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June 3, 1991

**ORIGINAL
FILE COPY**

Mr. Steve C. Tribble
Director, Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Docket No. 870790-TL - Gilchrist County EAS

Dear Mr. Tribble:

Enclosed please find an original and fifteen copies of Southern Bell Telephone and Telegraph Company's Prehearing Statement, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely yours,

E. Barlow Keener
E. Barlow Keener

ACK _____
ATA _____
LTP _____
CCE _____

Enclosures

cc: ~~All Parties of Record~~
A. M. Lombardo
Harris R. Anthony
R. Douglas Lackey

ENC _____
LES _____
LRI _____
CPC _____
FBI _____
SLO _____
VPS _____
OTH _____

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FPSO-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

05581 JUN -3 1991

FPSO-RECORDS/REPORTING

CERTIFICATE OF SERVICE
Docket No. 870790-TL

I HEREBY CERTIFY that a copy of the foregoing has been
furnished by United States Mail this *3rd* day of *June*, 1991,
to:

Debra Schiro
Division of Legal Services
Florida Public Svc. Commission
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E. Barlow Keene

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for Extended) Docket No. 870790-TL
Area Service (EAS) Through)
Gilchrist County.) Filed: June 3, 1991
_____)

SOUTHERN BELL TELEPHONE AND TELEGRAPH
COMPANY'S PREHEARING STATEMENT

COMES NOW Southern Bell Telephone and Telegraph Company ("Southern Bell" or "Company"), in compliance with Order No. 24257, issued on March 20, 1991, herewith submits its Prehearing Statement.

A. WITNESSES

Southern Bell proposes to call the following witnesses to offer testimony and exhibits on the issues indicated below:

<u>Witness</u>	<u>Issues Addressed</u>
Ann M. Barkley	8
Sandy E. Sanders	1,2,3,4,5,6,7
Sandra M. Fox	5

B. EXHIBITS

<u>Witness</u>	<u>Document Indicator</u>	<u>Title of Exhibit</u>
Sandra M. Fox	SMF-1	Economic Study
Sandy E. Sanders	SES-1	Map of Gilchrist County
	SES-2	Long Distance Toll Information
	SES-3	Monthly Messages and Calling Rate Per Access Line

DOCUMENT NUMBER-DATE
05581 JUN-3 1991
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SES-4	Long Distance Calling Newberry to Trenton
SES-5	Enhanced Optional EAS

Southern Bell reserves the right to call rebuttal witnesses, witnesses to respond to Commission inquiries not addressed through direct testimony and witnesses to address issues not presently designated which may be designated at the prehearing conference to be held on July 1, 1991, or thereafter by the Prehearing Officer.

C. STATEMENT OF BASIC POSITION

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

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

scopes based on their individual calling habits, desires and needs.

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

D. SOUTHERN BELL'S POSITION ON THE ISSUES

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

Position: The factors set forth in Rule 25-4.060, Florida Administrative Code, are the primary factors which should be considered and should be accorded the most weight. The factors set forth in Rule 25-4.060 focus primarily on the calling rate between exchanges. The calling rate between exchanges is the foremost indicator of the degree of community of interest between any two exchanges. Additional evidence as to the degree of community of interest is the call distribution obtained from traffic studies. Call distributions show that a few customers

with extremely high calling rates can cause a distorted view of the actual community of interest when call rate is the only indicator examined. The Commission rules address this by requiring not only a one-way calling rate of three or more calls per line per month, but also that over 50% of the customers place two or more monthly calls to the distant exchange. Other factors that may be considered include the location of medical/emergency facilities, fire/police departments and county offices.

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

Position: No. Rule 25-4.060(2), Florida Administrative Code, requires a "preliminary showing that a sufficient degree of community of interest between exchanges, sufficient to warrant further proceedings, will be considered to exist when the combined two-way calling rate over each inter-exchange route under consideration equals or exceeds two (2) messages per main and equivalent main station per month (M\M\M) and fifty (50%) percent or more of the subscribers in the exchanges involved make calls per month..." During the traffic study month, only 35% of the subscribers placed calls between Newberry and Trenton. Thus, the traffic study revealed that the number of two-way Trenton and

Newberry calls did not meet even the preliminary showing of 50% for a sufficient degree of community of interest.

Moreover, Rule 25-4.060, Florida Administrative Code, provides that on "any given route between two exchanges...studies of one-way traffic originating in the smaller exchange may be used, in which case the community of interest qualification will require a calling rate three (3) or more M/M/M with at least fifty (50%) percent of the exchange subscribers making two (2) or more calls per month." Only 27% of the Trenton subscribers called Newberry two or more times per month, again falling significantly below the Rule's 50% minimum requirement. In addition, only 25% of the Newberry subscribers called Trenton two or more times per month. Even if the small pocket area of Newberry located in Gilchrist County is considered, only 54% of the subscribers in the pocket area called Trenton two or more times per month and only 18% of the Trenton customers called the Newberry pocket subscribers two or more times per month. Even if the Rule permitted the Commission to consider pocket areas which it does not, the minimum requirement for calls from Trenton to Newberry would not be met.

In addition, it should be noted that of the 728 subscribers in the small pocket area of the Newberry exchange, 252 of the subscribers made no calls to Trenton during the study

month. Moreover, of the 8,559 calls made during the study month from the pocket area of Newberry to Trenton, 6,181 or 72% of the calls were made by only 13% of the Newberry pocket subscribers and a mere 4% of the Newberry subscribers made 63% of the calls to Trenton. Thus, the traffic study reveals that, in accord with the Rule, an insufficient degree of community of interest between the Newberry exchange and the Trenton exchange.

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

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

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

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

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

Position: Rule 25-4.061, Florida Administrative Code, sets forth the requirements for the determination of costs. These costs include: (i) net increases in capital costs resulting from required additions to network capacity less reductions in required quantities of facilities and equipment utilized for toll services between exchanges (The added investment is required to be based upon additional switching and trunking needs necessary to accommodate the incremental usage at prescribed levels of service as may be determined from realistic estimates of call stimulation factors and holding time effects

due to extended area service. Appropriate annual charges are required to be applied to the added investment to obtain the additional annual costs attributable to this source); (ii) increases and decreases in expenses and net effect on operating expenses; (iii) local revenue increases resulting from exchange regrouping; and (iv) the loss of toll revenue billed.

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

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

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

Issue 7: Should the customers be surveyed and if so, how should the survey be conducted? If surveyed customers fail to

accept the plan presented to them, what alternative, if any, should be considered?

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

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

Position: No. There should be no revenue sharing between local exchange carriers for EAS or toll alternatives. Southern Bell believes that the users of a particular service, i.e., the cost causer, should pay for the cost incurred. Any

sharing of cost by either Southern Bell or ALLTEL would conflict with this policy.

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

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

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

Position: See Issue 9.

F. PENDING MOTIONS FILED BY SOUTHERN BELL

Southern Bell has the following Motions pending: on April 22, 1991, Southern Bell filed its Request for Specified Confidential Classification for certain information included in Exhibits attached to Southern Bell's Direct Testimony of Sandy E. Sanders and Sandra M. Fox; and, on June 3, 1991, Southern Bell filed its Request for Specified Confidential Classification for certain information contained in its Traffic Studies.

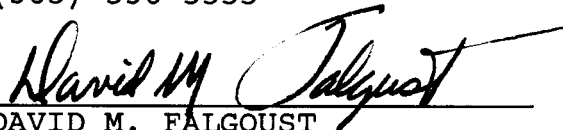
Southern Bell knows of no requirements set forth in any prehearing order with which it cannot comply.

Respectfully submitted,

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TELEPHONE AND TELEGRAPH COMPANY



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