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

May 27, 1997

Re: Docket No. ~~950699~~-TL
Resolution by City Commission of Haines City Requesting Extended
Area Service From Haines City Exchange to All Exchanges Within
Polk County

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of GTE Florida Incorporated's
Posthearing Statement for filing in the above matter. Also enclosed is a diskette with a
copy of the Posthearing Statement in WordPerfect 6.1 format. Service has been made
as indicated on the Certificate of Service. If there are any questions regarding this
matter, please contact me at (813) 483-2617.



Very truly yours,

Kimberly Caswell
Kimberly Caswell

- AFA
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Enclosures

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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Resolution by City Commission)
of Haines City requesting extended area)
service (EAS) from Haines City exchange)
to all exchanges within Polk County.)

Docket No. 950899-TL
Filed: May 27, 1997

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GTE FLORIDA INCORPORATED'S POSTHEARING STATEMENT

GTE Florida Incorporated (GTEFL) files its posthearing statement, in accordance with Commission Rule 25-22.056(3).

Basic Position

As Commissioner Deason said at the hearing, "there are no easy answers" in EAS cases. (Tr. 360.) This extended area service (EAS) case is even more difficult than most because the old law and rules that govern it are at odds with the new state and federal scheme of openly competitive telecommunications markets. As even the Office of Public Counsel admits, the Commission has to remain mindful of the law "and particularly the changes" as it makes its deliberations in this case. (Tr. 211-12.)

The Commission has already found, even under the now-superseded EAS rules, that no form of mandatory extended calling—either EAS or extended calling service (ECS)—is warranted on the Haines City routes. The traffic statistics are too low to permit even balloting. Nothing has changed since the Commission's proposed order, except for Haines City's protest and anecdotal testimony from a very small percentage of Haines City subscribers. These events are not sufficient reason for the Commission to ignore statistical evidence that shows inadequate traffic for mandatory toll relief.

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If the Commission orders EAS or ECS in this case--despite low calling volumes-- it risks undermining efficient market operation, in contravention of the State and federal legislatures' reliance on market forces to best produce results in the public interest. The only way to reconcile the new law and the EAS rules, while meeting the expressed demand for extended calling, is to forego any mandatory relief. Instead, GTE will provide the Haines City customers with a fully optional local calling plan that offers several choices to meet diverse calling needs. This approach will not force even unwilling customers to pay an additive, as mandatory EAS would, and it would ensure the Commission does not issue an order that will disrupt efficient market operation, now and for the future.

Issue 1: Is there a sufficient community of interest to justify implementing EAS, as currently defined in the Commission rules, or implementing ECS, or an alternative toll proposal on any of the following routes?:

Haines City/Lakeland
Haines City/Polk City
Haines City/Bartow*
Haines City/Mulberry
Haines City/Frostproof
Haines City/Indian Lakes
Haines City/Fort Meade**

*** County seat of Polk County**

**** State and Federal offices serving the area**

GTEFL's Position: ** No. The Commission has already found that traffic is too low to indicate a community of interest sufficient to justify EAS or even ECS on any of these routes. There are no new facts to warrant reversing this finding, which is based on Commission rules and precedent. **

A. The Calling Data Do Not Justify Mandatory Local Calling Expansion

Under the EAS rules, community of interest is measured through calling data—specifically, messages per access line per month (M/A/M) and calling distribution—allowing the Commission to make objective and uniform decisions in EAS cases. (Rules 25-4.057, 25-4.060.) In accordance with these rules, the Commission has already found that the traffic studies on the routes at issue demonstrate no community of interest sufficient to order even an EAS survey, let alone EAS: “based on Rule 25-4.060(3), Florida Administrative Code, none of the routes under consideration in this docket meet the M/A/M or distribution requirements to qualify for a survey for nonoptional, two-way, flat-rate EAS.” (Order PSC-96-0620-FOF-TL at 2 (May 8, 1996) (May 8 Order).)

Likewise, there is insufficient traffic to warrant any alternative toll plan, such as ECS. The Commission noted that such ECS or \$.25 calling plan may be considered “on routes that met the calling rate and exhibited a substantial showing on the distribution requirement...Typically, these cases were close to meeting our requirements but fell short by a small percentage on the distribution criteria.” (May 8 Order at 2. See also Pouchor, Tr. 240-41.) None of the routes in this case met either the M/A/M or distribution requirements. As such, the Commission found that the traffic information “did not indicate a community of interest” and that no alternative toll plan is warranted. (May 8 Order at 2-3.) Thus, the Commission confirmed that objective calling data is the critical factor in evaluating EAS requests under its Rules and longstanding precedent.

Haines City and the Office of Public Counsel (OPC) would, however, have the Commission order expanded local calling in this case, even though the traffic statistics fall far short of the Rules' standards. OPC appears to focus on the last subsection of the Commission's rule on community of interest considerations: "In the event that the interexchange traffic patterns over any given route do not meet prescribed community of interest qualifications, the Commission may consider other community of interest factors to warrant further proceedings." (Comm'n Rule 25-4.060(5).)

GTEFL understands that the Commission has the discretion to consider non-numerical criteria in assessing EAS requests. However, that discretion is always constrained, in the first instance, by the traffic statistics, as the Commission has recognized again and again. The instances OPC witness Poucher cites in his prefiled testimony do not evidence a contrary policy. First, Mr. Poucher discusses only a handful of cases (12, plus a pocket area case)—in which he claims the Commission focussed on non-numerical factors in considering toll relief. Even if this were true, these few cases would be the exception, rather than the rule. (Robinson, Tr. 307.)

Second, the cases Mr. Poucher cites do not, in fact, demonstrate that the Commission has "disregarded the actual traffic volumes" (Poucher Direct Testimony (DT) at 7) in ordering expanded local calling. On the contrary, these cases repeatedly stress the need to look first at the calling data. Only if they are close to meeting the numerical criteria in the Rules will expanded calling be considered. EAS has never been ordered in the absence of calling data that are sufficient under the Rules. As Mr. Poucher agreed, the specific plan the Commission offers is generally dependent on traffic volumes, and the

Commission has historically considered alternative toll plans, like ECS, only when the calling rate requirement in the Rules is met and the distribution factor is substantial. (Tr. 240, 242; See, e.g., Ex. 5, REP-7 at 6 ("The specific plan offered is generally dependent upon the traffic volumes on the routes under consideration."); REP-14 at 4, 6, 7 ("Historically, we have considered implementing an alternative toll plan on routes that met the calling rate requirement and exhibited a substantial distribution factor."); REP-9 at 6; REP-13 at 3 ("traffic studies reflect sufficient community of interest to warrant implementation of an alternative to toll rates...."); REP-14A at 9-10 ("Historically, the Commission has implemented the \$.25 calling plan on routes that exhibited a substantial calling volume and/or distribution.") As the Commission has noted, where \$.25 ECS has typically been ordered, "these cases were close to meeting our flat rate EAS requirements but failed either on the distribution on volume level by a small percentage." (Ex. 5, REP-14A at 10.) In the Haines City case, the traffic statistics do not come anywhere near meeting the flat-rate EAS requirements. Indeed, as Mr. Poucher acknowledged, the Commission has denied many requests for both EAS and ECS, including countywide requests, with even higher calling rates than those presented in this docket. (Poucher, Tr. 220.)

Third, the cases Mr. Poucher cites can be distinguished from this one, most often because the traffic data in the other cases were stronger. Additionally, for example, Mr. Poucher cites a 1991 Gilchrist County case where ECS was offered as a result of an agreement between the County and Southern Bell--an agreement which, by its terms, "shall not have precedential value for other proceedings," including this one (Ex. 5, REP-

5 at 2-3.) Further, Mr. Poucher emphasized pocket area cases, which, as the Commission itself has observed, are somewhat special situations that may call for special resolutions. (See, e.g., REP-14 at 2, 4.) Even so, the Commission has been careful to point out that it has "denied toll relief on pocket routes that did not meet the EAS M/A/M requirement or demonstrated a significant distribution factor." (Ex. 5, REP-14 at 4.)

Fourth, countywide calling requests are not reviewed under any different standard than any other EAS request. It is not true, as Mr. Poucher asserted, that "[t]he Commission has no standard for countywide calling requests." (Poucher Rebuttal Testimony (RT) at 2.) The standard for countywide calling is the standard for any other EAS requests. The Commission has explicitly held that "the current EAS mechanism is sufficient to resolve countywide calling problems" and noted that: "Requiring counties to follow our current EAS rules when requesting countywide calling requires the county to demonstrate why expanded calling is needed." Proposed Rule 25-4.065, F.A.C., Countywide Calling, Order No. PSC-93-1177-FOF-TL at 1-2 (Aug. 10, 1993).

Fifth, all of the non-pocket cases OPC cites as exceptions in some way to the traffic criteria are from 1993 or before. (Tr. 245; Poucher RT at 3-7.) Florida law, of course, changed in 1995 to open the local exchange to competition. There are no non-pocket cases after or even near that date where the Commission liberally applied its EAS rules to order mandatory local calling expansion without adequate calling statistics. (And even in the 1995 pocket areas case, the Commission repeatedly stressed the need for adherence to its Rules and precedent requiring adequate traffic statistics in ordering toll relief. Ex. 5, REP-14 at 4, 5, 6, 7, 10.) In fact, as Mr. Poucher acknowledged, the

Commission dropped its effort to revise the EAS rules in the 1993 timeframe because it recognized that impending state legislative changes would make their applicability very limited. (Tr. 245.)

Because Mr. Poucher ignores these changes, he argues that GTEFL's testimony in this case is inconsistent with the Company's past support for Tampa Bay ECS and countywide calling for Polk County. But those positions were taken in dockets from 1991 and 1992, respectively—before new legislation was even proposed. These positions were prudent and reasonable at the time because GTEFL could seek rate relief as a matter of course if expanded calling was not compensatory. Under today's price regulation, that is no longer true, and mandatory calling expansion—especially given the introduction of competition into the local exchange—is no longer appropriate. (Robinson, Tr. 276, 299.) It is additionally significant that the calling rates on the Tampa Bay routes were 7 to 22 times greater than for the routes at issue in this case, (Robinson, Tr. 300), and that the Commission rejected GTEFL's proposed countywide calling for Polk County. (Ex. 5, REP-18.)

In short, now is not the time to expand the existing EAS rules, which are rooted in an outdated model that relied on regulatory intervention, rather than market discipline, to best produce results in the public interest. Although this case is governed by the EAS rules, the Commission cannot ignore the existing law, as even OPC admits. (Poucher, Tr. 211-12.) The Commission's actions in this case will affect the marketplace for years to come. If it orders something that is not warranted by the level of demand, it will disrupt the market efficiency that would otherwise obtain.

Although GTEFL could have easily cut off this proceeding, it agreed to application of the EAS rules in the spirit of cooperation. (Robinson, Tr. 265.) By the same token, GTEFL believes it is reasonable for the City of Haines City to understand and accept those rules. If those rules are applied as they should be—and as they customarily have been in past EAS cases—no expanded calling will be ordered in this case. This is the only appropriate result, consistent with both past precedent and the legal and ongoing market changes.

B. Anecdotal Testimony Is Not a Sufficient Basis for Ordering Expanded Local Calling

In no event should the Commission accept OPC's contentions that the public testimony is enough to grant toll relief in this case. Ordering a toll alternative, such as ECS, in the absence of numerical justification would be at odds with the Commission's Rules, which require "higher than average interexchange calling" for the Commission to consider alternatives to traditional EAS. (Rule 25-4.064.) The calling statistics here certainly do not show higher than average calling. The Commission has already found that none of the routes meet either the message or distribution criteria. (May 8 Order at 3.)

The EAS rules focus on numerical criteria for very good reasons. They allow a uniform and objective assessment of the need for EAS. If the Commission were to allow EAS or ECS to be granted solely on the basis of subjective and unverifiable anecdotal testimony, the rules intended to provide structure and promote fairness would be meaningless. It is extremely difficult to accurately assess the need for EAS or other extended calling solely on the basis of anecdotal testimony, which is all the Commission

has to support the EAS request here, since the numerical criteria were not satisfied. The Commission must keep in mind that the public witnesses who testified are, as Mr. Poucher admitted, just a very small fraction of Haines City subscribers. (Tr. 200.) It is inevitable that the individuals most interested in the Commission taking some action will be the most likely participants in public hearings. As such, the Commission should avoid drawing any conclusions about the need for and level of support for EAS or ECS based just on the sentiments expressed by the public hearing witnesses.

Further, many of these witnesses who supported extended calling do not want to pay anything for it, either under an EAS or ECS scenario. (Tr. 55-56, 59-60, 78) Since this is not a viable option under the Commission's rules or any of its previous decisions, even the level of support demonstrated at the hearing may be misleading, since it is not clear whether some of the witnesses would favor an expanded calling scope that they must pay for.

Moreover, although witnesses testify to the best of their knowledge, there are often inaccuracies that might sway the Commission to unjustified conclusions. For example:

* Certain witnesses complained about the lack of local dial-in numbers for Internet access in the Haines City area. Yet one of them acknowledged that there were "a few Internet service providers that are not long distance for us in this area,"(but was dissatisfied that there weren't more.) (Tr. 52.) Another testified that he was, in fact, using a local Internet provider (Cybergate) and knew of at least one other such local provider (Florida Online). (Tr. 363-64.)

The fact is that there are local Internet access numbers in Haines City; it is unrealistic for Haines City residents to expect that all or most companies will immediately establish local gateways for Haines City. Competition typically comes to major urban areas and business centers first—that's the way that markets work. (See Robinson, Tr. 292-93.) The fact that Haines City has any local Internet providers at this early stage is an impressive indication that local competition is already a reality.

* One witness stated that GTEFL charged a initial fee for establishing its Total Solutions service, which provides discounts for certain levels of toll usage. (Tr. 22-23.) In fact, the Company does not charge such a fee.

* One witness claimed that Haines City is the only community in Polk County that does not have toll-free calling to other parts of the county. (DeGennaro DT at 3-4.) This is not true; as GTEFL's tariff proves, Frostproof, Lake Wales, Bartow, and Indian Lake, which are also in Polk County, do not have a countywide calling scope. (GTEFL Gen. Svcs. Tariff sec. A3.5.1.)

* Some witnesses believed that customers in Winter Haven could call all of Polk County toll-free. (Saag DT at 3; Tr. 18.) In fact, that is not true, as GTEFL's tariff again demonstrates. (GTEFL Gen. Svcs. Tariff sec. A3.5.1 (Winter Haven can't call Frostproof, Indian Lake, or Mulberry.)

* In response to a question from Sprint/Centel's counsel, several people at the hearing stated that Polk County was the eighth largest county out of 67 in Florida. (Tr. 385.) Polk County is, in fact, fourth largest in terms of land area. (1996 Florida Statistical Abstract, 30th ed., at 244-45.) This is important, because greater scrutiny is necessarily warranted for countywide EAS requests that cover unusually large areas.

* Many witnesses complained about the lack of toll-free calling to government agencies and other offices in Bartow. Some didn't know that many of these sites already have toll-free numbers. (Tr. 114.) Others knew about some of them, but complained that the numbers were "hard to find" and/or that they were frequently busy. (Tr. 14, 18, 145.) The facts are that there are 800 numbers for government offices (including federal agencies, such as Veterans Affairs (Tr. 18)) and businesses such as the Lakeland Ledger, Tampa Tribune and TECO. (Florida Power has a local Haines City number listed.) These numbers are in the telephone book covering Haines City, listed just like any other number. Further, changing an 800 number to a seven-digit-dialed number will not change the amount of staff available to answer telephones; if the 800 number is frequently busy, the 7-digit number likely will be, too.

These few examples of subjective perceptions and inaccuracies that GTEFL was able to verify underscore the danger of ordering toll calling relief or even EAS balloting on the basis of subjective testimony about community of interest.

C. GTEFL's LCP is Preferable to a Mandatory Plan

As explained above, anecdotal testimony provides no good reason for the Commission to reverse its original finding that the community of interest on the routes at issue is insufficient to mandate any form of expanded local calling. This does not mean, however, that Haines City will remain without any form of relief. As GTEFL witness Robinson detailed in his prefiled and oral testimony, GTEFL will implement a fully optional local calling plan (LCP), which is a market-based alternative to mandatory EAS or ECS, instead of mandatory calling expansion. GTEFL's LCP offers customers four calling options, so that the customer can choose the plan that best suits his needs. In addition, the customer can choose to retain his local service as it is. No customer will be forced to pay an additive against his wishes, as would certainly be the case in Haines City, even among those who favor some form of toll relief. (Robinson DT at 10-12.) Thus, GTEFL's LCP responds more closely than EAS to OPC's request that customers "be given the choice of subscribing to the service that they want; and that means paying more if they choose to pay more." (Poucher, Tr. 211.) EAS, of course, involves no choice for the customer; the additive is mandatory for everyone.

Although ECS traditionally does not require any across-the-board additives to consumers' basic rates, it, too, has drawbacks because of its mandatory nature. As

explained earlier, any mandatory plan is incongruous with the state and federal legislative directives to rely on markets, rather than regulation, to enhance consumer welfare in telecommunications markets. In addition, mandatory ECS plans remove the local company's (and the customer's) flexibility to change calling plans in accordance with market demand. This flexibility was nicely demonstrated at the hearing. GTEFL's option three, Community Plus, was originally structured so that the customer would receive flat-rate calling to three exchanges (Winter Haven, Haines City, and Lake Wales). GTEFL did not plan to include Bartow in the flat-rate calling area. However, after hearing several public witnesses express a desire for toll-free calling to Bartow in particular (those witnesses asked for their preference ranked Bartow either first (Tr. 101, 125, 160) or second (Tr. 91, 116)), GTEFL's Mr. Robinson offered to include Bartow in the flat-rate portion of the Community Plus option. (Robinson, Tr. 268-70.) If a particular calling scope is mandated under ECS, GTEFL will lose all such ability to rapidly respond to expressed demand for particular calling routes. Further, ECS, which requires payment for each separate call, will not allow the kind of flat-rate calling to Bartow that LCP will. (Robinson, Tr. 303.)

Although Haines City's attorney received a copy of Mr. Robinson's LCP proposal (which appeared in his Direct and Rebuttal Testimony), none of the Haines City witnesses who prefiled testimony criticized the LCP. Only Mr. Poucher found fault GTEFL's LCP, and only in vague and general terms. He could offer only that the LCP was like optional EAS (OEAS) plans that the Commission ordered in the past. But Mr. Poucher did not know much, if anything, about the OEAS plan GTEFL had offered in the past, and so admittedly

could not compare it to the LCP. (Poucher, Tr. 215.) Mr. Poucher's conceptual criticisms were, moreover, unconvincing because GTEFL's LCP is not like the OEAS of the past. For instance, OEAS never included several calling options—and thus the level of consumer choice—that is the hallmark of GTEFL's LCP, the LCP is not route-specific as OEAS was, and the LCP rate structure is wholly different.

Just as importantly, the low take rates and low popularity that Mr. Poucher associates with OEAS (Tr. 212) have certainly not been characteristic of LCP, as GTE's experience with LCP illustrates. In North Carolina, GTE offers LCP in 26 rural counties in and around Asheville. The demographics there are similar to those presented here, with Lakeland (instead of Asheville) as the center point for expanded calling purposes. The take rate in North Carolina after only about seven months is over 20%. (Robinson, Tr. 298.) In South Carolina, the average take rate for LCP for all exchanges is 32%. (Robinson, Tr. 289.) In all states where LCP has been rolled out, "the initial take rate is exceeded month after month as more people get on the plan, to as high as 52% of the customers in any given exchange." (Tr. 388.) Here in Florida, in Englewood and North Port, the take rate for a relatively recently implemented LCP already stands at 8%—an impressive figure given that the LCP has been promoted only by one direct mail piece and that a 2% response to a direct mail piece is customarily considered high. (Tr. 287.) These figures prove, without a doubt, that customers understand and accept LCP once it is offered to them in concrete terms. (Robinson, Tr. 289.)

Moreover, criticizing any service offering on the basis of its take rate is severely out of step with contemporary thinking—embodied in state and federal law—that efficient

markets produce maximum consumer benefits. Obviously, if expanded calling is offered for free, everyone will take it. Thus, an extraordinarily high take rate does not necessarily have anything to do with the level of demand for a service. Price-setting that ignores demand is the antithesis of competitive markets and will, in the end, keep competing carriers—and the innovative services and rate structures they might provide—out of Haines City.

At base, Mr. Poucher seems to believe that the optional nature of GTEFL's LCP is its great drawback: "The problem with those plans is that the company has to offer them to the customer." (Tr. 212.) GTEFL has more faith in its subscribers. GTEFL believes that customers can make informed choices based on their own needs and budgets. Unlike a mandatory plan, GTEFL's LCP allows them the opportunity to do so.

Finally, as a wholly optional, market-based plan, LCP avoids difficult inquiries into community of interest, because the Commission need not order GTEFL to offer the LCP. Rather, GTEFL will make LCP available once the Commission affirms its earlier decision that there is insufficient community of interest to justify any mandatory expanded local calling. (Robinson, Tr. 297.)

Issue 2: What other community of interest factors should be considered in determining if either EAS, ECS, or an alternative toll plan should be implemented?

GTEFL's Position: "The Commission's Rules and precedent do not contemplate reliance solely on non-numerical criteria to determine community of interest. Only

if traffic data are adequate may the Commission consider, in addition, factors such as location of schools, shopping areas, medical facilities, and the like.**

As GTEFL explained above, the Commission's Rules and precedent do not support implementation of mandatory expanded calling, such as EAS or ECS, solely on the basis of anecdotal testimony about community of interest. The Commission has never ordered EAS in the absence of traffic data that met Rule thresholds. Likewise, the Commission has repeatedly made clear, in accordance with its EAS Rules and precedent (see above discussion), that ECS will not be ordered without unusually high toll traffic figures. Numerical criteria are always the first and most important consideration. Only if these numbers make a threshold showing of community of interest will the Commission factor non-numerical considerations into its decision. These considerations might include, among other things, location of school district boundaries, shopping areas, and medical facilities.

As the Commission has explained, however, the numbers in this case are too low to make out even the preliminary indication of community of interest that would justify further proceedings. Even balloting—let alone any actual toll relief—is not warranted under Rule 25-4.060(3). (May 8 Order at 2.) And despite some witnesses' claims that the Commission has not fully considered toll traffic, the Commission has already reasonably concluded that since the intraLATA traffic data do not indicate a community of interest, additional interLATA traffic information is not likely to change this result. (May 8 Order at 3.) Indeed, the leakage to cellular, foreign exchange lines, and the like would have to

account for 300% to 400% more calls to meet the 3 M/W/M threshold in the Commission's EAS rules (not even considering the distribution criterion).

In short, this is not a case where the Commission needs to even reach the "other community of interest factors." These other, subjective factors are only persuasive in conjunction with numerical criteria that fall just short of EAS standards, as explained in GTEFL's position on Issue 1. They are not a stand-alone reason for mandating toll relief.

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 customer and the company (summarize in chart form and discuss in detail)?

- A) EAS with 25/25 plan and regrouping
- B) Alternative toll plan
- C) ECS; and
- D) Other (specify)

GTEFL's Position: "It is impossible to determine the economic impact of any mandatory plan. GTEFL no longer has a local exchange monopoly. Although EAS and ECS calls will be local, they won't foreclose competition. Since GTE does not know how many customers it will retain, it cannot calculate revenue impact."

Traditionally, revenue impact calculations in EAS cases have been relatively simple. A LEC had all of the IntraLATA market and all of the local market in its franchise area. To evaluate the revenue impact of EAS or ECS, it would calculate lost toll revenues and balance those against gains in increased rates due to the EAS additive, or, in the case of

ECS, revenues from per-call charges. The net loss or gain was the anticipated revenue impact of the mandatory plan.

This kind of revenue impact calculation is no longer meaningful. By law, GTEFL no longer has a local exchange monopoly. Therefore, it cannot assume that all of the customers in its serving area will be charged the mandatory EAS additive or will make calls under any ECS plan ordered. The fact that EAS and ECS calls are local used to mean that competition on the routes at issue was foreclosed once the plan was implemented. (See, e.g., Ex. 5, REP-10 at 4; REP-4 at 3-4; REP-6 at 3; REP-7 at 5.) That is no longer true, now that full local competition, as well as full 1+ intraLATA competition, have been approved. Now, both toll carriers and local companies can compete for the traffic on the Haines City routes, regardless of what the Commission orders in this case. Since GTE does not know how much of the local (or toll) traffic it will retain on the Haines City routes, it cannot accurately assess what the revenue impact of ECS or EAS will be. (Robinson, Tr. 325, RT at 5-7.)

GTEFL did not initially provide any economic impact figures in this case. At the request of Staff at the hearing, it agreed to provide a late-filed exhibit showing net revenue gains and/or loss under the old assumption of 100% local market share. (Ex. 9.) GTEFL stresses here, as it did in that exhibit and at the hearing, that those numbers are meaningless.

Even though GTEFL today carries almost all of the local traffic on the routes in this case, that situation cannot be expected to last much longer. There are over 85 alternative local exchange companies (ALECs) certificated in Florida on a statewide basis, including

the City of Lakeland. (Poucher, Tr. 209.) GTEFL's arbitrations with AT&T, MCI, and Sprint, among many others, have concluded, and interconnection and resale contracts will be executed at about the same time this Posthearing Statement is filed. These entities, which already have a strong market presence in the interexchange area will not waste any time entering the local market—a fact which is apparent in their marketing campaigns underway. Given this environment, the Commission should avoid making any findings--either about revenues losses or gains--based on today's market snapshot.

In EAS cases, the Commission is obliged to consider the revenue impact of any mandatory local calling expansion on GTEFL. (Rule 25-4.058.) In this case, the only conclusion the Commission can make in that regard is that it doesn't know what that impact will be. In particular, it would be arbitrary and irresponsible to use revenue calculations performed under assumptions which are, by law, not true anymore, and to set rates that can no longer be changed through rate filings. Because this mathematical exercise is unreliable under current conditions, and because EAS is ill-advised from a policy standpoint, GTEFL opposes EAS even though the calculations show GTEFL will gain additional revenues.

In any case, as noted, no finding of community of interest can be supported in this case because the traffic statistics are not even minimally adequate to warrant further proceedings to consider EAS, ECS, or any other mandatory option. There is thus no need to reach the revenue impact issue. This issue is also moot with regard to GTEFL's LCP. Because it is wholly optional, and the Commission need not order its implementation, no findings about its revenue impact on GTEFL are warranted. The LCP is, in any event,

designed to be revenue neutral. The best that GTEFL can hope for under this plan is not to lose money. (Robinson, Tr. 301-02.)

Finally, this question asks about the economic impact on customers of the various expanded calling options. Each customer would need to answer this question for himself. Only a particular customer would know if his total bill would go up or down under a mandatory plan, such as EAS and ECS. GTEFL points out, however, that any customer choosing one of GTEFL's LCP options would be expected to have a lower bill than he did without LCP. Assuming customers are acting in their own best interest, they will choose the calling option that best meets their individual needs and that will save them the most money.

Issue 4: Should subscribers be required to pay an additive as a prerequisite to implementation of EAS? If so, how much of a payment is required and how long should it last?

GTEFL's Position: "Yes. An additive for all subscribers is a historical prerequisite to EAS implementation. There is no evidence in the record about how long the additive should last."

Yes. The Commission has historically imposed an additive for EAS. (Tr. 359.) To this end, Commissioner Dession notified the public hearing attendees that the residential EAS additive in this case would be between \$3.22 and \$3.67. (Tr. 33.) This additive is consistent with the directive that:

the incremental rates to be charged for the Extended Area Service arrangement...will generate revenues within the affected exchange(s) to the extent possible, sufficient to meet the increased cost resulting from the provision of EAS, considering the strength of the community of interest, the overall rate level, and effect on earnings of the telecommunications companies which will provide the proposed EAS.

(Rule 25-4.058(2).)

If EAS is to be ordered in this case, it is critical that the additive recover the costs and ongoing lost revenues associated with the service. Because GTE now operates under price regulation, rather than earnings regulation, it cannot seek rate increases—as it was able to in the past—if EAS or other Commission directives negatively affected its earnings. Furthermore, an adequate EAS additive is especially appropriate under Rule 25-4.085(2), which recognizes the strength of the community of interest to be a key consideration in assessment of the level of the additive. An extraordinarily strong community of interest may warrant a comparatively small additive, while a very weak community of interest would need to insure against lost revenues. In this case, the Commission has already found that no community of interest exists under the EAS criteria in its Rules. As explained, GTEFL does not believe the Commission can justify a reversal of this position. However, if the Commission believes otherwise, and grants relief based on subjective, non-numerical factors, it must nevertheless acknowledge that community of interest in this case is too weak to force GTEFL to risk any lost revenues because of the EAS, and any additive must be sufficient to recover these losses. Calculation of an additive that satisfies this condition will, however, be extraordinarily difficult, because GTEFL's losses are a moving target. A static EAS additive cannot assure GTEFL adequate compensation because GTEFL's

market share—and its associated revenues—are sure to decrease as local competition increases.

Duration of any EAS additive is a similarly difficult determination. Additives have traditionally lasted for up to four years, (Tr. 359), a period that GTEFL believes was linked to examination and possible revision of the additive in LEC earnings reviews. GTEFL, as a price-regulated carrier, will no longer have earnings reviews. Therefore, it would be arbitrary and capricious for the Commission to assume a four-year period for the additive would be appropriate in this case. In fact, there is no support for any specific duration of the additive in this record. If the Commission orders an EAS additive, the only viable and lawful course would be to impose it for an indefinite period, or keep the docket open to take additional evidence as to the appropriate period for the additive.

Because of the complete lack of support for any specific additive period, the Commission should reject any suggestion that the duration of the additive be printed on any EAS ballot that may be ordered. There is, to GTEFL's knowledge, no Commission precedent for such language on the ballot.

By the same token, neither should the Commission take the unprecedented step of ordering the Company to offer ECS as an alternative to EAS on the EAS ballot, as Mr. Poucher has proposed. First, introducing an ECS option will compromise the EAS balloting statistics the Commission is required to review under its Rules. (Rule 25-4.063.) Second, discussion of ECS is impermissible under the survey language in the Rules, as well as the Rules' admonition that the survey letter "shall contain no additional material or information not contemplated by these rules." Id. ECS information is not contemplated in

the EAS survey rules. Third, the information gathered through EAS balloting is useful for determining whether there is sufficient support for any mandatory expanded calling. Providing customers ECS in the event the EAS ballot fails precludes a reasoned decision about the need for ECS and removes the Commission's discretion to find that no form of mandatory toll relief is justified.

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

GTEFL's Position: "Rates for EAS or ECS must be calculated to assure that GTEFL will not lose revenue under any such mandatory plan. GTEFL's LCP does not require the Commission to order any specific rates. GTEFL will set rates based on revenue neutrality."

As explained above, it is essential that the rates for any mandatory plan be set to safeguard against revenue losses that can no longer be recovered as a matter of course under price regulation. With regard to the mechanics of rate-setting, if EAS with the so-called 25/25 plan and regrouping is ordered, rates would be determined under the existing 25/25 formula. No message charges would be assessed. The rates would be appropriate only if the formula was correctly applied. (Robinson DT at 13.) For EAS, an additive to the monthly rate would be calculated, based on regrouping and expansion of the local calling scope. (Robinson, DT at 13-14.)

ECS rates have historically been \$.25 per call for residence and, for business, \$.10 for the first minute, \$.06 for each additional minute.


Of course, with GTEFL's LCP, there is no need for the Commission to set rates. Nevertheless, for the Commission's information, GTEFL has calculated the rate ranges for the various plan options. The Basic Option would be between \$7.00 and \$7.50, with calling to all ten plan exchanges for six cents a minute; the Community Option would have a flat rate a few cents lower than the \$10.88 basic rate Haines City customers pay today, with calls to nine exchanges outside Haines City for six cents a minute; the Community Plus Option would offer four exchanges, including Bartow, at the flat rate of \$14.00 to \$14.50, with calls to the six remaining exchanges at six cents a minute; and the Premium Option, would have a flat rate of \$35 to \$40 a month for calling to all 10 exchanges in the expanded area. (Robinson, Tr. 266-69.) GTE notes that this range for the first three options is, at most, only five cents broader than the estimated range for the EAS additive (\$3.22 to \$3.67 (Tr. 33)) that the Commission gave the public at the hearing. The estimated rates closely track the Englewood-North Port rates for the LCP GTE offers there today. The Haines City rates may be just slightly higher to reflect the larger calling area of Polk City. Of course, customers would be told the specific rates at the time GTEFL offered the plan. (Robinson, Tr. 280-83.) Again, it is important to remember that because the Commission need not order GTEFL to offer its LCP, it need not order any specific rates in this docket. After it has done the requisite studies, GTEFL will file a tariff with the specific rates established within the ranges given by Mr. Robinson. (Robinson, Tr. 280.)

Finally, GTEFL's LCP is not designed to generate additional revenues for the Company. The specific rates for GTEFL's LCP would be set to produce revenue neutrality. As Mr. Robinson testified, "we hope our modeling will make us no money and we hope our modeling will lose us no money." (Tr. 301-02.)

* * *

For all the reasons set forth in this filing, GTEFL asks the Commission to adopt GTEFL's position on each of the issues stated for resolution in this case. In short, GTEFL believes the Commission should affirm its earlier conclusion that there is no community of interest on the routes at issue, and decline to order any mandatory local calling expansion. The Commission should feel comfortable doing so, particularly because GTEFL will offer its LCP to meet individuals' demand for expanded local calling.

Respectfully submitted on May 27, 1997.

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CERTIFICATE OF SERVICE

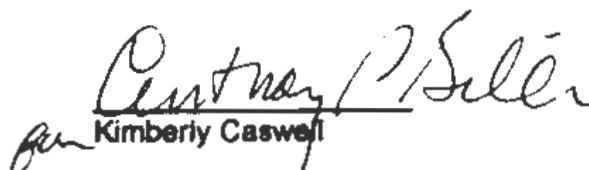
I HEREBY CERTIFY that copies of GTE Florida Incorporated's Posthearing Statement in Docket No. 950699-TL were sent via U.S. mail on May 27, 1997, to the parties listed below.

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