

FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

MEMORANDUM

March 6, 1997

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

FROM: DIVISION OF COMMUNICATIONS (WIGGINS) *SAS for WDT*
DIVISION OF LEGAL SERVICES (BARONE) *NO*

RE: DOCKET NO. 970202-TL - PROPOSED TARIFF FILING BY
BELLSOUTH TELECOMMUNICATIONS, INC. TO CREATE THE ST.
JOHNS EXCHANGE (T-96-987, FILED 11/13/96)

AGENDA: MARCH 18, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION
- INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\970202TL.RCM

CASE BACKGROUND

On November 13, 1996 BellSouth Telecommunications, Inc. (BellSouth or the Company) filed a tariff to create a new exchange (St. Johns). The proposed exchange is carved out of the northwestern portion of the St. Augustine exchange and will provide service to the St. Johns Development area, which includes the new community, World Golf Village. Staff believes the tariff is discriminatory and thus in violation of Sections 364.10 (1) and 364.051 (6) (a) (2), Florida Statutes, as discussed in detail below.

DOCUMENT NUMBER-DATE

02478 MAR-65

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission require BellSouth to withdraw its tariff filing to create the St. Johns exchange?

RECOMMENDATION: Yes. The Commission should require BellSouth to withdraw its tariff filing to create the St. Johns exchange.

STAFF ANALYSIS: On November 13, 1996 BellSouth Telecommunications, Inc. (BellSouth or the Company) filed a tariff to create a new exchange (St. Johns) which became effective on December 13, 1996. This exchange is carved out of the northwestern portion of the St. Augustine exchange and will provide service to the St. Johns Development area, which includes the new subdivision, World Golf Village (see attached map). The proposed basic local calling scope of the St. Johns exchange is larger than the basic local calling scope of the St. Augustine exchange. The St. Johns exchange is classified as rate group 11, whereas the St. Augustine exchange is classified as rate group 4. The chart 1-A shown below illustrates the different calling scopes and rates for the two exchanges.

Chart 1-A

Exchange	EAS	ECS	R-1	B-1	PBX
St. Augustine RG-4	Hastings, St. Johns	Green Cove Sprg, Jacksonville, Jacksonville Bch, Julington, Palatka, Ponte Vedra	\$8.40	\$22.90	\$38.93
St. Johns RG-11	Hastings, Jacksonville, Jacksonville Bch, Julington, Orange Park, Ponte Vedra, St. Augustine	Green Cove, Palatka	\$10.45	\$28.60	\$48.62

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The St. Johns exchange will encompass a small area that is presently part of the St. Augustine exchange. Within this area, there are currently approximately 900 subscriber lines, 800 residential and 100 business. The St. Augustine customers located within the new St. Johns exchange boundary will retain their current telephone numbers until June 1997. At that time, the Company is proposing to implement an Area Transfer that will move these customers into the St. Johns exchange and assign them new telephone numbers with the 940 prefix which will be the new NXX for the St. Johns exchange. Transferred customers will have an option of retaining their current Rate Group 4 rates and calling scope (grandfathering), or moving to Rate Group 11 with an increased monthly rate and calling scope. If existing customers elect to keep their Rate Group 4 rates and calling scope, the Company's grandfathering option will apply for as long as the existing customer's basic local service remains at the same service address. Transferred customers who opt to keep their current Rate Group 4 rates and calling scope will have their telephone number changed to the 940-3XXX number group. BellSouth contends that the use of the 3XXX group will allow it to maintain the differentiation between the two rate groups in the data bases and switch translations. Transferred customers will also have the option to choose between the different calling scopes when requesting an additional line. However, the Company will not allow transferred customers to have two subscriber lines with different calling scopes at the same service address. New customers of the St. Johns exchange will not have the option of choosing between the Rate Group 4 rates and calling scope and Rate Group 11 rates and calling scope. Their basic local telecommunication service will be provisioned under Rate Group 11 with the St. Johns calling area.

With the inclusion of the grandfathering provision, this filing appears to be in compliance with Section 364.051 (2) (a), Florida Statutes, which caps BellSouth's basic local rates at the rates that were in effect on July 1, 1995. However, staff has concerns that the tariff may be in violation of Sections 364.10 (1) and 364.051 (6) (a) (2), Florida Statutes, as stated on the next page.

364.10 Undue advantage to person or locality prohibited;

(1) A telecommunications company may not make or give any undue or unreasonable preference or advantage to any person or locality or subject any particular person or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

Section 364.051 (6) (a) (2), Florida Statutes, reads as follow:

...Nothing contained in this section shall prevent the local exchange telecommunications company from meeting offerings by any competitive provider of the same, or functionally equivalent, non-basic services in a specific geographic market or to a specific customer by deaveraging the price of any non-basic service, packaging non-basic services together or with basic services, using volume discounts and term discounts, and offering individual contracts. However, the local exchange telecommunications company shall not engage in any anticompetitive act or practice, nor unreasonably discriminate among similarly situated customers.

By arbitrarily carving out a portion of the St. Augustine exchange and moving a select group of customers into the new exchange, staff believes that the excluded St. Augustine exchange customers are disadvantaged because they are not allowed to have the expanded calling scope of the St. Johns exchange. As illustrated on the attached map, BellSouth has excluded a large portion of the northwestern St. Augustine exchange from the St. Johns exchange. This creates a situation where customers who are geographically closer to the Jacksonville exchange will pay higher rates (ECS) to call Jacksonville, whereas customers served from the St. Johns exchange will have toll-free calling. The Commission has addressed this issue in the past regarding extended area service (EAS) requests. The distinction in this docket is that the exchange is being created, and the calling differentiation is not a result of growth or a change in the community of interest in an existing exchange. The disparity in the treatment of customers

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located within the traditional boundaries of the St. Augustine exchange is the direct result of this tariff. While the statute gives BellSouth the opportunity to meet competitive pressures, it also prohibits BellSouth from discriminating against similarly situated customers. It is staff's opinion that the excluded St. Augustine customers are being treated differently even though they are similarly situated.

BellSouth has indicated that its request for the creation of the St. Johns exchange is in response to pressure from a developer. While BellSouth did provide information to attempt to demonstrate that the St. Augustine customers do not need the more expansive calling scope proposed for the St. Johns exchange, staff does not believe this is an issue. With the revisions to Chapter 364, the Commission no longer has the authority to require price capped LECs to implement EAS or ECS; therefore, there are no standards to meet that would indicate whether an area's local calling scope should be expanded or not. Staff notes that the confidential traffic studies that BellSouth provided were conducted on the entire St. Augustine exchange and not the pocket portion that BellSouth is proposing to include in the St. Johns exchange. Staff has no way of knowing whether the small proportion of customers who make the majority of the calls are randomly dispersed throughout the St. Augustine exchange or concentrated in the northern end. Consequently, staff believes BellSouth's traffic study is inconclusive and reinforces staff's belief that the excluded customers in the St. Augustine exchange are being treated differently without support or merit.

Staff believes that in the new competitive telecommunications environment, an Alternative Local Exchange Company (ALEC) may offer to provide local telecommunications service, basic and non-basic, to the St. Johns Development area with a more expansive calling scope than BellSouth is currently providing or proposing. Because of lessened regulatory oversight, an ALEC may define its local calling scope as broadly as it chooses. Since BellSouth's competitors would be new entrants with operations that cover a smaller geographic area, Section 364.10, Florida Statutes, has less practical effect. Since an ALEC could be providing telecommunications service solely to one location, staff believes the ALEC is not likely to unreasonably discriminate among similarly situated customers.

Staff believes that this tariff violates Sections 364.10 (1) and 364.051 (6) (a) (2), Florida Statutes, staff recommends that the Commission should require BellSouth to withdraw its tariff effective 10 days from the issuance of the order in this docket.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person, whose substantial interests are affected, files a protest within 21 days of the issuance of the Order from this recommendation, this docket should be closed.

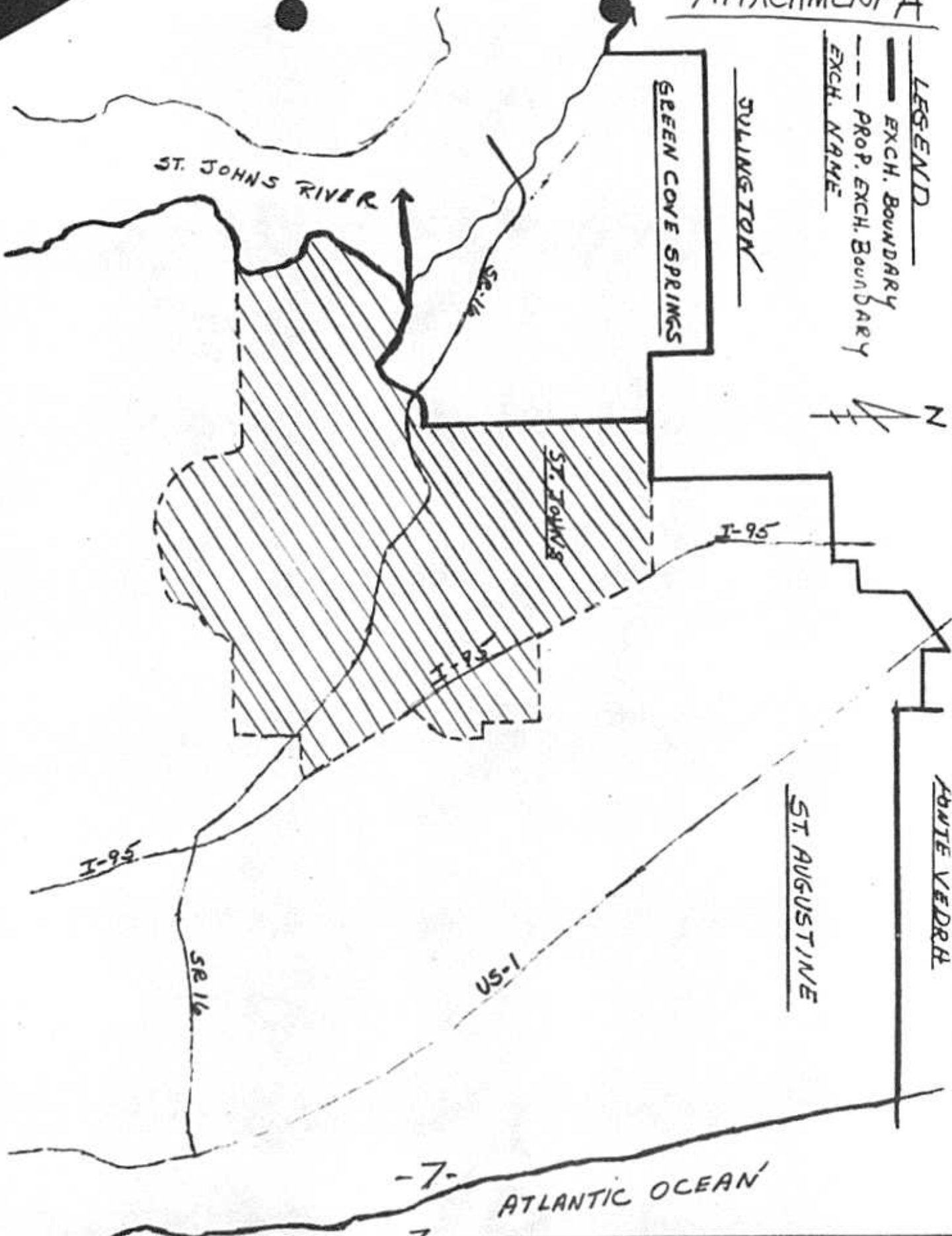
STAFF ANALYSIS: Yes. If no person, whose substantial interests are affected, files a protest within 21 days of the issuance of the Order from this recommendation, this docket should be closed.

ATTACHMENT A

- LEGEND
- EXCH. BOUNDARY
 - PROP. EXCH. BOUNDARY
 - EXCH. NAME

TULLINGTON

GREEN COVE SPRINGS



ST. JOHNS RIVER

SR 16

ST. JOHNS

I-95

I-95

I-95

SR 16

US-1

ST. AUGUSTINE

ROUTE VEDRH

-7-

ATLANTIC OCEAN