

ORIGINAL
FILE COPY

1 SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

2 TESTIMONY OF SANDRA M. FOX

3 DOCKET NO. 870790-TL

4 EXTENDED AREA SERVICE

5 GILCHRIST COUNTY

6 APRIL 22, 1991

7

8

9

10 Q. PLEASE STATE YOUR NAME AND ADDRESS.

11

12 A. MY NAME IS SANDRA MORRIS FOX AND MY BUSINESS

13 ADDRESS IS 6451 NORTH FEDERAL HIGHWAY, FORT

14 LAUDERDALE FLORIDA.

15

16 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

17

18 A. I AM EMPLOYED BY SOUTHERN BELL TELEPHONE AND

19 TELEGRAPH COMPANY AS AN ASSOCIATE MANAGER FOR

20 REGULATORY COORDINATION. MY RESPONSIBILITIES

21 INCLUDE PERFORMING REGULATORY STUDIES FOR THE

22 FLORIDA NETWORK PROVISIONING DEPARTMENT,

23 SPECIFICALLY IN THE AREA OF COST ASSOCIATED WITH

24 PROVIDING EXTENDED AREA SERVICE (EAS) IN FLORIDA.

25

1 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
2 COMPANY EXPERIENCE.

3

4 A. I WAS GRADUATED FROM ARMSTRONG STATE COLLEGE IN
5 1970 WITH A BACHELOR OF SCIENCE IN BIOLOGY. I
6 TAUGHT JUNIOR HIGH SCHOOL SCIENCE ONE YEAR IN
7 SAVANNAH, GEORGIA AND ONE YEAR IN APOPKA, FLORIDA.
8 IN 1972, I MOVED TO POMPANO BEACH AND WORKED ONE
9 YEAR PERFORMING GENERAL ACCOUNTING FUNCTIONS FOR A
10 BUILDING CONTRACTOR. IN 1973, I JOINED SOUTHERN
11 BELL AS A SERVICE REPRESENTATIVE. I SUBSEQUENTLY
12 WORKED IN THE NETWORK DEPARTMENT WORKING AS A
13 CENTRAL OFFICE FRAME TECHNICIAN. IN 1977, I WAS
14 PROMOTED TO ASSISTANT SUPERVISOR IN CHARGE OF
15 IMPLEMENTING THE FIRST COMPUTERIZED INPUT CENTER
16 FOR CENTRAL OFFICE SERVICE ORDERS. MY
17 RESPONSIBILITIES SINCE THEN HAVE INCLUDED CENTRAL
18 OFFICE TRANSLATIONS, SYSTEM ADMINISTRATION
19 AND IMPLEMENTATION FOR ENHANCED 911. I ASSUMED MY
20 PRESENT REGULATORY DUTIES IN OCTOBER OF 1990.

21

22 Q. WILL YOU EXPLAIN THE PURPOSE OF YOUR TESTIMONY?

23

24 A. THE PURPOSE OF MY TESTIMONY IS TO PRESENT THE
25 RESULTS OF A COST STUDY WHICH EVALUATED THE

1 ECONOMIC IMPACT TO SOUTHERN BELL FOR IMPLEMENTING
2 EAS AMONG ALL EXCHANGES IN GILCHRIST COUNTY.

3

4 Q. WILL YOU BRIEFLY EXPLAIN THE METHODOLOGY USED IN
5 CONDUCTING THIS STUDY?

6

7 A. IN ORDER TO DETERMINE THE INCREMENTAL COSTS TO
8 SOUTHERN BELL OF PROVIDING TWO-WAY NON-OPTIONAL EAS
9 AMONG ALL THE EXCHANGES WITHIN GILCHRIST COUNTY, I
10 HAD TO IDENTIFY EACH OF THE COST ELEMENTS
11 ASSOCIATED WITH PROVIDING THE SERVICE. THESE COST
12 ELEMENTS ARE:

13

14 - IDENTIFICATION OF EXISTING INTEREXCHANGE CALLING
15 BETWEEN THE INVOLVED EXCHANGES.

16

17 - ESTIMATING THE STIMULATED USE OF INTEROFFICE
18 FACILITIES RESULTING FROM EXTENDED AREA OR TOLL
19 FREE CALLING BETWEEN THESE EXCHANGES.

20

21 - DETERMINATION OF ASSOCIATED EQUIPMENT AND
22 FACILITY REQUIREMENTS RESULTING IN ADDITIONAL
23 INVESTMENT.

24

25 - DETERMINATION OF ANNUAL CHARGES ASSOCIATED WITH

1 ADDITIONAL INVESTMENT AND OF OTHER NON-INVESTMENT
2 RELATED COSTS, SAVINGS, AND CHANGES IN REVENUES.

3

4 Q. WOULD YOU PLEASE SUMMARIZE THE STUDY'S RESULTS?

5

6 A. THE RESULTS OF THE STUDY SHOW AN ESTIMATED TOTAL
7 NET COST TO SOUTHERN BELL OF \$116,845 TO IMPLEMENT
8 TWO-WAY, NON-OPTIONAL EAS IN GILCHRIST COUNTY FOR
9 THE FIRST YEAR OF THE PLAN. I HAVE PREPARED AN
10 EXHIBIT (SMF-1) CONTAINING THE DETAILS OF THE
11 STUDY. EXHIBIT SMF-1 SHOWS THE MAJOR SOUTHERN BELL
12 INVESTMENT AS WELL AS EXPENSE AND REVENUE CHANGES
13 THAT WOULD RESULT IF TWO-WAY NON-OPTIONAL EAS WAS
14 IMPLEMENTED AMONG ALL EXCHANGES IN GILCHRIST
15 COUNTY. IN THE EXHIBIT, PAGE 8 REFLECTS THE
16 ADDITIONAL SWITCHING INVESTMENT DUE TO THE HIGHER
17 CALLING VOLUME THAT WOULD BE EXPECTED IF THE
18 PRESENT TOLL CHARGES WERE TO BE ELIMINATED AND EAS
19 WAS IMPLEMENTED BETWEEN THE EXCHANGES. IN THE
20 PAST, IMPLEMENTATION OF EAS HAS CAUSED AN INCREASE
21 IN LOCAL USAGE EQUAL TO A LEVEL SIX TIMES THAT OF
22 THE EXISTING TOLL LEVELS. IN ORDER TO HANDLE THE
23 HIGHER TRAFFIC VOLUME, ADDITIONAL INTEROFFICE
24 FACILITIES WOULD BE REQUIRED. IN THE CASE OF
25 GILCHRIST COUNTY, LOCAL FACILITIES BETWEEN SOUTHERN

1 BELL AND ALLTEL WOULD BE REQUIRED. ADDITIONAL COSTS
2 ASSOCIATED WITH LOST TOLL, FOREIGN EXCHANGE (FX)
3 AND ACCESS REVENUE, AS WELL AS THE COST OF
4 PROVIDING CUSTOMERS WITH THE REQUIRED EXPANDED
5 DIRECTORIES, WERE ALSO INCLUDED.

6

7 ESTIMATED REVENUE INCREASES FROM LOCAL COIN
8 CALLING, ADDITIONAL LOCAL DIRECTORY ASSISTANCE
9 USAGE AND SAVINGS IN OPERATOR, BUSINESS OFFICE AND
10 ADMINISTRATIVE OPERATIONS WERE USED TO PARTIALLY
11 OFFSET THE EXPENSES.

12

13 Q. WHAT ELEMENTS ARE INCLUDED IN SOUTHERN BELL'S
14 SWITCHING INVESTMENT?

15

16 A. THE ANNUAL CHARGES ASSOCIATED WITH THE NET
17 INVESTMENT CONSISTS OF MAINTENANCE, AMORTIZATION,
18 ADMINISTRATION AND TAXES ASSOCIATED WITH THE NET
19 INVESTMENT.

20

21 Q. WHAT OTHER ECONOMIC PENALTIES WOULD SOUTHERN BELL
22 INCUR?

23

24 A. THE LARGEST PENALTY SOUTHERN BELL WOULD INCUR WOULD
25 BE THE LOSS OF TOLL REVENUES AND ACCESS REVENUES.

1

2 Q. WERE ADJUSTMENTS MADE IN YOUR STUDY TO ACCOUNT FOR
3 SAVINGS OR REVENUE INCREASES ASSOCIATED WITH THE
4 PROVISION OF EXTENDED AREA SERVICES?

5

6 A. YES. AN ECONOMIC GAIN TO SOUTHERN BELL WOULD BE
7 THE INCREASED EXCHANGE REVENUE PRODUCED BY LOCAL
8 COIN CALLS AND DIRECTORY ASSISTANCE. ALSO INCLUDED
9 WAS REVENUE GAINED FROM THE REGROUPING OF TRENTON
10 AS A RESULT OF INCREASED LOCAL CALLING AREA. THE
11 STUDY DOES NOT INCLUDE ANY EAS RELATED RECURRING
12 MONTHLY CHARGES THAT MIGHT BE APPROVED BY THE
13 FLORIDA PUBLIC SERVICE COMMISSION. THESE REVENUES
14 ARE SHOWN IN MY EXHIBIT AS A REVENUE INCREASE.

15

16 Q. DO THE RESULTS APPEARING IN YOUR EXHIBITS
17 REFLECT THE TOTAL ECONOMIC IMPACT OF PROVIDING EAS
18 TO GILCHRIST COUNTY?

19

20 A. NO. MY EXHIBIT REFLECTS THE TOTAL ECONOMIC IMPACT
21 TO SOUTHERN BELL EXCLUDING ANY SETTLEMENT EFFECTS
22 WHERE APPLICABLE. THE COSTS TO OTHER TELEPHONE
23 COMPANIES ARE ALSO EXCLUDED.

24

25 Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

1

2 A. THE PURPOSE OF MY TESTIMONY IS TO ILLUSTRATE THE
3 COSTS OF IMPLEMENTING A NON-OPTIONAL, TWO-WAY EAS
4 IN GILCHRIST COUNTY. THE EXCHANGES INVOLVED ARE
5 TRENTON, NEWBERRY (WHICH ARE SOUTHERN BELL),
6 BRANFORD AND HIGH SPRINGS (WHICH ARE ALLTEL).

7

8 SINCE AN INDEPENDENT TELEPHONE COMPANY IS INVOLVED,
9 A DETERMINATION HAD TO BE MADE OF WHAT ROUTES WOULD
10 BE AVAILABLE TO CARRY ADDITIONAL TRAFFIC AND HOW
11 MUCH ADDITIONAL SWITCHING EQUIPMENT AND TRUNK
12 FACILITIES WOULD BE REQUIRED. THE COST OF THIS
13 ADDITIONAL SWITCHING INVESTMENT WAS THEN
14 DETERMINED.

15

16 IN ADDITION, THE LOSS OF TOLL AND FX REVENUES AS A
17 RESULT OF PROVIDING EAS WAS CONSIDERED. SINCE THE
18 ROUTES TO ALLTEL ARE INTERLATA, THE LOSS OF
19 ORIGINATING AND TERMINATING ACCESS REVENUES WAS
20 CONSIDERED. I ALSO DETERMINED THE ADDITIONAL COSTS
21 OF ADDING THESE EXCHANGES TO THE APPROPRIATE
22 DIRECTORIES.

23

24 I THEN DETERMINED ANY SAVINGS AND GAINS TO THE
25 COMPANY THAT WOULD OCCUR BECAUSE OF EAS. THIS

1 INCLUDED SAVINGS IN THE BUSINESS OFFICES, OPERATOR
2 SERVICES, TOLL BILLING, ADDITIONAL DIRECTORY
3 ASSISTANCE REVENUES, AS WELL AS GAINS FROM
4 REGROUPING.

5

6 BY ADDING THE NET INVESTMENT AND SUBTRACTING ANY
7 GAINS, I WAS ABLE TO DETERMINE THE TOTAL PENALTY TO
8 SOUTHERN BELL FOR PROVISIONING NON-OPTIONAL,
9 TWO-WAY EAS IN THE COUNTY.

10

11 Q. MRS. FOX, DOES THIS CONCLUDE YOUR TESTIMONY?

12

13 A. YES.

14

15

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Southern Bell
Exhibit SMF-1
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Witness Fox
Docket No. 870790-TL

Economic Study

Extended Area Service

Gilchrist County

Gilchrist County -- No. 870790-TL

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Study Objective and Methodology

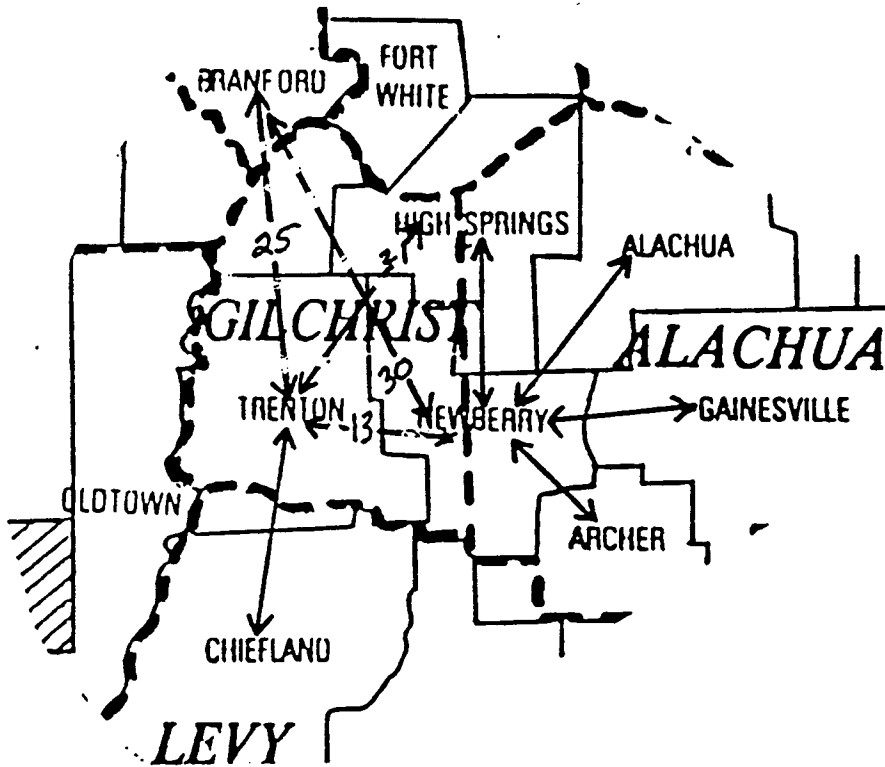
Study Objective:

To evaluate the economic effect of providing Extended Area Service to Gilchrist County.

Study Methodology:

This study develops the incremental costs associated with the above mentioned Extended Area Service (EAS). The incremental approach consists of pricing equipment requirements attributable to EAS. Traffic volume is used to determine equipment needs, If a fraction of a piece of equipment was required for the added traffic, only a fraction of the cost was charged to this study. Costs are expressed in current dollars.

Map of
Gilchrist County



Current Local Calling Areas:

- | | |
|----------|---------------------|
| Trenton | Chiefland |
| | Newberry (EOEAS) |
| | Gainesville (EOEAS) |
| Newberry | Alachua |
| | Archer |
| | Gainesville |
| | High Springs |
| | Trenton (EOEAS) |

Gilchrist County
Extended Area Service Cost Study
Basic Study Data

Company, Exchange and NXX's in the Study:

Southern Bell

Trenton - 463

Newberry - 472

Stimulation Factor Used to Convert Forecasted Toll Message to
Expected EAS Usage:

Message Toll	- 6 Times.
Foreign Exchange (FX)	- No stimulation applied.

Forecast of Annual Toll Messages, Access, & FX Lines and Revenues

Trenton to Newberry

	1991	1992	1993	1994	1995	Total
Toll Messages	133,788	140,477	147,501	154,526	162,253	
Access Lines	2,554	2,682	2,817	2,958	3,106	
FX Lines	14	14	14	14	14	
FX Revenue (\$)	17,809	17,809	17,809	17,809	17,809	89,045
Toll Revenue (\$)	31,257	32,820	34,461	36,184	37,994	172,716
Total Revenue Reduction (\$)	49,066	50,629	52,270	53,993	55,803	261,761

Newberry to Trenton

	1991	1992	1993	1994	1995	Total
Toll Messages	80,148	84,156	87,523	91,900	96,495	
Access Lines	2,833	2,975	3,124	3,281	3,445	
FX Lines	0	0	0	0	0	
FX Revenue (\$)	0	0	0	0	0	0
Toll Revenue (\$)	32,109	33,715	35,401	37,171	39,030	177,426
Total Revenue Reduction (\$)	32,109	33,715	35,401	37,171	39,030	177,426

Forecast of Annual Toll Messages, Originating and Terminating
 Access Revenue, & FX Lines and Revenues

Trenton to Branford

	1991	1992	1993	1994	1995	Total
1 Toll Messages						
Access Lines	2,554	2,682	2,817	2,958	3,106	
FX Lines	0	0	0	0	0	
FX Revenue(\$)	0	0	0	0	0	
Access Revenue(\$)	10,425	10,947	11,495	12,070	12,674	57,611
Total Revenue Reduction	10,425	10,947	11,495	12,070	12,674	57,611

Newberry (Pocket) to Branford

	1991	1992	1993	1994	1995	Total
2 Toll Messages						
Access Lines	728	765	804	845	888	
FX Lines	0	0	0	0	0	
FX Revenue(\$)	0	0	0	0	0	
Access Revenue(\$)	1,690	1,775	1,864	1,958	2,056	9,343
Total Revenue Reduction (\$)	1,690	1,775	1,864	1,958	2,056	9,343

Trenton to High Springs

	1991	1992	1993	1994	1995	Total
3 Toll Messages						
Access Lines	2,554	2,682	2,817	2,958	3,106	
FX Lines	0	0	0	0	0	
FX Revenue(\$)	0	0	0	0	0	
Access Revenue(\$)	6,501	6,826	7,168	7,527	7,904	35,926
Total Revenue Reduction (\$)	6,501	6,826	7,168	7,527	7,904	35,926

Estimated Economic Impact

of Countywide EAS at

Full Cost Recovery Rates

Annual Southern Bell Impact

Losses:

Additional Switching Investment	\$ 7,554.00
Directory Costs	30,816.00
Toll Revenue Loss	63,366.00
FX Revenue Loss	17,809.00
Originating Access Loss	7,710.00
Terminating Access Loss	10,806.00
TOTAL LOSSES	\$138,061.00

Gains:

Revenue Increase	\$ 4,060.00
Regrouping Revenues	17,156.00
TOTAL GAINS:	\$ 21,216.00

NET ECONOMIC IMPACT: \$(116,845.00)

Estimated Forecast of

Economic Effects

County-Wide EAS

LOSSES:

	1991	1992	1993	1994	1995
Toll Revenue Reduction	63,366	66,535	69,862	73,356	77,024
FX Revenue Reduction	17,809	17,809	17,809	17,809	17,809
Access Revenue	18,516	19,442	20,415	21,436	22,508
Switching Investment	(22,968)	(24,116)	(25,321)	(26,587)	(27,916)
Annual Charges	7,554	7,932	8,328	8,744	9,181
Directory Costs	30,816	32,356	33,974	35,673	37,456
TOTAL LOSSES	138,061	144,074	150,388	157,018	163,978

GAINS:

	1991	1992	1993	1994	1995
Customer Service Center Savings	240	252	265	279	293
Operator Savings	3,252	3,415	3,585	3,764	3,952
Toll Billing Savings	228	242	254	266	280
Revenue Increase	17,496	18,369	19,287	20,251	21,263
TOTAL GAINS:	21,216	22,278	23,391	24,560	25,788

	1991	1992	1993	1994	1995
SBT Economic Impact for providing EAS	(116,845)	(121,796)	(126,997)	(132,458)	(138,190)