

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: February 21, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Competitive Markets & Enforcement (Barrett, King) ^{nk}
Office of the General Counsel (Teitzman) ^{MCB} ~~AT~~

RE: Docket No. 070603-TL – Petition for approval of realignment of Port St. Joe and Beaches Exchange boundaries, by GTC, Inc. d/b/a FairPoint Communications. ^{mm}

AGENDA: 03/04/08 - Regular Agenda - Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\070603.RCM.DOC

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COMMISSION
CLERK

Case Background

On September 18, 2007, GTC, Inc. d/b/a FairPoint Communications (FairPoint or the Company) filed a petition to approve the realignment of the exchange boundary between the Port St. Joe and The Beaches exchanges. (Petition). The realignment request would expand the geographic boundary of the Port St. Joe exchange and correspondingly reduce that of The Beaches exchange.¹ Twenty (20) local exchange customers would be impacted by the proposed realignment. Although there would be no impact on local service rates, these customers would

¹ The specific parcel at issue is included in the Master Development Plan of WindMark Beach, a substantial development project by the St. Joe Company. Maps and related information were attached to the Petition.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

be subject to telephone number and calling scope² changes. FairPoint has proposed a 1-year transition period to implement the necessary changes, pending the Florida Public Service Commission's (Commission) approval.

Staff and FairPoint jointly developed a Customer Notice letter that was sent (via certified mail with a return receipt) on December 20, 2007. (Attachment A) The letter summarized FairPoint's proposal and its ramifications, including the prospects of number and calling scope changes. It also included contact information that would give these customers an opportunity to provide comments to the Commission.

On January 17, 2008, FairPoint filed an Affidavit of Mailing Customer Notice (Affidavit) that identifies all addressees. Staff has verified that all such letters were delivered. As of the date of this recommendation, no customers have filed comments with the Commission staff.

This recommendation addresses whether the Commission should approve this Petition. The Commission is vested with jurisdiction over this matter pursuant to Section 364.01, Florida Statutes.

² The term "calling scope" describes the calling routes that are available for a particular exchange. Port St Joe and The Beaches exchanges have extended area service (EAS) between them, which means there is no cost for the subscribers in either exchange to call the other. However, the routes that will be impacted by FairPoint's Petition are Extended Calling Service (ECS) routes, in which per-call charges apply.

Discussion of Issues

Issue 1: Should the Commission approve FairPoint's Petition to realign the Port St. Joe and The Beaches exchange boundaries?

Recommendation: Yes. The Commission should approve FairPoint's Petition to realign the Port St. Joe and The Beaches exchange boundaries. (Barrett)

Staff Analysis: FairPoint seeks Commission approval to realign the current geographic boundary between the Port St. Joe and The Beaches exchange areas. The proposed boundary realignment would expand the Port St. Joe exchange and reduce the geographic size of The Beaches exchange. FairPoint claims that the proposed realignment will allow it to serve all City of Port St. Joe local exchange customers from a single exchange, including those in a large-scale planned community, the WindMark Beach development.

FairPoint's Petition

The boundary realignment will expand the Port St. Joe exchange so that it includes: (1) a recent annexation and expansion of the municipal limits of the City of Port St. Joe; and (2) WindMark Beach development property that is currently adjacent to, but outside of the above-referenced municipal boundary. FairPoint states that the 20 impacted subscribers are in a very small portion of the total parcel of land, and that otherwise the parcel is "substantially undeveloped."³

In its Petition, FairPoint commits to providing customer notice of its proposed action by direct mail and by publishing the information in a newspaper of general circulation in the Port St. Joe area. With staff's input, the Company developed the Customer Notice letter that was mailed on December 20, 2007. This letter summarized the specific ramifications of the Company's proposed action, and provided contact information for the Commission so that impacted customers could monitor the Commission's consideration of this matter, or provide comments regarding FairPoint's petition. On January 17, 2008, FairPoint filed an Affidavit of Mailing Customer Notice that confirms the delivery of this letter to each impacted customer. If its Petition is approved, the Company will (again) work with staff to develop the newspaper notice.⁴

Customer Impacts

There are two primary impacts for the 20 customers, a number change and a modified calling scope. Upon Commission approval, these customers would be issued a Port St. Joe exchange telephone number and would forfeit their present number from The Beaches exchange. They would also be subject to the calling scope and local exchange rates for the Port St. Joe exchange.

³ The Company states that the portion that remains undeveloped is in excess of 98%, and WindMark's developer is projecting that 1,500 to 1,700 potential customers will reside in that community over the next 10-20 years. Staff notes that it contacted the developer regarding FairPoint's Petition, and the developer had no objection to it.

⁴ Staff notes that the newspaper notice will only be issued if FairPoint's Petition is approved. Staff will coordinate the issuance of its order with the day (or dates) of publication to ensure that a person whose substantial interests are affected would have the full 21 days from the date the order is issued to formally "protest" the Commission's Proposed Agency Action.

The Number Change

FairPoint states that 20 subscribers served by it from The Beaches⁵ exchange would be transitioned to a new number from the Port St. Joe exchange. However, the Company is proposing a plan to ease this transition. Where the numbers are available, the Company has reserved from the Port St. Joe prefixes the last 4 digits that correspond with those in use by these customers in The Beaches exchange. For example, if an impacted subscriber from The Beaches exchange has the phone number 647-9999, FairPoint states that it is holding the “9999” number from the Port St. Joe prefixes, if available, for the transitioning customer. Therefore, this hypothetical subscriber will transition from 647-9999 to either 227-9999 or 229-9999. FairPoint states that 8 (out of the 20) subscribers would get the same 4-digit assignment from the pool of Port St. Joe prefixes, and the remaining 12 would get a random 4-digit assignment from that pool.

FairPoint is proposing a transition period of about 15 months. FairPoint states that implementing the network changes will take three months and the “official” 1-year transition period begins thereafter. In addition, the Company proposes a call-forwarding arrangement for 1-year so callers that may unwittingly dial the “old” number will reach their intended party.

The Calling Scope Change

There is no change in the local exchange rates, although the impacted subscribers will lose their extended calling service (ECS) plan (\$0.25 per call) to unincorporated Bay County.⁶ FairPoint analyzed the frequency of ECS calling from these subscribers to the exchanges that would be impacted by the proposed realignment and found that only 8 such calls were made in a 3-month period, and that those calls were made by only 4 (of the 20) customers. Furthermore, only one customer had more than one ECS call on more than one monthly bill. Because FairPoint estimates that 12 to 15 of the 20 premises are rental properties, it studied the ECS traffic in the “peak” of rental season (from July-September, 2007). As such, FairPoint believes the results of its study indicate that its proposed calling scope change will not significantly impact the affected customers.

Customer Benefits

In addition to its claim that the proposed realignment will allow FairPoint to serve all City of Port St. Joe local exchange customers from a single exchange, the Company states it will gain some operational efficiencies. If approved, FairPoint states that its engineering maps and general record keeping will be enhanced. FairPoint also contends the boundary realignment will enable it to provide better service to its current and future customers, specifically in the area of cable maintenance.

⁵ At this time, FairPoint customers from this exchange have telephone numbers that begin with the 647 or 648 prefix codes, and FairPoint customers of the Port St. Joe exchange have numbers that begin with the 227 or 229 prefix.

⁶ The Customer Notice letter included the 3-digit prefix codes for the applicable exchanges.

FairPoint states that customers are currently served from cable facilities that follow the right-of-way of a partially-abandoned state highway. As such, the access to that right-of-way is limited, which could impact its maintenance activities for these customers as subscribers of The Beaches exchange. However, if the Commission approves the Petition, the Company asserts that it would reconfigure the serving facilities away from the "old" highway onto new facilities that are easily accessible from the right-of-way of the "new" highway. FairPoint claims that move would enable it to contemporaneously offer these customers "fiber to the home" facilities that originate from the Port St. Joe central office.

Analysis

When the FairPoint Petition was filed, staff was concerned that if it was approved, the resulting number change and calling scope reduction could be construed as negative impacts for these subscribers, especially since there is no proposed reduction in rates. However, after further discussions with FairPoint, staff believes the Company developed a customer-friendly strategy to ease the transition to a new number. This strategy was summarized in a clear, concise, and informative letter to its impacted customers. FairPoint provided the delivery-confirmation receipts to staff, and all were timely received.⁷ Staff believes it merits repeating that the letter effectively provided an "invitation to participate" in the Commission's consideration of this matter, and no customers chose to do so. No phone calls, e-mails, or other forms of communication have been received by these customers (pro or con) up to, and including, the date this memorandum was filed.

Staff notes that the calling scope changes involve ECS routes where a \$.25 per call charge applies. At the present time, subscribers of The Beaches exchange have these arrangements with 15 adjoining exchanges; subscribers of the Port St. Joe exchange have similar arrangements with only 12 adjoining exchanges. Therefore, if the Petition is approved, the impacted subscribers would no longer have ECS to the Lynn Haven, Panama City Beach, and Youngstown/Fountain exchanges.⁸ Based on the data provided by FairPoint, staff believes that the proposed changes in ECS arrangements will have a minimal effect on the affected subscribers.

FairPoint outlined some operational matters that staff believes will benefit these and other subscribers, pending the Commission's approval of its Petition. Staff believes the most significant of these is the planned upgrade in the cable facilities that serve these residences. In addition to this direct benefit, staff believes the impacted subscribers will indirectly benefit from the operational efficiencies the Company will realize.

The proposed boundary realignment will allow FairPoint to serve all City of Port St. Joe local exchange customers from a single exchange, including those in Phase 1 of the WindMark Beach development, which is projected to include some 1,500 to 1,700 potential customers when its build-out is complete. Staff believes the public's interest is served by having that entire

⁷ Staff notes that one of the addressees received three letters delivered to a single address, three others received more than one letter, and two were delivered to out-of-state addresses. Based on this review, staff believes that only 15 property owners are responsible for FairPoint's 20 accounts.

⁸ The prefix codes for these exchanges are included in FairPoint's Customer Notice letter.

community of interest served from a single exchange, rather than having the community divided by an exchange boundary. Staff, therefore, recommends that FairPoint's Petition be approved.

Finally, staff notes that the Commission's decision in this matter is a Proposed Agency Action (PAA), which provides a final opportunity for an interested person to object. Therefore, if the Commission votes to approve FairPoint's petition, a person whose substantial interests are affected by that order would have 21 days from the date the order is issued to "protest" the Commission's PAA order.

Conclusion

Staff believes the Commission should approve FairPoint's Petition to realign the Port St. Joe and The Beaches exchange boundaries.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Teitzman)

Staff Analysis: At the conclusion of the protest period, if no protest is filed this docket should be closed upon the issuance of a consummating order.

FairPoint

Communications™

www.fairpoint.com

502 Cecil G. Costin Sr. Blvd
Port St. Joe, FL 32457
Phone 800 772 7288

December 20, 2007

XXXXXX
XXXXXX
XXXXXX

Re: Telephone Service 850-XXX-XXXX (Name, Address, and Phone Number are
Redacted for purposes of this Attachment)

Dear: XXXXX,

To prepare for future demands for service and the growth of the area that will eventually comprise the WindMark Beach Development and adjacent St. Joe Beach area, FairPoint has requested permission from the Florida Public Service Commission (FPSC) to change our serving area boundaries for a portion of south Gulf County.

If this request is granted, this would mean that you would be in the Port St. Joe serving area instead of "The Beaches" area, and your telephone number would change from a 647 number to a 227 or 229 number.

In order to give you plenty of time to notify friends, family and business associates of the change, your old number would continue to work for one year along with the new one (i.e., there would be two ways to reach you) after FPSC approval of this request and implementation. Implementation of this request would be approximately 90 days after FPSC approval.

After this one-year period, calls made to some areas¹ in Bay County, including Panama City Beach, Youngstown, Fountain, Lynn Haven and Southport, would be billed as long distance calls. Calls to the Panama City business district and adjoining residential neighborhoods would remain 25 cents for residential calls and 10 cents for the first minute and 6 cents for each additional minute for business calls.

These changes are proposed and cannot be implemented without FPSC approval. If you have any comments or concerns that you would like the FPSC to consider before making a decision, please send them to:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Alternatively, you may send an e-mail to mbarrett@psc.state.fl.us, or call Mr. Michael Barrett at 850-413-6544. All correspondence should be submitted no later than January 22, 2008 and reference Docket No. 070603-TL. If you would like to track the progress of this request, you may do so at www.floridapsc.com. or by calling Mr. Barrett.

Sincerely,
FairPoint Communications

¹Telephone numbers beginning with 230, 233, 234, 235, 236, 238, 265, 271, 277, 303, 334, 403, 441, 563, 571, 588, 589, 636, 722, 732, and 753.