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January 6, 1993

Mr. Steve Tribble
Director, Records and Reports
Florida Public Service Commission
101 East Gaines Street
Fletcher Building, Room 111
Tallahassee, FL 32399

RE: Comprehensive Review of the Revenue Requirement and Rate Stabilization Plan of Southern Bell Telephone & Telegraph Company, Docket No. 920260-TL

Dear Mr. Tribble:

Enclosed for filing in the above-referenced case are the original and 15 copies of the AARP's Answers to Staff's First Set of Interrogatories to the American Association of Retired Persons.

Thank you for your assistance in the processing of this filing, and please call if there are any questions or further requirements.

Sincerely,

Bill L. Bryant, Jr.

/rf
Enclosure
cc: Parties of Record

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review of revenue requirements and rate stabilization plan of SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY	)	DOCKET NO. 920260-TL FILED 1/5/93

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of AARP's ANSWERS TO STAFF'S FIRST SET OF INTERROGATORIES TO THE AMERICAN ASSOCIATION OF RETIRED PERSONS have been furnished by U.S. Mail on this 5th day of January, 1993, to the following:

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REQUEST: In his direct testimony on Page 59, lines 4 through 8, Witness Chessler concludes that new subscribers to Southern Bell Service would not be eligible for flat rate extended local service but would be required to take the proposed measured rate service. He cites witness Sims' testimony at page 4. From Staff's review of Ms. Sims' testimony as well as the general application of the Illustrative Tariff on page 175 of Attachment 1 to witness Sims' testimony, we do not interpret Southern Bell's Proposal this way. Please explain how this conclusion was reached.

RESPONSE: At page 4, Sims says:

> Southern Bell is proposing an optional expanded local service (ELS) plan for residential and business customers. This plan combines optional usage based pricing (UBP) for the basic (existing) local calling area with an expanded local calling area (ELCA) out to forty miles. Seven digit dialing (within each number plan area and LATA) will be available for ELS plan customers. Flat rate local service and ten digit toll call dialing will continue for those customers who do not select the optional ELS plan and for local telephone service.

AARP finds in this statement (which continues through page 7 of Sim's testimony) no reference to flat rate extended area service, or to its continuation. At page 8, Sims adds:

> Existing optional EAS routes and Toll PAC plans will be grandfathered; therefore, customers currently subscribing to an OEAS or Toll PAC plan will not be affected. EOEAS plans will also be grandfathered. The EOEAS Premium Option will continue to be offered to future customers, but a customer will not be able to subscribe to both EOEAS (OEAS or Toll PAC) and the ELS plan.

AARP finds in this statement a reference to EOEAS "Premium Option" but not to any other form of Optional EAS. The relevant tariff pages are pages 105 and 106 of attachment 1 of Sims' testimony. Page 105 refers to Optional Extended Area Service, and covers Basic EAS. Page 106 is a continuation, and refers to premium and discount Enhanced Optional Extended Service. At the heading "3.7 Optional Extended Area Service" on each page is inserted a note "1," which states:

> Note 1: New connections will not be allowed upon the effective date of Expanded Local Service. (N)

Based upon this statement in the tariff we conclude that the statement on page 4 of Sims' testimony is correct, and that no new connections to any form of Extended Area Service will be permitted. The identical statement appears elsewhere in the proposed tariff where premium OEAS is mentioned (e.g. Pp. 15, 16, 17, 107 [note 2], 108).

In response to AARP interrogatory Item No. 4, Witness Sims states:

> Southern Bell has not proposed that any of the existing flat rate calling plans, either for basic local calling or extended local calling, be discontinued for existing or for new customers. (Emphasis in the original)

We are unable to reconcile this statement with the language of Note 1 of the proposed tariff (P. 106 of Sims' Attachment 1, etc.) at this time.

INFORMATION PROVIDED BY:

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Witness for AARP

REQUEST: Referring to Witness Chessler's testimony on page 61 lines 15 and 16, where he states: "Some of the revenue will be made up by reclassification of exchanges to higher rate groups." Is he of the opinion that each Southern Bell exchange having the proposed 40 mile measured plan would regroup to include all the access lines for those exchanges lying within the 40 miles? Please explain.

RESPONSE: Dr. Chessler has been involved in a recent EAS case in which the Chesapeake and Potomac Telephone Company of Maryland made exactly that assumption. In Garfield and Lovejoy's Public Utility Economics (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1964), pp. 201-202, it is stated:

> The fundamental basis for state-wide exchange rate schedules is the grouping of exchanges on the basis of the number of telephones available to the customer at local rates. ...The level of rates generally rises with increases in the number of telephones in the local service area. This system recognizes that the value of local telephone service largely depends upon the number of telephones a customer can reach at local rates, and that the value of local exchange service increases as the scope of the service increases. The practice of changing relatively higher rates in the larger exchanges is consistent with the tendency toward higher costs per telephone in the larger exchanges.

This appears to indicate that the practice Dr. Chessler observed in Maryland is general Bell practice.

Bell South's description of Rate Groups is omitted from the sample tariffs supplied by Ms. Sims. According to Sims' Attachment 5, page 8, it is section A3.2.1 of the tariff. However, pages 16 and 107 of Sims' Attachment 1 states that under the proposed tariff, the monthly additives for EAS are based on the mileage, and the number of access lines in the Added Exchange or Exchanges.

However, AARP does not know whether BellSouth intends to vary from previous Bell practice with respect to rate groups.

INFORMATION PROVIDED BY:

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Witness for AARP

REQUEST: In an optional plan, such as that proposed by Southern Bell, it is beneficial to those subscribers who opt for the plan, but not to all subscribers in an exchange. Therefore, does Witness Chessler agree that it would be unreasonable to include those optional access lines in determining an exchange's grouping and rates? Please explain.

RESPONSE: As explained in response to Item 2, the staff proposal in the second sentence of this question is not traditional, so Dr. Chessler did not consider it in his testimony. However, even if the staff's proposal were implemented as stated here, some exchanges might be regrouped, so the sentence of Dr. Chessler's testimony quoted in Item 2 would still be accurate.

The number of access lines in an exchange calling area normally benefits all customers in the exchange according to the theory explained by Garfield and Lovejoy in the passage quoted in response to question 2, whether or not they have any interest in calling the more distant points in the calling area. It is for this reason that Dr. Chessler discussed in his testimony specific rules that are traditionally used in telephone EAS extensions to determine whether most of the customers in an exchange would benefit from an extension of the local calling area. So far as we can ascertain, no such determinations were made in the current case. In a recent case in Maryland, in making 23 to 30 mile calls. The number wishing to make 30 to 40 mile calls would generally be even less. However, exceptions are to be found where the calls are to a major metropolitan area. Therefore, some of the extensions to EAS proposed by BellSouth may be justified: we just do not know which extensions are justified.

Staff's proposal is administratively feasible, but it would involve raising rates for all customers in an exchange once some proportion of them selected optional ELS. The proportion selecting ELS would be variable, differing in each exchange, and the number selecting ELS who would "tip" the exchange into the next higher rate group would also vary. In some exchanges the "tip" might occur when only a small number of customers subscribed to ELS. Still, this is a "normal" consequence of rule-based rate-making, and some such apparent inequities may be inevitable.

Staff's proposal would probably result in a greater general rate increase or smaller general rate decrease for other residential users because the company must recover lost toll revenue somewhere.

While AARP does not oppose Staff's plan, neither do we see any compelling advantages to it at this time.

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