

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by LIBERTY COUNTY BOARD) DOCKET NO. 910510-TL
 OF COUNTY COMMISSIONERS for extended) ORDER NO. 25364
 area service to the Tallahassee exchange) ISSUED: 11/20/91
)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER REQUIRING SURVEY FOR IMPLEMENTATION OF EAS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

This docket was initiated pursuant to a resolution submitted by the Board of County Commissioners of Liberty County, Florida. The resolution requested implementation of extended area service (EAS) between Liberty County and Tallahassee. Liberty County contains part or all of the Bristol, Carrabelle, Eastpoint, and Hosford exchanges. The Liberty County exchanges are served by St. Joseph Telephone and Telegraph Company (St. Joseph Telephone) and the Tallahassee exchange is served by Central Telephone of Florida (Centel). The Liberty County exchanges are located in the Panama City LATA and the Tallahassee exchange is located in the Tallahassee market area (LATA). Order No. 24669, issued June 17, 1991, required the companies to conduct traffic studies on these routes.

Each of the involved exchanges currently has EAS as follows:

<u>EXCHANGE</u>	<u>ACCESS LINES</u>	<u>EAS CALLING SCOPE</u>
Bristol	1,415	Blountstown, Hosford
Carrabelle	1,560	\$.25 to Alligator Point, Apalachicola, and Eastpoint

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<u>EXCHANGE</u>	<u>ACCESS LINES</u>	<u>EAS CALLING SCOPE</u>
Eastpoint	1,663	Panacea, St. Marks, Sopchoppy, Tallahassee
Hosford	554	Blountstown, Bristol
Sopchoppy	810	Crawfordville, Panacea, St. Marks, Tallahassee
Tallahassee	139,375	Crawfordville, Havana, Monticello, Panacea, St. Marks, Sopchoppy, \$.25 to C h a t t a h o o c h e e , Greensboro, Gretna, and Quincy

Current basic local rates for the exchanges involved in this EAS request are shown below:

Bristol, Carrabelle, Eastpoint, and Hosford

R-1	\$ 6.30
B-1	17.25
PBX	33.15

Crawfordville, Sopchoppy, and Tallahassee

R-1	\$ 9.00
B-1	20.25
PBX	40.50

The one-way calling volumes on the Bristol to Tallahassee, Carrabelle to Tallahassee, and Hosford to Tallahassee routes, as determined by the traffic studies, are sufficient to qualify for implementation of a non-optional plan under Florida Public Service Commission rules. Rule 25-4.060(2)(a), Florida Administrative Code, requires a calling volume of at least three messages per main station in cases where the petitioning exchange contains less than half the number of access lines as the exchange to which EAS is desired. The Rule further requires that at least 50% of subscribers in the petitioning exchange make two or more calls per month to the larger exchange to qualify for traditional EAS. Both of these requirements are met on the Bristol to Tallahassee,

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Carrabelle to Tallahassee, and Hosford to Tallahassee routes. Therefore, Bristol, Carrabelle, and Hosford subscribers shall be surveyed separately for traditional EAS at the rates set forth below. There must be separate surveys so that, if the survey passes in one exchange but fails in another, EAS can be implemented from the exchange where the survey passes.

The Crawfordville and Sopchoppy exchanges (Centel) lie between the Carrabelle and Tallahassee exchanges. We have generally not allowed leapfrogging of exchanges in EAS cases. Customers in the Crawfordville and Sopchoppy exchanges already have EAS to Tallahassee. Therefore, calling to and from the Crawfordville and Sopchoppy exchanges shall be included in any survey of Carrabelle exchange customers for EAS to Tallahassee.

The calling rates on the Eastpoint to Tallahassee route fall below the threshold described in the rules for a customer survey. In fact, the calling rates on that route are low enough that no EAS alternative should be considered. Accordingly, we shall deny this portion of the EAS request.

If two-way EAS were to be implemented on the Bristol-Tallahassee, Carrabelle-Crawfordville-Sopchoppy-Tallahassee, and Hosford-Tallahassee routes, the Bristol, Carrabelle, and Hosford exchanges would change rate groups. Crawfordville, Sopchoppy, and Tallahassee are presently in Centel's highest rate group. Therefore, the additional calling scope for the Crawfordville, Sopchoppy and Tallahassee exchanges would not force regrouping and their rates would not change. This, coupled with the fact that the Liberty County exchanges are the requesting exchanges and would be the main beneficiaries of these changes, leads us to find that only the subscribers of the Bristol, Carrabelle, and Hosford exchanges shall be surveyed, subject to an increase in their rates.

In all recent EAS dockets in which calling volumes were sufficient to warrant consideration of non-optional, flat rate, toll free calling, we have ordered surveys on the 25/25 plan with regrouping rather than regrouping alone. Under the 25/25 plan with regrouping, subscribers are charged two additives to their standard monthly rates. The 25/25 additive is twenty-five percent (25%) of the rate group schedule for the number of access lines to be newly included in the exchange's calling scope. The regrouping additive is the difference in rates between the exchange's original rate group and the new rate group into which the exchange will fall with

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its expanded calling scope. The 25/25 plan, however, is dependent upon the existence of rate groups. This is because the formula makes use of the rate differential between rate groups to develop new EAS rates. Since the calling scope of almost every exchange served by St. Joseph Telephone is less than 6,500 access lines, the company has not developed rate groups.

In trying to determine reasonable rates we had two objectives: first, to develop rates which are not unacceptably high from the perspective of the subscribers; and, second, to ensure the company a reasonable amount of cost recovery. In order to be consistent with previous EAS dockets, we considered applying the 25/25 formula to the rate groups used by Centel (since Centel serves the Tallahassee exchange). However, we find that the rates developed using Centel's rate groups would be unacceptably high and would greatly over-recover St. Joseph Telephone's lost toll revenue. In considering two other methods of applying the 25/25 formula, we developed rates as if the 25% additive and the regrouping additive were the same and, alternatively, considered applying only the 25% additive with no regrouping. The first method resulted in seemingly reasonable rates, but still over-recovered St. Joseph Telephone's toll loss. The second method resulted in rates too low when compared with the rate paid by Tallahassee subscribers (R-1 \$9.00) and Chattahoochee subscribers (R-1 \$9.50 and calls to Tallahassee are \$.25 per call, after five free calls). In addition, the second method greatly under-recovered the company's toll loss.

In previous dockets in which the calling rates justified implementation of flat rate EAS, we have ordered that the respective LECs not be allowed to fully recover their costs. We have found that full cost recovery results in unacceptably high local service rates. This is because of the significant amount of lost toll revenue, as well as the cost of additional facilities (primarily switching and trunking). We ordered customer surveys without full cost recovery in those cases because the community of interest, as demonstrated by calling volumes, was great enough in each case to warrant implementation of flat rate EAS. While 100% cost recovery is not necessary, we find that cost recovery is an important consideration, especially in the case of a small independent local exchange company with limited funding sources.

We find that an R-1 rate for St. Joseph Telephone customers which essentially mirrors the R-1 rate for Centel customers with

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the same calling scope is the best compromise between keeping rates at a reasonable level, and still allowing substantial cost recovery for St. Joseph Telephone. An R-1 rate of \$9.15 is essentially the same as the R-1 rate of \$9.00 paid by Tallahassee subscribers (served by Centel). This is because St. Joseph Telephone's R-1 rates (and other basic local service rates) include gross receipts tax while Centel charges gross receipts tax as a separate line item. The recommended R-1 rate of \$9.15 (along with the other recommended rates) will also allow St. Joseph Telephone to recover all but between \$100 and \$1,000 per month of the lost toll revenue.

The new rates for the St. Joseph Telephone survey of Bristol and Hosford exchange subscribers for non-optional, flat rate, two-way, toll free calling to and from the Tallahassee exchange, and of Carrabelle exchange subscribers for non-optional, flat rate, two-way, toll free calling, to and from the Crawfordville, Sopchoppy, and Tallahassee exchanges are as follows:

	<u>Present</u>	<u>Additive</u>	<u>New Rates</u>
R-1	\$ 6.30	\$ 2.85	\$ 9.15
B-1	\$17.25	\$ 6.75	\$24.00
PBX	\$33.15	\$12.85	\$46.00

Although the percentage increase of rates may seem high, it should be noted that Bristol and Hosford subscribers would experience almost a thirty-fold increase in their calling scope (from 5,149 access lines to 144,524 access lines) and Carrabelle subscribers would experience almost a one hundred fold increase in their calling scope (from 1,560 access lines to 145,733 access lines).

Inasmuch as the traffic studies reflect sufficient community of interest to warrant implementation of an alternative to toll rates, and the alternatives in this docket do not consider the costs in order to set the rates, the companies shall not be required to perform the cost studies required by Rule 25-4.061, Florida Administrative Code.

In situations where the qualification for extended area service relies on the calling interest of the petitioning exchange as well as subscriber approval of the plan, recovery of costs is assigned as follows:

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[T]he requested service may still be implemented, provided that the entire incremental cost for the new service, less any additional revenues generated by regrouping in either or both exchanges, shall be borne by the subscribers of the petitioning exchange. Rule 25-4.062(4), Florida Administrative Code.

Therefore, on any two-way plan, the subscribers in the petitioning exchange must bear the burden and the telephone company will recover the costs in whatever manner the Commission deems to be appropriate.

In every EAS docket for which cost information has been submitted, it has been shown that full recovery of cost would result in unacceptably high rates to customers. For this reason, we have waived this Rule in every EAS docket for which traditional EAS has been approved. We find that the Rule also shall be waived in this instance.

Rule 25-4.063(5)(a), Florida Administrative Code provides that:

(5) The requested extended area service shall be approved and ordered by the Commission upon a finding that:

(a) Fifty-one percent (51%) of all subscribers in each exchange required to be surveyed vote favorably.

In recent dockets we have waived the 51% requirement, choosing to interpret the intent of the Rule to mean a simple majority, rather than 51%, of those eligible to vote. Consistent with this approach, we waive Rule 25-4.063(5)(a) and will accept a simple majority of those eligible to vote as the criterion for passage of the surveys in this docket.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that the resolution filed with this Commission by the Liberty County Board of County Commissioners is hereby approved to the extent outlined herein. It is further

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ORDERED that if no proper protest is filed within the time frame set forth below, St. Joseph Telephone and Telegraph Company shall, within thirty days of the date this Order becomes final, survey its subscribers in the Bristol, Carrabelle, and Hosford exchanges for implementation of a flat rate, two-way, nonoptional extended are service plan that complies with the terms and conditions set forth in the body of this Order. It is further

ORDERED that St. Joseph Telephone and Telegraph Company shall submit its survey letters and ballots to our staff for approval prior to their distribution. It is further

ORDERED that certain rules as described herein have been waived for the reasons set forth in the body of this Order. It is further

ORDERED that if the survey passes, the plan described herein shall be implemented by St. Joseph Telephone and Telegraph Company and Central Telephone Company of Florida within twelve months of the issuance date of our order on survey approval. It is further

ORDERED that the effective date of our action described herein is the first working day following the date set forth below, if no proper protest to this Proposed Agency Action is filed within the time frame set forth below. It is further

ORDERED that this Docket shall remain open.

By ORDER of the Florida Public Service Commission, this 20th
day of NOVEMBER, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 12/11/91.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.