BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Petition of Jeanette Studer and Numerous Other Subscribers of the Neapolis Exchange of ALLTEL Ohio, Inc. Complainants, v. ALLTEL Ohio, Inc., The Ohio Bell Telephone Company, United Telephone Company of Ohio, and GTE North Incorporated, Respondents, Relative to a Request for Two-Way, Nonoptional Extended Area Service Between the Neapolis Exchange of ALLTEL Ohio, Inc., on the one hand, and the Holland, Maumee, Perrysburg, and Toledo Exchanges of The Ohio Bell Telephone Company, the Swanton and Waterville Exchanges of United Telephone Company of Ohio, and the Grand Rapids Exchange of GTE North Incorporated, on the other hand.	Case No. 88-481-TP-PEX

SUPPLEMENTAL OPINION AND ORDER

The Commission, considering the November 21, 1989 Opinion and Order in this case, the supplemental informational responses filed on January 16, 1990 by United Telephone Company of Ohio, on January 19, 1990 by ALLTEL Ohio, Inc., and on January 22, 1990 by The Ohio Bell Telephone Company, as well as the February 5, 1990 letter in response filed by the spokesperson for the complainants, issues its Supplemental Opinion and Order in this matter.

APPEARANCES:

Ms. Jeanette Studer, 5554 Waterville-Swanton Road, Swanton, Ohio 43558, as spokesperson for the complainants.

Mr. Terrence Hallett, P.O. Box 208, Swanton, Ohio 43558, on behalf of the complainants.

Mr. Thomas L. Jacobs, Post Office Box 3555, Mansfield, Ohio 44970, on behalf of United Telephone Company of Ohio.

Messrs. Thompson, Hine & Flory, by Mr. Thomas E. Lodge, 100 East Broad Street, Columbus, Ohio 43215, on behalf of ALLTEL Ohio, Inc.

Mr. Allen R. Sedory, 45 Erieview Plaza, Room 1446, Cleveland, Ohio 44114, on behalf of The Ohio Bell Telephone Company.

Mr. Bruce Kazee, 100 Executive Drive, Marion, Ohio 43302, on behalf of GTE North Incorporated.

OPINION:

By Opinion and Order issued November 21, 1989, the Commission found that the complainants had failed to demonstrate a sufficient community of interest, as defined by Rule 4901:1-7-04, Ohio Administrative Code (O.A.C.), to justify implementation of two-way, nonoptional flat-rate extended area service (EAS), or any other form of EAS, between, on the one hand, the Neapolis Exchange of ALLTEL Ohio, Inc. (ALLTEL) and, on the other hand, the Maumee, Perrysburg and Toledo exchanges of The Ohio Bell Telephone Company (Ohio Bell), the Waterville Exchange of United Telephone Company of Ohio (United), and the Grand Rapids Exchange of GTE North Incorporated (GTE). Based on this finding, the complainants' request for EAS as between these exchanges was denied and that portion of the case pertaining to EAS between these exchanges was closed of record. However, the Commission made no determination regarding EAS between the Neapolis Exchange and either United's Swanton Exchange or Ohio Bell's Holland Exchange, pending receipt of further information.

The Neapolis Exchange extends into Fulton, Henry, and Lucas counties, Ohio. The existing Neapolis local calling area is such that the exchange's subscribers enjoy toll-free calling within the Neapolis Exchange itself, both to and from Ohio Bell's Whitehouse Exchange, and, on a one-way basis only, from Neapolis to the Toledo Exchange. According to a study of calls placed from the Neapolis Exchange during October 1987, the calling statistics which are pertinent to this case are:

Neapolis to:	Calling Rate(Mean)	Mode	Median	Distribution of calling
Holland	4.36	0	1.80	61.5?%
Swanton	4.77	0	1.86	61.68%

In its November 21, 1990 Opinion and Order, the Commission directed ALLTEL, Ohio Bell, and United to provide the estimated marginal costs for instituting EAS, whether flat-rate or measured-rate, whether one-way or two-way, between the Neapolis Exchange and each of the Holland and Swanton exchanges. These three respondents were also ordered to submit revenue/cost comparisons for each of these alternative services, including the estimated time period required to establish EAS. The respondents each submitted the required information in timely fashion, ALLTEL on January 19, 1990, United on January 16, 1990, and Ohio Bell on January 22, 1990. On February 5, 1990, Ms. Studer, as spokesperson for the complainants, filed a letter in response to ALLTEL's January 19, 1990 filing. The letter indicates the complainants' position that the rates which ALLTEL has proposed to establish, if flat-rate EAS were to be ordered by the Commission in this case, are excessive. ALLTEL's proposed EAS rate supplement will be addressed by the Commission in the next section of this Opinion and Order.

I. Additional Investment and Cost Considerations

ALLTEL's Costs

As reflected in its informational response filed January 19, 1990, ALLTEL's marginal investments, annual costs, and revenues associated with the provision of EAS, whether flat-rate or measured-rate, whether one-way or two-way, between the Neapolis and Holland exchanges, and between the Neapolis and Swanton exchanges, may be summarized as follows:

NEAPOLIS/HOLLAND

Service	Amount of Investment	Annual Charges	Access Revenue Impact	Annual Net Marginal Rev. Impact
2-Way Flat	$15,830	$9,454	($62,807)	($72,261)
1-Way Flat	15,830	9,673	(62,807)	(72,480)
2-Way Meas.	15,310	8,301	(62,807)	(71,108)
1-Way Meas.	15,310	9,513	(62,807)	(72,320)

NEAPOLIS/SWANTON

Service	Amount of Investment	Annual Charges	Access Revenue Impact	Annual Net Marginal Rev. Impact
2-Way Flat	$29,696	$16,129	($62,886)	($79,015)
1-Way Flat	29,696	16,129	(62,886)	($79,015)
2-Way Meas.	19,206	13,434	(62,886)	(76,319)
1-Way Meas.	19,206	13,434	(62,886)	(76,319)

In order to establish any of the above listed forms of EAS, ALLTEL would need to install transmission and central office switching equipment, but not new interexchange facilities, between the involved exchanges. In order to best utilize the company's resources, ALLTEL has requested that, if any form of EAS is ordered, service be instituted after the cutover of the Neapolis central office from analog to digital switching, scheduled to occur (along with an accompanying T-span construction) during the third quarter of 1991. If service were ordered before the cutover, the interexchange investment to provide EAS would be an additional $65,374 for 17,065 feet of 50-pair T-screen cable between the Neapolis and Delta central offices. ALLTEL's annual charges, depicted above, include both the annual rental amounts to be paid to Ohio Bell for lease of EAS facilities between the Neapolis and Holland exchanges, and the rental amounts to be received from United for lease of EAS facilities between the Neapolis and Swanton exchanges. They do not, as will be explained further below, include the company's annual access charge revenue losses associated with EAS. If flat-rate EAS were to be granted, ALLTEL submits that it would suffer annual billing and collection revenue losses, not depicted above, in the amount of $11,918 (for service between Neapolis and Swanton) and $10,814 (for service between Neapolis and Holland).

In its January 19, 1990 informational response, ALLTEL has attempted to include, as a component of its annual costs in providing EAS, the access charge revenue losses it would experience if EAS were to be established. The company's inclusion of these revenue losses as a marginal, direct cost of EAS is inappropriate. ALLTEL has also submitted proposed rate schedules which it would seek to establish upon implementation of flat-rate EAS, if ordered, in this case. ALLTEL has not provided proper justification for these proposed rates. It is apparent, however, that in proposing them, ALLTEL is seeking to recover, through an EAS rate supplement, not only the direct, marginal costs of providing EAS, but also the access charge revenues it stands to lose upon implementation of EAS, if ordered, in this case. This is not to be permitted.

ALLTEL is not a banded rate company, and thus the investment costs and annual charges which ALLTEL might incur, if flat-rate EAS were ordered in this case, would not be recovered by ALLTEL through a banded rate increase for its Neapolis subscribers. It is well settled, in determining the reasonableness of the rates to be charged by a non-banded telephone company following the implementation of EAS, that the Commission will consider only the marginal costs associated with the establishment of the service. The Commission's determination has been affirmed by the Ohio Supreme Court in Arcadia Telephone Co. v. Public Utilities Commission, 58 Ohio St. 2d 180, 389 N.E.2d 498 (1979), and has been applied in succeeding Commission opinion and orders, including Vaughnsville Exchange Subscribers v. Vaughnsville Telephone Co. and United Telephone Co. of Ohio, Case No. 89-960-TP-PEX (June 5, 1990); Jo Ann Frantz v. Orwell Telephone Co., The Ohio Bell Telephone Co. and GTE North Inc., Case No. 88-500-TP-PEX (February 21, 1990); Sparks v. Buckland Telephone Co. and Telephone Service Co., Case No. 88-661-TP-PEX (November 21, 1989); and Piker v. The Nova

Telephone Telephone Co. and GTE North Inc., Case No. 86-1082-TP-PEX (February 9, 1988). In Arcadia, supra, the Commission clarified that it will not consider lost toll revenues in determining the reasonableness of the rates to be charged by a non-banded telephone company following the implementation of EAS. The court upheld the Commission's finding that while reimbursement of new expenses for non-banded telephone companies providing EAS is contemplated in the Commission's rules pertaining to EAS, continuity of prior revenues and maintenance of a constant rate of return are not guaranteed to a telephone utility in the context of an EAS case. To the extent that the loss of toll revenues associated with EAS impairs a telephone utility's rate of return it may choose to seek relief, but not within the context of an inadequate service case. While the Arcadia case dealt specifically with the matter of toll revenue losses, its rationale, that an inadequate service case (such as an EAS case) should not be allowed to become a de facto rate case, applies equally, and in the same fashion, to the matter of a non-banded company's access charge revenue losses. Thus, ALLTEL's access charge revenue losses have not been included by the Commission as part of ALLTEL's annual charges, depicted above. ALLTEL submits that it will receive no additional annual revenues if measured-rate EAS were to be established between the involved exchanges. ALLTEL estimates that EAS, in whichever form, can be implemented between the involved exchanges within approximately eight months from the date of cutover of the Neapolis switch.

Ohio Bell's Costs

As reflected in its informational response filed January 22, 1990, Ohio Bell's marginal investments, annual costs, and revenues associated with the provision of EAS, whether flat-rate or measured-rate, whether two-way between the Neapolis and Holland exchanges, or one-way from Neapolis to Holland, may be summarized as follows:

Service	Amount of Investment	Annual Charges	Toll/Access Revenue Impact	Annual Net Marginal Rev. Impact
2-Way Flat	$ 5,823	$ 1,323	($24,341)	($24,671)
1-Way Flat	3,123	709	(15,197)	(14,694)
2-Way Meas.	5,823	1,323	(24,341)	(14,576)
1-Way Meas.	3,123	709	(15,197)	(14,694)

Traditionally, Ohio Bell has based its revenue/cost comparisons on the effect that EAS would have on its gross operating revenues; however, in this case, Ohio Bell has also submitted a comparison based upon the effect each type of EAS under consideration would have on its net income. In determining which method to consider for purposes of this case, the Commission notes that this issue would be more properly addressed in its docket concerning the continued feasibility of extended area service, Case No. 88-1454-TP-COI, in which a request has been made for comments relating to whether a standard cost formula should be developed for uniform use by all local exchange companies. Until the Commission disposes of this issue within the context of Case No. 88-1454-TP-COI, it will continue to consider such revenue/cost comparisons based upon the effect the various services would have on the company's gross operating revenues. This approach will allow the Commission to compare more readily the revenue/cost impact of the services on all companies involved in a proceeding, which have heretofore all based their comparisons on gross operating revenues.

Included in the investment costs, shown above, are estimates for necessary new transmission and trunk termination equipment. In determining the annual charges associated with these investment costs, Ohio Bell considered cost of money, federal income tax, personal property tax, depreciation, and maintenance expenses. The toll/access revenue impact figures, shown above, were computed by determining the annual toll loss, as offset by the annual net revenue impact of access charges for calls made between the involved exchanges. Ohio Bell's estimates of the amount of rent it expects to receive from ALLTEL for lease of EAS facilities varies according the type of service under consideration, but the rents have been considered in arriving at the net marginal revenue impact figures shown above. Ohio Bell submitted estimates of the amount of annual revenue increase it expects to receive under its measured-rate EAS plan, Local Calling Plus (LCP), if instituted in this case. Ohio Bell would not stand to receive any additional revenues, attributable to LCP rates, if one-way EAS were to be established from the Neapolis Exchange to the Holland Exchange. If two-way, measured-rate EAS were established between these exchanges, Ohio Bell would expect to receive $11,088 annually from LCP rates. Implementation of flat-rate EAS between the Neapolis and Holland exchanges would not result in a rate band change, or a rate increase for local service, for Holland Exchange subscribers.

United's Costs

As reflected in its informational response filed January 16, 1990, United's marginal investments, annual costs, and revenues associated with the provision of EAS, whether flat-rate or measured-rate, whether two-way between the Neapolis and Swanton exchanges, or one-way from Neapolis to Swanton, may be summarized as follows:

Service	Amount of Investment	Annual Charges	Toll/Access Revenue Impact	Annual Net Marginal Rev. Impact
2-Way Flat	$19,705	$ 6,051	($43,042)	($50,478)
1-Way Flat	18,705	5,746	(26,317)	(33,466)
2-Way Meas.	15,628	4,913	(43,042)	(36 513)
1-Way Meas.	14,628	4,601	(26,317)	(31,798)

Included in the investment costs, shown above, are estimates for necessary new transmission and central office equipment. In determining the annual charges associated with these investment costs, United considered cost of money, taxes, depreciation, and maintenance expenses. Again, the toll/access revenue impact figures, shown above, were computed by determining the annual toll loss, as offset by the net revenue impact of access charges for calls made between the involved exchanges. The annual rental amounts United would pay ALLTEL for lease of EAS facilities vary according to the type of service under consideration, but have been considered in arriving at the net marginal revenue impact figures shown above. United submitted estimates of the amount of annual revenue increase it expects to receive under its measured-rate EAS plan, Extended Local Calling (ELC), if instituted in this case. United would not stand to receive any additional revenues, attributable to ELC rates, if one-way measured-rate EAS were to be established from the Neapolis Exchange to the Swanton Exchange. If two-way measured-rate EAS were established between these exchanges, United would expect to receive $12,304 annually from LCP rates. Implementation of flat-rate EAS between the Neapolis and Holland exchanges would not result in a rate band change, or a rate increase for local service, for Swanton Exchange subscribers. United has estimated that it can implement EAS, either measured-rate or flat-rate, between the Neapolis and Swanton exchanges, whenever ALLTEL is able to provide such service, but no earlier than six months from the date of a Commission order calling for establishment of service.

II. Willingness of Subscribers to Pay Appropriate Rates

Rule 4901:1-7-04, O.A.C., prescribes that a further factor for consideration in EAS cases is the willingness of a substantial majority of affected subscribers to pay appropriate rates in exchange for the institution of the requested EAS. The Commission has not ordered the complainants to conduct a canvass of the Neapolis subscribers to determine their willingness to pay appropriate rates for the proposed service because rate increases will not be required if either flat-rate or measured-rate EAS is implemented.

CONCLUSION:

Upon thorough review of the record in this case, in conjunction with the various factors enumerated in Chapter 4901:1-7, O.A.C., the Commission concludes that the record does not support the complainants' request for two-way, nonoptional, flat-rate EAS, or any alternative service, between the Neapolis Exchange and either the Holland Exchange or the Swanton Exchange. Therefore, the request for the implementation of such service must be denied.

Several factors have entered into the Commission's decision, the first of which is the relevant calling data. The purpose of considering such data is to determine whether or not the calling traffic between the exchanges is sufficiently frequent and widespread to justify the effort and investment required to implement EAS. The calling rate from the Neapolis Exchange to the Holland Exchange, submitted in this case, is 4.36, and the median is 1.80. The calling distribution, indicating the percentage of all Neapolis subscribers who make at least one call per month to the Holland Exchange, is 61.50 percent. Similarly, the calling rate from the Neapolis Exchange to the Swanton Exchange, submitted in this case, is 4.77 and the median is 1.86. The calling distribution, indicating the percentage of all Neapolis subscribers who make at least one call per month to the Swanton Exchange, is 61.68 percent. While it must be emphasized that calling statistics are only one among the numerous factors which are weighed by the Commission in determining the propriety of establishing EAS, it is clear that the calling statistics presented here reflect only a moderate degree of calling between the involved exchanges, and show that the distribution of calling among Neapolis subscribers to both the Holland and Swanton exchanges is not remarkably widespread.

More significant than the calling statistics to the Commission's conclusion in this case is the public testimony relative to the location of services, products and activities within the Neapolis subscribers' local calling area. Rule 4901:7-04, O.A.C., indicates that EAS is not a substitute for message toll service, but rather is a service designed to meet the day-to-day calling requirements of subscribers which cannot adequately be met within their local calling area. In this case, the record reflects that most, if not all, of the daily calling needs of Neapolis Exchange subscribers can be met adequately within their existing local calling area. This is hardly surprising considering that, with one-way service to Toledo already established, the existing Neapolis local calling area already includes local access to a total of more than 185,000 main stations; the addition of the two requested exchanges would increase this amount by about 20,000.

As already indicated in the Commission's November 21, 1990 Opinion and Order in this case, Neapolis subscribers have toll-free access to police, fire, and rescue squad services, all varieties of professional services, and churches of virtually every major denomination. In that Toledo is the seat of Lucas County, Neapolis subscribers already enjoy toll-free access to virtually all Lucas County governmental offices and services. The Neapolis Exchange extends beyond Lucas County, into both Fulton and Henry counties, Ohio. However, access to either Wauseon or Napoleon, county seats of these counties, is not at stake in this proceeding. Despite the testimony that some local township trustees reside in Swanton, and that there is a local zoning office, post office and library located in Swanton, the record is sufficient to support a finding that Neapolis subscribers can generally meet their day-to-day needs, as regards procurement of local governmental and related services, without resort to calling either of the requested exchanges.

The Neapolis Exchange is served primarily by two public school systems: one with both administrative offices and its school buildings located within the existing local calling area, and the other located in an exchange not involved in this proceeding. While there was testimony concerning particular needs of individual Neapolis subscribers, such as one who teaches in Swanton's schools, or another who utilizes parochial schools within the Swanton Exchange, the record is clear that, on the whole, Neapolis subscribers are not dependent upon either of the requested exchanges in meeting educational needs. The local calling area includes the variety of higher education facilities to be found within the Toledo Exchange.

The record fails to reveal a shopping or service need which cannot be met within the existing Neapolis calling area, although the location of a shopping mall in the Holland Exchange is closer and more convenient to Neapolis residents than those to be found in Toledo. While there is indication in the record that many Neapolis subscribers choose to obtain medical care in the Holland and Swanton exchanges, it is clear that there is no lack of available medical care, and of all other types of professional care, within the existing Neapolis local calling area. Likewise, the testimony that some Neapolis subscribers work, or conduct business such as the sale of farm goods, within the Holland and Swanton exchanges is not sufficient to establish that the Neapolis Exchange, as a whole, is inextricably dependent upon these two requested exchanges in terms of meeting day-to-day employment or agricultural needs. Social and familial bonds undoubtedly exist between the involved exchanges, but the record fails to establish that such bonds are an overriding concern of Neapolis subscribers generally.

Having determined that the community of interest between the involved exchanges is quite limited, the Commission's final consideration, under Rule 4901:1-7-04, O.A.C., is whether such interest is sufficient to justify the investment, costs, and revenue losses that the respondents would incur if the requested service, or some alternative form of EAS, were ordered. To implement two-way, flat-rate EAS between the Neapolis and Holland exchanges, ALLTEL would incur investment costs of $15,830 and Ohio Bell would incur investment costs of $5,823. To implement two-way, flat-rate EAS between the Neapolis and Swanton exchanges, ALLTEL would incur investment costs of $29,696 and United would incur investment costs of $19,705. Thus, the total combined investment, for all three companies, required to implement flat-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges would be $71,054. To implement two-way, flat-rate EAS between the Neapolis and Holland exchanges, ALLTEL will incur annual charges of $9,454 and Ohio Bell will incur annual charges of $1,323. To implement two-way, flat-rate EAS between the Neapolis and Swanton exchanges, ALLTEL will incur annual charges of $16,129 and United will incur annual charges of $6,051. Thus, the total combined annual charges for all three companies, required to implement flat-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges would be $32,957.

To implement two-way, measured-rate EAS between the Neapolis and Holland exchanges, ALLTEL would incur investment costs of $15,310 and Ohio Bell would incur investment costs of $5,823. To implement two-way, measured-rate between the Neapolis and Swanton exchanges, ALLTEL would incur investment costs of $19,206 and United would incur investment costs of $15,628. Thus, the total combined investment, for all three companies, required to implement measured-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges would be $55,967, which figures to be about $15,087 less than the total combined investment which would be required to establish two-way, flat-rate EAS between the same exchanges. To implement two-way, measured-rate EAS between the Neapolis and Holland exchanges, ALLTEL will incur annual charges of $8,301 and Ohio Bell will incur annual charges of $1,323. To implement two-way, measured-rate EAS between the Neapolis and Swanton exchanges, ALLTEL will incur annual charges of $13,434 and United will incur annual charges of $4,913. Thus, the total combined annual charges for all three companies, required to implement two-way, measured-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges would be $27,971, which figures to be about $14,986 less than the total combined annual charges for two-way, flat-rate EAS.

Considering annual costs along with lost access charge revenues, ALLTEL's estimated annual net revenue decrease as a result of instituting two-way, measured-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges would be $147,427, which is $3,849 less than the $151,276 annual net revenue decrease ALLTEL would experience if flat-rate EAS were to be implemented. Considering annual costs along with lost access charge revenues, Ohio Bell's estimated annual net revenue decrease, as a result of instituting two-way, measured-rate EAS between the Neapolis Exchange and the Holland Exchange would be $14,576, which is $10,095 less than the $24,671 annual net revenue decrease Ohio Bell would experience if flat-rate EAS were to be implemented. United's estimated annual net revenue decrease, as a result of instituting two-way, measured-rate EAS between the Neapolis Exchange and the Swanton Exchange would be $36,513, which is $13,965 less than the $50,478 annual net revenue decrease United would experience if flat-rate EAS were to be implemented.

Thus, the total combined annual net revenue impact, for all three companies, associated with the implementation of two-way, measured-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges would be a decrease of $198,516, which is $27,910 less than the total combined annual net revenue decrease of $226,425 associated with flat-rate EAS.

In order to establish the service requested in this case, the three respondents would experience a combined total investment of $71,054, combined total annual charges of 32,957, and combined total annual revenue decreases of $226,425. Considering the slight community of interest exhibited between the involved exchanges, the existing availability of so many goods and services within the present local calling area, and the moderate calling statistics presented, the Commission finds such investments, annual costs, and annual net revenue losses, are not justified. By way of comparison, in order to establish two-way measured-rate service in this case, the three respondents would experience a combined total investment of $55,967, combined total annual charges of $27,971, and combined total annual revenue decreases of $198,516. To implement one-way, measured-rate EAS, the three respondents would experience a combined total investment of $52,267, combined total annual charges of 28,257, and combined total revenue annual decreases of $195,131. In balancing the need of Neapolis, Holland, and Swanton subscribers to obtain an alternative service which will properly meet their calling requirements, with the costs to provide measured-rate EAS, the Commission finds even the lesser costs of measured-rate EAS to be not called for, and, on balance, finds insufficient justification to order the establishment of any alternative form of EAS, whether one-way or two-way, in this case.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

1) On November 21, 1989, the Commission issued an Opinion and Order in this case denying the petitioners' request for two-way, nonoptional, flat-rate EAS, or any alternative service, between ALLTEL's Neapolis Exchange, on the one hand, and, on the other hand, Ohio Bell's Maumee, Perrysburg and Toledo exchanges, United's Waterville Exchange, and GTE's Grand Rapids Exchange.

2) The Commission made no determination, within the November 21, 1989 Opinion and Order, concerning EAS between the Neapolis Exchange and

either United's Swanton Exchange or Ohio Bell's Holland Exchange, pending consideration of further information on the cost and revenue impact associated with the implementation of EAS, in various forms, between those exchanges.

3) ALLTEL, Ohio Bell and United each timely filed the cost and revenue information ordered by the Commission in its November 21, 1989 Opinion and Order. Neither the respondents nor the complainants requested a further hearing with regard to the additional information submitted.

4) Neapolis Exchange subscribers have local access, on a toll-free basis, to many of the services, products, and activities necessary to meet their day-to-day calling needs, including toll-free access to police, fire and emergency squad services, to all varieties of medical and other professional practitioners, and to churches of every major denomination. Virtually any shopping or service need can be met within the existing Neapolis local calling area, which encompasses local access to more than 185,000 main stations.

5) The calling rate from the Neapolis Exchange to the Holland Exchange, submitted in this case, is 4.36, and the median is 1.80. The calling distribution, indicating the percentage of all Neapolis subscribers who make at least one call per month to the Holland Exchange, is 61.50 percent. Similarly, the calling rate from the Neapolis Exchange to the Swanton Exchange, submitted in this case, is 4.77 and the median is 1.85. The calling distribution, indicating the percentage of all Neapolis subscribers who make at least one call per month to the Swanton Exchange, is 61.68% percent. The relatively moderate calling statistics in this case, and the availability of so many necessary products, services, and activities in the existing Neapolis local calling area, indicate that there is an insufficient community of interest between the Neapolis Exchange and each of the Holland and Swanton exchanges to justify the investment, costs, and revenue losses that the respondents would incur if

two-way, flat-rate EAS, or any alternative form of EAS, were to be ordered by the Commission.

6) To implement two-way, flat-rate EAS between the Neapolis and Holland exchanges, ALLTEL would incur investment costs of $15,830 annual charges of $9,454, and experience an annual net revenue loss of approximately $72,261. To implement two-way, flat-rate EAS between the Neapolis and Holland exchanges, Ohio Bell would incur investment costs of $5,823, annual charges of $1,323, and an annual net revenue loss of $24,671. To implement two-way, flat-rate EAS between the Neapolis and Swanton exchanges, ALLTEL would incur investment costs of $29,696, annual charges of $16,129, and experience an annual net revenue loss of approximately $79,015. To implement two-way, flat-rate EAS between the Neapolis and Swanton exchanges, United would incur investment costs of $19,705, annual charges of $6,051, and experience an annual net revenue loss of approximately $50,478.

7) In order to establish the service requested in this case, the three respondents would experience a combined total investment of $71,054, combined total annual charges of $32,957, and combined total annual net revenue decreases of $226,425. Considering the slight community of interest exhibited between the involved exchanges, the existing availability of so many goods and services within the present local calling area, and the moderate calling statistics presented, the Commission finds such investments, annual costs, and net revenue losses, are not justified.

8) The Commission concludes, in balancing the need of Neapolis, Holland, and Swanton exchange subscribers to obtain service which will properly meet their calling requirements, with the costs to provide EAS, whether flat-rate or measured-rate, whether one-way or two-way, that the costs that the respondents would need to incur, and the revenue impact they would experience, to provide EAS, in whichever form, are not justified under the facts presented in this case.

9) A community of interest, as defined by Rule 4901:1-7-04, O.A.C., has not been shown to exist between the Neapolis Exchange and each of the Holland and Swanton exchanges sufficient to justify the institution of two-way, nonoptional flat-rate EAS, or any other alternative form of EAS.

ORDER:

It is, therefore,

ORDERED, That the request for two-way, nonoptional, flat-rate EAS between the Neapolis Exchange and each of the Holland and Swanton exchanges is denied. It is, further,

ORDERED, That a community of interest, as defined by Rule 4901:1-7-04, O.A.C., has not been shown to exist between the Neapolis Exchange and each of the Holland and Swanton exchanges sufficient to justify the institution of two-way, nonoptional flat-rate EAS, or any other alternative form of EAS and, accordingly, this case is dismissed and closed of record. It is, further,

ORDERED, That copies of this Supplemental Opinion and Order be served upon the spokesperson for the complainants, counsel for the complainants, ALLTEL Ohio, Inc. and its counsel, The Ohio Telephone Company and its counsel, United Telephone Company of Ohio and its counsel, GTE North Incorporated and its counsel, and all other interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Jolynn Barry Butler, Chair

J. Michael Biddison

Ashley C. Brown * NO

Richard M. Fanelly

Lenworth Smith, Jr.

DEF;geb

* I would grant EAS between Neapolis and Holland and Swanton.

Entered in the Journal

AUG 0 2 1990

A True Copy

Gary E. Vigorito
Secretary