FLORIDA PUBLIC SERVICE COMMISSION
FLETCHER BUILDING
101 EAST GAINES STREET
TALLAHASSEE, FLORIDA 32399-0850

M E M O R A N D U M

MARCH 21, 1991

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [CIMERMAN, O'PRY, WIDELL]
DIVISION OF LEGAL SERVICES [GREEN]

RE : DOCKET NO. 900039-TL EAS - RESOLUTION BY THE ORANGE COUNTY BOARD OF COUNTY COMMISSIONERS FOR EXTENDED AREA SERVICE BETWEEN THE MOUNT DORA EXCHANGE AND THE APOPKA, EAST ORANGE, LAKE BUENA VISTA, ORLANDO, REEDY CREEK, WINDERMERE, WINTER GARDEN AND WINTER PARK EXCHANGES.

AGENDA: APRIL 2, 1991 - CONTROVERSIAL - PROPOSED AGENCY ACTION - PARTIES MAY PARTICIPATE (ISSUE 1 IS NOT PAA)

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

CASE BACKGROUND

This docket was initiated pursuant to a resolution passed by the Orange County Board of Commissioners. The petition requested implementation of EAS service between the Mount Dora exchange and the exchanges in Orange County (Apopka, East Orange, Lake Buena Vista, Reedy Creek, Orlando, Windermere, Winter Garden, and Winter Park exchanges). All of these exchanges are served by United Telephone Company except for the East Orange and Orlando exchanges, which are served by Southern Bell Telephone and Telegraph Company, and the Lake Buena Vista exchange, which is served by Vista-United Telecommunications. The Mt. Dora exchange is located in the Gainesville LATA while the remaining exchanges are located in the Orlando LATA. Attachment A is a map of the involved exchanges. Order No. 22807, issued April 12, 1990 required the three companies to conduct traffic studies on these routes. Because all of the routes are interLATA routes, Southern Bell, United and Vista-United requested and were granted confidential treatment.

Significant traffic was measured on the Mt. Dora/Apopka, Mt. Dora/Orlando, and Mt. Dora/Winter Park routes. However, the number of customers making calls during the study period was below the Commission's threshold for ordering a customer survey for traditional EAS. Significant traffic was not measured on any of the other routes in question. The Commission approved staff's recommendation to survey the subscribers in the Orange County portion of the Mt. Dora exchange for a transfer to the Apopka exchange. The majority of the Mt. Dora exchange is in Lake County, however, approximately 10% of the 80.4 square miles which comprise the Mt. Dora exchange lies within Orange County. If the transfer were approved, the transferred customers would pay the same rates as other Apopka subscribers (Order No. 23635 issued 10-18-90). Attachment B is a copy of the survey letter and Attachment C is a copy of the ballot. The purpose of this recommendation is to report the survey results.

DISCUSSION OF ISSUES

ISSUE 1: Based on the results of the survey, should the Commission order the transfer of the Orange County pocket of the Mt. Dora exchange to the Apopka exchange?

RECOMMENDATION: No. Since the survey did not pass, United Telephone Company should not be ordered to transfer the Orange County pocket of the Mt. Dora exchange to the Apopka exchange.

STAFF ANALYSIS: United Telephone Company mailed 744 ballots to all customers of record in the Orange County pocket of the Mt. Dora exchange. The results of the survey are as follows:

	NUMBER	PERCENT
Ballots Mailed	744	100
Ballots Returned	531	71
Ballots Not Returned	213	29
For Transfer	192	26
Against Transfer	335	45
Invalid	4	0
Ballots Needed to Pass	373	>50

Since 373 ballots were needed for the survey to pass the survey failed.

ISSUE 2: Should any alternative plan be offered to Mt. Dora subscribers.

RECOMMENDATION: Yes. Calls between the Mt. Dora exchange and the Apopka, Orlando, and Winter Park exchanges should be rated at $.25 per call, regardless of call duration for residential customers, and with a one hour time limit for all other customers. These calls should be furnished on a seven-digit basis. Non-LEC pay telephone providers will charge end users as if these calls were local $.25 calls, and the providers will pay the standard measured usage rate to the LEC. United Telephone Company and Southern Bell should be ordered to implement this change within twelve (12) months of the final order in this docket. Southern Bell should immediately seek a waiver of the MFJ from Judge Greene to carry the traffic on these routes. Toll alternatives should not apply to any other routes.

STAFF ANALYSIS: Confidential treatment has been granted for the interLATA traffic studies in this docket. Therefore, the actual calling volumes for the routes studied have not been provided in this recommendation. Staff will provide the traffic study results to the Commissioners upon request.

Taken as a whole, the Mt. Dora exchange exhibits calling volumes which would qualify for traditional EAS to Apopka, Orlando, and Winter Park exchanges under the Commission's rules. However, the percentage of customers making two or more calls on those routes is below the threshold requirement for a survey for traditional EAS. The calling rates for the Orange County pocket of the Mt. Dora exchange to the Apopka, Orlando, and Winter Park exchanges meet the Commission's stated criteria for a survey for nonoptional EAS. However, it has generally been the Commission's policy that EAS not be granted to pocket areas. Staff would generally have recommended an optional EAS plan on these routes except that they are all interLATA routes, and it has been shown in several previous dockets that optional plans are not technically feasible for interLATA routes.

Since the original recommendation in this docket a new toll alternative plan has come into favor. In several recent dockets the Commission has ordered an alternative to traditional EAS known as the $.25 plan. This plan has gained favor for several reasons. Among them are its simplicity, its message rate structure, and the fact that it can be implemented as a local calling plan on an interLATA basis. Optional EAS plans, particularly OEAS plans are somewhat confusing to customers, the additives or buy-ins are generally rather high, and the take rates for most OEAS plans are rather low. The Commission has expressed concern that when Toll-PAC is implemented a three minute message will still have a substantial cost to the customer. For example, in the peak period a three minute message from Mt. Dora to Orlando would only be reduced from $.7050 to $.4950. However, the most important reason in this particular instance is that the $.25 plan (which converts the traffic to local status, and is implemented on a seven digit basis) is feasible for interLATA routes whereas most other usage sensitive alternatives to EAS are feasible only for intraLATA routes.

The Mt. Dora/Apopka, Mt. Dora/Orlando, and Mt. Dora/Winter Park routes were the only routes with substantial traffic. Therefore these are the only routes for which staff is recommending the $.25 plan. Specifically, the $.25 plan means that all toll traffic on these routes will be reclassified as local and be message rated at $.25 per message regardless of the duration of the call. Customers may make an unlimited number of calls at $.25 per call. These local calls will be dialed on a seven digit basis and will be handled by pay telephone providers as any other local call.

ISSUE 3: Should the toll alternative plan permit full recovery of costs and lost revenues, including incremental costs?

RECOMMENDATION: No, the toll alternative plan should not permit full recovery of costs and lost revenues, including incremental costs. Rule 25-4.062(4) should be waived.

STAFF ANALYSIS: Although this recommendation is for an alternative to traditional EAS, similar cost issues arise. Under EAS rules, 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:

> [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), F.A.C.).

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

It has been shown in every EAS docket (e.g. Docket No. 870436-TL, Hastings-St. Augustine EAS) for which cost information has been submitted that full recovery of cost would result in unacceptably high rates to customers. For this reason, the Commission has waived this rule in every EAS docket for which traditional EAS has been recommended. Similarly staff believes that full recovery of costs in this case would result in unacceptably high rates to customers. In the original recommendation in this docket staff recommended that this cost recovery rule be waived. The Commission agreed and ordered that the rule be waived. The original recommendation and order in this docket called for a survey for a boundary transfer, and that survey has failed. Therefore, with this new proposal the issue of cost recovery must be addressed once again. Staff recommends that full cost recovery not be permitted.

Although staff believes that costs need not be considered in this docket some cost information has been calculated and is presented below. It should be noted that as regards the originally proposed boundary transfer United submitted some preliminary cost information which stated that providing the appropriate facilities for the transfer of the pocket area would incur a cost of approximately $435,000. That cost would have been offset by regrouping revenues of approximately $XXX per month.

In considering the costs associated with this recommendation staff addresses only the lost toll revenue versus the new revenues from the $.25 message charge. Staff has no information on the possible facilities cost associated with this recommendation.

To calculate (or estimate) the lost toll revenue on the routes in question it must be recognized that each of the routes is an interLATA route. Therefore, the revenues collected by United and Southern Bell for traffic carried over these routes, is purely access revenue, and not MTS revenue.

The data used to estimate the access revenues is data which has been held confidential (since it is not LEC data, per se, but IXC data). Although LEC access revenues would not normally be held confidential, staff has not revealed the disaggregated access revenue here since it was developed from confidential data. However, the aggregate access revenue for the three routes is revealed. The actual disaggregated access revenue estimates, as well as the data from which those estimates were developed, is available for review by the Commissioners.

The traffic studies which were provided to staff show, on a route-specific basis, the minutes of use for calls between two exchanges. The data is broken into time-of-day usage so that MTS toll revenue may be calculated. In the case of interLATA routes only the usage data, not the reported MTS revenue data, is pertinent, since the LEC only receives access revenues for such traffic.

The access revenue calculation results are only an estimate rather than a hard figure, for several reasons. First and foremost is that access revenues depend upon both originating and terminating usage and neither figure is directly available from the traffic studies. The traffic studies report only billed MTS conversation minutes which must be converted to originating and terminating minutes. Because of the difficulty in estimating access revenues staff reports a range of access revenues. Staff is confident that the true amount of access revenue on these routes lies somewhere within this range.

The basic method used to calculate access revenues begins by calculating the per minute equivalent cost of access. There are five access rate elements and each of the originating rate elements except BHMOC have time-of-day discounts. Terminating rate elements have no time-of-day discounts. Once the originating and terminating usage is known (by time-of-day periods) then it is a relatively simple matter to multiply the usage by the rates to determine revenues. The uncertainty arises in determing the originating and terminating usage. Staff calculated the access revenues in two ways and the range is repoted below.

To calculate the revenue offset which will result from the imposition of a $.25 message charge staff has simply taken the number of messages on each route, totaled them, and multiplied by $.25. It should be noted that this figure does not include any usage stimulation. While it is difficult to estimate the level of stimulation it should be evident that some stimulation will occur.

The pertinent routes are Mt. Dora/Apopka, Mt. Dora/Orlando, and Mt. Dora/Winter Park. United serves each of the exchanges except for the Orlando exchange which is served by Southern Bell. Therefore, United collects originating and terminating access revenues on any call on these routes except for originating access revenue on calls from Orlando, and terminating access revenues on calls to Orlando. Staff's calculations show the following:

ACCESS REVENUES VS. MESSAGE RATE REVENUES

COMPANY	MONTHLY ACCESS REVENUES	$.25 MESSAGE REVENUE	MONTHLY LOSS IF NO STIMULATION
United	$93,775-$99,923	$41,509	$52,266-$58,414
Southern Bell	$25,023-$25,681	$15,801	$9,222- $9,880

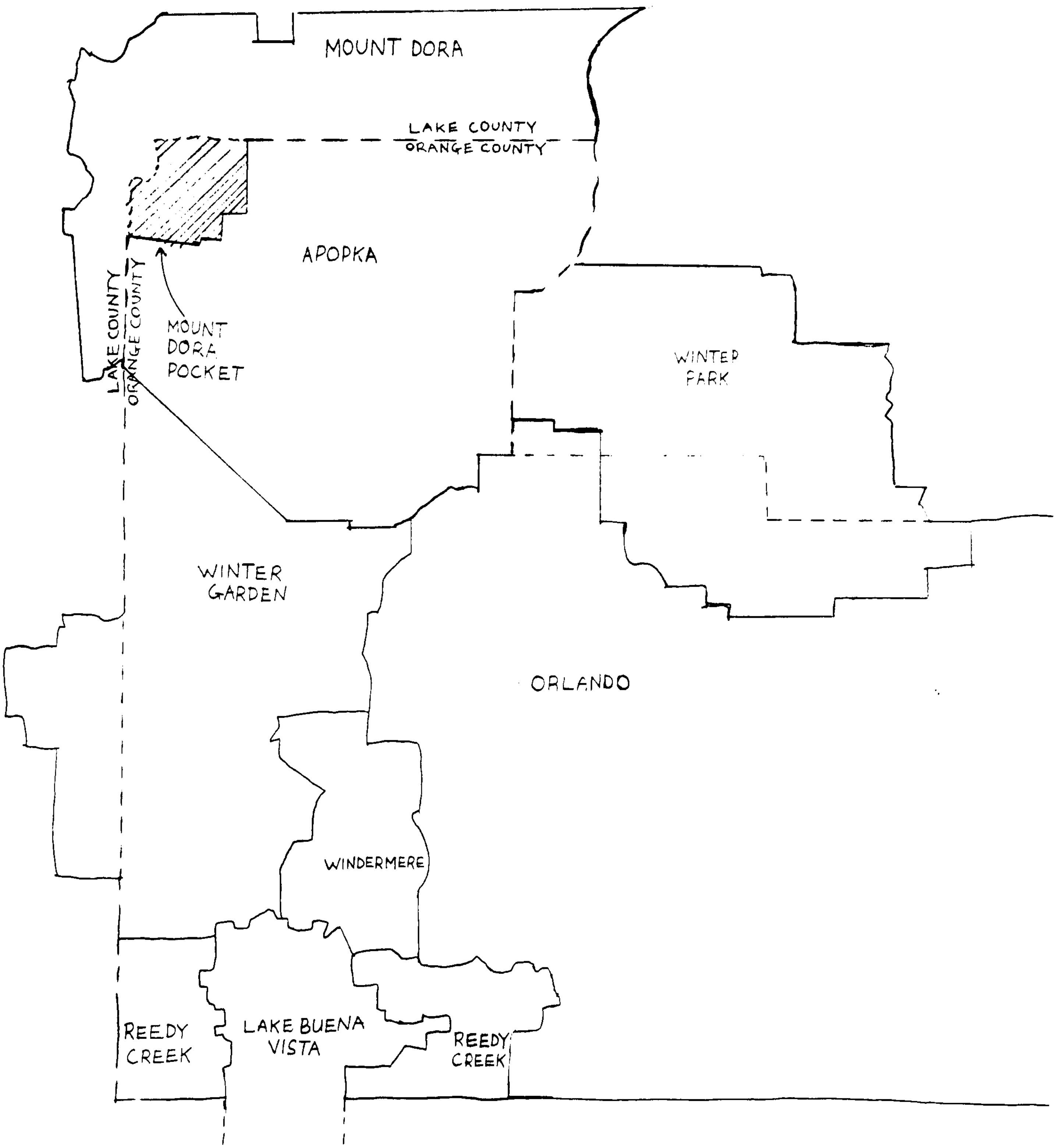
Although, the loss seems substantial it must be remembered that these figures include no stimulation. While it is difficult to determine the level of stimulation basic economics clearly says that when the price of a normal good is halved (3 minute call from Mt. Dora to Apopka will fall from $.585 to $.25) there will be additional demand. In flat rate EAS the number of calls has generally been reported to increase sixfold. If the number of calls on these routes were to little more than double the revenue loss on these routes would be negated. A doubling of calls is not an unreasonable assumption. The following chart shows the price of a three minute call on each of the routes in question.

3 MINUTE CALL - ATT-C INTRASTATE RATES		
ROUTE **TIME-OF-DAY**	Mt. Dora/Apopka	Mt. Dora/Orlando Mt. Dora/ Winter Park
Day	$.5850	$.7050
Evening	$.4388	$.5288
Night	$.2925	$.3525

ISSUE 4: Should Docket No. 900039-TL be closed?

RECOMMENDATION: Yes. Docket No. 900039-TL should be closed. Staff should place the matter on monitor status to ensure that United and Southern Bell makes the necessary tariff revisions and comply with the implementation date.

STAFF ANALYSIS: Docket No. 900039-TL should be closed with the issuance of a final order. Staff should place this matter on monitor status to ensure that United and Southern Bell submit appropriate tariff revisions and comply with the implementation date.


MOUNT DORA
LAKE COUNTY
ORANGE COUNTY
APOPKA
LAKE COUNTY
ORANGE COUNTY
MOUNT DORA POCKET
WINTER PARK
WINTER GARDEN
ORLANDO
WINDERMERE
REEDY CREEK
LAKE BUENA VISTA
REEDY CREEK

(Date)

Dear Customer:

Please read this letter carefully. The results of this survey may change your local calling area and increase the amount you pay for basic local telephone service by $2.30, per line, per month for individual residence subscribers and $5.27 per line, per month for individual business subscribers. It could also result in a change to your area code and phone number. It is extremely important that you make your wishes known to the Florida Public Service Commission by (Date).

This matter was brought before the Florida Public Service Commission through a petition filed by the Orange County Board of County Commissioners. They requested that the Commission consider requiring implementation of extended area service (EAS) between the Mount Dora exchange and all exchanges in Orange County. The Florida Public Service Commission directed United, Southern Bell and Vista-United to conduct traffic studies with regard to these exchanges. None of the traffic studies met the Commission rule to qualify for EAS as petitioned by Orange County.

However, the Commission is considering transferring the portion of the Mount Dora exchange which lies within Orange County from the Mount Dora exchange into the Apopka exchange. That is the reason for this letter and ballot.

Presently, you are part of the Mount Dora Exchange and are able to call all of Lake County without a toll charge. Lake County includes the exchanges of Astor, Clermont, Eustis, Groveland, Howey-In-The-Hills, Leesburg, Lady Lake, Mount Dora, Montverde, Tavares and Umatilla. If the majority of votes are AGAINST the transfer, you will keep the calling scope you have today.

If the majority of votes are FOR the transfer, you will be transferred to the Apopka exchange. You will be able to dial the Orange County exchanges of Apopka, East Orange, Montverde, Lake Buena Vista, Orlando, Windermere, Winter Garden, Winter Park and Reedy Creek as a local call. Presently, calls to these exchanges, with the exception of Montverde, are toll calls. Calls to Astor, Clermont, Eustis, Groveland, Howey-In-The-Hills, Leesburg, Lady Lake, Mount Dora, Tavares and Umatilla, which are now local calls, will become toll calls.

Your current monthly basic service rates for the Mount Dora Exchange are as follows:

Residence One-Party	$ 7.67
Residence Two-Party	6.10
Residence Four-Party	5.30
Business One-Party	$17.95
Business Two-Party	14.32
Business Four-Party	12.50
PBX	$36.37

The monthly basic service rates for the Apopka exchange are as follows:

Residence One-Party	$ 9.97
Residence Two-Party	7.93
Residence Four-Party	6.91
Business One-Party	$23.22
Business Two-Party	18.54
Business Four-Party	16.19
PBX	$46.92

The preceding rates, for both the Mount Dora exchange and the Apopka exchange, do not include zone charges, FCC interstate toll access charge, other features, or applicable taxes. For some customers, zone charges may also increase if this transfer is approved.

If the transfer is approved, your area code will change from 904 to 407 and your telephone number will be changed to an Apopka number. An intercept message will be placed on your old number which will direct callers to your new number. This intercept message will remain in effect until a new telephone directory is issued.

In order for this boundary change to be instituted, a simple majority of customers eligible to vote in the survey must vote FOR approval of the change. If approved, the transfer will be completed within twelve months of the date of survey approval.

The enclosed postage paid ballot is the only acceptable way to advise the Commission of your opinion in this matter. The Commission will base its decision on the results of this customer survey; it is very important for every telephone subscriber to return their ballot promptly.

Sincerely,

United Telephone Company of Florida

Enclosure

POSTCARD BALLOT

TO THE FLORIDA PUBLIC SERVICE COMMISSION

I have read the letter dated ______________ from United Telephone Company of Florida relating to the transfer of my telephone service from the Mount Dora exchange to the Apopka exchange, and associated changes in callable exchanges. I also understand this transfer will result in an increase in my monthly telephone rates and a telephone number change. I am the person responsible for the telephone account below.

Signed ________________________________

Note: Only signed ballots with complete information below will be counted (comments are optional).

( ) FOR TRANSFERRING FROM MOUNT DORA TO APOPKA EXCHANGE

( ) AGAINST TRANSFERRING FROM MOUNT DORA TO APOPKA EXCHANGE

NAME (As phone is listed) ________________________________

Telephone Number (   ) ____________ Comments (Optional) ________________

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MUST BE POSTMARKED BY TO BE COUNTED