

FLORIDA PUBLIC SERVICE COMMISSION

**Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850**

M E M O R A N D U M

February 24, 1994

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [SHELPER, WIDELL, BOYD] *MSD Raw DWS*
DIVISION OF LEGAL SERVICES [MURPHY] *CR FL*

RE : DOCKET NO. 921193-TL - EAS - REQUEST BY PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS FOR EXTENDED AREA SERVICE (EAS) BETWEEN ALL EXCHANGES IN PALM BEACH COUNTY.

AGENDA: MARCH 8, 1994 - REGULAR - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\921193.RCM

CASE BACKGROUND

- By Order No. PSC-93-1828-PCO-TL, issued December 27, 1994, the Commission required Southern Bell to conduct EAS surveys with specific additives on the Belle Glade/West Palm Beach, Pahokee/West Palm Beach, Delray Beach/West Palm Beach and Boca Raton/Boynton Beach routes. These surveys were to be conducted within forty-five (45) days of the date this Order became final (January 17, 1994). The survey date would be March 3, 1994.
- On January 10, 1994, Southern Bell filed a Notice of Modification to the traffic studies. The Company states that erroneous revenue information was provided in the traffic study for three routes (Belle Glade/West Palm Beach, Delray Beach/West Palm Beach, and Pahokee/West Palm Beach).
- This modification to the toll revenue per message will result in a reduction of the additive for the Belle Glade, Delray Beach, and Pahokee exchanges. This recommendation will address Southern Bell's Notice and correct the additives for the three exchanges listed above.

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- Exchange data and a map of Palm Beach County is provided in Attachments A and B.
- It should be noted that if the four exchanges being balloted vote in favor of extended area service (EAS) to the West Palm Beach exchange, the West Palm Beach exchange will regroup two rate groups. Rule 25-4.063 F.S. provides that if either exchange has an increase in rates from either regrouping or additives, the Commission will order a survey. Based on this rule, West Palm Beach may have to be balloted if EAS is approved on the other routes.

DISCUSSION OF ISSUES

ISSUE 1: Should Order No. PSC-93-1828-FOF-TL be amended to reflect the correct additives for the Belle Glade, Delray Beach and Pahokee exchanges as a result of Southern Bell's Notice of Modification, and should the Order be modified to reflect the new survey dates for balloting?

RECOMMENDATION: Yes. Order No. PSC-93-1828-FOF-TL should be amended to reflect the correct additives for the Belle Glade, Delray Beach and Pahokee exchanges. The rates are listed in Table A (Boca Raton and Boynton Beach rates are included for reference only - they have not been altered).

TABLE A
25/25 PLAN WITH REGROUPING AND 25% TOLL RECOVERY

EXCHANGE	RESIDENTIAL 1-PARTY	BUSINESS 1-PARTY	PBX
Belle Glade	\$14.04	\$38.15	\$85.58
Pahokee	\$14.11	\$38.33	\$85.97
Delray Beach	\$14.07	\$38.50	\$86.34
Boca Raton*	\$14.04	\$38.36	\$86.00
Boynton Beach*	\$12.74	\$34.83	\$78.13

● NO CHANGES WERE MADE TO THE RATES IN THESE EXCHANGES

In addition, the survey should be conducted within forty-five (45) days of the date the order from this recommendation becomes final, which is a modification to Order No. PSC-93-1828-FOF-TL. This Order should be affirmed in every other regard.

STAFF ANALYSIS: On December 27, 1993, Order No. PSC-93-1828-FOF-TL was issued requiring Southern Bell to ballot Belle Glade, Pahokee, Delray Beach, and Boca Raton at specific rates for EAS to West Palm Beach. In addition, the Company was required to ballot Boynton Beach at specific rates for EAS to Boca Raton. Since that time, Southern Bell determined that the toll revenue per message for three of the routes (Belle Glade, Delray Beach and Pahokee) was in error.

In its Notice of Modification, the Company states that toll

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revenue per message for traffic between the Belle Glade/West Palm Beach, Pahokee/West Palm Beach and Delray Beach/West Palm Beach routes was calculated using the toll rate that would normally apply. These three routes, however, had an Enhanced Optional Extended Area Service (EOEAS) plan at the time the studies were conducted. Therefore, the revenue should have been calculated by making an adjustment for the effect of the EOEAS plan.

Since the toll revenue per message only impacts the 25% toll recovery additive, there is no change in the regrouping and 25/25 additive. However, because the change in revenue per message was lower than those originally filed, the 25% toll recovery additive will be reduced, causing the overall additive on these three routes also to be reduced. Listed below in Table B is a comparison of the old rates and the new rates.

**TABLE B
 COMPARISON OF OLD AND NEW RATES**

SERVICE	BELLE GLADE	DELRAY BEACH	PAHOKEE
Res. 1-Party (old)	\$14.91	\$14.26	\$14.95
Res. 1-Party (new)	\$14.04	\$14.07	\$14.11
Total Reduction	\$.87	\$.19	\$.84
Bus. 1-Party (old)	\$40.51	\$39.03	\$40.63
Bus. 1-Party (new)	\$38.15	\$38.50	\$38.33
Total Reduction	\$ 2.36	\$.53	\$ 2.30
PBX (old)	\$90.83	\$87.52	\$91.09
PBX (new)	\$85.58	\$86.34	\$85.97
Total Reduction	\$ 5.25	\$ 1.18	\$ 5.12

Southern Bell's Notice of Modification has no bearing on the other routes (Boynton Beach or Boca Raton) being balloted in this docket.

It should be noted that because of the large number of access lines involved in the exchanges being balloted for EAS to the West Palm Beach exchange, it is possible that the West Palm Beach exchange could regroup as many as two rate groups depending on the

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outcome of the balloting.

Rule 25-4.063(1), Florida Administrative Code (F.A.C.) provides that:

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

Depending on the outcome of the balloting, the West Palm Beach exchange may also have to be balloted. Currently the West Palm Beach exchange, which is in rate group 9, can call 411,310 access lines toll free (based on 12/31/92 data). It only needs 38,690 more access lines to regroup to the next rate group. In essence, if either the Boca Raton (134,688 access lines) or Delray Beach (66,116) exchange vote in favor of EAS to West Palm Beach, West Palm Beach will regroup.

Until now, this situation has not been an issue with EAS. There has been one occasion (911195-TL - Volusia Countywide EAS) where an exchange (Daytona Beach) would have regrouped sooner if EAS had been approved by the voters (New Smyrna Beach). Had the ballot passed the regrouping would not have been allowed to take place until the next directory date, which is consistent with Rule 25-4.056(1) F.A.C. (Reclassification of Exchanges). The Rule provides that ...The effective date of the proposed rate change shall be the effective date of the next directory for the affected exchange, or sixty days after the date of filing the tariff, whichever is later. Since the ballot failed, regrouping was no longer an issue.

Based on our 1994 Cost Statistics (data 12/31/93), West Palm Beach is only 21,551 access lines from regrouping. This represents an access line growth of 17,139 access lines for West Palm Beach in 1993. Staff believes normal access line growth for West Palm Beach in 1994 could cause this exchange to regroup. Therefore, if West Palm Beach is regrouped due to natural growth (rate group 9 to rate group 10), it is staff's opinion that West Palm Beach will not need to be balloted. However, if all four routes vote in favor of EAS to West Palm Beach, then the West Palm Beach exchange will regroup from rate group 10 to rate 11. Because this regrouping is not due to natural growth, but an EAS action, West Palm Beach will have to

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be balloted. If it is balloted, there is a possibility that West Palm Beach will vote against the increase. If this happens, then two-way EAS should not be implemented on these routes. This will be discussed in detail in the question and answer section of this issue.

Several issues have been brought to staff's attention by other parties. Staff believes the understanding of these issues is crucial to this Commission's overall decision on Issue 1. Staff will address these concerns below.

What data should be used for calculating the revenue gain/loss analysis?

Earl Poucher, of The Office of Public Counsel, has discussed with staff whether the use of 12/31/92 data is appropriate for calculating the gain/loss analysis. Mr. Poucher has performed an analysis based on 1993 data. Staff is unaware of the exact month or source of such data. Staff performed its analysis using 12/31/92 data because when this docket was initially opened, this was the most current data. To be consistent and to avoid "walking data" (frequent updating), staff maintains its analysis based on 12/31/92 data.

Should the possible regrouping of West Palm Beach residents be factored into the revenue gain/loss analysis?

Mr. Poucher has also advocated to staff that in staff's gain/loss analysis of the revenue impact for Southern Bell, an assumption of all routes (Boca Raton, Delray Beach, Pahokee, and Belle Glade) going in two-way should have been considered. If all routes were to go in as two-way EAS, Palm Beach residents would have to be regrouped from rate group 9 to rate group 11. Southern Bell would have a revenue gain of \$2.8 million from this regrouping. It is this gain that Mr. Poucher believes should be factored into staff's gain/loss analysis. This Commission has no rule basis or for that matter, has never made such an assumption in its analysis regarding EAS. Staff realizes the recommendation of the 25% toll recovery additive is unusual, however, staff believes this Commission, as well as West Palm Beach residents, should be made aware of

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this possible regrouping. Staff does not believe it appropriate, however, to factor this assumption into its gain/loss analysis. While staff recognizes the extreme regrouping scenario as a possibility (W.P.B. moves from rate group 9 to rate group 11), arguments could be presented for each of the four routes being balloted. Several "what if" scenarios could be presented. There is no way of knowing which route(s) will actually vote favorably for EAS. Therefore, staff believes the loss/gain analysis performed on a route by route basis is the proper analysis.

Is the 25% toll additive still appropriate?

By Order No. PSC-93-1828-PCO-TL, this Commission approved conducting EAS surveys for the Boca Raton, Belle Glade, Pahokee, and Delray Beach routes with rates that included a 25% toll additive. The 25% toll additive was based on Southern Bell's total toll loss due to all routes being converted to two-way EAS. This additive was a change from this Commission's standard policy on rate balloting. Staff believed the magnitude of revenue loss (\$6.2 million) to Southern Bell warranted an additional additive. The additive lowered the Company's revenue loss to \$1.8 million. Southern Bell filed revised toll revenue per message data for the Belle Glade, Delray Beach, and Pahokee routes on January 5, 1994. Absent the 25% toll additive the revised figures lowered the Company's toll loss to \$4.7 million. With the 25% toll additive, Southern Bell would incur a revenue loss of approximately \$730,000. Staff believes the 25% toll additive should be included in the balloted rates. This way the cost causers (EAS route residents) minimize the revenue loss borne to Southern Bell's ratepayers as a whole (decreasing it from \$4.7 million to \$730,000).

What if the West Palm Beach exchange must be balloted and the subscribers vote no to the proposal?

There is a real possibility that the route(s) to West Palm Beach could vote yes for two-way EAS and West Palm Beach residents could vote no. This would mean the entire two-way proposal fails. If this were to happen, staff recommends one-way EAS to West Palm Beach for those route(s) when initially

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voted yes for two-way EAS. This would allow those routes who voted in favor of EAS not to be penalized by the West Palm Beach exchange vote.

In the event that the West Palm Beach exchange regroups two rate groups, staff will bring a recommendation before the Commission with the appropriate rates for balloting. In addition, staff would perform a revised gain/loss revenue impact.

What should be done with the regrouping revenues if West Palm Beach regroups two rate groups?

By Order No. 20162, this Commission determined that Southern Bell's regrouping revenues are to be excluded from any sharing of earnings. However, in this case, West Palm Beach may regroup twice. The first regrouping, from rate group 9 to rate group 10, is close to occurring now, as was discussed earlier. The second regrouping from rate group 10 to rate group 11, if it occurs, will happen only because of the Commission's action to implement EAS. The Order provides that significant revenues (\$3 million or more) attributable to a Commission action (i.e. EAS), should not be included in Southern Bell's sharing process. Rather, these revenues are to be set aside and dealt with by this Commission in a separate proceeding. Therefore, staff believes if all routes are voted in, the resulting regrouping revenues would be netted along with other dollars associated with the EAS implementation such as toll loss, and EAS additives. The net revenue effect of implementing EAS will be considered along with other items such as tax changes, separations changes, etc., separate from the sharing process.

Was any money set aside in the Southern Bell Settlement for Palm Beach County EAS?

No. There seems to be a misunderstanding that this settlement set aside money specifically for countywide EAS in Palm Beach County. The Commissioners and staff have had a number of letters and calls regarding this confusion. There was even a newspaper article that reported that money was set aside for Palm Beach County. This is not true. The only money that was earmarked for EAS in the Southern Bell Settlement was for

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Broward County (911034-TL).

Given the modifications discussed in this recommendation (Table A), staff recommends that Order No. PSC-93-1828-FOF-TL be amended to reflect the change in rates for Belle Glade, Delray Beach and Pahokee. In addition, the survey should be conducted within forty-five (45) days of the date the order from this recommendation becomes final, which is a modification to Order No. PSC-93-1828-FOF-TL. This Order should be affirmed in every other regard.

ISSUE 2: Should Docket No. 921193-TL be closed?

RECOMMENDATION: No, this docket should remain open to survey the appropriate exchanges.

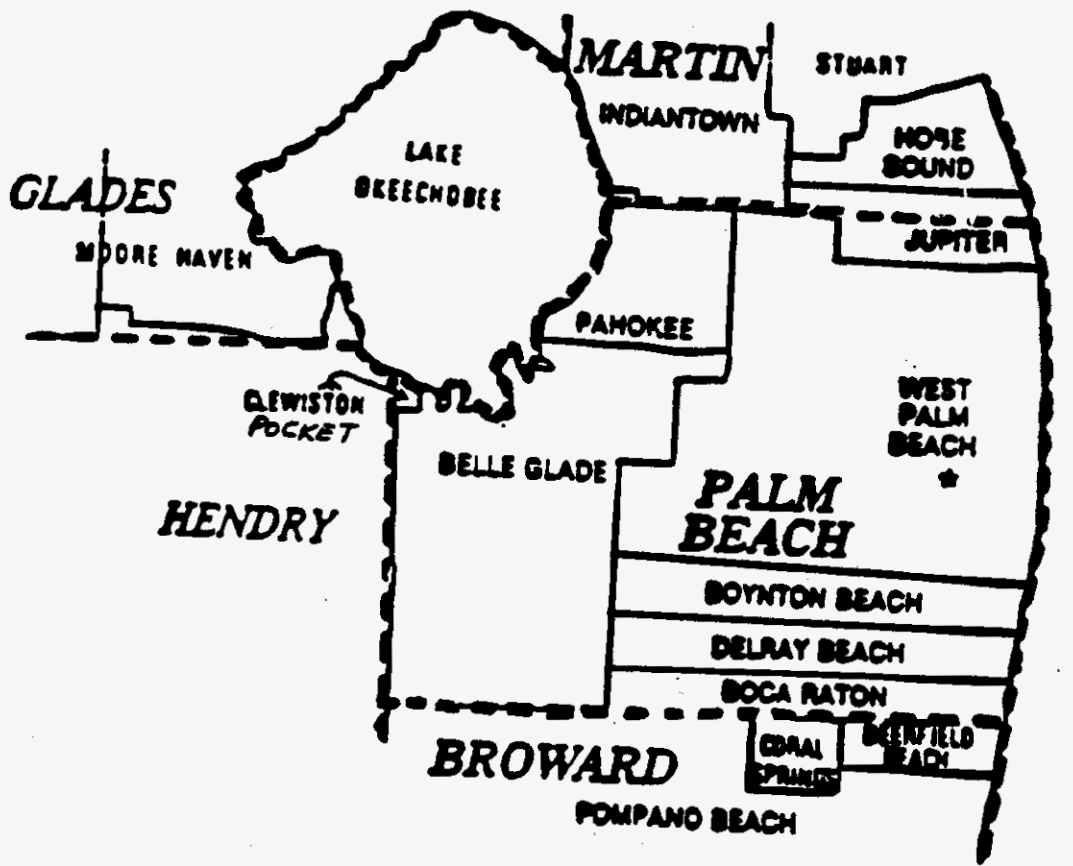
STAFF ANALYSIS: This docket should remain open to survey the appropriate exchanges.

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EXCHANGE DATA					
EXCHANGE	LEC	LATA OR MARKET	ACCESS LINES EAS LINES	EAS CALLING SCOPE	BASIC RATES
WEST PALM BEACH	SBT	Southeast	321,832 411,310	Boynton Beach, Jupiter (Boca Raton, Delray Beach)	R-1 \$10.05 B-1 \$27.40 PBX \$61.49
BELLE GLADE	SBT	Southeast	8,876 11,765	Pahokee (West Palm Beach)	R-1 \$ 8.80 B-1 \$23.85 PBX \$53.68
BOCA RATON	SBT	Southeast	134,481 468,500	Coral Springs, Deerfield Bch, Delray Bch, Pompano Bch (West Palm Bch) (Fort Lauderdale) Boynton Bch	R-1 \$10.30 B-1 \$28.00 PBX \$62.81
BOYNTON BEACH	SBT	Southeast	51,665 440,870	Delray Bch, West Palm Bch Boca Raton	R-1 \$10.05 B-1 \$27.40 PBX \$61.49
DELRAY BEACH	SBT	Southeast	67,373 304,064	Boca Raton, Boynton Bch, Deerfield Bch (West Palm Bch)	R-1 \$ 9.80 B-1 \$26.60 PBX \$59.73
JUPITER	SBT	Southeast	37,813 368,398	Hobe Sound, West Palm Bch	R-1 \$ 9.80 B-1 \$26.60 PBX \$59.73
PAHOKEE	SBT	Southeast	2,998 11,765	Belle Glade (West Palm Bch)	R-1 \$ 8.10 B-1 \$21.90 PBX \$49.39
CLEWISTON	UNITED	Fort Myers	6,516 6,516	(Moore Haven)	R-1 \$ 6.47 B-1 \$15.20 PBX \$30.40

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PALM BEACH COUNTY



--- COUNTY BOUNDARY
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