

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: November 7, 2007

TO: Office of Commission Clerk (Cole)

FROM: Office of the General Counsel (Gervasi)
Division of Competitive Markets & Enforcement (Barrett)
Division of Economic Regulation (Dickens)

RE: Docket No. 070587-TP – Proposed repeal of Rules 25-4.053, Application and Scope; 25-4.054, Maintenance of Records; 25-4.055, Classification of Exchanges; and 25-4.056, Reclassification of Exchanges, F.A.C.

Docket No. 070588-TP – Proposed repeal of Rules 25-4.042, Extended Area Service; 25-4.057, Application and Scope; 25-4.058, Conditions for Approval; 25-4.059, Filing Requirements; 25-4.060, Community of Interest Considerations; 25-4.061, Hearings; 25-4.063, Subscriber Survey; and 25-4.064, Alternatives to Non-optional Extended Area Service, F.A.C.

AGENDA: 11/20/07 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

RULE STATUS: Proposed Repeal

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\070587.RCM.DOC

CASE BACKGROUND

For administrative efficiency, this recommendation addresses two dockets, Docket Nos. 070587-TP and 070588-TP, both of which involve the proposed repeal of existing rules. Rules 25-4.053 through 25-4.056, Florida Administrative Code (F.A.C.), generally address rate-grouping plans for incumbent local exchange companies (LECs), and are the subject of Docket

Docket Nos. 070587-TP and 070588-TP

Date: November 7, 2007

No. 070587-TP. A copy of these rules is attached to this recommendation as Attachment A. Rules 25-4.042, 25-4.057 through 25-4.061, and 25-4.063 through 25-4.064, F.A.C., can be described as the Extended Area Service (EAS) rules, and are the subject of Docket No. 070588-TP. A copy of these rules is attached to this recommendation as Attachment B. Staff recommends that the rules at issue in both dockets are unnecessary and should be repealed.

Discussion of Issues

Issue 1: Should Rules 25-4.053 through 25-4.056, F.A.C., be repealed in Docket No. 070587-TP?

Recommendation: Yes, Rules 25-4.053 through 25-4.056, F.A.C., should be repealed in Docket No. 070587-TP because they are no longer necessary. (Gervasi, Barrett, Dickens)

Staff Analysis: Under the rate-base, rate-of-return form of regulation, LECs often had local plans and pricing structures that utilized grouping plans based on the number of access lines a subscriber could call. The number of access lines in the local calling area of an exchange was referred to as the “calling scope.” The rules at issue in Docket No. 070587-TP provide guidance for establishing the rate groups using calling scopes. In the past, when the Commission considered requests for EAS, rate groups and calling scopes were often factors in those cases.

Statutory changes have profoundly impacted the regulatory landscape for LECs, and as a result, rate groups no longer serve as a vehicle for regulating local exchange rates. In 1995, significant revisions were made to portions of Chapter 364, Florida Statutes (F.S.). On or after January 1, 1996, LECs were allowed to move from the rate-base, rate-of-return form of regulation to price regulation. For LECs that made this election, the statutory change effectively “capped” the rates for basic local telecommunications service initially, and established specific criteria for pricing changes thereafter. The statutory change effectively meant that the pricing for these LECs was no longer controlled by the rate group concept. In addition, a separate provision of the statute stated that “no new proceedings” for EAS were to be initiated for price-regulated LECs after July 1, 1995. *See* Sections 364.051 and 364.385(2), F.S.

Since January 1, 1996, nine of the ten LECs in Florida have elected to be price regulated. Therefore, Rules 25-4.053 through 25-4.056, F.A.C., are inapplicable to them. Frontier Communications of the South, LLC (Frontier), which serves two contiguous exchanges in the far western portion of the state, is the only LEC in Florida that has not elected to be price regulated. However, even under rate-base, rate-of-return regulation, Frontier does not employ the “rate group” concept in its pricing. Therefore, the procedures contained in these rules are not applicable to Frontier. For these reasons, staff recommends that Rules 25-4.053 through 25-4.056, F.A.C., are unnecessary and should be repealed.

Statement of Estimated Regulatory Costs

The Florida Administrative Procedure Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). Staff prepared a SERC for Docket No. 070587-TP. The SERC states that the repeal of these rules: 1) will eliminate unnecessary regulatory oversight; 2) should have no negative impact on the Commission, the utilities, the customers, small businesses or local governments; and 3) will likely have negligible transactional costs to the telecommunications industry in Florida. A copy of the SERC for Docket No. 070587-TP is attached to this recommendation as Attachment C.

Issue 2: Should Rules 25-4.042, 25-4.057 through 25-4.061, and 25-4.063 through 25-4.064, F.A.C., be repealed in Docket No. 070588-TP?

Recommendation: Yes, Rules 25-4.042, 25-4.057 through 25-4.061, and 25-4.063 through 25-4.064, F.A.C., should be repealed in Docket No. 070588-TP because they are no longer necessary. (Gervasi, Barrett, Dickens)

Staff Analysis: Rules 25-4.042, 25-4.057 through 25-4.061, and 25-4.063 through 25-4.064, F.A.C., address a LEC's obligation to anticipate or respond to the Commission's directive to study and/or provide toll relief under specific circumstances. The toll relief at issue is Extended Area Service (EAS), which is defined in Rule 25-4.057(2), F.A.C., as "a switching and trunking arrangement which provides for a nonoptional, unlimited, two-way, flat-rate calling service between two or more exchanges, at an increment to exchange rates, rather than at toll message charges."

Historically, the EAS rules provided guidance to LECs so they could meet the unique needs of their respective communities. For example, a portion of the EAS rules includes procedures for LECs to conduct traffic studies. However, following those procedures may not capture the true calling patterns in the marketplace today, since customers in LEC exchange areas now have providers offering substitute services that compete with what LECs offer. As a result, staff believes that the EAS rules are obsolete.

As referenced in Issue 1, significant revisions to portions of Chapter 364, F.S., impacted all LECs in Florida, and nine of the ten Florida LECs have moved from the rate-base, rate-of-return form of regulation to price regulation. Frontier is the only LEC in Florida that has not elected price regulation. Because Section 364.385(2), F.S., effectively prohibits new EAS proceedings for price-regulated LECs, Frontier is the only LEC that could conceivably use these rules to expand its calling scope. However, staff notes that with or without these rules, LECs can voluntarily expand their calling areas, which Frontier did in 2006. Frontier did not utilize the EAS rules or procedures therein for guidance.

For these reasons, staff recommends that Rules 25-4.042, 25-4.057 through 25-4.061, and 25-4.063 through 25-4.064, F.A.C., are unnecessary and should be repealed.

Statement of Estimated Regulatory Costs

The Florida Administrative Procedure Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). Staff prepared a SERC for Docket No. 070588-TP. The SERC states that the repeal of these rules: 1) will eliminate unnecessary regulatory oversight; 2) should have no negative impact on the Commission, the utilities, the customers, small businesses or local governments; and 3) will likely have negligible transactional costs to the telecommunications industry in Florida. A copy of the SERC for Docket No. 070588-TP is attached to this recommendation as Attachment D.

Docket Nos. 070587-TP and 070588-TP

Date: November 7, 2007

Issue 3: Should Docket Nos. 070587-TP and 070588-TP be closed?

Recommendation: Yes, if no comments or requests for hearing are filed in these dockets, the rule repeal proposals should be filed with the Secretary of State, and the dockets should be closed. (Gervasi)

Staff Analysis: Unless a request for hearing or comments are filed, these rule repeal proposals may be filed with the Secretary of State without further Commission action. Thereafter, these dockets may be closed.

1 **25-4.053 Application and Scope.**

2 ~~(1) These rules set out as Part IV of the Commission's general rules and regulations governing~~
3 ~~telephone companies establish the procedure to be used for the classification of telephone~~
4 ~~exchanges where exchange rates are based on calling scopes under a systematic grouping plan.~~

5 ~~(2) These procedures shall have application to all exchange grouping plans which are now, or~~
6 ~~may hereafter be, authorized and approved by the Commission.~~

7 ~~Specific Authority 350.127(2), 364.05 FS. Law Implemented 364.05 FS. History New 1-20-63,~~
8 ~~Revised 12-1-68, Formerly 25-4.53.~~

9

10 **25-4.054 Maintenance of Records.**

11 ~~Each telephone company employing the calling scope method of establishing exchange rate~~
12 ~~groups shall maintain adequate records necessary to effect compliance with the rules herein~~
13 ~~prescribed.~~

14 ~~Specific Authority 350.127(2), 364.05 FS. Law Implemented 364.04, 364.05, 364.18 FS.~~
15 ~~History New 1-20-63, Revised 12-1-68, Formerly 25-4.54.~~

16

17 **25-4.055 Classification of Exchanges.**

18 ~~(1) Coincident with the introduction of any exchange grouping plan approved by the~~
19 ~~Commission, the upper and lower limits for each group, based on total main stations and PBX~~
20 ~~trunks, will be established and each exchange classified into its proper group; provided, however,~~
21 ~~no exchange grouping plan shall contain any group in excess of that which is necessary for the~~
22 ~~classification of the largest exchange of the particular telephone company involved, and the top~~
23 ~~group in any such plan shall contain no upper limit. Thereafter, no change shall be made in the~~
24 ~~rates for any exchange, nor shall any exchange be reclassified to another group, except as~~

1 ~~provided in these rules or as otherwise ordered by the Commission.~~

2 ~~(2) No change shall be made in any exchange grouping plan except as approved by the~~
3 ~~Commission.~~

4 ~~Specific Authority 350.127(2), 364.05 FS. Law Implemented 364.025, 364.05, 364.051 FS.~~
5 ~~History New 1-20-63, Amended 7-21-65, Revised 12-1-68, Formerly 25-4.55.~~

6

7 **25-4.056 Reclassification of Exchanges.**

8 ~~(1) Whenever the number of access lines in the local calling area of an exchange increases or~~
9 ~~decreases to the extent that such exchange would fall into a different rate group, the company~~
10 ~~shall file a revised tariff with the Commission requesting authority to reclassify the exchange to~~
11 ~~its appropriate group. The effective date of the proposed rate change shall be the effective date of~~
12 ~~the next directory for the affected exchange or sixty days after the date of filing the tariff,~~
13 ~~whichever is later.~~

14 ~~(2) The rate group in which an exchange falls shall be determined by the peak number of access~~
15 ~~lines in the exchange's local calling area since the effective date of the preceding directory.~~

16 ~~(3) In each instance where exchange reclassification is requested, the company shall provide~~
17 ~~adequate notice to the public in the exchanges involved. A bill stuffer, subject to Commission~~
18 ~~approval, shall be issued to each affected subscriber with the first bill following submittal of the~~
19 ~~application to the Commission. The bill stuffer shall provide notice of the application for~~
20 ~~regrouping and describe the reclassification sought, including the present and proposed rates. A~~
21 ~~second bill stuffer shall be provided with the first bill rendered following Commission approval,~~
22 ~~if approval is granted, stating the reclassification approved, including the approved rates.~~

23 ~~Specific Authority 350.127(2) FS. Law Implemented 364.025, 364.05 FS. History New 1-20-63,~~
24 ~~Revised 12-1-68, Amended 3-31-76, 12-10-84, Formerly 25-4.56.~~

1 **25-4.042 Extended Area Service.**

2 ~~Each telephone company shall undertake to anticipate, on a continuing basis, the communication~~
3 ~~requirements of its subscribers for expanded local calling privileges and shall, upon Commission~~
4 ~~request, conduct appropriate surveys and studies of the feasibility of providing extended area~~
5 ~~service, an optional calling plan, or other extended calling concept that would better serve~~
6 ~~subscriber communication needs between contiguous exchanges, or portions thereof in those~~
7 ~~instances where there appears to be more than a normal degree of a community of interest, high~~
8 ~~toll usage, and a sufficient desire by the subscribers to warrant the establishment of the service.~~
9 ~~The results of such surveys and studies shall be reported promptly to the Commission.~~

10 ~~Specific Authority 350.127(2) FS. Law Implemented 364.03, 364.15, 364.17, 364.385 FS.~~

11 ~~History New 12-1-68, Amended 3-31-76, Formerly 25-4.42.~~

12

13 **25-4.057 Application and Scope.**

14 ~~(1) The rules set forth in this Sub Part are intended to establish uniformly consistent guidelines,~~
15 ~~standards and procedures for the filing, acceptance and processing of requests for Extended Area~~
16 ~~Service (EAS) which may be pending on, or applied for after, the effective date of these rules.~~

17 ~~(2) For the purpose of the rules in this Sub Part, Extended Area Service is defined as a switching~~
18 ~~and trunking arrangement which provides for a nonoptional, unlimited, two-way, flat-rate calling~~
19 ~~service between two or more exchanges, at an increment to exchange rates, rather than at toll~~
20 ~~message charges.~~

21 ~~Specific Authority 350.127(2) FS. Law Implemented 364.03, 364.14, 364.15, 364.385(2) FS.~~

22 ~~History New 4-14-81, Formerly 25-4.57, Amended 10-5-92.~~

23

24 **25-4.058 Conditions for Approval.**

1 ~~In the absence of proper and compelling reasons to the contrary, the Commission will order New~~
2 ~~Extended Area Service established when the following general conditions are satisfied:~~
3 ~~(1) There exists a sufficient degree of community of interest between exchanges, as defined in~~
4 ~~Rule 25-4.060, F.A.C., and~~
5 ~~(2) As required, the incremental rates to be charged for the Extended Area Service arrangement,~~
6 ~~as determined by the Commission, will generate revenues within the affected exchange(s) to the~~
7 ~~extent possible, sufficient to meet the increased cost resulting from the provision of EAS,~~
8 ~~considering the strength of the community of interest, the overall rate level, and effect on~~
9 ~~earnings of the telecommunications companies which will provide the proposed EAS, and~~
10 ~~(3) The proposed Extended Area Service, when offered at a price determined by the~~
11 ~~Commission, is approved by the prescribed majority of affected subscribers.~~
12 ~~Specific Authority 350.127 FS. Law Implemented 364.03, 364.14, 364.15, 364.385(2) FS.~~
13 ~~History New 4-14-81, Formerly 25-4.58, Amended 10-5-92.~~

14

15 **25-4.059 Filing Requirements.**

16 ~~(1) In order to be considered by the Commission for further handling, a request for Extended~~
17 ~~Area Service shall be initiated by one or more of the following actions; provided, however, that a~~
18 ~~determination by the Commission of the need for establishment of a particular Extended Area~~
19 ~~Service or other toll alternative arrangement shall not be undertaken more frequently than once~~
20 ~~in any three year period:~~

21 ~~(a) A petition signed by at least five (5%) percent, but not less than fifty (50), of the subscribers~~
22 ~~in the telephone exchange from which the petition originates; or a petition, request, or resolution~~
23 ~~adopted and filed with the Commission by the governing body of the political subdivision; or~~
24 ~~where the subscribers requesting EAS are located in an exchange which has a minority of its~~

1 ~~subscribers in another county (pocket community within an exchange) at least ten (10%) percent~~
2 ~~of the subscribers in the pocket community within an exchange. Any such petition filed with the~~
3 ~~Commission shall set forth the name and telephone number of each signatory and be signed. It~~
4 ~~shall also include the name of the exchange from which the individuals are served, and the name~~
5 ~~of the exchange(s) to which EAS is desired and a statement that such subscribers are willing to~~
6 ~~pay higher local service rates, if necessary, for the desired EAS.~~

7 ~~(b) A proposal by a telecommunications company or telecommunications companies.~~

8 ~~(2) All requests for EAS, regardless of how initiated, shall state the name of the originating~~
9 ~~exchange and the name of the exchange(s) to which the Extended Area Service is sought.~~

10 ~~Specific Authority 350.127 FS. Law Implemented 364.03, 364.385(2) FS. History New 4-14-81,~~
11 ~~Formerly 25-4.59, Amended 10-5-92.~~

12
13 **25-4.060 Community of Interest Considerations.**

14 ~~(1) Upon receipt of a proper filing under the provisions of Rule 25-4.059, F.A.C., the company~~
15 ~~or companies involved will be directed by the Commission to initiate appropriate calling usage~~
16 ~~studies. The results of such studies shall be filed with the Commission within ninety (90) days of~~
17 ~~receipt of such notification. The data to be filed shall be developed from and based upon a~~
18 ~~minimum thirty (30) day study of representative calling patterns, shall be in such form, detail and~~
19 ~~content as the Commission may reasonably require and shall include, as a minimum, the~~
20 ~~following information:~~

21 ~~(a) The number of messages and calculated calling rates, with and without Foreign Exchange~~
22 ~~(FX) Service, expressed in messages per access line per month, (M/A/M), over each~~
23 ~~interexchange route and in each direction, segregated between business and residence users and~~
24 ~~combined for both (sample FX data may be submitted with adequate information to show sample~~

- 1 ~~adequacy and appropriateness), and~~
- 2 ~~(b) A detailed analysis of the distribution of calling usage among subscribers, over each route~~
3 ~~and in each direction, segregated between business and residence users and combined, showing,~~
4 ~~for each category, the number of customers making 0 calls, 1 call, etc., through 25 calls and 26~~
5 ~~or more calls per month.~~
- 6 ~~(c) Access line classification data showing, by classes of service, the number of access lines in~~
7 ~~service for each of the exchanges being studied.~~
- 8 ~~(d) The interexchange toll rates, distance between rate centers, the number and duration of calls~~
9 ~~by time of day and the average revenue per message (ARPM) for the calls studied.~~
- 10 ~~(e) The number of Foreign Exchange (FX) lines in service and the average calling volumes~~
11 ~~carried on these lines expressed in messages per month.~~
- 12 ~~(2) In all exchanges where traffic studies are ordered, the company will also be directed to file~~
13 ~~usage studies for any alternative toll calling plan which is already in place. This study shall~~
14 ~~include, as a minimum:~~
- 15 ~~(a) The date the alternative calling plan was implemented and the tariff referenced,~~
16 ~~(b) The number of subscribers currently signed up for the plan,~~
17 ~~(c) A statement indicating whether the alternative calling plan messages are included in the~~
18 ~~M/A/M listed for the traffic studies.~~
- 19 ~~(3) A preliminary showing that a sufficient degree of community of interest between exchanges,~~
20 ~~sufficient to warrant further proceedings, will be considered to exist when the combined two-way~~
21 ~~calling rate over each interexchange route under consideration equals or exceeds two (2)~~
22 ~~messages per access line and equivalent access line per month (M/A/M) and fifty percent (50%)~~
23 ~~or more of the subscribers in the exchanges involved make one or more calls per month, except~~
24 ~~that:~~

1 ~~On any given route between two exchanges, when the petitioning exchange has less than half the~~
2 ~~number of access lines as the larger exchange, studies of one-way traffic originating in the~~
3 ~~smaller exchange may be used, in which case the community of interest qualification will require~~
4 ~~a calling rate of three (3) or more (M/A/M) with at least fifty (50%) percent of the exchange~~
5 ~~subscribers making two (2) or more calls per month.~~

6 ~~(4) The Commission shall consider the impact of the EAS plan on interexchange competition.~~

7 ~~(5) In the event that the interexchange traffic patterns over any given route do not meet~~
8 ~~prescribed community of interest qualifications, the Commission may consider other community~~
9 ~~of interest factors to warrant further proceedings.~~

10 ~~Specific Authority 350.127 FS. Law Implemented 364.03, 364.14, 364.385(2) FS. History New~~
11 ~~4-14-81, Formerly 25-4.60, Amended 10-5-92.~~

12

13 **25-4.061 Hearings.**

14 ~~(1) Following a determination of the extent of the community of interest, the Commission may~~
15 ~~order that no toll relief is warranted or order an EAS plan, a boundary change, or a toll~~
16 ~~alternative, depending on the strength of the community of interest, the effect on the~~
17 ~~telecommunication companies' earnings and other factors. The order shall include information~~
18 ~~on the rates to be charged and whether a subscriber survey is required. Pursuant to a Section~~
19 ~~120.57, F.S., protest of the Proposed Agency Action or on the commission's own motion, a~~
20 ~~public hearing shall be held to provide for the proper examination and verification of data~~
21 ~~required by these rules, the introduction of such additional testimony, evidence, and information~~
22 ~~as may be germane to the issues and to afford an opportunity for all interested parties to be fully~~
23 ~~heard.~~

24 ~~(2) If a request for a hearing is granted, the affected telecommunication companies shall file,~~

1 ~~unless otherwise ordered by the Commission, the studies necessary to a determination of the~~
2 ~~changes in costs which may reasonably be expected to result from establishment of the requested~~
3 ~~Extended Area Service. These studies will consider and develop, for each year and over each~~
4 ~~route, relevant revenues and costs over a five (5) year period immediately following the potential~~
5 ~~date for initiation of the service, as follows:~~

6 (a) ~~Net increases in capital costs resulting from required additions to network capacity less~~
7 ~~reductions in required quantities of facilities and equipment utilized for toll services between the~~
8 ~~exchanges. The added investment will be based upon the additional switching and trunking needs~~
9 ~~necessary to accommodate the incremental usage at prescribed levels of service, as may be~~
10 ~~determined from realistic estimates of call stimulation factors and holding time effects due to the~~
11 ~~toll alternative. Appropriate annual charges will be applied to the added investment to obtain the~~
12 ~~additional annual costs attributable to this source.~~

13 (b) ~~Analysis of increases and decreases in expenses including, but not limited to, separations~~
14 ~~impacts, Modified Access Based Compensation access charge changes, and the net effect on~~
15 ~~operating expenses.~~

16 (c) ~~A separate schedule showing revenue increases and decreases, including but not limited to,~~
17 ~~toll Modified Access Based Compensation access charge revenues, interLATA access revenues~~
18 ~~and revenues resulting from exchange regrouping, as applicable.~~

19 (d) ~~Analysis of increases and decreases in toll revenues separately identifying interstate and~~
20 ~~intrastate amounts:~~

21 1. ~~Effect of increases and decreases of capital costs, expenses and revenues, as described in~~
22 ~~paragraphs 25-4.061(1)(a) through (1)(c), F.A.C., above, upon intercompany settlements.~~

23 2. ~~Effect upon intercompany settlements of change in separation factors resulting from the~~
24 ~~proportionate increase in local usage (including EAS) to total usage.~~

1 ~~3. Loss of toll revenue billed, identifying the effect upon intercompany settlements.~~
2 ~~(e) On or before ninety (90) days from the date of the request for hearing, the respondent(s) shall~~
3 ~~file with the Commission the summary results of these studies, together with supporting~~
4 ~~schedules and detail as will permit the identification of study components and verification of~~
5 ~~study results.~~
6 ~~(3) If a hearing is requested, the affected telecommunication companies shall submit~~
7 ~~recommendations for proposed incremental rate increases, by classes of service, necessary to~~
8 ~~support the added service.~~
9 ~~Specific Authority 350.127(2) FS. Law Implemented 364.03, 364.385(2) FS. History New 4-14-~~
10 ~~81, Formerly 25-4.61, Amended 10-5-92.~~

11

12 **25-4.063 Subscriber Survey.**

13 ~~(1) In all cases where a request for Extended Area Service conforms to the requirements of these~~
14 ~~rules and the customers of either exchange would be subject to increased rates from either~~
15 ~~regrouping or the use of a mandatory incremental charge for EAS, or both, the Commission will~~
16 ~~order a survey to be made by the company by mail of all subscribers so affected, one ballot per~~
17 ~~account.~~

18 ~~(a) Two weeks in advance of mailing the ballots, the Company shall publish an advertisement of~~
19 ~~the upcoming survey in a newspaper of general circulation in the geographic area where the~~
20 ~~survey is to take place. This display advertisement shall run for three days, be at least one eighth~~
21 ~~page in size, and be titled "NOTICE OF PROPOSAL FOR (Name of Company) TO EXPAND~~
22 ~~THE LOCAL CALLING AREA." The notice shall include a description of the affected~~
23 ~~customers (telephone exchanges and three digit telephone number prefixes), the present local~~
24 ~~calling area (telephone exchanges and three digit telephone number prefixes), the proposed~~

1 ~~extended area (telephone exchanges and three digit telephone number prefixes), and the present~~
2 ~~and proposed basic monthly rates by class of service.~~

3 ~~(b) In addition, the notice shall include the following passage:~~

4 ~~The Company will be conducting a survey to determine customer interest in expanding the local~~
5 ~~calling area in return for an increase in basic monthly rates. Ballots will be mailed during the~~
6 ~~week of ___ and must be signed and returned by ___ in order to be counted. The Florida Public~~
7 ~~Service Commission will approve or deny the proposal based on a simple majority of votes cast.~~

8 ~~(2) If the Commission determines that a group of exchanges (more than one) is to be surveyed,~~
9 ~~the Commission shall specify whether the vote shall be calculated individually for each exchange~~
10 ~~or on a consolidated basis. This method of calculation shall be included in the advertisement~~
11 ~~specified in paragraph (1)(b) above.~~

12 ~~(3) The customer survey explanatory letter shall include all pertinent information that would~~
13 ~~enable the customer to exercise a rational choice of acceptance or rejection of the proposal and~~
14 ~~shall contain at least the following items:~~

15 ~~(a) A brief explanation of the purpose of the survey.~~

16 ~~(b) A tabulation showing, by classes of service, the increases in rates to which subscribers would~~
17 ~~be subject.~~

18 ~~(c) A listing of the telephone exchanges and three digit telephone number prefixes which would~~
19 ~~become accessible if the Extended Area Service were approved.~~

20 ~~(d) A statement indicating that only those voting by a signed return postcard will be counted. The~~
21 ~~statement shall also include information specifying the threshold for voter approval of a request~~
22 ~~for EAS as specified in subsection 25-4.063(6), F.A.C.~~

23 ~~(e) The date by which the postcard ballots must be returned to be considered. This return date~~
24 ~~will provide, as a minimum, a period of thirty days from the date on which the survey letter is~~

1 ~~mailed.~~

2 ~~(4) The customer survey letter shall contain no additional material or information not~~
3 ~~contemplated by these rules and shall include a pre-addressed, stamped postcard ballot which~~
4 ~~shall provide at least the following information:~~

5 ~~(a) A brief statement of the service proposal being voted on as more fully described in the~~
6 ~~customer survey letter.~~

7 ~~(b) Spaces for the customer to indicate his or her preference for or against the proposal.~~

8 ~~(c) Lines for signature, telephone number and date.~~

9 ~~(d) A space for customer comments, if desired.~~

10 ~~(e) The date by which the ballot must be returned in order to be considered in the determination~~
11 ~~of voting results.~~

12 ~~(5) Both the subscriber survey letter and the return postcard ballot shall have prior approval of~~
13 ~~the Commission staff before mailing and the postcard ballot shall be returnable to the~~
14 ~~Commission staff for tabulation of results.~~

15 ~~(6) The requested Extended Area Service shall be approved and ordered by the Commission~~
16 ~~upon a finding that: a majority of all respondents in each exchange if route by route, or the~~
17 ~~consolidated results if so ordered, required to be surveyed vote favorably, and at least (40%)~~
18 ~~percent of all ballots sent are returned.~~

19 ~~(7) If the vote is ordered to be route by route, the subscriber survey material shall state~~
20 ~~separately for each exchange to be surveyed the amount of local service rate increases.~~

21 ~~Specific Authority 350.127 FS. Law Implemented 364.03, 364.385(2) FS. History New 4-14-81,~~
22 ~~Formerly 25-4.63, Amended 10-5-92.~~

23

24 **25-4.064 Alternatives to Non-Optional Extended Area Service.**

Date: November 7, 2007

1 ~~Whenever interexchange traffic patterns are such that subscriber needs may be adequately served~~
2 ~~by alternative service offerings, or requests may not fully meet the requirements of these rules~~
3 ~~but higher than average interexchange calling may exist, the Commission may give consideration~~
4 ~~to other alternatives such as one-way Optional Calling Plans, interexchange message rate service,~~
5 ~~Usage Sensitive Pricing options, discounted toll offering, etc.~~
6 ~~Specific Authority 350.127(2) FS. Law Implemented 364.03, 364.14, 364.385(2) FS. History~~
7 ~~New 4-14-81, Formerly 25-4.64, Amended 10-5-92.~~

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

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

DATE: August 29, 2007
TO: Office of General Counsel (Scott)
FROM: Division of Economic Regulation (Dickens)
RE: Proposed Repeal of Existing Rules: 25-4.053 (Application and Scope), 25-4.054 (Maintenance of Records), 25-4.055 (Classification of Exchanges) and 25-4.056 (Reclassification of Exchanges)

DETAILED DESCRIPTION OF THE PROPOSED RULE

1. Why it is being proposed?

Rules 25-4.053 through 25-4.056, FAC, generally address rate-grouping plans for incumbent local exchange companies (LECs). Statutory changes have profoundly impacted the regulatory landscape for local exchange companies. Since July 1, 1995, 9 out of 10 LECs in Florida moved from the rate-based, rate-of-return form of regulation to price regulation. For LECs that elected to be price regulated, the statutory change effectively “capped” the rates for basic local telecommunications service initially, and established specific criteria for pricing changes thereafter. (See Section 364.051, F.S.) Pricing decisions for price-regulated LECs were no longer controlled by the rate group concept and no new proceedings for EAS were to be initiated for price-regulated LECs after July 1, 1995. The lone LEC in Florida which operates under rate-of-return regulation, Frontier Communications of the South, has not used the rate group concept in its pricing decisions. These rules are unnecessary and should be repealed.

2. What does the rule do and how does it accomplish its goal?

The repeal eliminates unnecessary regulatory oversight.

IMPACT ON THE PSC

Incremental costs

There should be no negative impact on the Commission resulting from repeal of the proposed rules.

Incremental benefits

There is no direct benefit to the Commission resulting from the implementation of the proposed rule repeal. An indirect benefit may occur through the PSC's Rule Book being cleaned up by expunging unnecessary rules.

WHO BESIDES THE PSC WILL BE AFFECTED BY ADOPTION OF THE PROPOSAL

Utilities

The proposed rule repeal will not impact the nine price-regulated and one rate-of-return based incumbent local exchange companies operating in Florida.

Customers

The proposed rule repeal will likely have no impact on ratepayers.

Outside business and local governments

There will likely be no negative impacts on small businesses, small cities, or small counties resulting from a repeal of the above rules.

HOW ARE THE PARTIES ABOVE AFFECTED BY THE ADOPTION OF THE PROPOSAL

Estimated transactional costs to individuals and entities

Utilities

The proposed repeal of the existing rules will likely have a negligible transactional cost to the telecommunications industry in Florida. The elimination of the rate group concept means no proceedings are needed, thus if anything, lowering the transaction cost to provide telecommunications service.

Customers

Customers should have no transactional costs with the repeal of these rules.

Outside business including specifically small businesses

There will likely be no impact on transaction costs for small businesses resulting from repeal of the above rules.

Local governments

There should be no negative impact for small cities, and small county entities resulting from repealing the above rules.

Docket No. 070587-TP and 070588-TP
Date: November 7, 2007

Attachment C

ANY OTHER PERTINENT COMMENTS REGARDING THE APPLICATION OF THE
PROPOSED RULE

There are no other pertinent comments regarding the application of the proposed repeal of rules 25-4.053 through 25-4.056..

BD:kb

cc: Mary Andrews Bane
Chuck Hill
Michael Barrett
Hurd Reeves

Date: November 7, 2007

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: August 29, 2007

TO: Office of General Counsel (Scott)

FROM: Division of Economic Regulation (Dickens)

RE: Proposed Repeal of Existing Rules: 25-4.042 (Extended Area Service), 25-4.057 (Application and Scope), 25-4.058 (Conditions for Approval), 25-4.059 (Filing Requirements), 25-4.060 (Community of Interest Considerations), 25-4.061 (Hearings), 25-4.063 (Subscriber Survey) and 25-4.064 (Alternatives to Non-optional Extended Area Service)

DETAILED DESCRIPTION OF THE PROPOSED RULE

1. Why it is being proposed?

The above rules can be described as the Extended Area Service (EAS) rules. EAS is defined in Rule 25-4.057(2), Florida Administrative Code (FAC) as “a switching and trunking arrangement which provides for a non-optional, unlimited, two-way, flat-rate calling service between two or more exchanges, at an increment to exchange rates, rather than at toll message charges”. Section 364.385(2), Florida Statutes, prohibits new EAS proceedings for price regulated incumbent local exchange companies (LECs). The only rate-of-return based LEC in Florida, Frontier Communications of the South, is currently meeting the needs of its subscribers without utilizing EAS rules or procedures. Repealing the EAS rules would align the FAC with this statute and would have no effect on the 10 LECs in Florida. These rules are unnecessary and should be repealed.

2. What does the rule do and how does it accomplish its goal?

The repeal eliminates unnecessary regulatory oversight.

IMPACT ON THE PSC

Incremental costs

There should be no negative impact on the Commission resulting from repeal of the proposed rules.

Incremental benefits

There is no direct benefit to the Commission resulting from the implementation of the proposed rule repeal. An indirect benefit may occur through the PSC's Rule Book being cleaned up by expunging unnecessary rules.

WHO BESIDES THE PSC WILL BE AFFECTED BY ADOPTION OF THE PROPOSAL

Utilities

The proposed rule repeal will not impact the nine price-regulated and one rate-of-return based incumbent local exchange companies operating in Florida.

Customers

The proposed rule repeal will likely have no impact on ratepayers.

Outside business and local governments

There will likely be no negative impacts on small businesses, small cities, or small counties resulting from a repeal of the above rules.

HOW ARE THE PARTIES ABOVE AFFECTED BY THE ADOPTION OF THE PROPOSAL

Estimated transactional costs to individuals and entities

Utilities

The proposed repeal of the existing rules will likely have negligible transactional costs to the telecommunications industry in Florida. The elimination of EAS and the rate group concept means no proceedings are needed thus if anything, lowering the transaction cost to provide telecommunications service.

Customers

Customers should have no transactional costs with the repeal of these rules.

Outside business including specifically small businesses

There will likely be no impact on transaction costs for small businesses resulting from repeal of the above rules.

Local governments

There should be no negative impact for small cities, and small county entities resulting from repealing of the above rules.

Date: November 7, 2007

ANY OTHER PERTINENT COMMENTS REGARDING THE APPLICATION OF THE PROPOSED RULE

There are no other pertinent comments regarding the application of the proposed repeal of EAS rules.

BD:kb

cc: Mary Andrews Bane

Chuck Hill

Michael Barrett

Hurd Reeves