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April 5, 1996

Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 930173-TL
Petition by the residents of Polo Park requesting extended area service (EAS) between the Haines City exchange and the Orlando, West Kissimmee, Lake Buena Vista, Windermere, Reedy Creek, Winter Park, Clermont, Winter Garden and St. Cloud exchanges

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of GTE Florida Incorporated's Prehearing Statement in the above-referenced matter. Also enclosed is a diskette with a copy of the Prehearing Statement in WordPerfect 5.1 format. Service has been made as indicated on the Certificate of Service. If you have any questions, please contact the undersigned at 813/228-3087.

Very truly yours,

Anthony P. Gillman
Anthony P. Gillman

APG:tas
Enclosures

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A part of GTE Corporation

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by the residents of Polo Park)
requesting extended area service (EAS))
between the Haines City exchange and the)
Orlando, West Kissimmee, Lake Buena Vista,))
Windermere, Reedy Creek, Winter Park,)
Clermont, Winter Garden and St. Cloud)
exchanges)
_____)

Docket No. 930173-TL
Filed: April 5, 1996

PREHEARING STATEMENT OF GTE FLORIDA INCORPORATED

GTE Florida Incorporated (GTEFL) files its prehearing statement.

(a) Witnesses

GTEFL proposes to call one witness, David E. Robinson. Mr. Robinson addresses the customers' petition from the Haines City exchange, Polo Park area, for expanded interLATA EAS and provides the Company's position on issues in this docket. Mr. Robinson also recommends that the Commission adopt GTEFL's proposed local calling plans.

(b) Exhibits

GTEFL proposes to introduce Exhibits DER-1, DER-2 and DER-3 attached to Mr. Robinson's direct testimony. GTEFL has not yet prepared any other exhibits, but reserves the right to introduce additional exhibits at the hearing.

(c) **Basic Position**

Under the Commission's rules, community of interest for extended area service (EAS) is to be determined through calling usage studies which calculate toll calling frequency and patterns between exchanges involved in an EAS request. Those rules prescribe the threshold showing necessary to pursue such a request. In this case, however, toll calling statistics are unavailable. In the absence of such calling data, it is impossible to draw any conclusions about whether customers should be surveyed for EAS, as defined in the Commission's rules, or for an alternative interLATA toll plan. As such, the traditional plans previously ordered by the Commission may not be applicable in this docket.

However, GTEFL would propose to offer an expanded local calling plan (LCP) on a fully optional basis. This plan has four options. With the Basic Calling option, the customer pays a reduced local access line rate and all local calls, including calls to their home exchange (Haines City), as well as those to their current and expanded local calling area, are billed at optional local measured usage rates on a per minute basis. A second option is the Community Calling option, which offers the customer a slightly reduced local access line rate (as compared to the existing local flat rate) and flat rate calling to his home exchange only. All other local calls within the current and expanded local calling area are billed at local measured usage rates. A third option is called the Community Plus option. Under this plan, the customer pays a higher rate for local access in comparison to his current flat rate service. He has flat rate calling to his home exchange and selected nearby exchanges while all other local calls in the expanded local calling area are billed at local measured usage rates. These selected exchanges are generally those to which

customers currently enjoy flat-rate EAS. The fourth option is the Premium Calling Option. Under this option, the customer pays a premium flat rate and may make an unlimited number of calls, without regard to duration, to all exchanges within the current and the expanded local calling area.

GTEFL's proposed LCP is the most appropriate EAS solution in this case. This approach provides Haines City consumers with a number of attractive calling options designed to meet consumers' differing needs. No one will be forced to pay for service they might not want and if calling patterns change for a customer in the future, they may change to another option or back to the always available flat rate service currently offered today. Also, local rates are not raised or changed in any way, which satisfies the intent of the recent legislation.

(d)-(f) Specific Positions

All of the issues identified for resolution in this proceeding are mixed questions of fact, law and policy. GTEFL's specific positions on these issues are set forth below.

Issue 1: Is there a sufficient community of interest on the routes listed in Table A to justify surveying for nonoptional extended area service as currently defined in the Commission rules, or implementing an alternative interLATA toll plan?

Under the Commission's rules, community of interest for extended area service (EAS) is to be determined through calling usage studies which calculate toll calling frequency and patterns between exchanges involved in an EAS request. The Rules prescribe the threshold showing necessary to pursue such a request. In this case, however, toll calling

statistics are unavailable. Because the requested routes are interLATA in nature, they have been served by interexchange carriers (IXCs), rather than GTEFL. In the past, GTEFL was able to compile reasonably complete interLATA toll statistics because it performed rating and recording of calls for AT&T. However, AT&T took back these functions some time ago, such that GTEFL no longer has access to these toll data. As such, in March of 1994, the Commission excused GTEFL from filing interLATA traffic data in this docket and recognized that GTEFL is unable to provide traffic data in the format required by the EAS rules. In the absence of toll calling data, it is impossible to draw any conclusions about whether customers should be surveyed for EAS, as defined in the Commission's rules, or for an alternative interLATA toll plan.

Issue 2: What other community of interest factors should be considered in determining if either an optional or nonoptional toll alternative should be implemented on these routes?

Under its rules, the Commission may consider "other community of interest factors" in assessing an EAS request only after determining that the toll traffic on a given route does not meet the Rules' prescribed community of interest qualifications. (See Rule 25-4.060(5).) Likewise, it may consider alternatives to EAS (defined as nonoptional, unlimited, two-way flat-rate calling at an increment to exchange rates) only when the toll traffic patterns would not justify EAS under the Rules. (See Rule 25-4.064.) However, in this case, there are no statistics available to discern whether calling on the requested routes meets the criteria for EAS or even assess whether some alternative plan may be

justified. As such, GTEFL contends that the lack of any toll calling statistics precludes the Commission from considering ordering implementation of EAS or even an alternative plan.

GTEFL acknowledges that certain unquantifiable, societal factors, such as the location of school district boundaries, major shopping areas, medical services, large plants or offices, and natural neighborhood boundaries not coincident with exchange boundaries may be shown in support of a community of interest. However, GTEFL believes that the Commission rules contemplate consideration of these ultimately unmeasurable elements only in conjunction with traffic data, not as stand-alone reasons for pursuing an EAS request.

Issue 3: If a sufficient community of interest is found on any of these routes, what is the economic impact of each plan on the company?

- a) EAS with 25/25 plan and regrouping;
- b) Alternative interLATA toll alternative plan; and
- c) Other (specify)

GTEFL contends that the Commission's legal authority to order an EAS or alternative interLATA plan without traffic data is dubious. However, if the Commission can develop a legally acceptable way of reliably measuring community of interest in the absence of toll traffic statistics, GTEFL's position on each of these alternatives is as follows:

EAS with 25/25 plan and regrouping. The financial impact on the Company would be determined using current regrouping and 25% additive guidelines. This exercise would very roughly indicate that the R1 rate would change from the existing \$10.86 to \$14.76 if

all routes were included. This yields approximately \$1,300,000 in new annual revenue. This figure, however, must be reduced by the amount of GTEFL's displaced access revenues and a potentially additional expense charged to GTE for terminating access for each minute of call duration on all EAS calls that GTE terminates to a customer of another local company. GTEFL cannot calculate these displaced revenues and expenses without the kind of IXC data which is not available to it. Therefore, GTEFL cannot reliably estimate the annual net gain or loss of this type of plan at this time.

Alternative interLATA toll alternative plan. This option contemplates an extended calling service (ECS) plan or modified ECS (measured extended calling (MECS)), rather than EAS. This type of plan would be designed to be revenue neutral to GTEFL. All access revenue loss combined with new access expense would be added and spread in some fashion to all Haines City customers in a combination of per line additives and current message rates for residence customers and per minute usage rates for business. Because these calculations would require additional data from the IXCs, GTEFL cannot determine monthly line additive levels.

Other. This alternative would allow a more market-oriented approach to the EAS expansion request. It would not require the consideration of toll traffic statistics, but would be designed using other types of surrogate data to measure the amount of revenue required of an optional local calling plan to make it economically feasible for GTE and the end user customer. Assuming that sufficient demand exists, GTEFL would propose to offer an expanded local calling plan (LCP) on a fully optional basis. This plan has four options described below:

Basic Calling: The customer pays a reduced local access line rate and all local calls, including calls to their home exchange (Haines City), as well as those to their current and expanded local calling area, are billed at optional local measured usage rates on a per minute basis. The R1 rate for this option is estimated to be between \$6.75 and \$7.25, while the B1 rate would be between \$17.00 and \$18.00.

Community Calling: The customer pays a slightly reduced local access line rate (as compared to the existing local flat rate) and has flat rate calling to his home exchange only. All other local calls within the current and expanded local calling area are billed at local measured usage rates. The R1 rate estimate would be between \$9.50 and \$10.50. B1 customers would not be offered this option.

Community Plus: The customer pays a higher rate for local access in comparison to his current flat rate service. He has flat rate calling to his home exchange and selected nearby exchanges while all other local calls in the expanded local calling area are billed at local measured usage rates. These selected exchanges are generally those to which customers currently enjoy flat-rate EAS. In the Haines City example, the exchanges would be Haines City, Winter Haven and Lake Wales. The R1 rate estimate for this option would be between \$13.25 and \$14.25, while a B1 estimate would be between \$32.00 and \$35.00.

Premium Calling: The customer pays a premium flat rate and may make an unlimited number of calls, without regard to duration, to all exchanges within the current and the expanded local calling area. The R1 estimate would be between \$25.00 and \$40.00. This option would not be available to business customers.

GTEFL's proposed LCP is certainly the most appropriate option. This approach provides Haines City consumers with a number of attractive calling options designed to meet consumers' differing needs. No one will be forced to pay for service they might not want and if calling patterns change for a customer in the future, they may change to another option or back to the always available flat rate service currently offered today. Also, local rates are not raised or changed in any way, which satisfies the intent of the recent legislation. Indeed, the customer has the choice of retaining his current service,

without any additive or change to the current monthly rate, and continue to pay toll rates when calling other exchanges.

Additionally, GTEFL feels that such an optional local service plan, giving customers more control of their local calling area and service choices, is consistent with the manner in which services are offered in a competitive marketplace. Mandatory EAS plans requiring regulatory intervention are inconsistent with competitive marketplace demands and requirements, and not in the best interest of all consumers in a given exchange area.

Issue 4: Should subscribers be required to pay an additive as a prerequisite to surveying for extended area service or an alternative interLATA toll plan? If so, how much of a payment is required and how long should it last?

If any survey is done, customers should certainly be informed that any mandatory local area expansion approved by a majority of the customers would require all customers to pay a monthly additive. The amount of the additive would be determined by the revenue loss and expense gain calculation and would vary by exchange. If mandatory expansion is ordered through EAS or a toll alternative, the additive would continue indefinitely. GTEFL's optional LCP recommendation would require no mandatory additives.

Issue 5: If a sufficient community of interest is found, what are the appropriate rates and charges for the plant to be implemented on this routes?

For EAS with 25/25 plan and regrouping, the appropriate rates would be those determined under the existing 25/25 formula. No message charges would be assessed. The rates would only be appropriate provided the formula was applied correctly. GTEFL

could either gain or lose revenue, depending on how costs compared with new revenue generation.

With an alternative plan, an additive to the monthly rate would have to be calculated and set. Balloting the market (customer base) and then assessing the levels of acceptance would determine if the rates were appropriate. The additives could only be appropriate if they both covered GTE's costs to offer the expansion and simultaneously the majority of customers agreed to pay the new monthly additive rate levels to be applied to all customers. Message rates for residence and minute rates for business would also apply. GTE would be made whole in this scenario, if the customer accepted all new rate levels.

For the optional LCPs, rates and charges would be set to cover costs and to assure customers attractive calling options that best fit their needs. Again, appropriate rate levels could be determined by the level of customer selection of each LCP option.

Issue 6: If extended area service or an alternative inter-LATA toll plan is determined to be appropriate, should the customer be surveyed?

If the Commission determines that it has the authority to find an EAS or alternative toll plan appropriate even without benefit of toll traffic data, then yes, customers should definitely be surveyed. Indeed, the survey takes on critical importance in the absence of any calling statistics that might serve as a threshold indicator of potential consumer acceptance of a proposed EAS or alternative interLATA plan. The survey would be the only reliable means of knowing whether customers like a mandatory expansion plan and

would be willing to pay a specified amount more per month for it. If the Commission adopts the optional LCP approach, Commission rules would not require a survey. Surveys are essential for obvious fairness reasons when there is a possibility that all customers will be forced to change their service and/or pay additional or different rates. However, because GTEFL's LCPs would be strictly optional, and no customer would be forced to pay more or change his existing service, a mandatory survey is not a useful or meaningful tool for purposes of this docket.

(g) Stipulations

No issues have been stipulated.

(h) Pending Matters

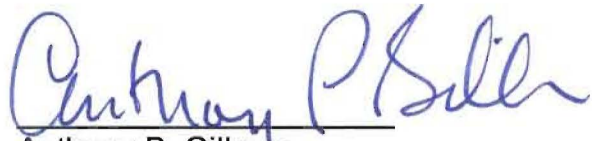
GTEFL is not aware of any pending motions.

(i) Compliance Statement

There are no requirements in Order number PSC-0242-PCO-TL with which GTEFL cannot comply.

Respectfully submitted on April 5, 1996.

By:



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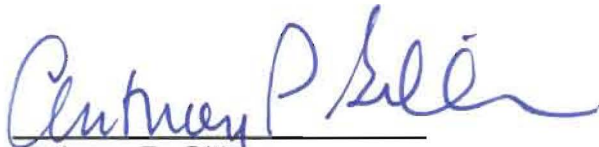
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of GTE Florida Incorporated's Prehearing Statement in Docket 930173-TL was sent by U. S. mail on April ⁴5, 1996, to the parties listed below.

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