

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for extended area )  
service (EAS) throughout Gilchrist )  
County )  
\_\_\_\_\_ )  
DOCKET NO. 870790-TL  
ORDER NO. 24752  
ISSUED: 7-3-91

Pursuant to Notice, a Prehearing Conference was held on July 1, 1991, in Tallahassee, Florida, before Commissioner Michael McK. Wilson, as Prehearing Officer.

APPEARANCES:

THEODORE M. BURT, Esquire, Theodore M. Burt, P.A., Post Office Box 308, Trenton, Florida 32693 on behalf of Gilchrist County.

DAVID B. ERWIN, Esquire, Mason, Erwin & Horton, P.A., 1311-A Paul Russell Road, Tallahassee, Florida 32301 on behalf of ALLTEL Florida, Inc.

E. BARLOW KEENER, Esquire, c/o Marshall M. Criser III, 150 So. Monroe Street, Suite 400, Tallahassee, Florida 32301 on behalf of Southern Bell Telephone and Telegraph Company.

MICHAEL W. TYE, Esquire, 106 East College Avenue, Suite 1410, Tallahassee, Florida 32301 on behalf of AT&T Communications of the Southern States, Inc.

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

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

PREHEARING ORDER

I. BACKGROUND

This docket was initiated upon a resolution filed with this Commission by the Gilchrist County Board of County Commissioners (the County Commission or Gilchrist County). This resolution requested that we consider requiring implementation of extended area service (EAS) throughout Gilchrist County. Four exchanges are

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affected by this request: Branford, High Springs, Newberry and Trenton. The Branford and High Springs exchanges are served by ALLTEL Florida, Inc. (ALLTEL), while the Newberry and Trenton exchanges are served by Southern Bell Telephone and Telegraph Company (Southern Bell). Both companies are subject to regulation by this Commission pursuant to Chapter 364, Florida Statutes.

In addition to involving intercompany routes, this request also involves interLATA (local access transport area) routes. The Branford and High Springs exchanges are located in the Jacksonville LATA, while the Newberry and Trenton exchanges are located in the Gainesville LATA. Not one of the four exchanges is located exclusively in Gilchrist County.

By Order No. 17943, issued August 6, 1987, we directed ALLTEL and Southern Bell to prepare and submit traffic studies on the routes affected by this resolution so that we could determine if a sufficient community of interest existed pursuant to Rule 25-4.060, Florida Administrative Code. For those studies, we requested that the companies measure the messages per main and equivalent main station per month (M/M/M) and percentage of subscribers making two (2) or more calls monthly to the exchanges for which EAS was proposed.

At the time we issued Order No. 17943, Gilchrist County consisted of the following non-EAS routes:

<u>ROUTE</u>	<u>MILEAGE</u>
Branford to High Springs	22
Trenton to Newberry	13
Branford to Trenton*	25
High Springs to Trenton*	21
Branford to Newberry*	30

\*InterLATA routes

The High Springs to Newberry route, an interLATA route, already had flat rate, two-way, nonoptional EAS, which had been implemented prior to divestiture.

Subsequently, both ALLTEL and Southern Bell filed their respective traffic studies in response to Order No. 17943. As part

of their traffic studies, the companies also submitted demographic information as described below.

The Gilchrist County seat is located in Trenton. The average income level in the Trenton exchange ranges from lower to middle income. Medical facilities, schools, and some stores are located in Trenton. The Newberry exchange is comprised of many retirees and second homes. The average income level in the Newberry exchange is lower to middle income. The western twenty percent (20%) of the Newberry exchange is located in Gilchrist County, while the rest of the exchange lies in Alachua County. The residents in the western twenty percent (20%) of the county go to school, shop, and have post office delivery in Trenton. The residents of the middle sixty percent (60%) of the Newberry exchange, located in Alachua County, are tied to Newberry for schools and shopping. For medical treatment, some residents go south to Williston, but most go east to Gainesville. The residents of the eastern twenty percent (20%) of the exchange have a community of interest with Gainesville. ALLTEL reports that the community of interest for the Gilchrist County residents in the Branford, Newberry and High Springs exchanges are the governmental offices, banks and other businesses located in Trenton.

The traffic studies submitted by the companies in response to Order No. 17943 revealed the following one-way calling rates on the affected routes, including foreign exchange (FX) data:

<u>ROUTE</u>	<u>M/M/Ms</u>	<u>% MAKING 2 OR MORE CALLS</u>
Branford to High Springs	.89	13.44%
High Springs to Branford	.93	8.49%
Trenton to Newberry	1.88	22.65%
Newberry to Trenton	4.09	21.31%
Branford to Trenton*	1.78	16.50%
Trenton to Branford*	n/a	n/a
High Springs to Trenton*	1.15	7.76%
Trenton to High Springs*	n/a	n/a
Branford to Newberry*	.17	2.45%
Newberry to Branford	n/a	n/a

\*Interlata routes - ALLTEL filed traffic study results, but Southern Bell did not.

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Rule 25-4.060(2)(a) requires a minimum of 3.00 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 EAS. The results of the traffic studies indicated that the one-way calling rates on the routes for which we had traffic study data fell below this threshold rule requirement.

At our February 2, 1988, Agenda Conference, we heard comments from two members of the County Commission requesting a survey for countywide calling. While we believed the calling rates were very low, nevertheless, we instructed ALLTEL and Southern Bell to develop a countywide flat rate on which the customers could be surveyed.

Subsequently, the companies filed the requested countywide flat rates, along with a corresponding revenue impact statement. The matter was scheduled to be taken up again at our October 18, 1988, Agenda Conference. However, prior to that Agenda Conference, the Office of Public Counsel (OPC) requested indefinite deferral of this item on behalf of the County Commission. The County Commission believed that the probability of the survey passing was very low because all four of the exchanges in Gilchrist County also partially lie in other counties.

Following this deferral, our staff continued to pursue various possibilities for providing toll relief to the customers in Gilchrist County. The County Commission has stressed the need for those subscribers living outside Trenton to be able to call their county seat. One customer sent a letter to our staff in December of 1988, outlining the calling problems in the county and making suggestions for a solution. This customer described the rural nature of the county and the problems this causes for those in outlying areas, particularly the need of those subscribers whose children attend school in Trenton to be able to contact the schools and vice versa, along with the need to contact county offices in Trenton. This customer noted that while some government offices did have FX lines to other exchanges, he believed a more efficient use of access lines could be achieved with EAS. One of his suggestions was to survey only the customers living within the Gilchrist County portions of the four exchanges for a flat rate, two-way, nonoptional calling plan. His second suggestion was to implement a two-way optional plan, recognizing the need for manual implementation through billing in the Branford exchange because of its step-by-step switch.

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As to this customer's first proposal, while feasible, we have been opposed to implementation of flat rate two-way EAS to pocket areas in the past. Among our reasons for this are the scarcity of NXX codes and issues of fairness. Nevertheless, because of assertions of both the county attorney and county residents that the portions of the exchanges outside Gilchrist County obscured the calling patterns within Gilchrist County, we issued Order No. 20607 on January 17, 1989, directing the companies to perform pocket area traffic studies.

In the meantime, in an attempt to provide some relief to customers, our staff filed a recommendation that county seat calling be implemented in Gilchrist County. This plan basically provides for free calling to particular county governmental agencies, schools, etc., as determined by the most frequently called numbers within the county. At our March 21, 1989, Agenda Conference where we considered this proposal, ALLTEL registered its opposition, stating that it had not been given sufficient time to study the proposal and did not know the costs to the company for implementation. Interexchange carriers (IXCs) also had concerns with the precedent-setting nature of such a proposal, considering the interLATA routes involved. Accordingly, we deferred the matter and directed the companies and our staff to gather further information on the proposal.

After the Agenda Conference, our staff received a number of letters from subscribers outlining problems and concerns with County Seat Calling. Our staff also had conversations with the county attorney and others who stated that County Seat Calling was not a solution because calls to businesses and many other necessary places would not be included. Our staff then awaited the results of the pocket traffic studies.

Subsequently, both ALLTEL and Southern Bell filed the requested traffic studies, along with a request for specified confidential treatment of certain portions of the data. By Orders Nos. 21452 and 21453, issued June 27, 1989, we denied these requests. On July 11, 1989, both ALLTEL and AT&T Communications of the Southern States, Inc. (ATT-C) filed Protests of Order No. 21452. On July 13, 1989, Southern Bell filed a Motion for Extension of Time in which to respond to Order No. 21453. On July 14, 1989, ATT-C filed its Protest of Order No. 21453, along with a Motion to Accept Protest Filed Out of Time. On July 26, 1989, Southern Bell filed its Protest of Order No. 21453. After

consideration of the arguments advanced in these protests, we issued Order No. 23654 on October 23, 1990, and granted specified confidential treatment to the traffic data for the interLATA routes in this docket.

On September 7, 1989, Gilchrist County filed a Motion Requesting Issuance of Proposed Agency Action Order (Motion), along with a Draft of Proposed Agency Action Order Granting Countywide Extended Area Service (Draft Order). This Motion, as well as the results of the pocket traffic studies, were considered at our November 6, 1990, Agenda Conference.

As of the time of our Agenda Conference, each of the involved exchanges had EAS as follows:

<u>EXCHANGE</u>	<u>ACCESS LINES</u>	<u>RATE</u>	<u>EAS CALLING SCOPE</u>
Branford	2,582	\$9.60	Dowling Park, Florida Sheriff's Boys Ranch, Live Oak, Luraville, Mayo, Wellborn
High Springs	3,075	9.95	Alachua, Fort White, Gainesville, Newberry
Trenton	2,517	7.70	Chiefland
Newberry	2,797	8.80	Alachua, Archer, Gainesville, High Springs

The route with the highest calling rate in both the initial traffic study and the second traffic study was the Newberry to Trenton route. In the initial study, the calling rate was 4.09 M/M/Ms, with 21.31% of the customers making two or more calls per month. The pocket study revealed calling rates from the Gilchrist County pocket of the Newberry exchange to the Trenton exchange of 5.44 M/M/Ms, with 49.67% of the customers making two or more calls per month. Toll relief had recently been provided for this route. By Order No. 23200, in Docket No. 880069-TL, we ordered Southern Bell to implement its Enhanced Optional EAS (EOEAS) plan on this route. Southern Bell was ordered to implement EOEAS at the following rates effective June 20, 1990:

RESIDENCE OPTIONS

Premium (Option 2)	\$ 4.70
Discount (Option 3)	2.20
Incoming (Option 5)	4.95
Drop-Back (Option 4)	8.40

BUSINESS OPTIONS

Discount (Option 3)	\$ 4.40
Incoming (Option 5)	10.80
Drop-Back (Option 4)	22.90

ESSX/PBX TRUNK OPTIONS

Discount (Option 3)	\$ 8.80
Incoming (Option 5)	16.20

The pocket studies showed calling rates from the Gilchrist County pocket of the Branford exchange to the Trenton exchange that met the full requirement for M/M/Ms, but were far below the requirement for percentage of customers making two or more calls per month. Under some circumstances in the past, we have ordered implementation of Toll-Pac on such routes. In this instance, however, we did not believe such action was appropriate because this is an interLATA route and such routes have been deemed competitive since divestiture. The situation on this route, we believed, was further complicated by the existence of a step-by-step switch in the Branford exchange; therefore, any type of discounted toll plan would have to be manually implemented through the billing system, although it was our understanding that ALLTEL plans to convert this switch by December, 1991. The pocket studies revealed that for the rest of the routes, both interLATA and intraLATA, calling rates were very low. Accordingly, by Order No. 23856, issued December 10, 1990, we announced our intention to deny further consideration of EAS in this docket. In addition, we denied the Motion filed by Gilchrist County because none of the non-EAS routes met the threshold of Rule 25-4.060 and because we found no factual or legal basis for granting the relief requested in the Draft Order.

On December 28, 1990, the County Commission filed its Petition on Proposed Agency Action (Petition) in which it protested our proposed action in Order No. 23856 and requested a hearing pursuant

to Section 120.57(1), Florida Statutes. Responses to the County Commission's Petition were filed by Southern Bell on January 22, 1991, and by ALLTEL on January 29, 1991. We have set this matter for hearing because the County Commission's Petition raises disputed issues of material fact. Our Order on Prehearing Procedure, Order No. 24257, issued March 20, 1991, sets forth ten issues to be decided through the hearing process.

The hearing in this matter is scheduled for July 17, 1991, in Bell, Florida. The hearing will be divided into two phases. During the first phase of the hearing, we will take the testimony of citizens concerning their toll calling needs. The second phase of the hearing will be for the purpose of receiving testimony and exhibits from the parties.

At the Prehearing Conference of July 1, 1991, the procedures to govern the hearing were established. It was determined that ALLTEL and Southern Bell would initiate the first phase of the hearing with a brief presentation of their respective positions, after which we will take testimony from the general public, followed by the evidentiary hearing itself.

## 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.

NOTE: In the interest of saving time, the presentation of Direct and Rebuttal Testimony by each witness has been consolidated to a single appearance on the witness stand. Witnesses are cautioned that they remain subject to recall, if necessary, for clarification, or in order to avoid confusion from the presentation of testimony out of normal sequence.



III. ORDER OF WITNESSES

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES</u>
Jackie R. Barron (Direct)	Gilchrist		Communities of interest, proposal alternatives, economic considerations, and conducting of customer surveys
Charles Watson* (Rebuttal)	Gilchrist		Communities of interest, alternative solutions, economic considerations, and customer surveys
Jim Surrency (Direct)	Gilchrist		Communities of interest and educational considerations
Member/Members of Gilchrist County Commission (Direct)	Gilchrist		Communities of interest, proposal alternatives, and economic considerations
County Officers and State Legislators	Gilchrist		Communities of interest, proposal alternatives, and economic considerations
Members of the public	Gilchrist		Related Issues
Harriet Eudy	ALLTEL		Prefiled testimony
Sandy E. Sanders	So. Bell		1, 2, 3, 4, 5, 6, 7
Sandra M. Fox	So. Bell		5
Ann M. Barkley	So. Bell		8

\*This is the only Gilchrist County witness with prefiled testimony.

IV. BASIC POSITIONS

GILCHRIST'S BASIC POSTION: It is the position of Gilchrist County that extended area service should be provided county wide within Gilchrist County. A community of interest should be determined for each exchange pocket within the County in relationship to the Trenton exchange as well as in relationship to each other. In determining a community of interest, factors that should be included are the location of medical/emergency facilities, fire/police departments, educational facilities, library facilities, primary business locations, governmental offices, and shopping facilities, as well as implementation of 911. Of course, each of these considerations involve economic considerations. The County intends that, besides the general public witnesses, the Clerk to the Board, Charles Watson, Jim Surrency, and a commissioner or commissioners will testify.

A primary question of law is an applicable definition of communities of interest within Gilchrist County, and whether the rules of the Commission should and could be waived. It is the County's position that communities of interest should be liberally defined in relationship to the number of toll exchanges within Gilchrist County, especially in light of the small pockets of toll exchanges within the County that definitely have a "community of interest," in relationship to each other and with the primary Trenton exchange. The County anticipates that the witnesses as to these issues will include general public comments, Jackie R. Barron, Clerk to the Board, Charles Watson, a citizen of the county, Jim Surrency, Assistant School Superintendent, and members of the Gilchrist County Commission.

ALLTEL'S BASIC POSITION: If the Commission considers the Gilchrist County EAS request under the same criteria as previous EAS proceedings in which ALLTEL has been involved, the Commission will find that a "community of interest" standard is not met. No EAS plan should be implemented on any route in Gilchrist County. If an EAS plan is implemented, full cost recovery should be permitted.

SO. BELL'S BASIC POSITION: Southern Bell does not advocate establishing traditional two way non-optional EAS between a small pocket of the Newberry exchange and Trenton. The Compnay takes this position primarily because the traffic studies on these routes indicate that there is very little interest in calling from Trenton to Newberry.

Requiring all customers in these exchanges to share the additional cost associated with providing flat rate non-optional EAS would be unfair to numerous telephone customers in the Newberry and Trenton exchanges who would make little or no use of the expanded capability. Optional service arrangements which are currently being provided in Gilchrist County offer customers greater choice in service selection and are more suitable because they allow customers to tailor their telephone bills and calling scopes based on their individual calling habits, desires and needs.

Southern Bell also believes that there should be no revenue sharing between ALLTEL and Southern Bell if the Commission orders EAS or a toll alternative whereby ALLTEL and Southern Bell do not equilly recover costs. Southern Bell believes that the cost causer should pay for the costs incurred and the cost should not be recovered from customers not benefitting from an EAS plan.

ATT-C'S BASIC POSITION: Three of the proposed EAS routes in this case - Branford to Trenton, High Springs to Trenton, and Branford to Newberry - would cross an established LATA boundary. AT&T submits that implementation of the proposed EAS on those interLATA routes is not in the public interest inasmuch as it would result in higher toll costs for other interLATA customers. The solution to the calling problems which may be faced by residents of Gilchrist County lies in reducing the access charges which interexchange carriers incur in the completion of interexchange calls. Reduction of such charges will lead to appropriate reductions in long distance rates thereby making calling more affordable between the affected communities.

STAFF'S BASIC POSITION: Where a sufficient community of interest is determined to exist subscribers should be offered EAS or some other toll alternative plan.

V. ISSUES AND POSITIONS:

ISSUE 1: What factors should be considered when determining whether a community of interest exists in Gilchrist County?

GILCHRIST'S POSITION: In determining a community of interest, factors that should be included are the location of medical/emergency facilities, fire/police departments, educational facilities, library facilities, primary business locations,

governmental offices, and shopping facilities, as well as implementation of 911.

ALLTEL'S POSITION: Calling rates (numerical); reliance by one exchange on another for employment, higher education, shopping, medical services and social events should be considered.

SO. BELL'S POSITION: The factors set forth in Rule 25-4.060, Florida Administrative Code, are the primary factors which should be considered and should be accorded the most weight. The factors set forth in Rule 25-4.060 focus primarily on the calling rate between exchanges. The calling rate between exchanges is the foremost indicator of the degree of community of interest between any two exchanges. Additional evidence as to the degree of community of interest is the call distribution obtained from traffic studies. Call distributions show that a few customers with extremely high calling rates can cause a distorted view of the actual community of interest when call rate is the only indicator examined. The Commission rules address this by requiring not only a one-way calling rate of three or more calls per line per month, but also that over 50% of the customers place two or more monthly calls to the distant exchange. Other factors that may be considered include the location of medical/emergency facilities, fire/police departments and county offices.

ATT-C'S POSITION: AT&T submits that the Commission should adhere to the community of interest factors set forth in Rule 25-4.060, Florida Administrative Code.

STAFF'S POSITION: Factors to be considered when determining whether a community of interest exists in Gilchrist County include, but are not limited to:

- (a) the calling rate between exchanges
- (b) call distributions between exchanges
- (c) access to emergency services
- (d) access to public schools and other educational facilities
- (e) access to medical services, doctors, hospitals
- (f) access to shopping facilities
- (g) access to county government
- (h) access to state government offices located in Gilchrist County
- (i) access to principal employers

ISSUE 2: Is there a sufficient community of interest on the toll routes in Gilchrist County to justify implementing either EAS as currently defined in the Commission rules, or some alternative toll proposal?

GILCHRIST'S POSITION: Yes, if each pocket exchange within the County was considered as a community of interest, a survey would show that communities of interest exist among the exchanges and between each exchange and the Trenton exchange. If EAS is not implemented, an alternative toll proposal should be considered. The Gilchrist County Commission has supported the position of five (5) free calls within the county per month, with each additional call above five (5) being billed at twenty five cents per call.

ALLTEL'S POSITION: No.

SO. BELL'S POSITION: No. Rule 25-4.060(2), Florida Administrative Code, requires a "preliminary showing that a sufficient degree of community of interest between exchanges, sufficient to warrant further proceedings, will be considered to exist when the combined two-way calling rate over each inter-exchange route under consideration equals or exceeds two (2) messages per main and equivalent main station per month (M/M/M) and fifty (50%) percent or more of the subscribers in the exchanges involved make calls per month..." During the traffic study month, only 35% of the subscribers placed calls between Newberry and Trenton. Thus, the traffic study revealed that the number of two-way Trenton and Newberry calls did not meet even the preliminary showing of 50% for a sufficient degree of community of interest.

Moreover, Rule 25-4.060, Florida Administrative Code, provides that on "any given route between two exchanges...studies of one-way traffic originating in the smaller exchange may be used, in which case the community of interest qualification will require a calling rate three (3) or more M/M/M with at least fifty (50%) percent of the exchange subscribers making two (2) or more calls per month." Only 27% of the Trenton subscribers called Newberry two or more times per month, again falling significantly below the Rule's 50% minimum requirement. In addition, only 25% of the Newberry subscribers called Trenton two or more times per month. Even if the small pocket area of Newberry located in Gilchrist County is considered, only 54% of the subscribers in the pocket area called Trenton two or more times per month and only 18% of the Trenton customers called the Newberry pocket subscribers two or

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more times per month. Even if the Rule permitted the Commission to consider pocket areas which it does not, the minimum requirement for calls from Trenton to Newberry would not be met.

In addition, it should be noted that of the 728 subscribers in the small pocket area of the Newberry exchange, 252 of the subscribers made no calls to Trenton during the study month. Moreover, of the 8,559 calls made during the study month from the pocket area of Newberry to Trenton, 6,181 or 72% of the calls were made by only 13% of the Newberry pocket subscribers and a mere 4% of the Newberry subscribers made 63% of the calls to Trenton. Thus, the traffic study reveals that, in accord with the Rule, an insufficient degree of community of interest between the Newberry exchange and the Trenton exchange.

ATT-C'S POSITION: No.

STAFF'S POSITION: Determination of a sufficient community of interest is dependent upon discovery and evidence to be submitted during the hearing. Staff believes that if a sufficient community of interest is found to exist, that EAS or some other toll alternative plan should be implemented.

ISSUE 3: Should any proposed EAS plan or toll alternative plan serve only the Gilchrist County pockets of the involved exchanges, or the entire exchanges?

GILCHRIST'S POSITION: Gilchrist County takes no position on whether the EAS plan or toll alternative plan should involve the entire exchange or only the Gilchrist County pockets. It meets the need of Gilchrist County if only the Gilchrist County pockets are included.

ALLTEL'S POSITION: The entire exchanges.

SO. BELL'S POSITION: No. The EAS rules contemplate making determinations regarding community of interest and EAS on an exchange-by-exchange basis and not on a pocket area of an exchange basis. Southern Bell believes that the Commission should comply with its rules and make determinations of EAS on an exchange-by-exchange basis. The implementation of EAS on a pocket basis results in unnecessary expense due to the decrease of efficiencies normally provided for when an entire exchange is treated in the same manner.

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

STAFF'S POSITION: Any proposed EAS plan or toll alternative plan should serve the entire exchanges.

ISSUE 4: What EAS plan or toll alternative plan, if any, should be implemented on the Gilchrist County routes? Should the same plan be implemented in both directions; be optional or nonoptional; be one-way or two-way?

GILCHRIST'S POSITION: It is the position of Gilchrist County that EAS should extend county wide. An alternative is presented in response to Number 2 above. It is the County's position that the plans should be implemented in both directions which would be considered two-way and the County would be interested in hearing alternative proposals as to whether it should be optional or non-optional.

ALLTEL'S POSITION: No EAS plan or toll alternative plan should be implemented.

SO. BELL'S POSITION: The Commission determined that in Southern Bell's rate stabilization proceeding, Docket No. 880069-TL, that optional EAS was in the public interest on numerous Southern Bell routes including those routes in Gilchrist county. Southern Bell favors optional service arrangements such as EOEAS because they offer all customers greater choice in service selection depending on their particular calling patterns and amount of usage. EOEAS became available for Trenton and Newberry customers on June 20, 1990.

ATT-C'S POSITION: AT&T submits that no EAS plan or toll alternative plan should be implemented on the Gilchrist County routes.

STAFF'S POSITION: Determination of a specific EAS plan or toll alternative plan is dependent upon discovery and evidence to be submitted during the hearing.

ISSUE 5: What are the specific cost items that should be considered in determining the proper costs of the implementation of EAS? Should the plan the Commission implements permit full recovery of costs and lost revenues, including incremental costs?

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GILCHRIST'S POSITION: It is the position of Gilchrist County that the toll system in Alachua County in relationship to the 472 exchange be viewed. Residents of the county using the 472 (Newberry) exchange were recently given an option of selecting a plan. In the presentation of that plan, it appeared as though users of the 472 exchange were given access to over 80,000 customer lines at a monthly cost of approximately \$1.10. With that in mind, the County takes the position that the cost of an EAS plan should be absorbed by the telephone companies substantially with costs to the county users being no more than cost represented by the Newberry exchange which was approximately \$1.10 per customer line.

ALLTEL'S POSITION: Any plan should permit full recovery of costs and lost revenues and should include the cost to add equipment to provide EAS (incremental cost), lease expense or compensation expense paid to another company, system programming (and other "start up") costs, directory publishing expense, directory assistance expense, lost toll/access revenues.

SO. BELL'S POSITION: Rule 25-4.061, Florida Administrative Code, sets forth the requirements for the determination of costs. These costs include: (i) net increases in capital costs resulting from required additions to network capacity less reductions in required quantities of facilities and equipment utilized for toll services between exchanges (The added investment is required to be based upon additional switching and trunking needs necessary to accommodate the incremental usage at prescribed levels of service as may be determined from realistic estimates of call stimulation factors and holding time effects due to extended area service. Appropriate annual charges are required to be applied to the added investment to obtain the additional annual costs attributable to this source); (ii) increases and decreases in expenses and net effect on operating expenses; (iii) local revenue increases resulting from exchange regrouping; and (iv) the loss of toll revenue billed.

In accord with Rule 25-4.062(2), Florida Administrative Code, the plan the Commission implements should permit full recovery of costs of lost revenues. The Rule provides that new EAS will be priced using those rate increments designed to recover the added costs for each route and the total increment chargeable to subscribers to be the sum of increments of all new EAS routes established for that exchange. Southern Bell believes the



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Commission should adhere to its current EAS rules regarding full recovery of costs.

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

STAFF'S POSITION: The specific cost items to be considered, include, but are not limited to:

- (a) lost LEC MTS revenue
- (b) lost FX revenue
- (c) lost access charges (originating and/or terminating)
- (d) additional facilities costs (switching and trunking)
- (e) directory costs

Any costs savings, such as the following, should also be taken into account:

- (a) operator savings
- (b) toll billing savings
- (c) access charge savings (originating and/or terminating)

Full cost recovery, in accordance with Rule 25-4.062, F.A.C., should be permitted, unless a showing is made that full cost recovery would be unduly burdensome to the affected subscribers.

ISSUE 6: What are the appropriate rates and charges for the plan to be implemented on this route?

GILCHRIST'S POSITION: It is the position of Gilchrist County that the toll system in Alachua County in relationship to the 472 exchange be viewed. Residents of the county using the 472 (Newberry) exchange were recently given an option of selecting a plan. In the presentation of that plan, it appeared as though users of the 472 exchange were given access to over 80,000 customer lines at a monthly cost of approximately \$1.10. With that in mind, the County takes the position that the cost of an EAS plan should be absorbed by the telephone companies substantially with costs to the county users being no more than cost represented by the Newberry exchange which was approximately \$1.10 per customer line.

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ALLTEL'S POSITION: Since ALLTEL does not believe that any plan is appropriate in Gilchrist County, ALLTEL has not established any rates and charges for particular plans.

SO. BELL'S POSITION: The appropriate rates and charges for an EAS plan between Trenton and Newberry are set forth in Exhibit 6 of Sandy E. Sanders' testimony.

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

STAFF'S POSITION: Determination of the appropriate rates and charges for any EAS or toll alternative plan to be implemented in Gilchrist County is dependent upon discovery and evidence to be submitted during the hearing.

ISSUE 7: Should the customers be surveyed and if so, how should the survey be conducted? If surveyed customers fail to accept the plan presented to them, what alternative, if any, should be considered?

GILCHRIST'S POSITION: The customers to be surveyed should be only the residents of Gilchrist County with telephone service because each of the pocket exchanges within the County show a minority in relationship to the entire exchange, a survey of the entire exchange would not be representative of the position of Gilchrist County residents. As discussed above, if the surveyed customers fail to accept an EAS plan throughout the county, the alternative proposal of five (5) free calls per month with each additional call being twenty-five cents, should be considered.

ALLTEL'S POSITION: Customers should not be surveyed on any plan and no EAS alternative should be considered.

SO. BELL'S POSITION: Southern Bell concurs with Commission Rule 25-4.061, Florida Administrative Code, regarding the method of handling customer polls. Specifically, Southern Bell concurs with the portion of the rule that requires 51% of all voting subscribers to vote favorably in order to implement non-optional EAS. All customers who would receive an increase in their monthly rate for local service should be included in the poll. If the poll involves countywide EAS, the results of the ballot should reflect those voting favorably in the aggregate, not on a route-by-route basis. If the poll is conducted on a route-by-route basis, the EAS additives should be cost compensatory for each specific route.

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

STAFF'S POSITION: If traditional flat rate EAS is recommended, then customers should be surveyed according to Rule 25-4.063, F.A.C. If surveyed customers fail to accept the plan presented to them, they should be offered an alternative which is dependent upon discovery and evidence to be submitted during the hearing.

ISSUE 8: If the Commission orders EAS or a toll alternative whereby ALLTEL and Southern Bell do not equally recover costs and lost revenues, should some form of compensation agreement be established between the two companies?

GILCHRIST'S POSITION: Gilchrist County takes no position on this issue.

ALLTEL'S POSITION: Yes.

SO. BELL'S POSITION: No. There should be no revenue sharing between local exchange carriers for EAS or toll alternatives. Southern Bell believes that the users of a particular service, i.e., the cost causer, should pay for the cost incurred. Any sharing of cost by either Southern Bell or ALLTEL would conflict with this policy.

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

STAFF'S POSITION: No. Compensation agreements are not appropriate in the context of EAS.

ISSUE 9: Can the Commission legally waive its own rules pertaining to EAS? (LEGAL ISSUE)

GILCHRIST'S POSITION: Yes.

ALLTEL'S POSITION: No.

SO. BELL'S POSITION: While the Commission may waive its procedural rules (See, United Telephone Company v. Mayo, 345 So.2d 648, 653 (Fla. 1977)), substantive rules may not be waived unless waiver is provided for within the rules themselves. Therefore, in order to determine if a particular EAS rule may be waived, the Commission should consider whether or not the rule is procedural or substantive in nature. If the rule is determined to be procedural

and the ends of justice require waiver, the Commission, at its discretion, may waive the rule.

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

STAFF'S POSITION: Staff's preliminary position is that these rules can be waived. Staff's final position, however, is dependent upon submission and analysis of the parties' post-hearing briefs.

ISSUE 10: If the answer to Issue 9 is "yes," then which rules, if any, should be waived and in what manner and to what extent?

GILCHRIST'S POSITION: The rule relating to determination of a "Sufficient degree of community of interest between exchanges" should be waived in its entirety.

ALLTEL'S POSITION: Not applicable.

SO. BELL'S POSITION: See Issue 9.

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

STAFF'S POSITION: The specific rules to be waived, and the manner and extent to which they should be waived, are dependent upon discovery and evidence to be submitted during the hearing.

VI. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFERRING PARTY</u>	<u>EXH. NO.</u>	<u>TITLE</u>
Jim Surrency	Gilchrist	GC-1	Maps
Jackie R. Barron	Gilchrist	GC-1	Maps
	Gilchrist	GC-2	Minutes
	Staff	STF-1	Gilchrist County interrogatory responses 1-4
Harriet Eudy	ALLTEL	HE-1	Percent of Access Lines in County

<u>WITNESS</u>	<u>PROFERRING PARTY</u>	<u>EXH. NO.</u>	<u>TITLE</u>
Harriet Eudy	ALLTEL	HE-2	County-wide and County Seat Calling
		HE-3	PSC Decisions Relating to ALLTEL EAS Proceedings
		HE-4	Community of Interest Studies
		HE-5	Updated Traffic Studies
		HE-6	Response to Staff's First Set of Interrog.
		Staff	STF-5
STF-6	ALLTEL interrogatory responses 1-18 and 20		
Sandra M. Fox	So. Bell	SMF-1	Economic Study
	Staff	STF-4	Southern Bell interrogatory responses 6-8 and 14-15
Sandy E. Sanders	So. Bell	SES-1	Map of Gilchrist County
		SES-2	Long Distance Toll Information
		SES-3	Monthly Messages and Calling Rate Per Access Line

<u>WITNESS</u>	<u>PROFERRING PARTY</u>	<u>EXH. NO.</u>	<u>TITLE</u>
Sandy E. Sanders	So. Bell	SES-4	Long Distance Calling Newberry to Trenton
		SES-5	Enhanced Optional EAS
		STF-2	Southern Bell traffic studies - document nos. 3883-91, 3884- 91, 5531-91*
		STF-3	Southern Bell interrogatory responses 1-5, 9-13, and 16-20

\*Please note that the traffic studies contain some information which has been ruled to be confidential.

VII. STIPULATIONS

No issues have been stipulated at this time.

VIII. PENDING MOTIONS

No motions were pending at the time of the Prehearing Conference.

IX. RULINGS

There were no pending motions which required rulings at the Prehearing Conference.

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.

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 364.183, 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 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, the Commission staff and the Commissioners shall receive a copy of the sealed transcript.

(AFTER THE ROOM HAS BEEN CLOSED)

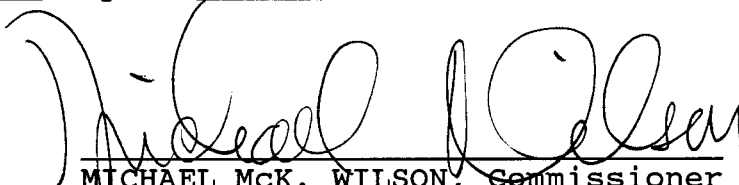
Everyone remaining in this room is instructed that the testimony and evidence that is about to be received is proprietary confidential business information, which shall be kept confidential. No one is to reveal the contents or substance of this testimony or evidence to anyone not present in this room 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 Michael McK. Wilson, 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 Michael McK. Wilson, as Prehearing Officer, this 3rd day of July, 1991.

  
MICHAEL MCK. WILSON, Commissioner  
and Prehearing Officer

( S E A L )

ABG

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial

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review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

M E M O R A N D U M

July 3, 1991

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (GREEN) *CS*

RE: DOCKET NO. 870790-TL *870790*

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Attached is the PREHEARING ORDER in the above-referenced docket, which is ready to be issued.

ABG/mgf  
Attachment  
cc: Division of Communications

870790g.mgf

DOCUMENT NUMBER-DATE

06699 JUL -3 1991

SPCC-RECORDS/REPORTING