

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

May 9, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (RAYO)

FROM: DIVISION OF COMMUNICATIONS (SHELVER, WIDELL) *STG RNT*
DIVISION OF LEGAL SERVICES (PIERSON) *RP-H*

RE: DOCKET NO. 951099-TL - PETITION BY THE RESIDENTS OF NORTH GOLDEN GATE AND CORKSCREW TO MOVE FROM THE INMOKALEE EXCHANGE INTO THE NAPLES EXCHANGE.

AGENDA: MAY 21, 1996 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\951099TL.RCM

CASE BACKGROUND

- This docket was deferred from the March 19, 1996, agenda conference at the request of the Office of Public Counsel (OPC). OPC requested additional time to work with the parties to obtain an agreement. To date no agreement has been filed with the Commission.
- On September 1, 1995, residents of North Golden Gate and Corkscrew areas filed a petition with the Commission requesting to be moved from the Immokalee exchange into the Naples exchange.
- On October 24, 1995, staff sent United Telephone Company of Florida (United or the Company) a data request.
- On December 28, 1995, United responded to staff's data request.

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- On January 11, 1996, the petitioner filed a letter in response to United's response to staff's data request.
- On January 18, 1996, a conference call was conducted between staff, representatives of United, and a representative from the Office of Public Counsel to clarify the cost information provided by United and to discuss the maps provided by both United and the petitioner.
- On February 5, 1996, United provided additional cost information and traffic data.

DISCUSSION OF ISSUES

ISSUE 1: Should the North Golden Gate and Corkscrew areas be moved from the Immokalee exchange into the Naples exchange as requested by the petitioners?

RECOMMENDATION: Not at this time. The 218 subscribers of the North Golden Gate and Corkscrew areas should be surveyed to determine if they are in favor of moving from the Immokalee exchange into the Naples exchange at the rates listed in Table A:

TABLE A

	DIFFERENCE BETWEEN IMMOKALEE AND NAPLES RATES	ADDITIVE	TOTAL INCREASE	NEW MONTHLY RATE
R-1	\$ 2.26	\$3.35	\$5.61	\$12.08
B-1	5.17	3.35	8.52	23.09

In addition to an increase in rates due to moving from the Immokalee exchange to the Naples exchange, residential and business customers residing in these two areas will pay a monthly additive of \$3.35 over a ten-year period to recover the cost. Any new subscribers served in this portion of the exchange during the first ten years after the boundary change is implemented should also pay the monthly additive for the remainder of the ten-year period.

The survey should be conducted within 45 days from the date the order from this recommendation becomes final. The ballot should include the amount of the additive, how long the additive will be applicable, change in rates, change in telephone number, and change in calling scope. The survey letter and ballot should be submitted to staff for review prior to distribution to United's customers.

In order for the survey to pass, at least 60% of the 218 subscribers balloted must respond and of those responding more than 50% must vote in favor of the boundary change.

STAFF ANALYSIS: On September 1, 1995, a petition was filed requesting that the North Golden Gate and Corkscrew areas be moved from the Immokalee exchange into the Naples exchange. The petition states that residents of these areas have Naples addresses, but have Immokalee telephone numbers. The petitioners contend that

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their jobs, schools, doctors, churches and other communities of interest are in Naples. The petition also states that these residents pay long distance charges to call Naples.

In order to determine the feasibility of this request, staff sent a data request to United. In response to this request, United stated that the North Golden Gate and Corkscrew areas are only roughly defined and not specifically identified developed areas. The Company stated it could only review the street addresses on the petition and locate the customers in that manner. United contends that none of the addresses on the petition are in the northern part of the Golden Gate exchange (Map - Attachment A).

The petitioner provided maps that indicate clear boundaries for both the North Golden Gate and the Corkscrew areas (Map - Attachment B). Based on these maps, it appears that these areas are contiguous communities of the Naples exchange. These maps indicate that the Naples/Immokalee exchange boundary is at 48th Avenue NE. Naples residents with addresses of 49th Avenue NE and greater are served from the Immokalee exchange.

In its original response, the Company stated that in order to move the boundary it would be necessary to bury 19.1 miles of fiber cable from the Golden Gate central office to the intersection of the existing facilities serving these customers. At this point, the Company would need to place a fiber optic terminal to convert the fiber which would provide the feed to re-home the existing facilities, and subsequently the existing field electronics to the proposed central office (Golden Gate). This re-home would cost approximately \$952,500. After a conference call with United, the Company revised its cost estimate for transferring 278 lines from the Immokalee exchange to the Naples exchange to \$111,900. The reduction in the cost is the result of using existing inter-office fiber instead of burying new fiber to serve this area.

In addition, United stated that calls on the Immokalee/Naples route are currently \$.25 each, and not toll as stated in the petition. If these areas were moved into the Naples exchange, the Company estimates an annual revenue loss of \$6,200 if regrouping is implemented, or an annual revenue loss of \$13,000 without regrouping. In response, the petitioner clarified its original statement that the Immokalee/Naples route is toll. She contends that toll is clearly defined as a charge for a type of service, so the \$.25 charge is not toll-free as stated by United.

In its response to staff's data request, the Company was opposed to balloting Immokalee for EAS using the 25/25 additive

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with regrouping. Since the conference call, United has offered in resolution of this petition to survey the Immokalee exchange, under the existing rules, for EAS to the Naples exchange with regrouping and the 25/25 additive. The petitioner has stated this is unacceptable since the residents consider themselves to be Naples residents and want Naples service. Even if the residents were given EAS to Naples, it would still be a toll call to North Naples where schools and other areas of interest are located.

Typically, boundary changes are used as a vehicle to consolidate a subdivision into one exchange, resolve pocket area problems, and handle EAS issues that cannot be resolved in a conventional manner. Because of the new legislation, the Commission no longer has EAS authority over price regulated local exchange companies (LECs). Therefore, since United is a price regulated LEC, the only option available to the Commission in this case is a boundary change. Historically, if the cost to move the boundary was prohibitive, the Commission would deny the request. However, in Docket No. 930035-TL (Lake Ashby), the Commission determined that an additiva was appropriate to recover some of the cost, and the subscribers were balloted with an additive.

Staff believes Section 364.15, Florida Statutes allows the Commission to modify existing exchange boundaries whenever the Commission finds, on its own motion or upon complaint, that changes in any telecommunications facility should reasonably be made to secure adequate service or facilities for telecommunications services.

It should be noted that boundary changes require the customer, in most cases, to experience not only a change in their existing calling scope but also in their telephone number. These types of changes have adverse impacts on the customers involved in the boundary change, since these customers are actually losing something when the exchange boundary is changed.

After careful review of the existing boundaries, growth of the areas and the geographic location of this area, staff believes the current exchange boundary is inappropriate. The maps indicate that the population of the Naples exchange is growing northward and will eventually be contiguous to the North Golden Gate and Corkscrew areas. Since it appears this portion of the Immokalee exchange is divided from the remainder of the exchange by the Corkscrew swamp, staff does not believe Immokalee will ever grow to encompass this area. At one time, it may have been feasible to serve this area from the Immokalee exchange, but not now. It seems reasonable that the North Golden Gate and Corkscrew areas should be included in the Naples exchange. It is staff's

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opinion that the petitioner has presented evidence to support that the North Golden Gate and Corkscrew areas should be balloted to determine if subscribers are in favor of being served from the Naples exchange.

The other main issue that must be addressed is the cost recovery mechanism. Section 364.051, Florida Statutes allows the price regulated LEC to increase basic local telecommunications services rates to recover any costs or expenses associated with a government mandate or project, given a compelling showing by the LEC. Staff does not believe election of price regulation eliminates the Commission's ability to require a price-regulated LEC to absorb some of the costs associated with a specific project; however, in this case, only a small group will benefit from the boundary change. It is staff's opinion that the customers should bear the costs of the move.

If the Commission determines that the North Golden Gate and Corkscrew areas should be balloted, staff believes a cost recovery additive is appropriate. Even though \$111,900 is not an excessive amount (\$402.52 per customer) for United to absorb, staff believes it is reasonable to require the petitioners to absorb all the cost. Staff proposes that these customers recover 100% of the cost, but over a ten-year period. The resulting additive would be \$3.35 per line per month for ten years. Any new subscribers served in this portion of the exchange during the first ten years after the boundary change is implemented should also pay the monthly additive for the remainder of the ten-year period.

In addition to the additive, these subscribers would pay a higher rate for local service since they would be located in the Naples exchange. It is staff's opinion that such an increase in rates is permissible under the statute, since the customers are being moved to an exchange with higher rates due to its calling scope.

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Subscribers should be balloted at the rates listed in Table B.

TABLE B

	NAPLES RATES (a)	IMMOKALEE RATES (b)	DIFFERENC E (a-b)	ADDITIVE	TOTAL INCREASE
R-1	\$ 8.73	\$ 6.47	\$2.26	\$3.35	\$5.61
B-1	20.37	15.20	5.17	3.35	\$8.52

It should be noted that balloting for a boundary change is significantly different than balloting for EAS. In a boundary change a customer loses something, whereas with EAS a customer only gains local calling. Boundary changes generally require an increase in rates, a change in telephone number, and a new calling scope. The subscribers located in the North Golden Gate and Corkscrew areas will gain local calling to Marco Island, N. Naples and Bonita Springs, while losing \$.25 calling to Fort Myers. The exchange calling scopes are listed in Table C.

TABLE C

EXCHANGE	EAS	\$.25 PLAN
Immokalee	None	Naples, Fort Myers
Naples	Marco Island, N. Naples, Bonita Springs	Everglades, Immokalee

Historically, the Commission has used the balloting requirements of our EAS rules to determine if a ballot passes. The EAS rules require that at least 40% of the ballots mailed must be returned, and of those returned a majority must vote in favor of EAS. In Docket No. 950246 (Gulf County), the Commission ordered a survey with no minimum balloting requirement; a majority vote would determine the success of the ballot. As stated before, boundary change dockets are different because the subscribers will lose something. Because of this, staff believes a simple majority is not appropriate. Since customers' rates, telephone numbers and calling scope are affected, staff believes that at least 60% of those balloted must respond and an approval percentage higher than 50% should be required.

In Docket No. 930035-TL (Lake Ashby), the boundary survey passed by a very small margin. The Commission was inundated with

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requests from customers opposed to the move pleading with the Commission to stop the boundary change. Because of the Commission's experience with Lake Ashby, staff believes that it is reasonable to require that 60% of those balloted must respond and 50% of those responding must vote favorably before this boundary change is ordered.

For the purpose of balloting, staff would note that this area has 278 access lines but only 218 customers (accounts). Even though each access line will pay an additive, ballots will be based on a per account basis. As a result, only 218 ballots will be mailed. Staff believes this is appropriate to prevent multi-line customers from possibly driving the outcome of the ballot. In addition, this approach is consistent with the balloting method used for EAS.

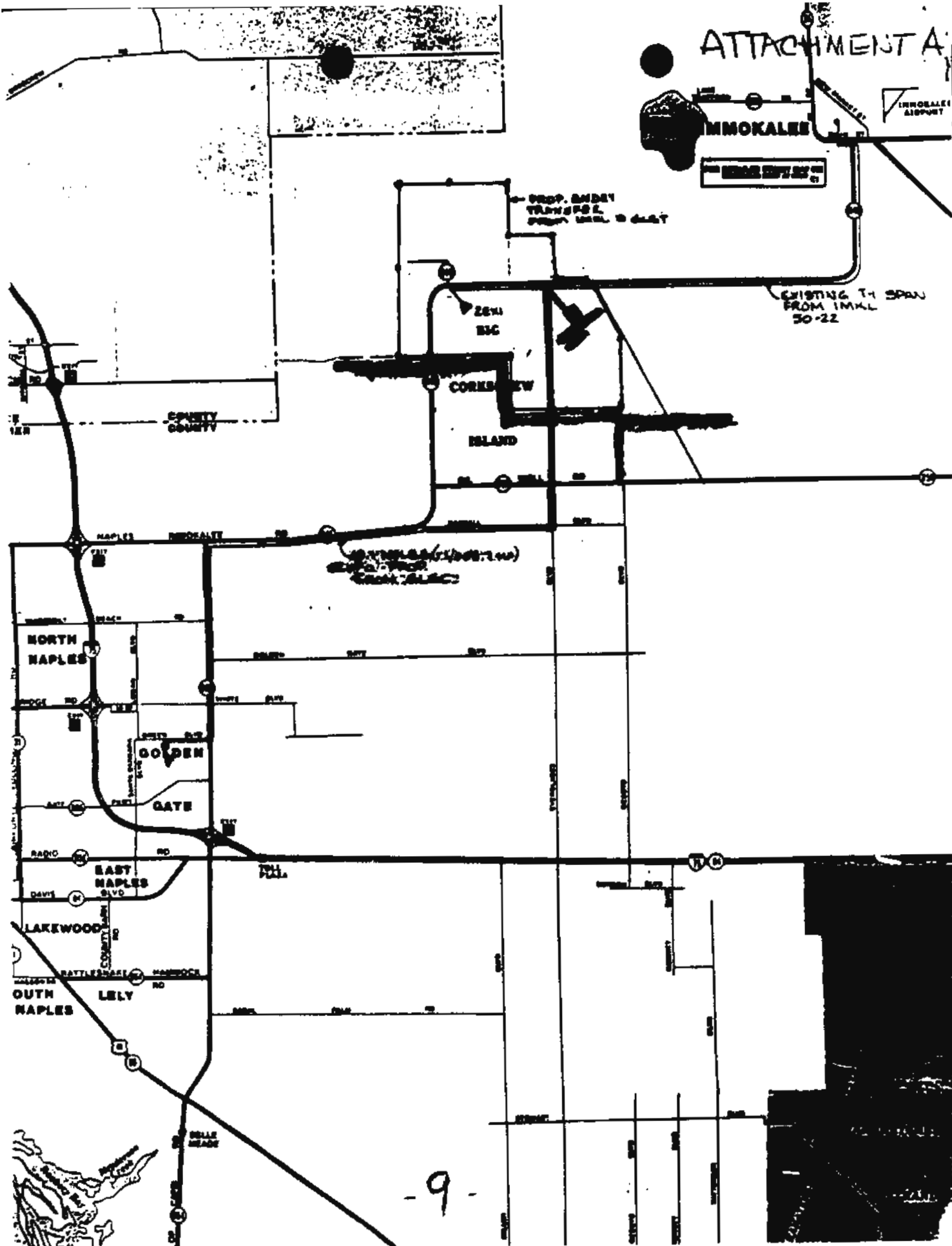
Staff recommends that the 218 customers located in the North Golden Gate and Corkscrew areas be surveyed at the amounts stated in Table A to determine if they are in favor of moving from the Immokalee exchange into the Naples exchange. Any new subscribers served in this portion of the exchange during the first ten years after the boundary change is implemented should also pay the monthly additive for the remainder of the ten-year period. The survey should be conducted within 45 days from the date the order from this recommendation becomes final. The ballot should include the amount of the additive, how long the additive will be applicable, change in rates, change in telephone number and change in calling scope. The survey letter and ballot should be submitted to staff for review prior to distribution to customers. In order for the survey to pass, at least 60% of the subscribers balloted must respond, and of those responding more than 50% must vote in favor of the boundary change.

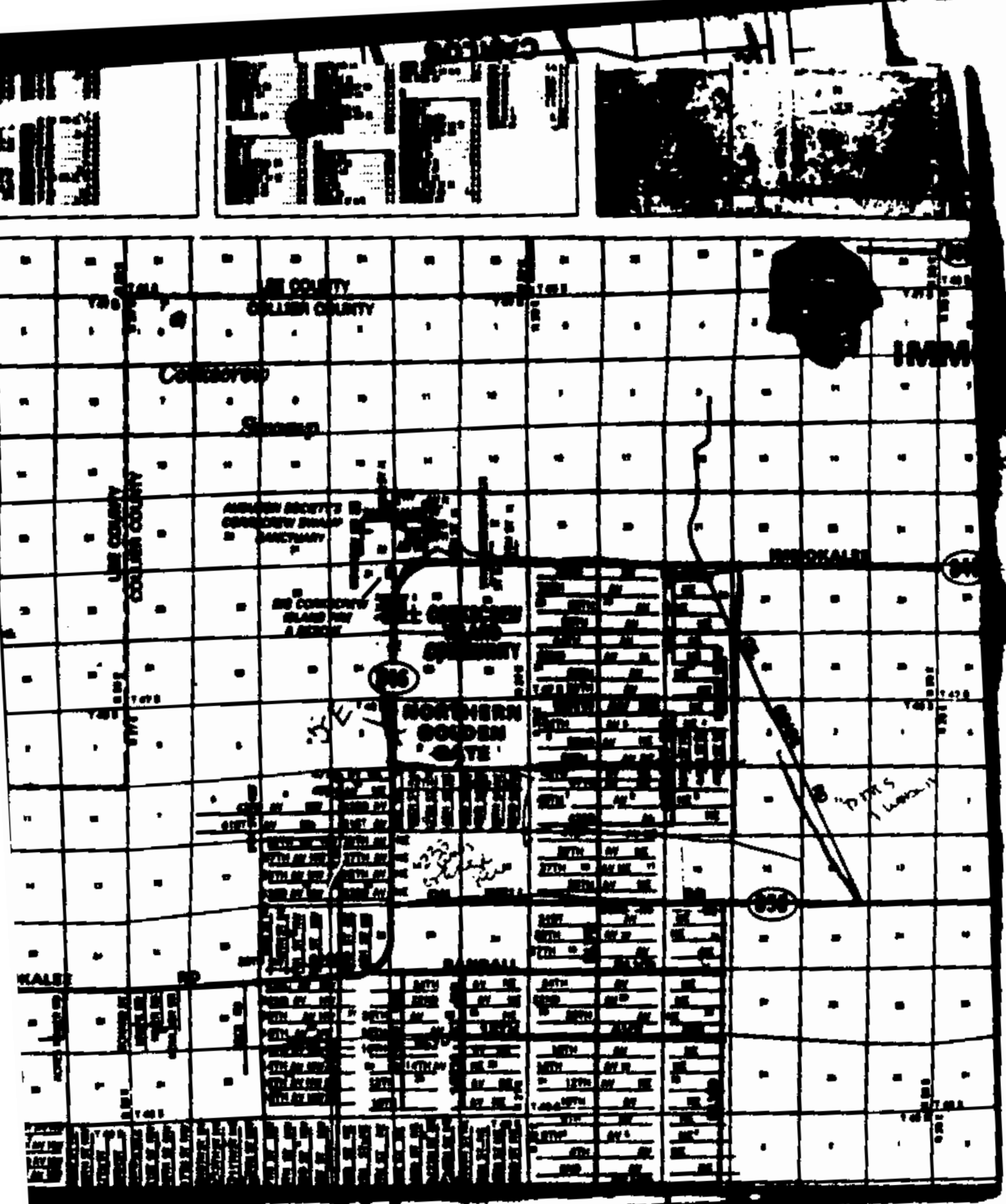
ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. If Issue 1 is approved, this docket should remain open pending the outcome of the subscriber survey.

STAFF ANALYSIS: No. If Issue 1 is approved, this docket should remain open pending the outcome of the subscriber survey.

ATTACHMENT A





A Map Showing Northern Golden Gate + Carkeow Island with Immokalet telephone Numbers.

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