

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff filing to introduce) DOCKET NO. 910179-TL
 Extended Calling Service (ECS) plan which)
 allows the conversion of intraLATA toll) ORDER NO. 25006
 routes between exchanges of Tampa, Clear-)
 water, Tarpon Springs and St. Petersburg) ISSUED: 9-4-91
 to 7-digit local measured service, by GTE)
 FLORIDA, INC. (T-91-037 filed 1/29/91))
)

Pursuant to Notice, a Prehearing Conference was held on August 19, 1991, in Tallahassee, Florida, before Commissioner Betty Easley, as Prehearing Officer.

APPEARANCES:

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

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

CHARLES J. BECK, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on behalf of the Citizens of the State of Florida.

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

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

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

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

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FPSC-RECORDS/REPORTING

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PREHEARING ORDER

I. BACKGROUND

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

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

Upon consideration of the matters set forth in FIXCA's Petition, we found it appropriate to set the matter for hearing and to take no further action on the tariff, pending the outcome of the hearing, noting that GTEFL had waived the sixty-day statutory

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tariff suspension deadline. These decisions are reflected in Order No. 24488, issued May 7, 1991.

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

Customer service hearings have been held in this matter at the following times and places: (1) August 15, 1991, 10:00 a.m., New County Courthouse, Clearwater, FL; (2) August 15, 1991, 4:00 p.m., Ramada Resort and Conference Center, Tampa, FL; and (3) August 16, 1991, 10:00 a.m., University of South Florida - St. Petersburg Campus, St. Petersburg, FL. The evidentiary hearing is scheduled for September 11 and 12, 1991, at our headquarters in Tallahassee, FL.

At the Prehearing Conference on August 19, 1991, the procedures to govern the hearing were established.

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 the 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.

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III. ORDER OF WITNESSES

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES</u>
Beverly Y. Menard Direct	GTEFL		3 and 4
Jeffrey C. Kissell Direct & Rebuttal	GTEFL		1, 2, 5, 6, 7, 8 and 9
Richard J. McHugh Direct	GTEFL		2
Joseph Gillan Direct & Rebuttal	FIXCA		1-10
Julia Russo Direct	Staff		3 and 4

IV. BASIC POSITIONS

GTEFL'S BASIC POSITION: GTEFL has received a substantial number of community and governmental demands for a local calling plan to accommodate Hillsborough County to Pinellas County traffic over the past several years. ECS had its beginnings in 1989 as the Company's preferred solution to satisfying community demand for relief from toll rates. ECS will convert all current 1+ dialed toll calls between the affected exchanges to seven-digit dialing with a reduction in the per-minute-of-use charge from approximately 18 cents to 5 cents.

In GTEFL's opinion, the fundamental issue for the Commission to decide in this case is whether the existing and near-term projected community of interest is sufficient to justify the Company's proposed solution to satisfying customer demand. GTEFL believes that the Tampa/St. Petersburg/Clearwater area has evolved into an integrated metropolitan area with calling characteristics generally associated with a local calling area. Introducing a local calling plan of the type proposed by GTEFL is the most logical choice to reflect this new demographic reality and will also help to stimulate further economic growth in the future. In proposing its ECS plan, GTEFL is responding to the express needs of its customers for expanded local calling in the Tampa/St. Petersburg/Clearwater area.

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FICXA'S BASIC POSITION: GTE's proposed extended calling service plan ("ECS") would replace toll service, now provided by various competitive carriers at rates which contribute to local service, with a measured local service plan provided only by GTE at rates which are far below the access charges which GTE requires FIXCA members to pay to GTE. This plan should not be approved because the proposed offering does not meet the definition of local service and fails to meet the criteria applicable to toll products. GTE has not demonstrated that there is a sufficient community of interest on these routes to justify the highly preferential pricing treatment afforded to "local service." The ECS rate would have the effect of shifting the contribution burden presently borne by these toll routes to other customers with a concomitant increase in their rates. Further, it is possible to provide lower rates and a competitive environment for the subject routes through an alternative toll product in which IXCs as well as GTE may participate. To approve ECS on the basis of the evidence provided by GTE would open the door to a flood of similar proposals that would effectively turn the distinction between toll service and local service into a distinction between the LEC and its competitors.

OPC'S BASIC POSITION: IntraLATA toll charges between Tampa, St. Petersburg, and Tarpon Springs place an economic and social burden on the relationship of these communities, as they do on the relationship of other communities served by GTEFL.

The Citizens will take no specific position on the ECS filing by GTEFL in this case. However, the Commission should consider the significant possibility that GTE Florida, Inc., will file a rate proceeding in 1992. In such a proceeding GTEFL would likely seek higher local rates from the general body of ratepayers to recover the revenue requirement created by this filing.

SO. BELL'S BASIC POSITION: Southern Bell believes that the Extended Calling Service ("ECS") Plan proposed by GTE Florida, Inc. ("GTE") should be approved by the Commission if determined to be in the public interest.

FPTA'S BASIC POSITION: FPTA's interest in the proceeding is to ensure that any implementation of ECS be fair and be within the technical ability of nonLEC payphone providers to implement.

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STAFF'S BASIC POSITION: It is the staff's position that the ECS plan should be considered local service. Since we believe that the ECS plan is local service, community of interest factors should be considered. The community of interest factors should include, but not be limited to, traffic data and dependency upon the expanded area for some of its educational, health, economic, emergency (911), or government services. In addition, GTEFL's tariff proposal should be modified to include various requirements. The first requirement is that the company should account for the revenues as local revenue, and expenses and investments should be treated accordingly. Second, the dialing pattern should be seven digits and customers should receive notification that a charge applies on each call. Third, the end user rate should remain capped at \$.25 for NPATS, remain at the \$.25 for LPATS, and the interconnection rates remain as determined in docket No. 860723-TP. Fourth, resale should only be permitted for those services which the Commission has previously authorized for resale. Finally, directories should be made available upon request with no additional charge and directory assistance calls should be considered local.

V. ISSUES AND POSITIONS:

ISSUE 1: What factors determine if GTE's Extended Calling Service (ECS) Plan should be evaluated as a local or toll plan?

GTEFL'S POSITION: What constitutes local service is a fluid determination based upon: 1) communities of interest between exchanges; 2) historical determinations; 3) distances; 4) demographics; 5) earnings; 6) growth; and 7) customer demand. Of the foregoing, while all must be considered, GTEFL feels that the community of interest between the exchanges is the most important factor. The remaining factors are indicators which guide the Commission in determining whether a plan is an appropriate method to respond to a community of interest situation.

By way of summary, GTEFL's testimony demonstrates a strong community of interest which is present on short mileage routes within an integrated metropolitan area as indicated by high calling volumes between exchanges. ECS is a plan which satisfies calling characteristics generally associated with a local calling area by

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placing usage rates associated with the plan only on those who make ECS calls.

GTEFL believes its ECS plan, by definition, must be considered as a local service. This Commission has established pricing floors for toll services based upon access charge imputation principles. GTEFL's ECS plan will not satisfy these imputation tests.

GTEFL does not believe it is possible to meet the needs of its customers in the ECS exchanges if it is required to charge rates high enough to cover access charges.

FIXCA'S POSITION: The evaluation of toll service and local service parallels the evaluation made between contribution and perceived service needs. Local route pricing is generally exempt from contribution because local calling is perceived as intrinsic to basic communication needs. Toll route pricing provides contribution because these calls are perceived as discretionary. In making the local/toll decision, the Commission is deciding on the social worth of the call being made. The ECS proposal is a "local plan" only if a sufficient community of interest exists. GTE has failed to show such a community of interest; in fact, the available information affirmatively disproves it. Because GTE has not proven that the calls are "local" in nature, the ECS is of necessity a proposed toll plan that must meet the Commission's toll cost recovery criteria before it can be approved.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell believes that factors such as seven digit dialing should be used to determine that GTE's ECS Plan is a local plan.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: The factors that should be considered are the community of interest factors, as listed in Issue 2. If community of interest factors are shown to be sufficient to merit some form of nonoptional EAS, the plan should be considered local.

ISSUE 2A: What community of interest factors should be considered and how should they be evaluated in the determination

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of whether the ECS plan or some other plan is appropriate?

GTEFL'S POSITION: GTEFL believes that local calling areas must be defined based upon the communities of interest between and among telephone exchanges. GTEFL's ECS plan was designed to respond to the expanded community of interest among the specified exchanges. GTEFL has received a number of requests from customers to expand the local calling area in Tampa Bay exchanges. The reason GTEFL receives these requests is that the Tampa Bay Area has evolved into an integrated metropolitan area with the calling characteristics generally associated with a local calling area. Basically, this filing reflects the same types of considerations that were used in many of the OEAS requests that have been approved by this Commission.

Community of interest factors to consider include a) access to emergency services; b) access to public schools and other educational facilities; c) access to medical services, doctors and hospitals; d) access to shopping facilities; e) access to county government; f) access to state government offices; g) access to principal employers; h) employment; and i) recreational access. While GTEFL believes all of the above mentioned factors are considerations, the particular communities of interest between individual telephone users may vary dramatically. For example, for young adults, access to educational facilities and principal employers may be the most significant factors. For retired people, access to medical services and government offices may be more important. It must also be understood that among each of the groups mentioned, there can be significant degrees of difference on each of the above factors. Therefore, GTEFL proposed ECS to meet the widely-varied needs of its customers within the proposed ECS areas.

FIXCA'S POSITION: A "community of interest" involves an actual and ongoing social and economic linkage between two areas in which the elementary activities of daily life are so intertwined and interdependent as to make geographical and political boundaries irrelevant. Such factors include, calling volume, and the extent to which there is a common dependence upon emergency services, public schools and other educational facilities, basic entertainment facilities, medical services, doctors, hospitals, shopping facilities, county government, and state government. As the proponent of the ECS proposal, GTE has the burden of

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demonstrating that a community of interest exists on the subject routes that is sufficiently high to warrant preferential pricing, removal of contribution, and exclusion of competition.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: The community of interest factors should include, but not be limited to, traffic data and dependency upon the expanded area for some of its educational, health, economic, emergency (911) or government services.

ISSUE 2B: Has GTE demonstrated that the community of interest factors identified in Issue 2A justify implementation of ECS?

GTEFL'S POSITION: Yes. GTEFL has submitted both quantitative and qualitative evidence demonstrating that there is a need for toll relief across Tampa Bay and that ECS is the appropriate solution to satisfy that community of interest. In addition, the public testimony taken in this proceeding presents compelling and competent evidence of the need for an ECS-type plan.

FIXCA'S POSITION: No. GTE has not met its burden of showing that the community of interest factors listed in FIXCA's position on Issue 2a are present in regard to the proposed ECS plan. Available information demonstrates that 5% of the customers on the ECS routes make 50% of all the calls between the exchanges; 50% make none. The skewed profile are inconsistent with the nature of local service. In addition, GTE has failed to show the social/economic interdependence that defines a single "community."

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time.

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STAFF'S POSITION: Yes.

ISSUE 3: If GTE's ECS plan is considered toll service what requirements apply in the following areas: a) accounting, b) dialing patterns, c) payphones, d) cost recovery, e) resale, and f) distribution of directories?

GTEFL'S POSITION:

- a) GTEFL would book the revenues to FCC Account 5100. The Company would establish a specific subaccount in this revenue account to track the revenues.
- b) Initially, the dialing pattern would be 1+ seven digits (telephone number). However, with the planned statewide conversion in October 1992, the dialing would need to be modified to 1+ 813 + seven digits (telephone number).
- c) None.
- d) All new services must address cost recovery and GTEFL designed its tariff to recover all of the costs of ECS calling from its usage sensitive rates. These rates do not (and GTEFL believes should not) provide the same high level of contribution GTEFL currently receives from its existing "toll" rates for these calls. This contribution has historically been used to reduce the local service rates for all of GTEFL's ratepayers. It may be necessary to recoup this contribution from other sources.
- e) If ECS were to be considered toll service, it would normally be considered available for resale.
- f) GTEFL customers will still receive their existing directories free of charge and customers will be able to purchase any directories they desire in accordance with the rates contained in GTEFL's General Services Tariff, Section A6.8.

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FIXCA'S POSITION: If the ECS plan is considered a toll service, the following requirements should apply:

- a) accounting - no position;
- b) dialing patterns - Generally, toll calls should be initiated with 1+;
- c) payphones - no position;
- d) cost recovery - The ECS plan, like any toll product, must cover access costs in the aggregate before it can be approved, as well as cover all non-access related functions such as marketing, billing, inter-tandem transport, and any other costs assigned to the toll category. If the Commission believes rates on the subject routes should be lowered, it should direct GTE to lower access charges on the routes, thereby making possible a discount toll plan in a competitive environment;
- e) resale - The Commission should continue its policy of permitting resale of toll products because the policy combats discrimination;
- f) distribution of directories - Free directories are an incident of the essential needs which are part of the definition of local service. FIXCA does not believe distribution of directories to toll customers should be mandatory.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time on (a), (b), (d) or (f). For (c), if ECS is considered toll service, then effective toll policies and practices (including dialing) should govern at nonLEC pay telephones. For (e), ECS should be made available to pay telephones for resale at the payphone provider's option.

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STAFF'S POSITION: If GTEFL's ECS plan is considered toll service the following requirements should apply:

- a) the Company should account for the revenue as toll revenue and expenses and investment should be treated accordingly;
- b) dialing patterns should remain at 1+;
- c) payphone rates to end users should remain as determined in the PATS docket (Docket No. 860723-TP) for toll calls;
- d) rates should cover access charges in the aggregate for all routes which are included in the ECS plan;
- e) resale of ECS should be permitted; and
- f) free distribution of directories should not be required.

ISSUE 4: If GTE's ECS plan is considered local service what requirements apply in the following areas: a) accounting, b) dialing patterns, including notification to customers that a charge applies, c) payphones, d) cost recovery, e) resale, and f) distribution of directories?

GTEFL'S POSITION:

- a) GTEFL would book the revenues to FCC Account 5001. GTEFL would establish a specific subaccount in this revenue account to track the revenues.
- b) GTEFL has proposed to implement seven digit dialing upon approval of the plan. The Company plans to furnish a recording if the customer dials an ECS call on a 1+ seven digit basis. This recording would notify the customer that they should redial the call on a seven digit basis and that ECS rates are applicable for the call. With offering ECS on a seven digit basis, GTEFL recognizes that a customer education process is necessary, but does not believe that this issue

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outweighs the benefits customers will receive from 7 digit dialing. Indeed, actual experience with similar plans indicates no substantial level of customer confusion. Based on this fact, GTEFL sees no reason to implement an intercept notice which will irritate the majority of customers while increasing network costs and congestion.

Although GTEFL believes the vast majority of its customers will be adequately informed about ECS, GTEFL also recognizes that not all customers will completely understand ECS immediately. For this reason, it is GTEFL's intent to develop a liberal payment policy for customers on their first month's bill with ECS usage. Basically, GTEFL's billing representatives will explain to customers questioning the ECS charges on their bills how the ECS plan works. If the customer was not aware that he would be billed, the billing representative can credit a portion of the ECS charges.

- c) GTEFL will charge NPATS the same usage rates charged for any other local call. From a GTEFL payphone, a customer will be able to pay \$.25, dial seven digits, and complete a local call (without the fifteen minute time limit) for any ECS exchanges. The NPATS providers will be required to reprogram their payphones to recognize the NXX's (first three digits of a telephone number) to recognize the ECS exchanges as local calls which cannot be charged more than \$.25 for sent paid calls.
- d) See response to 3 d).
- e) If ECS is considered local service, resale prohibitions in the General Services Tariff and Chapter 364 would apply. Only the exceptions stated in Chapter 364 would allow resale of local.
- f) All customers are able to purchase any directories they desire using the rates in Section A6.8 of the General Services Tariff. The Company has explored the estimated costs for furnishing each customer with the white page listings for the ECS exchanges and such provisioning would exceed \$7,000,000 annually. The

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costs for these directories have not been built into GTE Florida's price for ECS. GTEFL believes the usage rates should not be increased to pay for directories that many customers do not want. Based on the point-to-point call distributions for the ECS exchanges, GTEFL does not believe that most customers would want the ECS directories. However, if it is determined that directories must be furnished to all customers, GTEFL would propose that a monthly flat rate charge be applied to all customers in the ECS exchanges.

FIXCA'S POSITION: If the ECS plan is considered local service, the following requirements should apply in the following areas:

- a) accounting - no position;
- b) dialing patterns, including notification that a charge applies - Generally, local calls should be initiated with 7-digit dialing. If service is measured, the customer should be able to easily determine that a charge applies.
- c) payphones - no position;
- d) cost recovery - GTE has not provided a complete picture of its proposal. The "local ECS" proposal involves a shifting of revenue responsibility that GTE has not yet addressed. The ECS proposal should not be approved before the implications for the costs of other services - whether they would be raised or whether they would forego potential decreases - are known and understood.
- e) resale - FIXCA favors the elimination of resale restrictions on local service, but recognizes that the Commission relies on some resale restrictions to maintain price differentials. FIXCA is not advocating a change in the Commission's policy in this docket.
- f) distribution of directories - In order to establish the proposed ECS offering as a local service, the Commission must determine that the routes comprise part of the defined "essential service" that is characterized, among other things, by a need for free directories.

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OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time on (a), (b), (d), (e) or (f). For (c), if ECS is considered local service, then such calls should be treated as local calls for all purposes, and all effective local policies and practices should govern at nonLEC pay telephones.

STAFF'S POSITION: If GTEFL's ECS plan is considered local, the following requirements should apply:

- a) the company should account for the revenues as local revenue and expenses and investments should be treated accordingly;
- b) the dialing pattern should be seven digits; customers should receive notification that a charge applies on each call;
- c) the end user rate should remain capped at \$.25 for NPATS, remain at \$.25 for LPATS, and the interconnection rate for NPATS should remain at the level of the interconnection rates determined in Docket No. 860723-TP;
- d) the Commission does not have to concern itself with cost recovery since this is local traffic;
- e) resale should only be permitted for those services which the Commission has previously authorized for resale; and
- f) directories should be made available upon request with no additional charge. Directory Assistance calls should be considered local.

ISSUE 5: What is the revenue impact of the ECS plan and should stimulation be included?

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GTEFL'S POSITION: As submitted in its initial tariff filing, GTEFL estimates the first year revenue impact of ECS to be (\$28,483,904). This figure does not include any stimulation in usage due to the decrease in rates for calls between the ECS exchanges.

TriWidesm Service, a service similar to ECS, was introduced by GTE South in Durham, North Carolina. Calls from GTE's customers in Durham to Raleigh, Chapel Hill, Cary and Hillsborough had been 1+ intraLATA toll calls. With the introduction of GTE South's TriWidesm Service in April of 1989, Durham customers' calls to these exchanges were dialed on a 7-digit basis at rates approximately 65% less than the toll rates. GTE South has seen significant stimulation in both messages and minutes as a result of TriWidesm service and GTEFL anticipates similar stimulation in calling if ECS is approved.

GTEFL believes that the issue of stimulation should be considered in the evaluation of the revenue impact of ECS. GTEFL believes the net revenue impact of ECS during the first year will be approximately (\$16,716,433) with stimulation, second year (\$11,356,243) with stimulation and third year with stimulation (\$4,656,006). The net revenue impact of ECS is anticipated to be positive in all future years. GTEFL notes that all numbers are not known and measurable.

FIXCA'S POSITION: The ECS plan will decrease GTE's revenues by approximately \$20 million per year. FIXCA cannot take a position on the stimulation until it reviews GTE's data on this question.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: The revenue impact is unknown pending discovery. Stimulation need not be considered except where the effect of putting in a plan has a negative impact on the Company's earnings. If the plan has a negative impact on earnings and a possible rate case is to be filed, then stimulation should be considered as a mitigating factor.

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ISSUE 6: What effect will the ECS filing have on GTEFL's general body of ratepayers if approved?

GTEFL'S POSITION: All new services must address cost recovery and GTEFL designed its tariff to recover all of the costs of ECS calling from its usage sensitive rates. These rates do not (and GTEFL believes should not) provide the same high level of contribution GTEFL currently receives from its existing "toll" rates for these calls. This contribution has historically been used to reduce the local service rates for all of GTEFL's ratepayers. It may be necessary to recoup this contribution from other sources.

At this time, GTEFL has not made a decision regarding filing a rate case. However, if earnings do not improve and further efficiencies cannot be exploited, the Company will be required to seek rate relief.

FIXCA'S POSITION: Because the ECS plan will cause a significant decline in GTE revenues, the local rates of GTE customers will increase or appropriate rate reductions will not be made.

OPC'S POSITION: At various times in the last year GTEFL had plans to file a rate proceeding that would recover the revenue shortfall created by this case. While GTEFL states that its present plans are uncertain, there is a significant possibility of such a rate case proceeding in 1992. In such a proceeding GTEFL would likely seek higher local rates from the general body of ratepayers on account of this filing.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: Staff believes that the implementation of the ECS plan will have a negative impact on the Company's revenues for the first few years. If the Company files a rate case proceedings at a later date, any future revenue impacts from the ECS plan along with any others will be considered in the calculation of the revenue requirements by the staff at that time.

ISSUE 7: Should GTE's ECS plan be approved?

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GTEFL'S POSITION: Yes. The Company believes that the existing toll rates and dialing patterns for calling between the ECS exchanges is not consistent with the growing community of interest among these exchanges. After reviewing the various options available to address this need, GTEFL believes ECS is the best and most proven alternative and will result in the most positive customer response.

FIXCA'S POSITION: No. Only 5% of the customers on the ECS routes make 50% of all the calls. 50% of the subject customers make no calls. Further, GTE has shown no interdependence on educational or medical facilities or the type of social/economic interaction that defines a community that justifies privileged pricing. Therefore, ECS cannot be approved as local service.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell believes that GTE's ECS Plan should be approved if it is determined by the Commission to be in the public interest.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: Yes. However, the plan should be considered local and the requirements stated in staff's position for Issue 4 should apply.

ISSUE 8: Is some alternative toll plan appropriate? If so, what plan, what is the revenue impact of such plan, and should stimulation be included?

GTEFL'S POSITION: No. A flat rate EAS option was analyzed even though GTEFL generally does not agree with this type of plan. GTEFL believes flat rate plans are unfair in that customers who do not use the service must pay for it. Additionally, the costs associated with EAS vary in direct proportion to usage volumes. Historically, the price increases customers pay for flat rate EAS have not always covered the additional costs of EAS, nor have they recovered the lost toll revenues associated with EAS calling. The problem is exacerbated as call volumes between the EAS exchanges increase at a rate higher than access line growth; the costs of EAS may no longer be fully recovered. For these reasons, GTEFL chose not to pursue the flat rate EAS option.

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Second, a 1+ toll discount plan, similar to the recently introduced Suncoast Preferred plan, was considered. GTEFL introduced its Suncoast Preferred Service discount calling plan in all of its exchanges in December 1990. However, as the media articles have indicated, the public did not believe Suncoast Preferred offered a low enough rate for calls across the Bay. With the current PSC toll pricing requirements, GTEFL is currently unable to offer a toll discount plan for calls across the Bay at rates less than those already offered with its Suncoast Preferred Service.

FIXCA'S POSITION: The Commission can appropriately consider lowering rates on these routes by means of a route-specific reduction in access costs in conjunction with a blanket authorization allowing interexchange carriers to implement route-specific pricing.

If it decides to do so, the Commission should establish a separate Tampa-St. Petersburg dialing pattern, which would be offered as an access service (for example, 2+). Presubscription for 2+ should be required. The revenue impact of this plan has not been estimated.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: If community of interest factors are sufficient to warrant implementation of the ECS plan, but the Commission decides not to implement it, then the Commission should implement the \$.25 plan. If community of interest factors are not sufficient for traditional EAS or for the ECS plan, then some alternative toll plan may be appropriate. The specific plan, revenue impact and stimulation are dependent on the community of interest factors and traffic patterns which are found to exist.

ISSUE 9: What action should be taken on the tariff, what should be the effective date, and what notification should apply?

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GTEFL'S POSITION: The Company believes ECS addresses the needs of GTEFL's customers, is appropriate to address the need for expanded local calling and should be approved as filed.

In its initial tariff filing, GTEFL proposed an effective date of January 5, 1992 to allow proper testing of the additional facilities needed to provide the service. It is GTEFL's intent to have the facilities ready to meet a date of January 5, 1992, however with the current Case Assignment and Scheduling Record (CASR) listing a date of January 6, 1992 for issuance of the order, GTEFL would request an effective date 30 days after the date of the order.

It is GTEFL's intent to notify its customers of ECS via media releases as well as direct information mailed to the customers. The Company will also utilize its customer contact employees to inform customers of ECS service.

It is GTEFL's intent to notify all its customers of the new service via bill inserts in the customers' bill during the month prior to the effective date.

FIXCA'S POSITION: The tariff should not be approved.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time. Assuming the Commission finds GTE's Plan to be in the public interest, it should approve its tariff immediately.

FPTA'S POSITION: GTEFL should be required to provide complete instructions to each non-LEC pay telephone provider regarding the implementation of any local or toll plan so the pay telephones can be reprogrammed (e.g., affected NXX codes, end user dialing requirements, and end user rates). For already deployed equipment, non-LEC pay telephone providers should be permitted to implement any Commission-approved local or toll plan within 60 days of the effective date of any tariffs since each affected phone will require reprogramming.

STAFF'S POSITION: The tariff should be denied. The Company may refile the tariff to include the requirements stated in staff's position for Issue 4. The refiled tariff should become effective ten (10) days past the date of the reconsideration vote.

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ISSUE 10: Does Section 364.335, Florida Statutes, preclude interexchange carriers from providing service over their own facilities on routes which are determined to be local? (LEGAL ISSUE)

GTEFL'S POSITION: Yes.

FIXCA'S POSITION: No. The statute limits competition for local exchange service. FIXCA defines local exchange service as the basic switched product that provides ubiquitous connection within a defined geographic exchange area described in exchange company tariffs, where usage is priced at rates containing little, or in the case of flat-rate service no, contribution to the common costs of the local exchange carrier, and where connections can be established with simple dialing and signalling activity between the subscriber's instrument and the local exchange carrier's network.

After January 1, 1992, IXCs are permitted to carry traffic on any route; they are, however, prohibited from providing local exchange service. Prior to removal of TMA's IXCs are not authorized to use their own transmission facilities to complete calls within EAEAs.

OPC'S POSITION: No position at this time.

SO. BELL'S POSITION: Southern Bell has no position on this issue at this time.

FPTA'S POSITION: FPTA has no position on this issue at this time.

STAFF'S POSITION: Staff takes no position at this time, pending submission and analysis of the parties' post-hearing briefs.

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VI. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFFERING PARTY</u>	<u>EXH. NO.</u>	<u>TITLE</u>
Jeffrey C. Kissell	GTEFL	JCK-1	Media articles pertaining to the community of interest supporting the elimination of toll calls across the bay
		JCK-2	Media articles reflecting positive community and governmental response to ECS
		JCK-3	Media articles regarding community dissatisfaction with toll discount products
		JCK-4	Average number of calls from each ECS exchange to other ECS exchanges per access line
		JCK-5	Stimulation in messages and minutes due to the implementation of TriWide SM Service in North Carolina
Richard J. McHugh	GTEFL	RJM-1	Monthly employment level data for Hillsborough and Pinellas Counties

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<u>WITNESS</u>	<u>PROFFERING PARTY</u>	<u>EXH. NO.</u>	<u>TITLE</u>
Richard J. McHugh	GTEFL	RJM-2	Coefficients of correlation depicting movement of employment in the affected areas
		RJM-3	Population in Pinellas County planning districts bordering Hillsborough County, average daily bay bridge traffic, and population of Hillsborough County census tracts bordering Pinellas County
		RJM-4	Criteria for inclusion of county into an MSA commuting pattern
		RJM-5	Enplanements by airport
		Joseph Gillan	FIXCA
		JPG-2	Excerpts from GTE Strategic Plan
		JPG-3	Spreadsheets underlying GTE Strategic Plan
		JPG-4	Additional Tampa LATA routes

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VII. STIPULATIONS:

The parties have agreed to stipulate the deposition of Norman L. Farmer into the record without the necessity of calling Mr. Farmer as a witness.

VIII. PENDING MOTIONS:

- 1) GTEFL's Request for Confidential Classification and Motion for Permanent Protective Order filed July 22, 1991, was pending as of the date of the Prehearing Conference.
- 2) GTEFL's Request for Confidential Classification and Motion for Permanent Protective Order filed August 5, 1991, was pending as of the date of the Prehearing Conference.

IX. RULINGS:

There have been no rulings at this time.

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.

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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

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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.

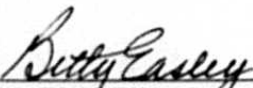
(AFTER THE ROOM HAS BEEN CLOSED)

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 Betty Easley, 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 Betty Easley, as Prehearing Officer, this 4th day of SEPTEMBER, 1991.



BETTY EASLEY, Commissioner
and Prehearing Officer

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by 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 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.