is already being done under tariff. Where technically feasible, operator call screening and blocking should continue to be provided on a LEC specific basis as to terms, conditions and rates.

AT&T'S POSITION: The LECs should be required to provide operator call screening and blocking to nonLEC PATS providers in order to protect against fraud. The types of screening and blocking available should, at a minimum, include the following:

Billed Number Screening: Inward screening which prohibits bill-to-third and collect calls to the line.

Selective Class of Call Screening: Outward call screening to protect against fraud on (live or automated) operator assisted calls. This screening consists of the information digits (ii) 07 and is also known as ANI 07. The ANI 07 information digits alert the operator that the call is originating from a public payphone, and at a minimum, no sent paid calling is allowed. This information should be made available to IXCs as part of access.

Blocking of 10XXX 1+ and 10XXX 011+ calls: This feature would block 10XXX 1+ and 10XXX 011+ dialed calls at the LEC central office while allowing 1+ and 011+, 0+, 01+, 10XXX 0+ and 10XXX 01+ calls.

Blocking of direct dialed international calls: This feature would block any directly dialed international calls (011 or 10XXX 011) at the LEC central office.

Blocking of 1+: This feature would block any 1+, 011+, 10XXX 1+, or 10XXX 011+ dialed calls at the central office. Such blocking would be especially useful to protect against fraud from non-coin.

Rates should be similar to those now in effect for similiary fraud protection features, based on reasonable cost and rate of return.

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FPTA'S POSITION: NPATS providers should have access to all necessary screening and blocking services that will enable the provision of payphone service without undue exposure to fraudulent calls. While such screening and blocking functions may be "optional" for many LEC customers, this service is vital to the protection of the NPATS providers as well as for the general body of ratepayers, the LECs, and any IXCs originating calls at pay telephones.

At the present time, certain screening and blocking services offered to NPATS providers do not always work properly. In addition, some of the necessary services are either not available at individual exchange offices or else not available at all. If the service is not available in an exchange, at a minimum, some alternative means of access to screening and blocking must be provided, either through an FX line or some other arrangement. On the other hand, given the absence of or failure of screening services, it appears that the only way these vital services can be provided in a manner that consistently works is by the LECs making the same "coin access line" available to NPATS providers, on an unbundled basis, as is currently used by LPATS providers.

With regard to the proper rates, terms, and conditions for these screening and blocking services, the currently tariffed services are significantly priced above cost and merit reductions. In a similar vein, NPATS providers must subscribe to touch tone services also priced significantly above cost so that the payphones can properly function, since there is no access to LEC coin line service. While in general it may be appropriate to price optional services for maximum contribution, certain screening, blocking, and touchtone services are not optional for NPATS providers. Since everyone who can be served by an NPATS instrument benefits from such measures, and such services are basic to the provision of the pay telephone service, the NPATS provider should not be subject to prices so extremely in excess of their costs.

GTEFL'S POSITION: The LEC's should be required to offer blocking and screening services in an effort to minimize fraud. GTEFL offers a number of blocking options that will accommodate the needs of different nonLEC instruments and locations. The current rates appear to be appropriate with screening service alone available at \$1.00 per month, screening

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service with international blocking available at \$2.00 per month and screening and "1+" blocking available at \$3.00 per month.

INTELLICALL'S POSITION: The LECs should be required to provide operator call screening and blocking to nonLEC PATS providers. The screening provided should be such that in no instance can non-revenue producing local or toll calls be fraudulently charged back to the pay telephone line. This screening should be available and accurate for both domestic and international calling, and should approximate the screening provided by the LECs to their own pay telephone operations. The same is true of call blocking. Intellicall has no position at this time with respect to the appropriate rates to be charged, except as set forth in response to Issue 5.

SO. BELL'S POSITION: Southern Bell currently offers adequate screening and blocking services to the nonLEC PATS providers. Appropriate screening and blocking options are made available to the nonLEC PATS providers in order to assist them in preventing improperly billed calls and fraudulent dialing. These options include operator screening that prevents sent paid, third number and collect calls from being billed to inappropriate numbers, including pay telephones and central office blocking for such services as international calls (011+), 800, 900 and 976. Southern Bell currently offers adequate and proper screening and blocking services to the nonLEC PATS providers. These services are currently included in A7.4 of Southern Bell's General Subscriber Service Tariff at reasonable rates, terms and conditions.

UNITED'S POSITION: United has provided the screening and blocking functions requested by the nonLEC pay telephone providers where it is technically and economically feasible. It is not in the best interest of United's general body of rate payers to expend the capital dollars necessary to make central office replacements just to provide those services. In addition, Foreign Exchange service arrangements to extend screening and blocking from one exchange to another could result in end user confusion when making calls from the nonLEC pay telephones served by these out-of-exchange central offices. For example, there could be a long distance charge to place a "local" call from the nonLEC pay telephone to a telephone in an adjoining building.

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CENDEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 8: Should a different rate cap and operational terms and conditions other than those generally available be permitted for penal and/or mental institutions?

SMALL LECS' POSITION: No.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: The Commission must modify certain current payphone operational rules so service can be tailored to meet the needs of prisons, mental hospitals, and other special service locations. Pay telephone service at prisons is an important segment of this overall industry--due both to the rapid population growth in this state, the rapid growth in prison populations, and the service options made available through instrument implemented technologies which can better meet a prison administrator's legal obligations to provide this service while also controlling payphone use.

Thus, at a minimum, the following special operational terms and conditions should apply to confinement facilities and the Commission should determine that no rule waiver need be sought to provide payphone service in confinement facilities under the following conditions: (1) 0+ collect-only calling using store and forward technology, or alternatively, fair compensation furnished to the NPATS provider; (2) time limitations and automatic termination of local and toll calls; (3) allowing access only to a single IXC and blocking of services (976, 900, 700), as well as 800, 950, and 10XXX access; (4) blocking of directory assistance and 911; and (5) any other special operational conditions that the Commission determines to be appropriate as a result of this proceeding. Whatever changes are adopted must ensure that NPATS providers are fairly compensated for all calls in a confinement facility context; otherwise, NPATS providers are foreclosed from competing in this important market segment.

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GTEFL'S POSITION: No. The identity of the party should not be a factor in establishing the rate cap. The inmates/patients have little if any choice or market power in this environment and the telephone is their primary link with the outside world.

Different operational terms and conditions are necessary in order to limit fraud. The administration of each institution should have a great deal of leeway in the determination of the terms and conditions for providing telephone service to the inmate/patient population.

INTELLICALL'S POSITION: Intellicall believes that penal and/or mental institutions present the pay telephone providers with unique problems which require specialized operational rules under which pay telephone providers may operate. For example, Intellicall believes that pay telephone providers should be permitted to offer only automated collect calling services. Blocking of access codes should be permitted, and penal and/or mental institutions should be given a significant degree of discretion in determining appropriate call length.

SO. BELL'S POSITION: Outward only, collect only pay telephone service with blocking to 411, 911, 900, 976, 950, 700, 800, and 10XXX codes should be available to penal and/or mental institutions at the request of the administrators of those facilities. These institutions may also require certain optional features such as a limitation on the duration of an inmate's call and other blocking capabilities, which features should also be offered to the administrators of these institutions at their request. The rate cap for services offered from these institutions should not differ from that currently in place. Further, as is already required for nonLEC PATS, all 0+ and 0- local and intraLATA traffic should be routed to the appropriate LEC.

UNITED'S POSITION: No, except for the current provisions.

CENDEL'S POSITION: No position at this time.

PSCI'S POSITION: Yes. Our debit card calling system offers advantages to inmates and correctional facilities that are not currently available to them. At present, inmates cannot make local calls at the \$.25 rate cap but are restricted to collect local calls at a minimum cost of \$1.25 per local call. Our system can provide a local call for \$1.00, yielding a 20%

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savings over present rates. At the same time, we eliminate fraud and contribute funds to the prison welfare fund.

STAFF'S POSITION: No position at this time.

ISSUE 9: What are the costs and revenues associated with the provision of LEC pay telephone service? If costs are higher than revenues, what action should the Commission take?

SMALL LECS' POSITION: Costs and revenues are maintained pursuant to the Uniform System of Accounts and reported in each LEC's Annual Report to the FPSC. Rates are uniform and were set for each LEC by the FPSC. Reevaluation of such rates should only be done in a revenue requirements docket.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: FPTA members need a fair competitive environment where NPATS and LPATS can equally compete for locations and services. Today, the LECs have imposed a price squeeze that precludes even the most efficient NPATS providers from having a fair opportunity to obtain locations. The interconnection rate reform addressed under Issues 5 and 6 will somewhat help to remedy this problem, but the competitive marketplace will not be able to function properly unless the LECs are required to place their pay telephone operations in a separate affiliate structure or, if this is not possible, until they are made subject to strict accounting, cost allocation, and business separation of monopoly versus competitive pay telephone functions. In addition to the fundamental difficulties in identifying the costs and revenues associated with the provisioning of LPATS service, the Commission must also factor in anticompetitive practices that arise from the LECs providing both competitive and monopoly services under a single roof. However, given the basic structural problem--integration of competitive and monopoly operations within one company--it will be difficult, if not impossible, for the Commission to properly address these problems. In the final analysis, until the LECs are required to place their pay telephone operations in a separate subsidiary, the Commission will be unable to establish or regulate a truly fair and competitive marketplace. If a separate subsidiary cannot yet

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be required, then the Commission must act to ensure an accurate determination and allocation of costs and revenues and require that LPATS operations be set up to deal with the monopoly on an arms-length basis, just as NPATS providers must do today.

GTEFL'S POSITION: GTEFL currently monitors its pay phone operations by comparing local revenue with controllable expenses which are under the responsibility of the Public Communications Department.

Along with local revenue, the Public Communications Department is responsible for installation, maintenance, collection, commission, depreciation, sales, and administrative expenses. On the basis of our analysis, GTEFL Public Communications is covering controllable expenses and is making a contribution to common costs and overheads.

Historically, high revenue payphones have subsidized public interest locations. Today, many of these high revenue locations have been acquired by nonLEC PATS, leaving a smaller base of profitable pay phones to offset the losses on public interest pay phones.

If these pay telephones do not cover cost and are deemed necessary from a public interest standpoint, two options would appear to be available. The first private option would be for the Commission to allow geographic averaging of the prices to be charged from public pay phones in high revenue and low revenue locations. If for public policy reasons this is deemed inappropriate, then a public funding mechanism may be warranted.

INTELLICALL'S POSITION: Intellicall has not yet received answers to interrogatories from Southern Bell, and has no position on this issue at this time.

SO. BELL'S POSITION: Considering all appropriate sources of revenue associated with Southern Bell's pay telephone service in Florida, i.e., local, toll, operator services and access revenues, the total revenues exceed the total costs. No action should be taken on the part of the Commission as to the manner in which pay telephone service is provided by the LECs. Even if relevant costs were greater than relevant revenues, the Commission should not take any action at this time. The PATS industry is in a transitional period, during which current

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costs and revenues may not accurately reflect the long term contributions that can be derived from their operations.

UNITED'S POSITION: United has performed an embedded cost study of combined public and semi-public pay telephone operations. Listed below are the results of the 1988 APSA (Allocation Procedures for Service Accounting) Study:

COIN TELEPHONE

Revenues	\$ 7,787,756
Average Net Investment	10,167,134
Expenses:	
Plant Specific	2,591,840
Plant Non-Specific (Excl Depr & Amort)	293,673
Customer Oper - Marketing	284,237
Customer Oper - Services	1,609,710
Corporate Operations	4,760
Total Operating Expenses (Excl Deprec & Amort)	4,784,220
Total Depreciation and Amortization	2,256,542
Total Expenses	7,040,762
Taxes:	
State and Local Taxes	(3,834)
Other Taxes	261,668
Total Other Taxes	257,834
Total Expenses & Other Taxes	7,298,596
Net Operating Income - Pre-Tax	489,160
Fixed Charges	342,422
Taxable Income	146,738
Booked Income Tax	(11,194)
Net Operating Income	500,354
Costs are not higher in this study.	

CENDEL'S POSITION: No position at this time.

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PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 10: What are the costs and revenues associated with the provision of nonLEC pay telephone service?

SMALL LECS' POSITION: No position.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: The costs and revenues associated with NPATS service ultimately address whether a NPATS provider is subject to a price squeeze by the LECs. However, the Commission also has a statutory obligation to ensure that all telephone companies have an opportunity to earn a reasonable rate of return. FPTA is not suggesting that NPATS providers be subjected to rate base regulation, only that the overall regime of interconnection rates, rate caps, and other associated issues be set fairly, reasonably, and in full consideration of the costs and revenues involved. These elements must be viewed in connection with store and forward technology usage, interconnection requirements, and LPATS service.

GTEFL'S POSITION: GTEFL does not have knowledge of the total costs and revenues of nonLEC pay telephone providers.

INTELLICALL'S POSITION: Intellicall takes no position on this issue at this time.

SO. BELL'S POSITION: Southern Bell has been provided insufficient data from the nonLEC PATS providers in order to determine what are the costs and revenues associated with the provision of nonLEC pay telephone service. Southern Bell's cost studies demonstrate that the revenues generated through the provision of the local exchange access line, touchtone, operator screening and local usage, exceed the costs to Southern Bell for these services and provide an appropriate level of contribution. The vigorous growth of nonLEC PATS providers indicates nonLEC PATS profitability or expectation of profitability under the current rate structure thereby demonstrating that their rates are fair and reasonable.

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UNITED'S POSITION: United has not performed a study which identifies the costs to provide nonLEC pay telephone service.

Revenues from nonLEC pay telephone service since 1986 are listed below

1986	\$ 109,681
1987	202,047
1988	649,769
1989	1,299,215

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 11: Should nonLEC PATS providers be allowed to participate in LEC EAS, OEAS, EOEAS, and toll discount plans offered by the LECs for the purpose of resale? If so, what rates, terms, and conditions should govern a nonLEC PATS provider's offering of such services to end users?

SMALL LECS' POSITION: Yes (as to non-optional EAS calling plans.) No (as to toll discount plan.)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: All pay telephone providers should have access to alternative local and toll service plans so they can offer customers innovative and lower cost service options. As FPTA understands these services, payphone providers receive basic EAS to the extent it represents an extension of the local calling area. However, any further optional calling area extensions or toll discount plans are not available from the LECs. It is FPTA's desire to have these plans available so that they can be offered to end users at payphones at a rate lower than the toll rate that otherwise might be applicable. Again, the opportunity to use store and forward technology for intraLATA 0+ calling may make offering such discounted plans to NPATS end users especially appropriate and feasible. Given the area or route-specific rates that apply to such services, the

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payphone provider should be able to charge end users that rate plus the appropriate operator-assist charge that would apply in any other toll call situation. The result would be a reduced transmission charge that would be directly passed along to end users. Access to such services should help further the universal service goals that compel such special plans in the first place.

GTEFL'S POSITION: NonLEC PATS providers should be allowed to participate in LEC toll discount plans under the same terms and conditions as other customers if the question of proper certification can be resolved. OEAS and EOEAS plans are designed to provide options and relief for end-users who live in a specific area and have a community of interest to an adjoining area. They were not intended to be resold to the occasional user.

INTELLICALL'S POSITION: Intellicall believes that nonLEC PATS providers should be allowed to participate in such plans available to other LEC subscribers. The market should determine the extent to which cost savings from participation in these plans are passed on to end users.

SO. BELL'S POSITION: NonLEC PATS providers currently participate in EAS plans in that the local service area of the nonLEC PATS provider is the same as that of the LEC. NonLEC PATS providers are also allowed to subscribe to LEC toll discount plans, and the discounted rates apply to any sent-paid intraLATA toll calls originating at nonLEC PATS pay stations. The nonLEC PATS providers' participation in a toll discount plan significantly increases their margin for profit, or in the alternative, makes possible a decrease in the charges to the end user for the nonLEC PATS providers' service. On the other hand, nonLEC PATS providers do not and should not participate in OEAS and EOEAS plans which are designed as options for end users and are not intended for resale. They are designed to give relief to end users who live in specific areas and have a community of interest which specify other areas. They are not designed to address the transient public or the occasional user. Furthermore, Southern Bell's pay telephones do not participate in OEAS and EOEAS plans.

UNITED'S POSITION: For EAS, yes, for all others, no. These plans have been developed and implemented in response to customers' requests for reduced long distance charges for their

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personal or business calling from their premises to near by exchanges. These plans should not be used for resale purposes from pay telephones providing long distance service to multiple and often transient end users.

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 12: If measured local service is retained for PATS providers, should all LECs bill in at least six second increments or in the smallest increments technically feasible?

SMALL LEC'S POSITION: NonLEC PATS providers should be billed in the same manner (including billing increments) as other customers are billed for toll services.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: Yes. Utilization of actual connect time, in the smallest available recording increments, is justified for two basic reasons. First, such billing increments better match price to the costs incurred by the LEC, and second, they contribute to an NPATS provider's ability to offer lower prices to end users.

GTEFL'S POSITION: LEC's should be required to record usage in the smallest increments technically feasible for billing. GTEFL captures local usage on the basis of the actual number of seconds of conversation time. This usage is aggregated on a time-of-day billing period basis and the total is rounded to the nearest minute once a bill preparation time prior to rating. This methodology is fair in billing and nonLEC PATS provider only for the actual network usage incurred.

INTELLICALL'S POSITION: In order that services provided to the nonLEC PATS providers are cost based, all LECs should bill in the smallest increments technically feasible.

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SO. BELL'S POSITION: Southern Bell presently bills nonLEC PATS providers in six second increments. This is an appropriate billing increment.

UNITED'S POSITION: United is in the process of introducing six second billing with end of billing period rounding in accordance with the Stipulation approved in Florida Public Service Commission Order No. 20129 in this Docket.

CENDEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 13: Should a nonLEC PATS provider be allowed to handle local and intraLATA zero plus calls via store and forward technology? If yes, in what situations and pursuant to what rates and terms of service?

SMALL LECS' POSITION: No. The LECs see no reason to distinguish PATS providers from other service providers with regard to the FPSC's recent order in the TMA docket.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: Yes. Use of this technology will enable NPATS providers to provide end users with equivalent or better services at reduced costs, and these savings can be passed along to end users. However, existing regulatory and LEC policies prevent NPATS providers from fully deploying this technology for local and intraLATA toll calls in a manner that will permit end users to obtain the full benefits of such competition. Through the implementation of store and forward technology, NPATS providers can incorporate efficiencies of operation to benefit end users. These efficiencies are a direct result of reducing the need for a live operator and minimizing overall handling costs necessary for call completion. The most important result is that NPATS providers using store and forward technology can provide services to end users at or below traditional dominant carrier rates for the same types of calls. Even so, the LECs receive significant revenues when an NPATS provider uses store and forward technology. The LEC

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gains charges for transmission of the call, payments for validation of the billing information which is required on every call, and billing and collection revenues, each of which provides a healthy contribution. Moreover, the NPATS provider benefits by receiving the applicable operator-assist charge for providing the necessary automated call origination and completion functions. Receipt of this operator-assist charge offers a reasonable return to NPATS providers for the high volume of operator-assisted local and intraLATA traffic generated at NPATS pay stations. These calls also constitute a significant portion of all traffic originated from NPATS instruments. In addition, a critical component of the automated transactions resulting from the use of store and forward technology by NPATS providers is the billing and collection of these calls by the LECs.

With the authorization of local and intraLATA toll store and forward, the Commission should approve the following: First, the current clearinghouse tariff must be amended to allow for the billing and collection of local and intraLATA calls from NPATS instruments in addition to the interLATA calls currently permitted. Without this change, the LEC tariffs would effectively block competition, since there is no other reasonable alternative for NPATS providers to have these calls billed. Second, the required use of a clearinghouse agent should not continue to be mandated for NPATS providers. The tariff should allow for the LEC's direct acceptance of billing information from the payphone provider for these types of calls. Third, NPATS providers should continue to use LEC local and intraLATA toll transmission services. Fourth, the 0-traffic should continue to be routed to the LEC, with intraLATA toll calls returned to the payphone for processing. Fifth, there should be positive acceptance for all collect calls. In sum, if NPATS providers are authorized to utilize store and forward technology for processing intraLATA toll and local 0+ calls and other FPTA recommendations are approved, NPATS surcharges can be reduced if not completely eliminated.

GTEFL'S POSITION: GTEFL recognizes that the use of store and forward technology will have a negative impact on LEC operator services revenues, and will provide an additional revenue source to the nonLEC PATS provider to fund higher commission payments. However, GTEFL has no objection to the use of store and forward technology by nonLEC PATS providers as long as

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certain end-user safeguards are implemented and calling card validation is properly utilized and paid for by nonLEC PATS providers.

GTEFL believes the end-user safeguards should be implemented to require rate quotes upon end-user request, operator service branding, 0- calls automatically routed to the LEC, assistance gaining access to LEC operator or other IXC operators, and a positive response on the part of the called party to accept collect charges. Validation of calling cards should be obtained legally and not in such a way as to generate additional traffic attempts over the voice network.

INTELLICALL'S POSITION: Yes. NonLEC PATS providers should be allowed to handle both local and intraLATA "0+" call in all locations. It should be explicitly determined that store and forward technology is also available for use in penal and/or mental and other institutions which traditionally have allowed the completion of only non-sent paid calls.

SO. BELL'S POSITION: A nonLEC PATS provider which offers local and toll calls using smart sets and the "store and forward" technology or a mechanical operator, essentially operates as an alternative operator service (AOS) provider. NonLEC PATS providers offer automated collect calling by means of a synthesized voice, or "operator in a box". Calls such as calling card and collect calls can also be handled by these sets. This nonLEC PATS provider service is very similar to the services offered by an AOS provider and might well be regulated accordingly. These providers should then be required to comply with all existing Commission orders, rules and regulations that already apply to them as nonLEC PATS or AOS providers. These orders include Commission Order Nos. 22243 and 20489 in Docket No. 871394-TP, which define dialing, "from the view point of this end user, irrespective of the transformations performed by the CPE." The Commission should continue to insure that the customer (specifically the customer paying the bill) is provided adequate information in order to make an informed decision concerning this technology. Collect calls should be affirmatively accepted by the called party. The orders cited above further require that all operator handled 0+ and 0- local and 0+ and 0- intraLATA calls be routed to the LEC. This requirement should be continued.

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UNITED'S POSITION: No. All 0- and 0+ local and intraLATA traffic should continue to be routed to the LEC operator as specified in Order No. 13912 (Docket No. 820537-TP), Order No. 20489 (Docket No. 871394-TP), and Order No. 20610 (Docket No. 860723-TP).

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

ISSUE 14: Should a regulated provider of service to LECs have limits placed on the price of that service in cases where the LEC furnishes that service to a nonLEC pay telephone provider under price or tariff limitations, e.g. DA, call blocking, call screening, message recording? Or, in the alternative, should a LEC be allowed to charge a nonLEC pay telephone provider whatever the LEC is charged for the service in question, plus a handling charge and a reasonable return? How should it affect the end user rates from nonLEC pay telephones?

SMALL LECS' POSITION: Yes. LECs should be able to pass on third party charges, except DA, to PATS providers, just like charges would be passed on to any other customer. DA service benefits the end user, and, therefore, it may not be appropriate to pass DA charges on to the PATS providers. In order to preclude a subsidy to PATS providers from LEC ratepayers, however, other charges should be passed on.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: As FPTA understands Issue 14, the problem is some of the smaller LECs purchase certain services from another LEC that are in turn provided to a NPATS provider. Apparently, the LEC actually providing the service charges the intermediate LEC for the service, but this LEC cannot pass along the NPATS provider that charge, or the full charge. In general, there needs to be a logic and consistency in charges among LECs as between LECs and NPATS providers. With respect to charges that cannot or should not at all be passed along to end users, such

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as local directory assistance, these services are provided by the NPATS provider out of this Commission's public interest concern. This is not a service from which the NPATS provider derives an independent value. Collectively, then, it is appropriate that since this free service serves a societal good, the general body of ratepayers should be responsible for such charges. Indeed, the overall rates paid by NPATS providers indirectly contribute to this universal service goal. This goal was recently emphasized by the Florida Legislature in revising chapter 364 to require no end user charges or charges to an NPATS provider for local directory assistance or 911 service.

GTEFL'S POSITION: Since GTEFL neither receives services from nor provides services to other LEC's, it takes no position on this issue.

INTELLICALL'S POSITION: Private pay telephone providers should not be charged for services for which they cannot charge, or which the LECs do not charge their own pay telephone operations. In Florida, this would include directory assistance.

SO. BELL'S POSITION: If LEC (A) provides a service, such as directory assistance, to LEC (B), it is usually because that is the most economical way for LEC (B) to provide this service to its customers. This service is normally provided to all subscribers, not just nonLEC PATS providers. LEC (A) should be allowed to recover its costs in providing service to LEC (B). Likewise, LEC (B) should be allowed to recover its costs from its subscribers.

UNITED'S POSITION: Although United is currently not affected by this issue, it is important to note that nonLEC PATS services are duplicative and competitive. Therefore, any direct costs caused by them should be paid by them with no burden on any specific body of LEC subscribers.

CENDEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

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ISSUE 15: To what extent should pay telephone service be made available to low volume public interest locations and who should be required to provide it? How should such locations be identified? How should they be divided between nonLEC and LEC pay telephone service providers?

SMALL LECS' POSITION: LEC's abide by current FPSC rules. However, the LEC's suggest that the current pay station rules be changed to remove the requirement that the LEC's provide one pay station per exchange. The rule should become that there be at least one pay station (LEC or nonLEC PATS) per exchange.

AT&T'S POSITION: AT&T has no position on this issue at this time.

FPTA'S POSITION: Unquestionably, there are low volume, public interest locations that should be provided pay telephone service under special considerations. However, FPTA believes this to be a very small number. To meet such needs, the Commission should establish clear criteria in a rulemaking proceeding, wherein the Commission can have the benefit of the widest possible input from the public and the industry. It cannot be left up to premise owners or pay telephone providers to independently identify such locations. For example, this classification cannot include one or more payphones within a bank of phones, payphones within a reasonable distance of another phone, or pay stations where commissions are paid to the premise owner. Further, some LECs claim they have a large percentage of such telephones, some of which may simply be telephones that are not profitable while others at the same location may be quite profitable. Once such locations have been properly identified where competition will not place a payphone, these needs can be met by a pro rata service requirement placed upon all pay telephone providers either through a direct service requirement or a funding mechanism imposed on LPATS and NPATS alike. FPTA's members have always been committed to helping serve their fair share of these locations, and some type of pooling arrangement could help meet this need. Alternatively, if there were proper criteria and the LECs were deemed to be responsible for these locations as providers of last resort, these pay telephones could be excluded from the separate LPATS subsidiary or not included in the separate cost accounting requirements, as these payphones would be legitimately supported by monopoly operations.

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GTEFL'S POSITION: GTEFL believes that there is indeed a public service obligation to provide public pay telephone service within its franchise area of operation. At the same time, the Commission has seen fit to introduce the element of competitive provision of pay phones in the market. If the Commission is going to rely on competition as the mechanism to govern the establishment of prices in the marketplace, then it should also rely on competition to determine which companies will provide service and where such service will be provided. Since the profitability of service depends in part upon the price that can be charged, this would support the deaveraging of prices across locations.

A definition of public interest pay telephones could be developed and the installed base could be compared against the characteristics included in the definition. Generally speaking, public interest pay phones meet public convenience or safety needs and they are usually installed at the request of governmental bodies or civic groups, rather than commercial interests.

GTEFL believes there is no need for an arbitrary allocation of public interest pay telephones between nonLEC and LEC PATS providers. The deaveraging of prices will allow the marketplace to determine which providers will serve public interest needs.

INTELLICALL'S POSITION: Intellicall believes that true public policy phones should be supported by the general body of ratepayers, which serve to benefit from the availability of those phones. Intellicall has seen to date no evidence that true public policy phones exist to any significant degree within Florida.

SO. BELL'S POSITION: Pay telephone service at locations where the revenues derived therefrom are insufficient to support the required investment are not placed unless public needs will thereby be served. The placement of these phones may be at the request of the Commission, members of various civic organizations and entitites and governmental authorities. Public interest pay stations should be considered a valuable tool to be used in promoting universal service and their placement can serve to protect the general public's health, safety and welfare.

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The Public Service Commission should decide whether the provision of public interest pay telephone service should be required of the nonLEC PATS providers. Currently, Southern Bell provides a large number of these facilities and may have to re-evaluate such service in light of the competitive marketplace.

UNITED'S POSITION: In the past, telephone companies have traditionally provided public telephone service in some locations in response to requests from government entities or civic groups where there was an apparent or perceived public interest need but the usage was relatively low. In some situations, provision of public telephones was included as a requirement in connection with approval of a franchise by a municipal government. With the changing environment and increasing competition in the local telecommunications market, United has lost some high-volume pay telephone locations. As a result, the low-volume public interest pay telephone locations become more of a burden on its overall pay telephone operations. As a result, United may become more restrictive in the future on the provision of pay telephone service at these locations. In addition, a review has been recently initiated of existing low-volume locations in order to determine if service should be continued at the public interest locations.

The decision to provide its pay telephone service at low-volume public service locations should continue to be made by the telephone company. Non-LEC pay telephone providers may elect to provide service at such locations in order to be a good corporate citizens in the communities where they serve.

CENTEL'S POSITION: No position at this time.

PCSI'S POSITION: No position.

STAFF'S POSITION: No position at this time.

VI. EXHIBIT LIST

<u>Witness</u>	<u>Proferring Party</u>	<u>Exh. No.</u>	<u>Title</u>
Cornell	FPTA	NWC-1	Biography of Nina W. Cornell

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<u>Witness</u>	<u>Proferring Party</u>	<u>Exh. No.</u>	<u>Title</u>
Cornell	FPTA	NWC-2	Test for Price Squeeze, Table 1, Table 2 and Table 3
		NWC-3	Annual Contribution from Southern Bell Input Services, Table 1 and Table 2
Dick	So. Bell	JLD-1	Historical look at local embedded costs and local revenues only
		JLD-2	Future view of forward looking local costs and local revenues only
		JLD-3	Future view of total costs and revenues including local, intraLATA toll, access and operator services
		JLD-4	Revenue and cost effect of non-LEC PATS providers' intraLATA toll traffic on the Southern Bell Network
		JLD-5	1990 current costs for the rate components charged to non-LEC PATS providers

VII. STIPULATIONS:

There are no issues that have been stipulated at this time.

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VIII. PENDING MATTERS:

There are no pending matters ripe for disposition as of the time this Prehearing Conference was held.

IX. RULINGS:

GTEFL's Motion to Revoke Intellicall's Party Status filed on May 31, 1990, has been denied by the Prehearing Officer.

X. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION:

In the event it becomes necessary to handle confidential information, the following procedure will be followed:

1. The Party utilizing the confidential material during cross examination shall provide copies to the Commissioners and the Court Reporter in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material shall be provided a copy in the same fashion as provided to the Commissioners subject to execution of any appropriate protective agreement with the owner of the material.
2. Counsel and witnesses should state when a question or answer contains confidential information.
3. Counsel and witnesses should make a reasonable attempt to avoid verbalizing confidential information and, if possible, should make only indirect reference to the confidential information.
4. Confidential information should be presented by written exhibit when reasonably convenient to do so.
5. At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the owner of the information. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

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If it is necessary to discuss confidential information during the hearing the following procedure shall be utilized.

After a ruling has been made assigning confidential status to material to be used or admitted into evidence, it is suggested that the presiding Commissioner read into the record a statement such as the following:

The testimony and evidence we are about to receive is proprietary confidential business information and shall be kept confidential pursuant to Section 364.093, Florida Statutes. The testimony and evidence shall be received by the Commissioners in executive session with only the following persons present:

- a) The Commissioners
- b) The Counsel for the Commissioners
- c) The Public Service Commission staff and staff counsel
- d) Representatives from the office of public counsel, if applicable, and the court reporter
- e) Counsel for the parties
- f) The necessary witnesses for the parties
- g) Counsel for all intervenors and all necessary witnesses for the intervenors.

All other persons must leave the hearing room at this time. I will be cutting off the telephone ties to the testimony presented in this room. The doors to this chamber are to be locked to the outside. No one is to enter or leave this room without the consent of the chairman.

The transcript of this portion of the hearing and the discussion related thereto shall be prepared and filed under seal, to be opened only by order of this Commission. The transcript is and shall be non-public record exempt from Section 119.07(1), Florida Statutes. Only the attorneys for the participating parties, Public Counsel, if applicable, the Commission staff, and the Commissioners shall receive a copy of the sealed transcript.

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AFTER THE ROOM HAS BEEN CLOSED)

Everyone remaining in this room is instructed that the testimony and evidence that is about to be received is proprietary confidential business information, which shall be kept confidential. No one is to reveal the contents or substance of this testimony or evidence to anyone not present in this room at this time. The court reporter shall now record the names and affiliations of all persons present in the hearing room at this time.

It is therefore,

ORDERED by Commissioner Thomas M. Beard, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Thomas M. Beard, as Prehearing Officer, this 31st day of JULY, 1990.


THOMAS M. BEARD, Commissioner
and Prehearing Officer

(S E A L)

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