BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NOS. 2005-204-C and 2006-99-C

In Re: **Docket No. 2005-204-C** – Request for Extended Calling Area from Bluffton/Sun City Hilton Head Area to Hilton Head Island AND **Docket No. 2006-99-C** – Petition of Bluffton Telephone Company and Hargray Telephone Company to Implement Extended Area Service (EAS)	***THIS DOCUMENT IS AN EXACT DUPLICATE, WITH THE EXCEPTION OF THE FORM OF THE SIGNATURE, OF THE E-FILED COPY SUBMITTED TO THE COMMISSION IN ACCORDANCE WITH ITS ELECTRONIC FILING INSTRUCTIONS***

SOUTH CAROLINA CABLE TELEVISION ASSOCIATION
REQUESTS FOR JUDICIAL NOTICE OF ORDERS
DURING HEARING HELD NOVEMBER 30, 2006

During the hearing held on November 30, 2006, the South Carolina Cable Television Association ("SCCTA") requested that the Commission take judicial notice of the following orders cited by SCCTA during its motion to deny the petition of Bluffton Telephone Co. and Hargray Telephone Co. to implement EAS service:

NO.	DOCKET NO.	ORDER NO.	DOCKET DESCRIPTION
1.	85-134-C	86-658	Branchville EAS request - Orangeburg
2.	86-61-C	87-172	Awendaw EAS request - Charleston
3.	87-141-C	89-60	Batesburg-Leesville EAS request-Gilbert, Lexington & Columbia
4.	88-164-C	89-366	Spartanburg School District EAS request between Pacolet & Cowpens
5.	86-279-C	89-536	Pelion EAS request - Columbia
6.	88-520-C	89-886	Chapin EAS request - Lexington
7.	93-176-C	93-808	Southern Bell – Area Plus Service Plan
8.	91-063-C	94-600	Ridgeland EAS request – Beaufort

NO.	DOCKET NO.	ORDER NO.	DOCKET DESCRIPTION
9.	93-445-C	95-1473	EAS request between Graniteville & Augusta, Georgia
10.	1997-239-C	2003-215	Proceeding to Establish Guidelines for an Intrastate Universal Service Fund
11.	1997-239-C	2004-452	Proceeding to Establish Guidelines for an Intrastate Universal Service Fund

Copies of the orders referenced above are attached.

Dated this 15th day of December, 2006.

ROBINSON, MCFADDEN & MOORE, P.C.

Frank R. Ellerbe, III
Bonnie D. Shealy
Post Office Box 944
Columbia, SC 29202
Telephone (803) 779-8900
fellerbe@robinsonlaw.com
bshealy@robinsonlaw.com

Attorneys for South Carolina Cable Television Association

Attachment 1

Docket No. 85-134-C, Order No. 86-658

Branchville EAS request – Orangeburg

Bell

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 85-134-C - ORDER NO. 86-658

June 30, 1986

IN RE: Petition of the Town of Branchville, South Carolina requesting Approval of Extended Area Service (EAS) to Orangeburg, South Carolina.	))))	ORDER GRANTING PETITION

On March 6, 1985, the Town of Branchville filed a Petition with the South Carolina Public Service Commission (the Commission) requesting Extended Area Service (EAS) to the City of Orangeburg. The Commission instructed the Staff to perform a survey of the United Telephone Company of the Carolinas' subscribers in the Branchville Exchange. Of the telephone subscribers responding to the survey, the results indicated that a majority of the subscribers were favorable to the establishment of Extended Area Service to Orangeburg at an additional estimated monthly cost of $6.00. The Commission, in order to further evaluate the Town of Branchville's Petition, scheduled this matter for hearing to receive comments from all interested parties.

Testimony was filed by Martin H. Bocock, Jr., United Telephone of the Carolinas (United), A. J. Varner, Southern Bell Telephone and Telegraph Company (Southern Bell) and the following citizens of the Town of Branchville: William A. Steiner, R. Wayne Manning, Louie P. Ott, Jr., J. Steve Summers, Robert L. Connelly, Thomas J. Ford and Nelson N. Perry. Also appearing in

support of the Petition was Mr. Vernon Knight, Chairman of Orangeburg County Council. A Petition to Intervene was filed by the Consumer Advocate of South Carolina.

A hearing was held on June 4, 1986 at the Offices of the Commission, the Honorable Fred A. Fuller, Jr. presiding. The citizens of the Town of Branchville appeared pro se; William F. Austin, Esquire represented General Telephone Company of the South; Fred A. Walters, Esquire represented Southern Bell; L. Patricia Smith, Esquire represented the Consumer Advocate, and Sarena D. Burch, Esquire represented the Commission and the Commission Staff.

The citizens appearing on behalf of the Town of Branchville advocated the establishment of EAS from Branchville to Orangeburg and from Orangeburg to Branchville. Branchville is located 17 miles south of Orangeburg. The population of the Branchville area is 6,294 according to a recent study. The witnesses all testified that it would be economically and socially beneficial to Branchville for calls to Orangeburg to no longer be long distance. It is important to the Branchville business community to obtain modern and affordable communication with Orangeburg.

According to testimony, no other town, city, municipality, business district, or shopping district can be reached inside or outside the county without using long distance. No county services, such as Orangeburg County Council on Aging, Department of Youth Services, Disaster Preparedness, Department of Social

Services and Administration, Human Services and Child Protective Services, County Health Department, Senior Citizens Center, Orangeburg Sheriff's Office, County Administrator, and all other County Courthouse Departments and Offices can be reached without long distance. Many of the local schools and churches often must be called long distance as well. Mr. Knight, Orangeburg County Council Chairman, said that Branchville cannot get adequate services from the County because a telephone call from any of the County Agencies to Branchville is long distance.

Mr. Bocock testified for United that Branchville residents must pay an additional $5.58 per access line per month in order to have flat rate, non-optional EAS. As a result of implementing Branchville to Orangeburg EAS, there would be a corresponding toll revenue loss. United believes the toll revenue loss associated with providing EAS should be recovered from the subscribers in the Branchville exchange since they would be receiving the benefits of this new service.

Mr. Varner, testifying for Southern Bell, said that each residential individual line customer in Orangeburg would be required to pay an additional $.19 per month for flat rate, non-optional EAS to Branchville. There would be a $.47 per month increase for individual line business customers in Orangeburg.

Testifying for the Commission, Mr. James McDaniel set forth the results of the survey sent by the Commission to each Branchville exchange subscriber of record as of November 1985.

Of the approximately 600 surveys mailed on December 6, 1985, a total of 382 surveys were returned to the Commission by March 1, 1986. Two hundred and eighty (280) subscribers, 73.3 percent of the subscribers responding to the survey, chose Option 1, the establishment of flat rate, non-optional EAS to Orangeburg. Twenty-seven (27) subscribers chose Option 2, the Optional Calling Plan. The expected charge for the optional calling plan was $3.87 per month for the first 1/2 hour of usage and $.77 for each additional 1/10 hour usage above the initial 1/2 hour monthly usage. Seventy-five (75) subscribers chose Option 3, no change in service with no type of EAS.

The Commission, after a thorough review of the evidence, finds that the Town of Branchville's request for flat rate, non-optional Extended Area Service (EAS) from Branchville to Orangeburg and Orangeburg to Branchville should be granted. United and Southern Bell are hereby ordered to implement extended area service between Branchville and Orangeburg as soon as possible and to file with the Commission monthly reports on the progress made by the Companies in implementing EAS. Branchville residents must pay an additional $5.58 per access line per month upon implementation of EAS; Orangeburg residents upon implementation must pay an additional $.19 per month per line and business customers an additional $.47 per month per line.

IT IS THEREFORE ORDERED:

1. That the request by the Town of Branchville for flat rate, non-optional extended area service from Branchville to Orangeburg and from Orangeburg to Branchville is hereby granted.

2. That United Telephone Company of the Carolinas and Southern Bell Telephone and Telegraph Company implement extended area service as soon as possible and file monthly reports with the Commission on the progress made by the Companies in implementing EAS.

3. Branchville residents must pay an additional $5.58 per access line per month upon implementation of EAS; Orangeburg residents upon implementation must pay an additional $.19 per month per line and business customers an additional $.47 per month per line.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Cecil H. Brown
Vice CHAIRMAN

ATTEST:

James H. Hill
Executive Director

(SEAL)

Attachment 2

Docket No. 86-61-C, Order No. 87-172

Awendaw EAS request – Charleston

Path

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 86-61-C - ORDER NO. 87-172

February 12, 1987

IN RE: Petition of Citizens of Awendaw Community requesting extended area service (EAS) to Charleston, South Carolina.	)	ORDER

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a Petition filed by certain citizens of the Awendaw Community in Charleston County (the Petitioners) and received on January 27, 1986, requesting extended area service (EAS) to Charleston, South Carolina.

A public hearing was held in this matter on Wednesday, April 23, 1986 at 10:30 a.m. in the Offices of the Commission, 111 Doctors Circle, Columbia, South Carolina, for the purpose of hearing the testimony of the Petitioners.

Upon the filing of the Petition herein, the Commission Staff advised Southern Bell Telephone and Telegraph Company (Southern Bell) and McClellanville Telephone Company, Inc. (McClellanville Telephone) of the submission of same and required each company to develop a "community of interest study" depicting and analyzing the calling patterns between Awendaw and Charleston. The Commission, in Order No. 86-482, required each company to undertake and file certain cost studies pertinent to the provision of EAS to subscribers in the Awendaw Community.

Upon Motion of McClellanville Telephone, those cost studies were broadened to include that company's McClellanville exchange as well as Awendaw. Further, an extension of time within which to complete the studies was granted in Order No. 86-568.

In Order No. 86-687, the Commission granted the request of McClellanville Telephone for a further public evidentiary hearing in this matter for the purpose of presentation of the cost studies and certain supporting documentation and testimony. The Commission also granted the request of the Consumer Advocate for the State of South Carolina (the Consumer Advocate) that the Consumer Advocate be accorded Intervenor status in the instant proceeding.

Pursuant to Order No. 86-687, a public hearing was commenced on Wednesday, October 22, 1986, at 10:30 a.m. in the Offices of the Commission, Chairman Cecil A. Bowers presiding.

Spokesman for the Petitioners, Thomas L. Willis, was unable to attend the hearing. McClellanville Telephone was represented by Robert T. Bockman, Esquire; Southern Bell was represented by Fred A. Walters, Esquire; the Consumer Advocate was represented by L. Patricia Smith, Esquire; and the Commission Staff was presented by H. Clay Carruth, Staff Counsel.

None of the Petitioners testified. Testifying on behalf of McClellanville Telephone were Arland Hocker, Vice President of Revenue Requirements for Telephone and Data Systems, Inc. (TDS)-McClellanville Telephone's parent corporation, George L.

Daniel, Southeast Region Central Office Equipment Manager for TDS, James C. Meade, Director of Revenue Requirements for TDS's Southeast Region, and Joseph E. Hicks, President of McClellanville Telephone.

Testifying on behalf of Southern Bell were Alphonso J. Varner, Operations Manager-Rates for Southern Bell, and S.E. Sanders, Staff Manager-Rates for Southern Bell.

Neither the Consumer Advocate nor the Commission Staff presented any witnesses.

Pursuant to Motion made earlier in these proceedings on behalf of the Petitioners and the requests of other interested parties, the hearing was continued to be resumed in the Awendaw-McClellanville area at a time and place convenient to the telephone customers in the area so that they might be heard in this matter.

The continued hearing was resumed on Thursday, November 13, 1986, at 7:00 p.m. in the school cafetorium of the St. James-Santee Elementary School, Commissioner Marjorie Amos-Frazier presiding. Appearing on behalf of McClellanville Telephone was Robert T. Bockman, Esquire. Appearing on behalf of Southern Bell was Fred A. Walters, Esquire. Appearing on behalf of the Consumer Advocate were Natalie J. Moore, Esquire, and L. Patricia Smith, Esquire. Appearing on behalf of the Commission Staff was H. Clay Carruth, Staff Counsel.

After an introductory statement by Commissioner Amos-Frazier, opening statements were made by all attorneys appearing in a representative capacity save those representing the Consumer Advocate.

Sworn testimony was taken from thirty four (34) residential and business telephone customers in the Awendaw/McClellanville area and the Charleston/Mt. Pleasant area. A statement was made by South Carolina State Representative Clyde Dangerfield. The Parties were afforded the opportunity to submit briefs relative to the legal issues involved herein, and the hearing was adjourned.

Based on the pleadings, the testimony, and the exhibits comprising the entire record herein, the Commission finds and concludes as set forth below. What appear to be findings of fact are to be understood as so denominated, and what appear to be conclusions of law are to be understood as so denominated.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. That local exchange telecommunications service is provided to Awendaw and McClellanville exchanges by McClellanville Telephone.

2. That local exchange telecommunications service is provided to Charleston/Mt. Pleasant exchanges by Southern Bell.

3. That the proposal of McClellanville Telephone to add the cost which would be incurred by McClellanville Telephone in providing EAS between Awendaw/McClellanville and Charleston/Mt.

Pleasant to the cost Southern Bell would incur in providing EAS and spread the total cost over the subscriber bodies of both Southern Bell (Charleston/Mt. Pleasant) and McClellanville Telephone is unreasonable and should be denied.

4. That the proposal to establish EAS between Awendaw/McClellanville and Charleston/Mt. Pleasant and/or between Awendaw Exchange and Charleston/Mt. Pleasant should be held in abeyance and be neither implemented nor denied.

5. That on an interim basis McClellanville Telephone and Southern Bell should provide an optional discounted long distance service between Awendaw/McClellanville and Charleston/Mt. Pleasant as follows:

A. RESIDENTIAL SERVICE

1. To participate in this long distance optional calling, the residential customer shall pay $4.50 which will include 30 minutes of calling based on non-discount time of day, as set forth in the current telephone directories of Southern Bell and McClellanville Telephone.

2. For the second 30-minute period and each additional 30-minute period thereafter the cost shall be $3.75, provided that it shall be prorated on the basis of each additional one-tenth of an hour.

3. For calls made during the discounted period, the customer shall be given the appropriate credit based on the period used.

B. BUSINESS

1. Upon payment of $1.25 per month, businesses will receive a 20% discount on all calls made.

6. That no increase in local exchange rates should be ordered at this time.

7. That no later than 1989, or upon request by any party herein, the Commission should review the Petitioners' proposal for EAS to determine if the growth of the communities involved warrants implementation of EAS between Awendaw and Charleston/Mt. Pleasant and/or between Awendaw/McClellanville and Charleston/Mt. Pleasant.

8. That during this interim period, Southern Bell and McClellanville Telephone should file reports indicating the growth in access lines in the exchanges involved, including updated cost figures to implement the proposed EAS. These reports should be due December 31, 1987 and December 31, 1988.

9. That included in the reports to be filed pursuant to this Order should be the relevant demographic studies used by Southern Bell and McClellanville Telephone for their planning purposes.

10. That both companies should notify existing customers by bill insert or otherwise of the availability of the service for which this Order provides. Each new customer should be notified upon request for establishment of service.

11. That the optional discount long distance service should be implemented within sixty (60) days of the date of this Order.

12. That this Docket should remain open until further Order of the Commission.

IT IS THEREFORE ORDERED:

1. That the Petitioners' proposal to establish EAS between Awendaw/McClellanville and Charleston/Mt. Pleasant and/or between Awendaw Exchange and Charleston/Mt. Pleasant be, and hereby is, held in abeyance and is neither implemented nor denied.

2. That the proposal of McClellanville Telephone to add the cost which would be incurred by McClellanville Telephone in providing EAS between Awendaw/McClellanville and Charleston/Mt. Pleasant to the cost Southern Bell would incur in providing EAS and spread the total cost over the subscriber bodies of both Southern Bell (Charleston/Mt. Pleasant) and McClellanville Telephone be, and hereby is, denied.

3. That McClellanville Telephone and Southern Bell shall provide, on an interim basis, an optional discounted long distance service between Awendaw/McClellanville and Charleston/Mt. Pleasant as follows:

A. RESIDENTIAL SERVICE

1. To participate in this long distance optional calling, the residential customer shall pay $4.50 which will include 30 minutes of calling based on non-discount time of day, as set forth in the current telephone directories of Southern Bell and McClellanville Telephone.

2. For the second 30-minute period and each additional 30-minute period thereafter the cost shall be $3.75, provided that it shall be prorated on the basis of each additional one-tenth of an hour.

3. For calls made during the discounted period, the customer shall be given the appropriate credit based on the period used.

B. BUSINESS

1. Upon payment of $1.25 per month, businesses will receive a 20% discount on all calls made.

4. That no increase in local exchange rates shall be ordered at this time.

5. That no later than 1989, or upon request by any party herein, the Commission shall review the Petitioners' proposal for EAS to determine if the growth of the communities involved warrants implementation of EAS between Awendaw and Charleston/Mt. Pleasant and/or between Awendaw/McClellanville and Charleston/Mt. Pleasant.

6. That during this interim period, Southern Bell and McClellanville Telephone shall file reports indicating the growth in access lines in the exchanges involved, including updated cost figures to implement the proposed EAS. These reports shall be due December 31, 1987 and December 31, 1988.

7. That included in the reports to be filed pursuant to this Order shall be the relevant demographic studies used by Southern Bell and McClellanville Telephone for their planning purposes.

8. That both companies shall notify existing customers by bill insert or otherwise of the availability of the service for

which this Order provides. Each new customer shall be notified upon request for establishment of service.

9. That the optional discount long distance service shall be implemented within sixty (60) days of the date of this Order.

10. That this Docket shall remain open until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

Attachment 3

Docket No. 87-141-C, Order No. 89-60

Batesburg-Leesville EAS request
Gilbert, Lexington & Columbia

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 87-141-C - ORDER NO. 89-60

January 26, 1989

IN RE: Establishment of Extended Area Service (EAS) from the Batesburg-Leesville Exchange to the Gilbert, Lexington and Columbia Exchanges	)))	ORDER DENYING EAS REQUEST

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a request from the Batesburg-Leesville Chamber of Commerce requesting Extended Area Service (EAS) from the Batesburg-Leesville Exchange to the Gilbert, Lexington and Columbia Exchanges. The planning and evaluation of this request for EAS from the Batesburg-Leesville Exchange has taken place over the course of several years and involved Southern Bell Telephone and Telegraph Company (Southern Bell), Alltel South Carolina (Alltel) and Pond Branch Telephone Company (Pond Branch) as well as members of the Batesburg-Leesville, Gilbert, and Lexington Communities and the Commission Staff.

Initially, the Commission in its Order No. 87-360 allowed for an optional premium flat rated calling plan from Batesburg-Leesville to Gilbert, Lexington, and Columbia. This service now allows toll free one-way calling from Batesburg-Leesville to Gilbert, Lexington, and Columbia for an

additionally monthly flat rate. The Commission in Order No. 87-360 held the issue of flat rated, two- way EAS between Batesburg-Leesville, Columbia, Gilbert and Lexington in abeyance to allow for review by the interested parties of the material provided to them. Only Southern Bell and Alltel were required to offer the optional premium flat rated calling. Pond Branch was not required to do so because the cost to Pond Branch to provide the service were great and Pond Branch could not determine the appropriate rate for the premium flat rate service. Therefore, the premium flat rated service exists from Batesburg-Leesville to Gilbert, Lexington and Columbia and from the Lexington Exchange to the Batesburg Exchange.

The Companies involved also submitted cost information to provide EAS in the requested areas as well as various community of interest studies. After the filing of various cost information and community of interest studies with the Commission, the Commission ordered the Companies to poll the subscribers for Batesburg-Leesville, Gilbert, and Lexington. The subscribers in the aforementioned exchanges were balloted as to whether or not they desired two-way non optional toll free dialing to the Columbia, Lexington, Gilbert and Batesburg Exchanges. The completed ballots were filed with the Commission, and the Commission Staff analyzed the results of the balloting of the subscribers in the various exchanges. The Commission's analysis revealed that of the returned ballots from the Lexington Exchange, 90% of those subscribers voted no to EAS to Batesburg-Leesville.

The ballots of the Gilbert subscribers reflected a similar result. Of the returned ballots from the Gilbert subscribers, 93% voted no to EAS to Batesburg-Leesville. Additionally, the analysis revealed that of the returned ballots from Batesburg-Leesville 73% voted yes to EAS to Columbia, Lexington and Gilbert. Based on the results of the poll, the Commission determined that EAS from the Lexington and Gilbert Exchanges to Batesburg Exchange is not desired by the subscribers in the Lexington and Gilbert Exchanges. Because the first ballot reflected the desirability of calling from Batesburg-Leesville to Columbia, Lexington, and Gilbert, the Commission instructed its Staff to re-ballot the Batesburg-Leesville subscribers to determine the desirability of two-way non optional calling from Batesburg-Leesville to Columbia only.

A total of 5,171 ballots were mailed to the Batesburg-Leesville subscribers. A total of 2,322 ballots were returned completed. This yielded a response of 45%. Of those responding to the poll, 62% of the residents voted yes to EAS to Columbia while 38% of the resident customers voted no. 44% of the business customers voted yes to EAS to Columbia, while 56% of the business subscribers in Batesburg-Leesville voted no to EAS to Columbia.

Based on the results of the polls, the Commission has determined that it should deny the EAS request from Batesburg-Leesville to Gilbert, Lexington, and Columbia. The Commission makes its determination based on the results of the

polls conducted by the telephone companies, participated in by the subscribers, and analyzed by the Commission Staff. The results of the first poll make it decidedly clear to the Commission that EAS for the Lexington and Gilbert subscribers is not a desired service. As for the Batesburg Exchange only, the additional monthly charges proposed under the two-way non optional EAS from Batesburg-Leesville to Columbia would be an additional charge of $2.70 per month, per line for residential customers and $35.00 per month, per line for business subscribers. Additionally, there was an additional monthly charge of $70.00 per month per trunk for Private Branch Exchange (PBX) service. The Commission is reluctant to approve an EAS request when only 45% of the polled subscribers show enough interest and return their ballots. More than half of the subscribers polled were not interested enough to return a completed ballot. Additionally, it is obvious that business subscribers would shoulder the majority of the costs in providing the non optional EAS from Batesburg Exchange to the Columbia Exchange. 56% of those business subscribers returning their ballots voted no to the EAS request. This negative response from the business sector, coupled with the lack of response from a majority of the subscribers, provide the Commission with its basis for denying the EAS request between the Batesburg Exchange and the Columbia Exchange. The results of the first poll provide the Commission with its basis for denying the request from the Lexington and Gilbert Exchanges to Columbia. Therefore, the EAS

request from Batesburg-Leesville to the Gilbert, Lexington, and Columbia Exchanges is hereby denied.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

ACTING Chairman

ATTEST:

Executive Director

(SEAL)

Attachment 4

Docket No. 88-164-C, Order No. 89-366

Spartanburg School District EAS request
Between Pacolet & Cowpens

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 88-164-C - ORDER NO. 89-366

APRIL 3, 1989

IN RE: Request for Extended Area Service (EAS) between the Communities of Cowpens and Pacolet, South Carolina.	)	ORDER DENYING EAS REQUEST AND DENYING HEARING AND DENYING REQUEST TO PROVIDE EAS AT NO COST

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a Request on March 29, 1988, from Edward H. Simpson, Director of Federal Programs and Administrative Assistant for Spartanburg County School District 3, requesting an investigation for Extended Area Service (EAS) between the Pacolet and Cowpens, South Carolina exchanges. The Request was docketed by the Commission and Southern Bell Telephone & Telegraph Company (Southern Bell), which is the telecommunications provider serving the two exchanges in question, was required by the Commission to submit studies associated with the implementation of the Request.

The matter was duly noticed and published in the State Register. A Petition to Intervene was filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate). The docket file also contains letters supporting the Request filed by the mayors of the two towns as well

as a member of the South Carolina House of Representatives from Spartanburg County.

On July 20, 1988, Southern Bell filed its Community-of-Interest and Cost Studies as requested by the Commission.

Thereafter, by Order No. 88-1013, issued on September 30, 1988, the Commission approved the EAS Request based on Southern Bell's information which showed that granting the Request would result in an increase in $.74 per access line per month for both residential and business service in the Pacolet and Cowpens exchanges. Subsequently, the Commission received a Petition for Hearing and Motion for Stay filed on behalf of the Consumer Advocate. The Consumer Advocate petitioned the Commission for reconsideration because of alleged errors on the part of the Commission, requested a hearing on the matter, and moved for a Stay of all EAS charges. The gravamen of the Consumer Advocate's Petition was that the Commission erred in issuing Order No. 88-1013 without affording all parties in the docket an opportunity for hearing. By Order No. 88-1159, issued on November 14, 1988, the Commission granted the Petition in part by staying the implementation of EAS in the two exchanges but determined that a hearing might be premature. Therefore, the Commission instructed the Commission Staff to begin the polling process and to require Southern Bell to poll the Pacolet and Cowpens subscribers as soon as possible to determine if it is the subscribers' desire to have EAS in their exchanges at the cost of $.74 per access line for both residential and business customers.

The ballots were mailed out as directed by the Commission and the results were tabulated by the Commission Staff. In the Cowpens exchange, 2,156 ballots were mailed out and 962 ballots or 45% were returned to the Commission. Of those returned ballots, 64% of the residential customers in the Cowpens exchange voted no to the EAS request at $.74 per access line. 32% of the business subscribers voted no to the EAS request, which combined with the residential response, results in 62% of the voting subscribers voting no and 38% voting yes for EAS between Cowpens and Pacolet. In the Pacolet exchange 1,789 ballots were mailed out and 807 or 45% were returned to the Commission. Of those residential customers responding to the poll, 62% voted no for the EAS request. Of those business subscribers responding to the poll, 60% voted no for EAS which combined with the residential vote results in 62% of the responding Pacolet subscribers voting no and 38% voting yes to EAS.

Based on the results of the poll, the Commission has determined that the subscribers in the Cowpens and Pacolet exchanges prefer not to have EAS at a cost of $.74 per access line. Therefore, the Commission denies the request for EAS between the Cowpens and Pacolet exchanges. Additionally, the Commission considered a Request from Mayor Dover of Pacolet for a hearing in the Pacolet area and that EAS be provided at no cost to the subscribers. Because of the overwhelming negative response to the balloting process, the Commission has determined that it will deny Mayor Dover's request for a hearing in the Pacolet area. The Commission feels that the subscribers have made their feelings

known through the balloting process and a hearing in the Pacolet area is not necessary. The Commission also denies the Mayor's request that Southern Bell provide EAS at no cost to the subscribers. The Commission cannot expect its jurisdictional telephone utility to lose toll revenues and absorb the cost of new equipment to provide EAS without receiving some form of just compensation.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Caroline H. Pearce
Chairman

ATTEST:

Charles W. Saltzman
Executive Director

(SEAL)

Attachment 5

Docket No. 86-279-C, Order No. 89-536

Pelion EAS request – Columbia

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 86-279-C - ORDER NO. 89-536

MAY 23, 1989

IN RE: The Petition of the Town of Pelion for Approval of Extended Area Service (EAS) to Columbia, South Carolina.	)))	ORDER DENYING PETITION

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a Petition filed by telephone subscribers in the Pelion exchange requesting Extended Area Service (EAS)from their exchange to the Columbia, South Carolina exchange area. The telephone subscribers in Pelion, South Carolina are customers of Pond Branch Telephone Company, Inc. (Pond Branch) and the Columbia exchange is within Southern Bell Telephone & Telegraph Company's (Southern Bell) service area. The Petition was filed by Mayor Elsie Rast Stuart on behalf of the Town of Pelion.

Upon receipt of the request, the Commission instructed the Staff to require Pond Branch and Southern Bell to perform community of interest studies. The companies were required to forward the results of the study to the Commission for further consideration. The results of the community of interest studies were filed with the Commission. The Commission thereafter instructed the Companies to perform cost studies associated with the implementation of the EAS request. The cost studies were filed by both companies with

the Commission. According to the studies, the initial cost of providing EAS as requested is $433,578 with an annual cost of $165,420 in expenses and a net annual revenue loss of $218,161. The cost to each Pelion subscriber for EAS to the Columbia area would be an additional $20.69 per month for the service. This charge would apply to every subscriber whether or not they called the Columbia area.

After the results of cost studies were made known, Mayor Stuart requested that the Commission proceed with a poll of the telephone subscribers in the Pelion area to determine if they would desire EAS between Columbia and Pelion. Based on the results of the ballots received by the Commission Staff, of the residential subscribers responding to the poll, 310 subscribers voted "yes" for EAS at an additional $20.69 per month while 563 residential subscribers voted "no" for this service. As for the business customers, 36 business subscribers voted "yes" for EAS and 29 subscribers voted "no". According to the Staff, 63% of the residential customers voted not to implement EAS and 37% voted to implement the EAS. Mayor Stuart then requested that a public hearing be held in this matter.

On May 3, 1989, a public hearing was held on this matter commencing at 10:30 a.m. in the Commission's Hearing Room, Chairman Caroline H. Maass presiding. The Town of Pelion was not represented by counsel. M. John Bowen, Jr., Esquire, represented Pond Branch; Harry M. Lightsey, III, Esquire, represented Southern Bell; Carl McIntosh, Esquire, represented the Consumer Advocate;

and Marsha A. Ward, General Counsel, represented the Commission Staff. Testimony was received by the Commission from Mayor Stuart, on behalf of the Town of Pelion; Lynn Hodge in support of the request on behalf of Pelion Elementary School; George Fabian, in support of the request on behalf of Coopers Creek Golf Club; and Thomas Carlisle, in support of the request on behalf of Pelion High School. Luther E. Kneece testified in support of Pond Branch's position and C.L. Addis testified in support of Southern Bell's position.

Mayor Stuart testified that the Town of Pelion needed EAS to Columbia because it must compete for industrial growth with its neighbors. She explained that EAS is something that the Pelion community has been considering for a period of time and that it would be helpful to the Town of Pelion and its future if the Commission would consider to look at a cost to provide the service somewhere below $20.69 per subscriber. Mayor Stuart also pointed out that many of the children attending school from Pelion are in Columbia exchanges and that it is long distance for children to call home. Some children whose schools are in the Pelion area have parents working in Columbia and it is long distance for the parents to call the schools.

Witness Hodge testified that EAS would greatly benefit Pelion Elementary School and the Pelion community. She stated that a large percentage of her students have Columbia area exchanges and that many of the students parents work in Columbia as well. She testified that this works a hardship on many of the families and

limits parent/teacher communication. She did state, however, that the school district has secured a "patch-through" number for business calls made from the Pelion and Gilbert areas. This eliminates long distance calling but the line is often busy.

Mr. Fabian testified that a majority of his clientele are residents of the Columbia area and it would improve opportunities for economic development if EAS is provided.

Mr. Carlisle testified that as principal of Pelion High School, many of the parents, teachers and students have to call long distance to speak to each other. EAS would be helpful to those parents, teachers and students with their communications with each other.

Luther E. Kneece, General Manager of Pond Branch testified that the Pelion Exchange is comprised of 1,505 subscribers. The Company serves 105 subscribers or 6.9% of the Pelion Exchange subscribers within the boundaries of the Town of Pelion. Witness Kneece also testified that the Pelion Exchange has the largest Extended Area Service calling area of the Company's telephone exchanges. While the Town of Pelion is in close proximity to the larger metropolitan areas of Lexington and Columbia and share a common interest with those areas, a large part of the Pelion Exchange is still rural and agrarian in nature.

According to witness Kneece, the study conducted by the Company reflected an additional cost of $20.69 per subscriber line in the Pelion Exchange for the implementation of Extended Area Service between the Pelion and Columbia Exchanges. The cost of a

one party residential access line with EAS would be $31.19. The cost of a one party business access line with EAS would be $38.19. These costs are based on approved tariff charges of $10.50 for one party residential service and $17.50 for one party business service. These are the base rates for the two classes of service. Comparing the amount of toll calls from the Pelion Exchange to the Columbia Exchange with the EAS adder of $20.69 per month per customer, a residential subscriber would have to make over $33.00 a month in toll calls under the current toll discount plan being offered by the Company to make the proposed Extended Area Service adder of $20.69 cost effective. According to witness Kneece, the Company performed a toll analysis of subscriber accounts in the Pelion Exchange to ascertain the number of accounts that had toll calls from the Pelion Exchange to the Columbia Exchange exceeding $33.00 for a period of one month. Of the 1,505 subscribers in the Pelion Exchange only 153 subscribers or 10% exceeded $33.00 in toll calls between the Pelion and Columbia Exchanges. Additionally, Mr. Kneece testified that the Company's present facilities that are now utilized for toll service between the Pelion and Columbia Exchanges cannot be utilized for the provision of EAS. The facilities used to transport toll calls and the facilities used to provide EAS are distinctly different.

Mr. Kneece stated that Pond Branch does have a solution to the regional calling needs of the Pelion Exchange. By concurring with Southern Bell's Saver Service Calling Plan, Pond Branch is able to offer the business and residential subscriber several options to

provide for substantial savings on calls that are originated and completed within the Midlands LATA on direct dialed calls from the subcriber's line. The residential subscriber may choose two options according to their calling volumes. The subscriber may elect to pay one dollar per month and enjoy a 20% discount on his direct dialed calls within the LATA. The second option available to the Pelion Exchange subscribers allows the subscriber to pay a $4.00 monthly charge to obtain a 50% discount on calls originated and completed within the LATA. This plan is usually selected by subscribers having over $8.00 per month in direct dialed intra LATA calls. Mr. Kneece testified that business customers have similar options. The first option available to a business subscriber is identical to the 20% discount plan offered to residential subscribers. The second option allows the business subscriber to pay $4.00 per month for a 25% discount on direct dialed intra LATA calls. Additionally, Pond Branch charges a non recurring secondary service order charge of $6.00 to initiate the service. Since the Saver Service Calling Plan have been available, 360 subscribers have signed up for the plans in the Pelion Exchange. This equates to 24% of the subscriber base in the Pelion Exchange electing one of the options to receive discounts on their toll calls.

According to witness Kneece, the customer response to these calling plans have been favorable. The customers have a choice of locations they are able to call, they prefer the calls be based on the volumes of calls made, and the subscribers appreciate the low rates provided by the Company enabling them to have access to

telephone service.

Witness Addis, Manager of Southern Bell Statewide Customer Complaint Bureau, testified to the results of Southern Bell's toll study, cost analysis study and made a recommendation as a alternate solution to the problem. Witness Addis testified that based upon the toll usage study conducted by Southern Bell, 97% of the Columbia residence customers and 94% of the Columbia business customers made no calls to Pelion. One half of the Columbia residence customers and one third of the business customers who made calls to the Pelion Exchange made only one call. Mr. Addis also testified that the establishment of EAS from Columbia to Pelion requires the provision of additional switching and trunking in many of the central offices in the Columbia Exchange. This equipment would require the expenditure by Southern Bell of $144,720 in capital and an annual charge of $53,410. In addition to these capital cost and annual charges, Southern Bell would incur an annual toll revenue loss of $204,000. Based upon the results of the community of interest study and the cost involved, plus the toll revenue loss, Southern Bell does not believe it is in the public interest to provide EAS between Pelion and Columbia.

Alternately, witness Addis on behalf of Southern Bell, recommended that the Saver Service Long Distance Plan which witness Kneece testified to is a viable option for the Pelion subscribers. Additionally, another plan available to the subscribers requires a buy in rate for residential customers of $7.50 per month for 30 minutes of toll calls and an additional $7.50 per month for each

additional 30 minutes of toll usage. According to witness Addis this is approximately 24% discount on long distance calls for residential customers. For business customers the buy in rate is $8.00 per month for an initial 30 minutes and an additional $8.00 per month for each additional 30 minutes. This is an approximate 21% discount on toll calls for business subscribers.

The Commission has considered the evidence before it as well as the results of the poll of the Pelion subscribers, the cost studies performed by the Companies and community of interest studies. It is evident from the studies and from the poll of the subscribers that EAS from Pelion to Columbia is not in the public interest at this time. The Commission finds that the cost to provide the requested service is too great for each subscriber and that majority of the residence subscribers themselves had voted "no" to the proposal. While the witnesses testifying in support of the EAS have asked the Commission to approve the service at a cost less than $20.69 per month per subscriber, the Commission finds that the optional plans available to the subscribers in the Pelion Exchange and in the Town of Pelion are more appropriate solutions to the problem and would provide on an optional basis to those subscribers wishing to receive discounts on their toll calls a more equitable solution than the proposed EAS request. The Saver Service and discount plans provide a wider calling area for those customers subscribing to those discount plans and do not put a financial burden on any other customer who does not wish to participate in those plans. It is apparent from the studies conducted by the

companies that only a small percentage of the customers in the Town of Pelion actually have enough toll calls to warrant EAS. The Commission finds that if the EAS request was granted the great majority of the subscribers in the Pelion Exchange would be subsidizing the calling needs of a few. While the Commission is sensitive to the problems encountered by the subscribers in the Pelion Exchange, the Commission finds that the options currently available are in the public interest and should be utilized by those subscribers that would benefit from the Saver Service and Discount Calling Plans. Therefore, the Commission finds that the Petition requesting EAS for the Pelion Exchange to the Columbia Exchange should be denied and that where appropriate, the optional Saver Service and Discount Plans should be subscribed to by the customers of Pond Branch.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Caroline H. Thomas
Chairman

ATTEST:

Charles W. Dickerson
Executive Director

(SEAL)

Attachment 6

Docket No. 88-520-C, Order No. 89-886

Chapin EAS request – Lexington

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 88-520-C - ORDER NO. 89-886

SEPTEMBER 5, 1989

IN RE: Request for Extended Area Service between the Chapin, South Carolina Exchanges and the Lexington Exchanges	)))	ORDER DENYING EAS REQUEST

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a Petition and letter filed on September 13, 1988, on behalf of the Chapin Town Council and the Lake Murray-Chapin Kiwanis Club seeking local telephone service between the communities of Chapin and Lexington, South Carolina. The Petition and Request was received by the Commission during a time when the Commission had issued a moratorium for a six (6) month period of time on consideration of any Extended Area Service (EAS) request made to the Commission. This moratorium was instituted to allow a committee made up representatives from local telephone companies to develop a uniform solution to the EAS request pending before the Commission. The moratorium ended January 17, 1989, and the Petition was duly processed by the Commission.

The Commission instructed the Commission Staff to require Southern Bell Telephone and Telegraph Company (Southern Bell) and Alltel South Carolina, Inc. (Alltel), the affected telephone

companies, to perform community of interest and cost studies associated with the implementation of the EAS request between Southern Bell's Chapin exchanges and Alltel's Lexington exchanges. The community of interest and cost studies from both telephone companies were duly filed with the Commission. Alltel's community of interest study from Lexington to Chapin indicated a low community of interest. The cost study indicated that it would increase the telephone rates of the Lexington customers 33 cents per residence access line and 82 cents for each business access line. This additional charge would be a recurring monthly charge to the customers of Alltel in the Lexington exchanges. Southern Bell's community of interest also indicated a low amount of actual calls being made from the Chapin exchanges to the Lexington exchange, and that to replace the lost toll revenues, an additional monthly charge to all the subscribers in the Chapin exchange would be $1.25.

Based on the studies filed with the Commission, the Commission instructed the Staff to poll the Chapin/Little Mountain subscribers concerning EAS between the Lexington and Chapin exchanges. Four thousand five hundred ninety-six ballots (4,596) were mailed to all the subscribers in the two Chapin Exchanges. Of those ballots mailed, 2,348 ballots were returned indicating the subscribers' desire for EAS to Lexington. Of those subscribers voting, 1,048 residential subscribers, or 47%, voted yes to EAS to Lexington at the additional monthly charge. One thousand one hundred sixty-two (1,162) residential subscribers, or

53% voted no to EAS. One hundred two (102) business subscribers voted yes to EAS from Chapin to Lexington, which represents 73% of the business subscribers responding to the poll. Thirty-eight (38) business subscribers voted no for a percentage of 27%. The combination of the residential and business votes results in 1,150 subscribers voting yes to EAS from Chapin to Lexington, or 49% and 1,198 subscribers, or 51% voting no to EAS from Chapin to Lexington.

As noted above, the results of the poll were very close. However, a majority of the customers responding to the poll have indicated that they do not which to pay an additional monthly charge to have EAS from Chapin to Lexington. The Commission realizes that there is a large number of subscribers in the Chapin exchanges who wish to have toll free service to the Lexington exchanges. While the Commission is not granting EAS because of the results of the poll, the Commission would suggest to those subscribers desiring some reduction in their long distance charges to inquire of their local telephone company as to the availability of the Saver Service tariff. The Saver Service tariff could reduce long distance bills for intraLATA calling from Chapin to Lexington for some subscribers. Based on the results of the poll

the Commission herein denies the EAS Request of the Town Council and the Chapin-Lake Murray Kiwanis Club.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Caroline H. Dunn
Chairman

ATTEST:

Charles W. Ballentine
Executive Director
(SEAL)

Attachment 7

Docket No. 93-176-C, Order No. 93-808

Southern Bell – Area Plus Service Plan

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-176-C - ORDER NO. 93-808

SEPTEMBER 1, 1993

IN RE: Request of Southern Bell Telephone & Telegraph Company for Revisions to its General Subscriber Service Tariff and Private Line Service Tariff to Introduce Area Plus Service (TN 93-28).	) ORDER) APPROVING) AREA PLUS) PLAN AND) CLASSROOM) COMMUNICATION) SERVICE

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed on February 16, 1993, by Southern Bell Telephone & Telegraph Company (Southern Bell or the Company) for approval of revisions to its General Subscriber Service Tariff and Private Line Service Tariff. The purpose of this filing is to introduce Local Exchange Optional Calling Services called Area Plus Service (the Plan or APS Plan) throughout its service area. Additionally, with this filing, the Company is proposing to obsolete existing Optional Calling Plans which are only available in selected exchanges in the current form of Optional Measured Service. Customers subscribing to those existing calling plans will be grandfathered, and will be allowed to continue their current service, until they move to a different location.

By letter dated February 17, 1993, the Commission's Executive Director instructed the Company to publish a prepared Notice of

Filing, one time, in a newspaper of general circulation in the areas affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file the appropriate pleadings. The Company submitted affidavits indicating that it had complied with these instructions. Petitions to Intervene were filed by Business Telcom, Inc., AT&T Communications of the Southern States, Inc. (AT&T), MCI Telecommunications Corporation (MCI), LDDS of Carolina, Inc.(LDDS), the Consumer Advocate for the State of South Carolina (the Consumer Advocate), and the South Carolina Telephone Coalition (the Coalition).

On June 9, 1993, a public hearing concerning the matters asserted in the Company's Application was held in the Commission's Hearing Room with the Honorable Henry G. Yonce, presiding. Southern Bell was represented by Harry M. Lightsey, III, Esquire, and William F. Austin, Esquire. The Intervenor, Business Telcom, Inc. was not present. AT&T was represented by Francis P. Mood, Esquire, and Roger A. Briney, Esquire; MCI was represented by Martha McMillin, Esquire, and D. Christian Goodall, Esquire; LDDS was represented by John M. S. Hoefer, Esquire, and B. Craig Collins, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; the Coalition was represented by M. John Bowen, Jr., Esquire; and the Commission Staff was represented by F. David Butler, General Counsel.

The Company presented the testimony of Joseph A. Stanley, Jr. AT&T Communications of the Southern States, Inc. presented the testimony of Mike Guedel. MCI and LDDS of Carolina, Inc. jointly presented the testimony of Joseph Gillan. The Commission Staff presented the testimony of Gary E. Walsh, Assistant Director of the Utilities Division for the Commission.

Upon consideration of the Company's Application, the evidence presented at the hearing, and the applicable law, the Commission believes that the Application of the Company should be granted as filed based on the reasoning as set forth below.

The Area Plus Plan is an optional 40-mile 7-digit local calling plan. A residence customer will pay $8.00 a month for an access line and 2¢ per minute for any calls in that customer's Basic Service Area. The Basic Service Area is the same as a customer's current flat rate area for each exchange. Usage charges for calls in the Basic Service Area are capped at $15.00 for residence customers. In addition, customers purchasing Area Plus will be able to make 7-digit calls to an area out to 40 miles from their exchange (called the Expanded Service Area) at a rate of 11¢ a minute. During the period from 8 p.m. to 8 a.m. and all day Saturdays, Sundays, and holidays, both the rates in the Basic Service Area and the Expanded Service Area are discounted by 50%. Residence customers may also purchase two additional features. For an additional $2.00 per month, a 20% discount will be applied to all usage charges. For a flat rate of $30.00 per month (in addition to the $8.00 charge for the access line), the customer

can have unlimited 7-digit calling in both the Basic Service Area and the Expanded Service Area.

The business options in Area Plus are very similar to those for the residence customer. The charge for the access line is $33.00. The same usage charges apply in both the Basic Service Area and the Expanded Service Area. The same 50% time-of-day discount will apply. The 20% discount is available for a monthly charge of $3.00. The unlimited calling package is not available to business customers. However, for a $20.00 monthly charge, the business customer can purchase a 50% discount to be applied to all usage charges, no matter what time of day they are incurred. Neither residents, nor business customers will be charged a service charge when they initially opt into Area Plus, or if they opt out after trying the Plan.

Southern Bell presented the testimony of Joseph A. Stanley, Jr. to support its Plan. Stanley testified that Area Plus Service was designed to meet those customer and economic development needs for expanded local calling areas which have been expressed in Extended Area Service (EAS) petitions to this Commission, in bills before the South Carolina Legislature, and in customer contacts with Southern Bell employees throughout the State. Stanley testified that the plan provides Southern Bell's customers with an Optional Plan consisting of several options which would allow the customers to customize local exchange service to meet their needs. The Plan, as filed, according to Stanley, would provide a greatly reduced rate to customers in each of the areas which are currently

requesting EAS service. Also, according to Stanley, the Area Plus Plan will address, except in those instances where counties are divided by a LATA boundary, the county-wide and county seat calling concerns and needs expressed by members of the Legislature and county and local officials. It should be noted that the Plan includes intraLATA interstate traffic. Area Plus Service offers customers a larger 7-digit calling area, as well as rate reductions in both the monthly line rate, and the usage rate in the expanded local area. Area Plus, as presented, is purely optional, and will be available to both residence and business customers statewide. Stanley testified that in his opinion, the adoption of the Area Plus Plan by this Commission was in the public interest.

Staff witness Gary Walsh also testified in favor of the Plan. Walsh, the Assistant Director of the Utilities Division, testified that since 1987, he had been responsible for the review and preparation of cost studies and community-of-interest studies involving a tremendous number of EAS requests. According to Walsh, the EAS requests generally have very similar characteristics, in that a small urban community or pocket of customers requests flat rated toll-free calling between their community and a larger community. Generally, when the Commission orders that a ballot process be conducted, these requests have failed due to a lack of interest for calling from the larger community back to the smaller community. In addition, Walsh found many cases where the majority of individuals in the community

requesting EAS had voted the proposals down. Walsh further stated, that although the Area Plus Service Tariff provides a feature of being an optional service, he feels that the service will relieve a tremendous amount of EAS pressure. In addition, the Plan would provide the relief sought by a small pocket of customers without placing a financial hardship on their neighbors. Walsh further noted that in South Carolina today, there are two similar plans in effect in the Horry and Georgetown areas, and in the Hilton Head and Bluffton areas. Walsh found that the approval of these plans in these areas has eliminated the constant request for toll-free calling between communities in the areas. Further, the Commission has recently ordered United Telephone Company and Hargray Telephone Company to implement a 2-County Plan in Beaufort/Jasper Counties providing measured 7-digit dialing prior to July 1, 1994.

Walsh further testified that he believed the Area Plus Plan would be of great benefit to a specific sector of Southern Bell ratepayers in South Carolina. According to Walsh, there is a tremendous interest in South Carolina for expanded local calling areas, as can be seen by the numerous petitions for EAS currently being processed by the Commission. Further, Walsh affirmed that there have been attempts to mandate expanded local calling through the Legislative process, therefore, Walsh recommended that the Commission support and adopt Southern Bell's Area Plus Service Tariff, as the Plan will provide relief to the sector of the customers of Southern Bell wanting expanded local calling, while

not penalizing those in the community who choose not to participate in the tariff filing.

Further, the Coalition did not present a witness, but stated, for the record, that the Coalition supports the Commission's adoption of the Area Plus proposal as filed.

Mr. Stanley for Southern Bell stated that Southern Bell also proposed to cancel the Tailored Local Calling (TLC) service which is currently being trialed in the Spartanburg, Cowpens, Layman, and Pacolet exchanges. Area Plus is similar to the TLC Plan, according to Stanley. TLC customers, under Southern Bell's Plan, will be able to change their existing service to a flat rate or Area Plus Service without paying a service order charge. Stanley also stated, that because Area Plus Service combines the features of Expanded Local Service with usage base pricing, he believes that it is a suitable replacement for many of Southern Bell's existing optional local service callings. Therefore, Southern Bell proposes to obsolete Connection Calling Plans, Optional Measured Service, and most of the Premium Optional Calling Service offerings with this filing. According to Stanley, existing subscribers to these services will be grandfathered at their current locations, although the services will be deleted when the subscribers move.

Witness Joseph Gillan testified on behalf of MCI and LDDS of Carolina, Inc. Mike Guedel testified on behalf of AT&T. Both witnesses testified in opposition to the Plan. Among other things, both witnesses testified that the Area Plus Plan destroys

the intraLATA competition recently adopted by the Commission in Order No. 93-462. The witnesses testified that Area Plus eliminated competition, since the cost for an Area Plus call is actually less than the access charges charged the interexchange carriers (IXC's). Further, both witnesses stated that the Area Plus Plan profoundly affected revenues seen from the business community. Stanley testified that rates would be lowered by $11.5 million dollars. Gillan testified that of the figure, $.4 million is a rate reduction that is going to be provided to residential customers, and $11.1 million dollars is going to be a rate reduction for business customers.

The Commission has examined this matter and believes that the benefits of the Area Plus Plan as filed by Southern Bell and as supported by witnesses Stanley and Walsh and the Coalition, far outweigh the potential problems cited by the Intervenors in this case. Clearly, according to the cross-examination of Staff witness Walsh, a 40-mile radius covers all EAS requests formerly and presently presented to the Commission. Further, the Plan is an optional plan. Only those persons who wish to participate in the Plan would do so. For these reasons, we believe that the Plan should be adopted as filed by the Company, and, for the reasons stated above, we believe adoption of the Plan is in the public interest.

It should also be noted that on March 4, 1993, Southern Bell filed an additional request for approval of revisions to its General Subscriber Service Tariff. The purpose of the filing was

to introduce Classroom Communication Service (T.N. 93-46), which provides local access for in-classroom voice and data communications. Classroom Communication Service is intended as a communications link to be placed in classrooms to enhance the education process by allowing teachers to conduct classes at multiple locations and to access various data bases. The monthly rate and applicable usage charges for the proposed Area Plus residence individual line will be applicable to the service. The Commission believes that adoption of this tariff revision is also in the public interest and that the requested effective date of Classroom Communication Service should coincide with that of the Area Plus Plan.

IT IS THEREFORE ORDERED THAT:

1. Both the Area Plus Plan and Classroom Communication Service are approved as filed, effective November 1, 1993.

2. Tailored Local Calling, Connection Calling Plans, Optional Measured Service, and Premium Optional Calling Service offerings may be eliminated, although existing subscribers to these services may have these services continued only at their present locations.

3. That this Order shall remain in full force and effect until further Order of the Commission.

Chairman

ATTEST:

Executive Director

(SEAL)

DISSENT OF COMMISSIONER ROWELL: I respectfully dissent from the majority opinion in this case, and believe that Southern Bell should withdraw the tariff and resubmit it at a later date. A review of the figures submitted by the Company shows that of the $11.5 million dollars lost revenue projected by the Company, 95% of the benefits go to businesses, when residential customers bring about most EAS pressures. It is my opinion that the plan is too heavily weighted in favor of businesses. Further, I believe that Area Plus effectively eliminates intraLATA competition for long distance service which the Commission so recently endorsed in Order No. 93-462. The testimony of Joseph Gillan is persuasive. Under the testimony on page 31 of the Transcript, there is a Table showing that the intrastate access day rate is .1491. The APS Plan rate is .1100 to .0550. The prices proposed under the Area Plus Service clearly undercut those access charges presently charged by Southern Bell to the interexchange carriers. Thereby, competition

is effectively destroyed. Competition within the LATAs is a concept that has recently been found to be in the public interest by this Commission. The Area Plus Plan as adopted by the majority denies all South Carolina customers the benefits of increased choice, and better price performance that competition offers. Further, it is my belief, that losses of $11.5 million in revenue will clearly impact the future cost of local service and access charges. As referenced by AT&T witness Guedel, if some of the lost revenue from the Plan was instead applied to reduce access charges, then all of Southern Bell's customers would benefit, including those not choosing the Area Plus option. It is my opinion that the Area Plus Plan should be rejected as filed, and the Company should resubmit the Plan with the loss revenue for business callers reduced by approximately one-half (½) of the original filed Plan.

COMMISSIONER ARTHUR JOINS IN THIS DISSENT.

Attachment 8

Docket No. 91-063-C, Order No. 94-600

Ridgeland EAS request – Beaufort

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 91-063-C - ORDER NO. 94-600

JULY 6, 1994

IN RE: Request for Extended Area Service from Ridgeland Customers in Beaufort County to Beaufort.	)))	ORDER APPROVING TARIFFS

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of tariff filings by United Telephone Company of the Carolinas (United), Bluffton Telephone Company, Inc. (Bluffton), and Hargray Telephone Company, Inc. (Hargray). These tariff filings are in response to and in compliance with the Commission's directives in Order No. 93-173 dated February 26, 1993, issued in this Docket.

In Order No. 93-173, the Commission addressed a request from Mr. Walter Baxter (Mr. Baxter) where Mr. Baxter requested a hearing to address the Commission's decision in Order No. 92-695 dated August 21, 1992. Order No. 92-695 approved converting the telephone service of all Beaufort County residents receiving service from United on the Ridgeland Exchange to the Beaufort Exchange. Briefly, the underlying facts of Order No. 92-695 and Order No. 93-173 are as follows:

1. On May 30, 1991, United filed a tariff proposing to convert the telephone service of its Beaufort County customers residing on Calawassie and Spring Islands from the Ridgeland Exchange to the Beaufort Exchange. This

tariff was filed after United balloted the residents of these islands and received unanimous approval of the proposed conversion.

2. At approximately the same time, the Commission received a petition signed by all residents of Red Bluff Island in Beaufort County requesting service from the Beaufort Exchange.

3. On June 18, 1991, the Commission received a resolution from the Beaufort County Council supporting service from the Beaufort Exchange for all United customers residing in Beaufort County. On the same day, the Commission approved United's tariff, effective July 1, 1991, converting the telephone service of residents of Calawassie and Spring Islands to the Beaufort Exchange.

4. On July 18, 1991, the Commission received a petition from some residents of Beaufort County, served by the Ridgeland Exchange, who opposed conversion of their telephone service. Thereafter, the Commission reviewed additional letters from other Beaufort County residents requesting the conversion of their service from the Ridgeland Exchange to the Beaufort Exchange.

5. On March 31, 1992, the Commission issued Order No. 92-235 approving the June 1991 petition of the Red Bluff Island residents to convert their service from the Ridgeland Exchange to the Beaufort Exchange.

6. On June 1, 1992, the Commission instructed the Commission Staff (the Staff) to ballot each of the Ridgeland

Exchange subscribers residing in Beaufort County to determine their interest in having their telephone service converted to the Beaufort Exchange. The Staff mailed 194 ballots, and 144 of the ballots were returned. The responses of the Ridgeland subscribers residing in Beaufort County were virtually evenly divided between those who supported the conversion and those who opposed the conversion.

Order No. 93-173 affirmed Order No. 92-695, which granted the conversion of service from the Ridgeland Exchange to the Beaufort Exchange for United customers living in Beaufort County, and also addressed Mr. Baxter's request for a hearing. In addressing Mr. Baxter's request for a hearing, a compromise was reached among those in favor of conversion, those opposed to conversion, the Staff, and United. This compromise provided that the customers residing in Beaufort County then on the "726" Ridgeland Exchange would be converted to the "521" Beaufort Exchange effective July 1, 1993. In addition and simultaneously with the conversion on July 1, 1993, United would implement two-way toll free calling between the converted customers, including residents of Red Bluff Island, and all customers in the "726" Ridgeland Exchange. This calling was on a "1+" with 0- billing basis from July 1, 1993, to July 1, 1994. Effective July 1, 1994, this toll free dialing will be on a seven digit basis. This plan would result in no cost to the Ridgeland "726" customers and would result in only regrouping rates to the converted customers. Further, United was ordered to implement full digital switching in the Beaufort and Ridgeland Exchanges on or before July 1, 1994. Also, United, Hargray, and

Bluffton were ordered to undertake a study of the calling needs of the Jasper County and Beaufort County area, and to submit a plan by July 1, 1994, to address the findings of the study. The tariff filing before the Commission today are the plans to address the findings of the study.

The plans submitted by United, Bluffton, and Hargray are identical except for the price. United's plan provides for a flat rated $0.12 per minute rate for calls within Jasper County and Beaufort County but that are outside a customer's local service area. Bluffton and Hargray propose to extend their "876" plans to encompass Beaufort and Jasper Counties. Additionally, these calls will be seven digit calls.

In recognition of the previous petitions and balloting processes undertaken in this Docket and pursuant to the findings and directives of Order No. 93-173 and based upon the compromise approved in Order No. 93-173 and as stated above, the Commission believes and so finds that approval of the tariffs as filed by United, Bluffton, and Hargray are in the public interest and are in response to the directives of Order No. 93-173. Therefore, the Commission hereby approves the tariffs filed by United, Bluffton, and Hargray in compliance with Order No. 93-173.

IT IS THEREFORE ORDERED THAT:

1. The tariffs filed by United, Bluffton, and Hargray are approved as filed.

2. The effective date of the tariffs shall be July 1, 1994.

3. This Order shall remain in effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Rudolph Mitchell
Chairman

ATTEST:

Charles W. Ballentine
Executive Director

(SEAL)

Attachment 9

Docket No. 93-445-C, Order No. 95-1473

EAS request between Graniteville, SC & Augusta, Georgia

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-445-C - ORDER NO. 95-1473

AUGUST 25, 1995

IN RE: Request for Extended Area Service (EAS) Between the Communities of Graniteville, South Carolina and Augusta, Georgia.	)))	ORDER DENYING EAS REQUEST

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a request filed requesting toll-free service (also known as Extended Area Service or EAS) between the communities of Graniteville, South Carolina and Augusta, Georgia. The affected telephone utility is Southern Bell Telephone and Telegraph Company (Southern Bell). Upon receipt of the request for EAS, the Commission instructed the Commission Staff to require Southern Bell to perform community of interest and cost studies.

Southern Bell duly filed its community of interest and cost studies with the Commission concerning the request. The cost studies indicated that in order to provide the proposed EAS, that Graniteville subscribers, both residential and business, would incur an additional monthly adder of $9.52. The adder would only affect the Graniteville subscribers because the regulatory authorities in Georgia require the smaller exchange to bear the full cost of the provision of EAS where there appears to be little

interest in calling from the larger exchange.

The Commission then instructed the Staff to poll the residents of the area affected by the proposed EAS. From the Graniteville calling area, the Commission received 1843 ballots, of which 1,260, or 69%, opposed the EAS and 583, or 31%, favored the EAS.

Based on the results of the poll of the Graniteville subscribers, it appears to the Commission that the majority of customers responding to the poll do not desire the EAS with the additional monthly adder. Based on those results, the Commission herein denies the EAS request.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Rudolph Mitchell
Chairman

ATTEST:

Charles W. Scott
Executive Director

(SEAL)

Attachment 10

Docket No. 1997-239-C, Order No. 2003-215

Proceeding to Establish Guidelines for
An Intrastate Universal Service Fund

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 1997-239-C - ORDER NO. 2003-215

APRIL 15, 2003

IN RE: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund	)	ORDER ADDRESSING THE UNIVERSAL SERVICE FUND

I. PROCEDURAL BACKGROUND

This matter comes before the South Carolina Public Service Commission ("Commission") upon the application of Bluffton Telephone Company, Inc., Farmers Telephone Cooperative, Inc., Hargray Telephone Company, Inc., Home Telephone Company, Inc., Horry Telephone Cooperative, Inc., and PBT Telecom ("6 LECs") for funding from the South Carolina Universal Service Fund ("State USF") pursuant to S.C. Code Ann. § 58-9-280(E) (Supp. 2001) and Commission Order No. 2001-419 in this docket. Commission Order No. 2001-419 approved a phased-in plan for implementing the State USF. By its Order No. 2001-996, the Commission approved guidelines and administrative procedures relating to the phased-in approach. Pursuant to its statutory authority as implemented in its orders, the Commission implemented the first (access) step of the first phase of State USF on October 1, 2001. This step allowed incumbent local exchange carriers in South Carolina to reduce their access charges by approximately 50% and to recover the resulting lost revenues from the State USF.

The current proceeding was scheduled to implement the second (end user) step of the first phase of State USF. According to the plan approved by the Commission, local exchange carriers could file tariffs reducing end user rates that contained implicit support for basic local service on April 1, 2001, and recover those amounts from the State USF. The first phase of the State USF was limited so that local exchange carriers could not recover more than 1/3 of the total State USF to which they may be entitled pursuant to the cost studies approved in Commission Order No. 98-322 in this docket.

On March 22, 2002, the South Carolina Telephone Coalition requested an extension of time in which to file proposed tariff reductions to implement the second (end user) step of the first phase of the State USF. The Commission granted the companies' request for an extension until June 1, 2002. Subsequently, on May 31, 2002, the 6 LECs filed tariffs reflecting reductions in certain end user rates.

Bluffton Telephone Company's filing seeks to reduce the rate for its Measured Extended Area Service (MEAS), one of several Area Calling Plan (ACP) tariff offerings, from $0.126 to $0.053 per minute. To offset the reduction on a revenue-neutral basis, Bluffton proposes to withdraw additional funding from the State USF in the amount of $395,630.

Farmers Telephone Cooperative's filing seeks to reduce the rate for its IntraLATA Flat Rate Service from $0.099 to $0.035 per minute. To offset the reduction on a revenue-neutral basis, Farmers proposes to withdraw additional funding from the State USF in the amount of $3,172,374.

Hargray Telephone Company's filing seeks to reduce the rate for its MEAS, one of several ACP tariff offerings, from $0.126 to $0.053 per minute. To offset the

reduction on a revenue-neutral basis, Hargray proposes to withdraw additional funding from the State USF in the amount of $602,171.

Home Telephone Company's filing seeks to reduce monthly buy-in rates and per minute rates for several types of Calling Plan Service ("CPS"), as detailed in the following table:

Service	Current Tariff Rate	Revised Tariff Rate
IntraLATA Toll	$0.2171	$0.08
7 Digit Dial Option 8 AM to 8 PM	$0.18	$0.08
7 Digit Dial Option 8 PM to 8 AM	$0.09	$0.08
Residential Only Measured Rate	$3.00	$0.50
Option – Buy In		
Residential MRO calls 8 AM-8 PM	$0.0657	$0.045
Flat Rate Option Unlimited TriCty	$35.00	$28.95
Flat Rate Option - Coastal Calling	$0.0876	$0.045
Business Capped Option A-monthly charge	$15.00	$5.00
Bus.Cap-Option B	$30.00	$13.00
Bus.Cap-Option C	$75.00	$36.00
Bus.Cap-Option C after 10,000 min.	$0.04	$0.03
Standard Measured Bus. – Buy In	$8.00	$3.00
Meas. Rate – Option B Buy In	$18.00	$10.00
Meas. Rate – Option C Buy In	$33.00	$22.00

To offset the reduction on a revenue-neutral basis, Home proposes to withdraw additional funding from the State USF in the amount of $1,067,718.

Horry Telephone Cooperative's filing seeks to reduce the rate for its Measured Regional Service (MRS), one of several ACP offerings, from $0.085 to $0.03 per minute. To offset the reduction on a revenue-neutral basis, Horry proposed to withdraw additional funding from the State USF in the amount of $812,228.

PBT Telecom's filing seeks to reduce monthly buy-in rates and per minute rates for several measured and flat rate ACP offerings, as detailed in the following table:

Service	Current Tariff Rate	Revised Tariff Rate
Bus&Res Option 1 8 AM to 8 PM	$0.11	$0.059
Bus&Res Option 1 8 PM to AM	$0.055	$0.0295
Res. Option 2 Buy In	$2.00	$0.00
Bus&Res Option 2 8 AM to 8 PM	$0.088	$0.059
Bus&Res Option 2 8PM to 8 AM	$0.044	$0.0295
Business Option 2 Buy In	$3.00	$0.00
Business Option 3 Buy In	$20.00	$15.00
Business Option 3 8AM to 8PM	$0.055	$0.029
Res. Option 3 Buy In	$30.00	$24.95

To offset the reduction on a revenue-neutral basis, PBT proposes to withdraw additional funding from the State USF in the amount of $585,367.

In total, the companies seek additional funding from the State USF of approximately $6.6 million.

Along with the tariff filings, the 6 LECs filed detailed cost data consisting of embedded cost of service studies clearly demonstrating that implicit support exists in the rates that are sought to be reduced, as required by paragraph 12 of Commission Order No. 2001-419. Each of the 6 LECs filed a motion requesting confidential treatment of its cost study. By Order No. 2002-481, the Commission approved the request and agreed that making the information publicly available could give actual and potential competitors an unfair competitive advantage.

The Commission issued a Notice of Filing and Hearing in this matter under existing Commission Docket No. 97-239-C, which relates to State USF matters. This is an open docket in which numerous parties have intervened, including the South Carolina Telephone Association ("SCTA"); the South Carolina Telephone Coalition ("SCTC"); BellSouth Telecommunications, Inc. ("BellSouth"); GTE South, Incorporated, now known as Verizon South, Incorporated ("Verizon"); the Consumer Advocate for the State of South Carolina ("Consumer Advocate"); the South Carolina Cable Television Association ("SCCTA"); Southeastern Competitive Carriers Association ("SECCA"); Worldcom, Inc. ("WorldCom"); Alliance for South Carolina's Children ("Alliance"); South Carolina Fair Share and the Women's Shelter ("SC Fair Share"); AT&T Communications of the Southern States, LLC ("AT&T"); South Carolina Public Communications Association ("SCPCA"); John C. Ruoff, Ph.D. ("Ruoff"); United Telephone Company of the Carolinas, Inc. ("Sprint/United"); e*spire Communications; South Carolina Budget and Control Board, Office of Information Resources ("OIR"); LCI International, Inc. ("LCI"); Pro-Parents; ALLTEL South Carolina, Inc. and ALLTEL

Communications, Inc. ("ALLTEL"); Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless"); ITC^DeltaCom; and Crown Castle USA, Inc.

A public hearing was held in this matter on January 29, 2003. During the hearing, the 6 LECs were represented by M. John Bowen, Jr., Esquire and Margaret M. Fox, Esquire. The 6 LECs presented the testimony of H. Keith Oliver and Emmanuel Staurulakis.

The Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire. The Consumer Advocate presented the testimony of Allen G. Buckalew.

SCCTA, AT&T and SECCA were represented by Frank R. Ellerbe, III, Esquire. SECCA presented the testimony of William J. Barta. Neither the SCCTA nor AT&T presented a witness.

WorldCom was represented by Darra W. Cothran, Esquire. WorldCom presented the testimony of Greg Darnell.

Verizon Wireless was represented by John M.S. Hoefer, Esquire. Verizon Wireless presented no witnesses.

Verizon was represented by Steven W. Hamm, Esquire. Verizon presented no witnesses.

BellSouth was represented by Patrick Turner, Esquire. BellSouth presented no witnesses.

The Commission's Staff was represented by F. David Butler, General Counsel. The Commission Staff presented no witnesses.

II. SUMMARY OF TESTIMONY

H. KEITH OLIVER

The 6 LECs presented the direct testimony of H. Keith Oliver, Vice President, Finance, for Home Telephone Company, Inc. Mr. Oliver gave an overview of the case. He gave a short summary of the proceedings that preceded the instant hearing, described some of the marketplace and technological changes driving universal service changes, and explained the need for state action on universal service in light of recent actions at the federal level. Mr. Oliver testified that the requests in these proceedings are consistent with state and federal law, and that the proposed rate reductions are necessary to maintain support for basic local service.

EMMANUEL STAURULAKIS

The 6 LECs also presented the direct and rebuttal testimony of Emmanuel Staurulakis, President of John Staurulakis, Inc. (JSI), a telecommunications consulting firm. Mr. Staurulakis described the cost methodology used to determine the level of implicit support contained in the rates of the end user services proposed for reduction by the 6 LECs. He also described the process that each of the 6 LECs used to identify the end user services that were selected for price reduction. Mr. Staurulakis testified that the request for State USF was revenue neutral for the companies because they could not receive funds until tariff reductions were approved. He testified that the proposed end user rates for the 6 LECs were set at levels above the calculated cost of service for each service. He testified that the cost methodology utilized in the cost studies conducted and submitted in the instant proceeding is consistent with the cost methodology previously approved by the Commission in this docket. He testified that for each of the 6 LECs, the

amount of funding per the first (access) step of the initial phase when combined with the second (end user) step does not exceed the one-third limitation approved by the Commission.

ALLEN G. BUCKALEW

The Consumer Advocate presented the testimony of Allen G. Buckalew, an economic consultant with J.W. Wilson & Associates, Inc. Mr. Buckalew testified that he had some questions about the cost studies, but that the 6 LECs had answered them to his satisfaction. Mr. Buckalew testified that the cost studies do not show that local exchange service is priced below cost or that the subsidy from intraLATA flat-service is supporting local service. He testified that the embedded cost studies are not sufficient to justify additional funding from the State USF. He further testified that State USF funding is not appropriate if companies are earning more than the authorized rate of return, that the companies have not shown a competitive need to lower the rates for the services, that the companies should impute access charges into their cost calculations, and that the effect of demand stimulation should be taken into account.

WILLIAM BARTA

SECCA presented the testimony of William Barta, the founder of Henderson Ridge Consulting, Inc., a regulatory consulting firm. SECCA pre-filed two versions of Mr. Barta's testimony – a proprietary version (filed under seal) that discussed specific numbers from the 6 LECs' confidential cost studies and a redacted version containing only general information that was filed and served on all parties. Mr. Barta reviewed and commented upon the embedded cost studies submitted to the Commission by the 6 LECs. Mr. Barta noted that the 6 LECs are permitted under State statute and Commission order

to submit embedded cost studies in support of their requests for withdrawals from the State USF. He testified, however, that 5 of the 6 LECs are earning well under the authorized rates of return on an unadjusted basis, and that rate design and State USF may be more effectively addressed in tandem. Mr. Barta also testified that the structure of the cost studies allows the 6 LECs to apportion a small fraction of their total company expenses to service offerings other than basic local exchange service. He testified that the pricing discretion afforded the 6 LECs is detrimental to the development of competition. He testified that some of the expense activity included in the embedded cost studies may not be appropriate or reasonable for the purpose of regulatory recovery. For a brief portion of Mr. Barta's testimony, the hearing room was cleared of all persons who had not signed a protective agreement with respect to the 6 LECs' confidential cost studies so that Mr. Barta could respond to questions regarding specific numbers contained in those studies.

GREG DARNELL

WorldCom presented the testimony of Greg Darnell, Senior Manager – Public Policy for WorldCom. Mr. Darnell opposed the increases in the State USF requested by the 6 LECs. Mr. Darnell testified that the 6 LECs had not demonstrated the difference between their cost of providing basic local exchange service and the maximum amount they may charge for such service; that the Commission had not determined the size of the State USF; that the 6 LECs have not shown a competitive loss that affects universal service as a result of changes in interstate access rates and wireless competition; and that the State USF funding process is bad public policy. Mr. Darnell also stated that the

Commission should investigate whether companies providing radio-based local exchange service should be required to contribute to the State USF.

III. OBJECTIONS AND MOTIONS

A number of objections and motions were made during the course of the hearing, which can be summarized as follows:

OBJECTIONS TO TESTIMONY

H. Keith Oliver

Counsel for SCCTA, SECCA, and AT&T objected to Mr. Oliver's testimony on the ground that Mr. Oliver is an employee of Home Telephone Company and there was no proper foundation laid for Mr. Oliver to testify on behalf of the other five petitioning companies. See TR at 8. Counsel for the 6 LECs responded that Mr. Oliver's testimony was generic in nature and he was not testifying to the specifics of the companies' requests. Id. Counsel for the 6 LECs noted that another witness, a consultant employed by the 6 LECs, would testify as to the specific cost of service studies and specific company numbers. TR at 8-9. This Commission took this motion under advisement. We agree with counsel for the 6 LECs. Mr. Oliver's testimony is general in nature and provides us with an overview of the petitions and the background of the proceedings that led to the filings. We therefore deny the motion and allow Mr. Oliver's testimony into the record.

Allen G. Buckalew

Counsel for the 6 LECs objected to and moved to strike specific portions of Mr. Buckalew's testimony on the ground that the testimony raises issues that have previously been decided by the Commission and, in many instances, affirmed by the Circuit Court.

Specifically, the 6 LECs cited Mr. Buckalew's testimony dealing with whether or not the 6 LECs had demonstrated that local exchange rates are priced below cost [Buckalew Prefiled Testimony at p. 8 (TR at 147), lines 1-17]; his testimony regarding whether or not it is appropriate for the companies to receive State USF funding without an examination of their earnings [Buckalew Prefiled Testimony at 9 (TR at 148), lines 1 through 11]; and his testimony regarding whether or not the companies properly allocated joint and common cost in the cost studies that were approved by the Commission in Order No. 98-322 [Buckalew Prefiled Testimony at 11 (TR at 150), line 4 beginning with the words, "and the second problem is . . ." through line 13].

This motion was taken under advisement. After due reflection, we deny the motion and admit the testimony. Whereas we understand counsel's motion, we will allow the testimony in the record for whatever it may be worth to our decision-making process. As a jury of experts, we are free to accept or reject testimony in whole or in part. We prefer to be able to exercise this right in the present case, and we will do so at the proper time in this Order.

Greg Darnell

Likewise, counsel for the 6 LECs moved to strike portions of Mr. Darnell's testimony that raise issues already determined by the Commission and by the Circuit Court as follows:

Page 2 (TR at 215), lines 9 through 14

Page 4 (TR at 217), line 22

Page 5 (TR at 218), line 23 through Page 10 (TR at 223), line 16

Page 12 (TR at 225), line 6 through Page 13 (TR at 226), line 14

Page 13 (TR at 226), line 25 through Page 14 (TR at 227), line 9

Page 21 (TR at 234), line 24 through Page 22 (TR at 235), line 13.

This motion was taken under advisement. As we ruled with the motion regarding the testimony of Mr. Buckalew, we believe that we should be able, as counsel for MCI points out, to take the testimony for what it is worth. Further, as was done above, we deny the motion.

MOTION FOR DIRECTED VERDICT

At the close of the 6 LECs' case, counsel for SCCTA, SECCA and AT&T made a motion in the nature of a nonsuit directed verdict motion. See TR at 127-33. The Consumer Advocate supported the motion. TR at 135-36. The motion was renewed at the end of the hearing. TR at 261. By his motion, counsel asked the Commission to rule as a matter of law that petitioners have not met their obligation under South Carolina Act 354 of 1996 and the Federal Telecommunications Act of 1996 to justify additional State USF funding. TR at 128-29. Counsel stated he was not arguing that the petitioners had not done what was required of them under the Commission's prior State USF orders. Id. He merely disagreed with those prior orders and asked the Commission to reconsider those issues.

We hereby deny the motion in the nature of a motion for directed verdict. As pointed out by counsel for the 6 LECs, this Commission has been through years of hearings, beginning in August 1997, on this matter and has issued detailed and exhaustive orders in this case. Some of those orders were appealed to the Circuit Court. Judge Kinard issued a detailed 44-page order in which he affirmed the Commission's orders and concluded: "There is substantial evidence in the record to support the Commission's

decisions regarding the State USF. The Commission acted properly and in accordance with its statutory mandate, as well as in the interest of the public, in establishing and implementing the State USF." Order of the Honorable J. Ernest Kinard, Jr. dated September 30, 2002, at p. 43. We will proceed to consider the requests of the 6 LECs on their merits.

IV. OVERVIEW OF STATE USF PROCEEDINGS

This Commission has detailed the concept and goals of universal service in prior orders, most particularly in Commission Order No. 2001-419 in this docket, and has made a number of public interest findings in approving a plan for a phased-in implementation of State USF. Our review here will focus on the instant filing and whether it complies with our prior orders and serves the public interest.

The instant proceeding is the Commission's fourth proceeding to address State USF. In the first proceeding in Docket No. 97-239-C, which began in August 1997, the Commission adopted guidelines, as required by S.C. Code Ann. § 58-9-280(E). The guidelines, among other things, define the services that are supportable under the State USF, define eligibility requirements for receiving funding from the State USF, declare that funding is portable to any qualified Carrier of Last Resort, and establish the administrator of the State USF. The Commission deferred issues relating to the selection of an appropriate cost model(s) and methodologies; sizing the fund; recovery of USF contributions; and maximum allowable rates. See Commission Order No. 97-753, as modified upon reconsideration in Order Nos. 97-942 and 98-201.

With respect to sizing the fund, the State statute provides that the size of the State USF is the sum of the difference, for each carrier of last resort, between its costs of

providing basic local exchange services and the maximum amount it may charge for the services. S.C. Code Ann. § 58-9-280(E)(4). The State statute defines basic local exchange telephone service as "for residential and single-line business customers, access to basic voice grade local service with touchtone, access to available emergency services and directory assistance, the capability to access interconnecting carriers, relay services, access to operator services, and one annual local directory listing (white pages or equivalent)." S.C. Code Ann. § 58-9-10(9). At the time of the first proceeding, however, the Commission had not yet determined the appropriate methodology to be used to determine costs and thus was unable to size the fund at that time.

In its second proceeding in November 1997, the Commission primarily addressed the selection of appropriate cost model(s) and methodologies, and sizing the State USF. The Commission adopted the Benchmark Cost Proxy Model 3.1 as the state forward-looking cost model for BellSouth, GTE, and Sprint/United, after making certain modifications to company specific inputs. The Commission also adopted the South Carolina Telephone Coalition's proposed embedded cost model, including recommended inputs for rural LECs (other than Sprint/United). All other matters related to the intrastate USF that were not ruled upon were "held in abeyance." See Commission Order No. 98-322.

In the third proceeding, the Commission addressed outstanding issues relating to the State USF and ordered a phased-in implementation of the fund, consistent with the Commission's statutory obligation to "establish a universal service fund (USF) for distribution to a carrier(s) of last resort." S.C. Code Ann. § 58-9-280(E).

Under the State USF implementation adopted by the Commission in Order No. 2001-419, there is a series of steps or phases leading to the full implementation of the State USF. The phase-in will occur in at least three stages. The first phase consists of two steps. The first step, which was implemented effective October 1, 2001, required an immediate reduction of approximately 50% in intrastate access rates. The instant proceeding is to address the second step, which allows for reductions in rates charged directly to the end user. The initial phase (access and end user steps) is limited to no more then 33.33% of total State USF, sized according to the Commission's previously approved guidelines. In addition, each individual LEC is limited to one third of its maximum State USF on a company-specific basis.

Each phase of State USF requires tariff filings to reduce rates in compliance with Section 4 of the State USF guidelines, which requires that carriers of last resort make dollar-for-dollar rate reductions before being permitted to draw funds from the State USF. Tariff filings, if made, are required not later than April 1 of each year, and any rate reductions approved by the Commission for those rates containing implicit support are intended to be implemented on October 1 of each year. In order to receive funding beyond the initial (access) step, any local exchange carrier (LEC) seeking further tariff reductions is required to file detailed cost data with the Commission clearly demonstrating that implicit support exists in the rates that are proposed to be reduced. In addition, each LEC is required to update the results of its cost model before being permitted to withdraw more than one-third of its company-specific State USF amount.

V. FINDINGS AND CONCLUSIONS

1. The Commission has a statutory obligation to establish a State USF for distribution to carriers of last resort. S.C. Code Ann. § 58-9-280(E).

2. The Commission has complied with its statutory obligation to establish a State USF and previously set forth a phased-in schedule for implementing the State USF to ensure that funds are distributed to carriers of last resort. See Order No. 2001-419. The Commission has adopted guidelines and procedures for implementation. See Order No. 2001-996 and State USF Guidelines and Administrative Procedures attached thereto.

3. The 6 LECs have filed embedded cost studies that clearly demonstrate that implicit support exists in the rates they seek to reduce, as required by paragraph 12 of Order No. 2001-419. See Hearing Exhibit 3 (cost studies and backup documents). In fact, counsel for SCCTA, SECCA and AT&T essentially conceded that the studies met the requirements of the Commission's prior orders. See TR at 128-29; see also TR at 133, lines 10-14. The Consumer Advocate's witness stated that he had some questions about the cost studies but the companies had answered those questions to his satisfaction. TR at 145, lines 7-8; see also Hearing Exhibit 4 (Company Responses to Interrogatories of Consumer Advocate).

4. It is appropriate for rural telephone companies to use embedded cost methodologies for cost of service studies. See S.C. Code Ann. § 58-9-280(J); TR at 183, lines 19-23; TR at 80, line 21 through 81, line 1; Commission Order No. 98-322. The methodology for the cost studies filed by the 6 LECs is consistent with the methodology for cost studies previously approved by the Commission for use by rural companies (other than Sprint/United) for State USF purposes. TR at 81, lines 11-19.

5. The end user service rates proposed by the 6 LECs for the respective services they propose to reduce are set above the calculated cost of each service. TR at 80, lines 10-14; see also Hearing Exhibit 3 (Cost Studies and Backup Documents).

6. The amount of State USF funding requested by each of the 6 LECs, when combined with the funding received from the first (access) step of the first phase of State USF, does not exceed 1/3 of the company-specific State USF for each respective company. TR at 78, lines 7-10. Therefore, the 6 LECs are not required to update the results of their cost studies at this time for basic local exchange service. TR at 85, lines 5-10. However, should any of the 6 LECs request additional State USF funding that exceeds one-third of its company-specific State USF amount, updated cost studies will be required. See Commission Order No. 2001-419 at 42. Utilizing this previously approved cost-study methodology, the 6 LECs submitted cost and demand data from the most recent year available. As such, the costing methodology utilized to identify implicit support in end-user services is consistent with the methodology utilized to identify the embedded cost of basic local exchange service in the previous proceeding. TR at 84, lines 9-16.

7. While we have denied the motion by counsel for the 6 LECs to strike certain portions of the Prefiled Testimonies of Consumer Advocate witness Buckalew and WorldCom witness Darnell, a review of the record, including the prior orders of this Commission, shows that the cited portions of those testimonies raise issues that have previously been determined by this Commission. Specifically, issues relating to the methodologies of cost studies, sizing of the fund, company earnings and revenue neutrality have previously been addressed and resolved by the Commission. See, e.g.,

Commission Order Nos. 98-322 and 2001-419. Furthermore, those determinations have been affirmed by the Circuit Court. See Order of The Honorable J. Ernest Kinard, Jr. dated September 30, 2002. We do not believe it is appropriate or necessary to change our previous determinations with respect to those issues.

8. Other arguments raised in opposition to the 6 LECs' petitions are also not convincing. Some of the parties propose new procedures that are inconsistent with those we have previously adopted. For example, some parties propose that we take into account the stimulation in demand for those services whose rates will be reduced in calculating the State USF funding needed to offset the loss. See TR at 150-51; 191. This would be a difficult task and is not likely to yield accurate results. Demand stimulation is hypothetical at best. While there is a possibility demand would increase with a decrease in price, there is also a possibility that demand would decrease, depending on the nature of the calling plan and what other providers in the area are offering. See TR at 92, lines 3-22. Further, as Mr. Oliver testified, the purpose behind reducing the selected rates is to "slow the flow of minute loss," so whether the companies would have more minutes of use or would merely be slowing the loss of minutes of use is unclear. TR at 34-35. Additionally, even if there were a stimulation of minutes of use, it would likely be accompanied by an increase in expenses to meet the demand. TR at 35; 99-100.

9. Likewise, implementing a procedure to track the accuracy of projected revenue losses is unnecessary. The State USF is set up so that the amount of funding is calculated at the time the funding is implemented and converted to a per-line amount for portability purposes. See TR at 37; see also, e.g., Section IV.D. of State USF Administrative Procedures, attached as Exhibit B to Commission Order No. 2001-996.

Once the State USF is calculated on a per-line basis, the amount of funding received by a particular company will track along with the gain or loss of access lines. Thus, the proposed "tracking" mechanism would not only be administratively burdensome, but it is also unnecessary. Furthermore, to the extent overall revenues fluctuate above or below the projected amounts, it is within the purview of the Commission to examine that in its annual earnings reviews. Id.

10. Several of the parties take issue with the Commission's previously-adopted methodology that allows the 6 LECs to choose which rates they will reduce. See TR at 190; 231. The parties assert this will allow the 6 LECs to regulate competitive entry into their markets. Some of the witnesses argued that all of the 6 LECs' services should be examined at one time, along with the general rate design of the 6 LECs, in determining which rates to reduce first.[1] See, e.g., TR at 145-46; 186. We disagree. One of the objectives of universal service funding is to make explicit funding available to replace the implicit support that currently exists in the rates for certain services. See Order No. 2001-419 at 32, para. 3. The Commission could have implemented the fund all at one time by ordering the immediate removal of all implicit support from rates. The Commission instead chose to take a more cautious, phased-in approach. One of the fundamental points of such an approach is that funding will be implemented in phases. While there is no need to show actual competition or competitive erosion of services before being permitted to reduce rates for those services that contain implicit support [See Commission Order No. 2001-419 at 45, para. 27], the companies themselves are in

[1] WorldCom complains that access charges are significantly above cost yet the 6 LECs are choosing to reduce other rates. See TR at 231. The first step of State USF implementation reduced access rates alone by 50%. See Commission Order No. 2001-419 at 33. This second step is for end user rates, so that end users may see the benefits of reduced rates through removal of implicit support as well.

the best position to determine what market pressures exist and which services are more critical than others to reduce.

11. The opposing parties' policy arguments are likewise not convincing. Mr. Darnell, for example, testified that granting the request would hurt the development of competition because competitive carriers will not know what rates incumbent local exchange carriers (ILECs) will be charging and, therefore, will not have certainty in setting their own rates. TR at 236. This argument is based on the faulty assumption that competitive carriers must set prices for services based on the prices charged by the ILEC. See id. at lines 12-14. To the contrary, competitive carriers are free to make their pricing decisions based on their own cost of providing the service and independently of the universal service considerations that historically have distorted the ILECs' rates. ILECs' rates include implicit support because ILECs have an obligation to provide basic local exchange service to all requesting customers in their respective service areas at affordable (in most cases below-cost) rates. Competitive carriers have no such obligation and can price their services in an economically rational manner based on their cost of providing the service.

12. WorldCom's witness testified that State USF funding should not be increased until such time as the Commission addresses the question of whether wireless carriers should be required to contribute to the State USF. TR at 228. State law provides that the Commission shall require a wireless carrier to contribute to the State USF "if, after notice and opportunity for hearing, the commission determines that the company is providing . . . radio-based local exchange services in this State that compete with a local telecommunications service provided in this State." S.C. Code Ann. § 58-9-280(E)(3).

Until such time as such a showing is made, the Commission cannot require wireless carriers to contribute to the State USF. WorldCom or any other interested person is certainly welcome to bring evidence before the Commission to justify a finding that wireless carriers are providing service in competition with local telecommunications service in South Carolina. Until that time, wireless carriers will not be assessed for contributions to the State USF.

13. The 6 LECs' petitions are approved as filed, subject to adjustment by the Commission Staff as appropriate to ensure compliance with our prior orders and the State USF guidelines and administrative procedures. Accordingly, the end user surcharge for all companies contributing to the USF shall be modified from 2.1277% to 2.4719%. This results in an increase of approximately 17 cents per month per customer for the additional surcharge. The new surcharge was calculated by dividing the total intrastate and interstate end user retail revenues by the USF requirement, the latter being made up of access reduction, lifeline, and the reduction in the present case. Although we always hesitate to make any ruling that results in increases to the consumer, we believe that the 6 LECs have proven their case in the present Docket, and that increased funding from the State Universal Service Fund is appropriate as discussed heretofore in this Order to replace implicit support lost by the 6 LECs in rate reductions.

IT IS THEREFORE ORDERED THAT:

1. The request for additional State USF funding by each of the respective LECs in this matter is granted.

2. The proposed tariffs filed by the 6 LECs are approved, effective upon implementation of the State USF funding to offset the tariff reductions proposed by the 6 LECs, consistent with the revenue neutrality principle of the State USF guidelines.

3. The Commission will implement the additional State USF funding approved here effective 90 days after issuance of this Order, but not later than October 1, 2003. The new end user surcharge is 2.4719%.

4. The motion for a directed verdict made by counsel for SCCTA, SECCA and AT&T is denied.

5. Motions to strike certain testimony are disposed of as detailed herein.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Mignon L. Clyburn
Chairman

ATTEST:

Gary E. Walsh
Executive Director

(SEAL)

Attachment 11

Docket No. 1997-239-C, Order No. 2004-452

Proceeding to Establish Guidelines for
An Intrastate Universal Service Fund

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 97-239-C – ORDER NO. 2004-452

SEPTEMBER 28, 2004

IN RE: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund	)	ORDER APPROVING
	)	PETITIONS FOR
	)	FUNDING FROM
	)	STATE USF

I. PROCEDURAL BACKGROUND

This matter comes before the South Carolina Public Service Commission ("Commission") upon the Application of ALLTEL South Carolina, Inc. ("ALLTEL"), Bluffton Telephone Company, Inc. ("Bluffton"), Hargray Telephone Company, Inc. ("Hargray"), Home Telephone Company, Inc. ("Home"), Horry Telephone Cooperative, Inc. ("Horry"), and PBT Telecom ("PBT") (collectively, "Petitioning LECs") for funding from the South Carolina Universal Service Fund ("State USF") pursuant to S.C. Code Ann. § 58-9-280(E) (Supp. 2003) and Commission Order No. 2001-419 in this docket.[1]

Commission Order No. 2001-419 approved a phased-in plan for implementing the State USF. By its Order No. 2001-996, the Commission approved guidelines and administrative procedures relating to the phased-in approach. Pursuant to its statutory authority as implemented in its orders, the Commission implemented the first (access) step of the first phase of State USF on October 1, 2001. This step allowed incumbent

[1] BellSouth Telecommunications, Inc. also filed a request for funding from the State USF, but later made a motion to hold its request in abeyance pending approval of a settlement agreement in another matter that would result in BellSouth's withdrawal of the request. The Commission granted BellSouth's motion to hold its request in abeyance.

local exchange carriers in South Carolina to reduce their access charges by approximately 50% and to recover the resulting lost revenues from the State USF. By its Order No. 2003-215 dated April 15, 2003, the Commission implemented the second (end user) step of the first phase of State USF, effective 90 days after issuance of the Order. In that step, six local exchange carriers (LECs) were permitted to make tariff reductions to certain end user services and to recover the resulting lost revenues from the State USF.

The current proceeding was scheduled to implement the second phase of State USF. According to the plan approved by the Commission, LECs can file tariffs on April 1 of each year, proposing to reduce rates that contain implicit support for basic local service and to recover those amounts from the State USF. The second phase of the State USF was limited so that local exchange carriers could not recover more than 2/3 of the total State USF to which they may be entitled pursuant to the cost studies approved in Commission Order No. 98-322 in this docket.

The Petitioning LECs requested and the Commission granted an extension of time in which to file proposed tariff reductions to implement the second phase of the State USF. Subsequently, on September 2, 2003, the Petitioning LECs filed proposed tariffs reflecting reductions in certain rates.

Bluffton Telephone Company's filing seeks to reduce the rate for its Measured Extended Area Service (MEAS), one of several Area Calling Plan (ACP) tariff offerings. Bluffton seeks to reduce its day time per minute rate for MEAS from $0.06 to $0.04 and its evening per minute rate from $0.05 to $0.04 to eliminate the existing time-of-day

differential in these rates. To offset the reduction on a revenue-neutral basis, Bluffton proposes to withdraw additional funding from the State USF in the amount of $250,544.

Hargray Telephone Company's filing seeks to reduce the rate for its MEAS, one of several ACP tariff offerings. Hargray seeks to reduce its day time per minute rate for MEAS from $0.06 to $0.04 and its evening per minute rate from $0.05 to $0.04 to eliminate the existing time-of-day differential in these rates. To offset the reduction on a revenue-neutral basis, Hargray proposes to withdraw additional funding from the State USF in the amount of $337,889.

Home Telephone Company's filing seeks to reduce monthly buy-in rates and per minute rates for several types of Calling Plan Service ("CPS"). Home also proposed to revise its intrastate tariff charges for T-1 services to mirror its Interstate Special Access Rates for High Capacity, 1.544 mbps as filed and approved by the Federal Communications Commission ("FCC") effective July 1, 2003. Home further proposes reductions in its intrastate tariffed rates for billing and collection services to more closely reflect the charges for interstate billing and collection. Finally, Home proposes tariff reductions in its L-M Optional Service and its M-L Termination Service available to Commercial Mobile Radio Service ("CMRS") providers. Home's proposed tariff changes are detailed in the following table:

Service	Current Tariff Rate	Proposed Tariff Rate	Number of Units	USF Dollars Requested
CP Services				
IntraLATA Toll	$0.08	$0.05	483,540	$14,506.20
Seven Digit Dialing	$0.08	$0.05	2,182,020	$65,460.60
Residential Measured ACP	$0.045	$0.035	984,996	$9,849.96
Capped Option A	$0.08	$0.05	184,908	$5,547.24
Capped Option B	$0.06	$0.04	215,868	$4,317.36
Capped Option C > 1200 min	$0.04	$0.03	819,468	$8,194.68
Capped Option C > 10,000 min	$0.03	$0.02	2,797,056	$27,970.56
Capped Option C Buy In / Month	$36.00	$24.00	100	$14,400.00
T-1 Service				
T-1 Channel Termination (PL)	***	$161.56	29	$19,248.60
T-1 Channel Termination (SA)	$205.99	$161.56	3	
T-1 Channel Mileage Termination (PL)	***	$92.40	29	($13,703.28)
T-1 Channel Mileage Termination (SA)	$261.62	$92.40	3	
T-1 Channel Mileage Facility (PL)	***	$17.79	29	$39,075.37
T-1 Channel Mileage Facility (SA)	$70.54	$17.79	3	
B&C Services				
Message Processing (Rating)	$0.01	$0.004	1,929,362	$11,576.17
Billed Processing	$0.061	$0.0244	1,929,362	$70,614.65
Billed Inquiry	$0.013	$0.0052	1,929,362	$15,049.02
Billed Processing / Rendering	$0.26	$0.34	64,049	($4,939.64)
L-M Optional Service	$0.037 ###	$0.020	6,372,715	$108,336.16
M-L Termination Service	$0.037	$0.020	19,172,033	$325,924.56

*** See current tariff for rates. These elements vary by mileage band and term.

The tariff rate for L-M Optional Service is $0.074. However, Home only billed using the rate of $0.370. Therefore, the billed rate of $0.0370 was used for USF calculations.

To offset the reduction on a revenue-neutral basis, Home proposes to withdraw additional funding from the State USF in the amount of $721,428.

Horry Telephone Cooperative's filing seeks to reduce rates for Custom Calling and CLASS features, as detailed in its filing. To offset the reduction on a revenue-neutral basis, Horry proposed to withdraw additional funding from the State USF in the amount of $1,957,949.

PBT Telecom's filing seeks to reduce per minute rates for certain ACP offerings. PBT also seeks to reduce Intrastate Private Line T-1 Service and Intrastate Special Access High Capacity 1.544 mbps Service ("T-1 Service") to mirror its Interstate Special Access Rates for High Capacity, 1.544 mbps as filed and approved with the FCC effective July 1, 2003. Finally, PBT seeks to reduce its Intrastate Billing and Collection Services to mirror the charges for Interstate Billing and Collection. PBT's proposed changes are detailed in the following table:

Service	Current Tariff Rate	Proposed Tariff Rate	Number of Units	USF Dollars Requested
ACP Service				
Res & Bus Option 1 8AM – 8PM	$0.059	$0.0295	79,116	$2,333.92
Res & Bus Option 2 8AM – 8PM	$0.059	$0.0295	160,728	$4,741.48
Bus Option 3 8AM – 8PM	$0.029	$0.0275	2,067,924	3,101.89
T-1 Service				
T-1 Channel Termination (PL)	***	$178.63	34	$78,193.22
T-1 Channel Termination (SA)	$205.99	$178.63	10	
T-1 Channel Mileage Termination (PL)	***	$95.34	34	$20,034.96
T-1 Channel Mileage Termination (SA)	$261.62	$95.34	10	
T-1 Channel Mileage Facility (PL)	***	$19.34	34	$202,947.11
T-1 Channel Mileage Facility (SA)	$70.54	$19.34	10	
B&C Services				
Billed Processed	$0.0610	$0.0200	2,348,700	$96,296.70
Billed Inquiry	$0.0130	$0.0060	2,348,700	$16,440.90
Billed Processing/ Rendering	$0.3600	$0.0000	129,256	$46,532.16

*** See current tariff for rates. These elements vary by mileage band and term.

To offset the reduction on a revenue-neutral basis, PBT proposes to withdraw additional funding from the State USF in the amount of $470,622.

ALLTEL South Carolina, Inc.'s filing seeks to reduce the rates for intrastate special access services, as reflected in the tariff reductions filed by ALLTEL in this proceeding. To offset the reduction on a revenue-neutral basis, ALLTEL proposes to withdraw additional funding from the State USF in the amount of $450,990.

In total, the companies seek additional funding from the State USF of approximately $4,189,422.

Along with the tariff filings, the Petitioning LECs filed detailed cost data clearly demonstrating that implicit support exists in the rates that are sought to be reduced, as

required by paragraph 12 of Commission Order No. 2001-419. For Bluffton, Hargray, Home, Horry, and PBT, the detailed cost data consisted of embedded cost of service studies. The methodology for these studies was the same methodology used by the companies and approved by the Commission in the initial cost proceeding for State USF, as well as in the prior phase of State USF. Bluffton, Hargray, Home, Horry, and PBT also filed cost study information showing the updated cost of providing basic local exchange telephone service for the respective companies. Bluffton, Hargray, Home, Horry and PBT each filed a motion requesting confidential treatment of their respective cost studies.

ALLTEL filed the cost study it uses before the FCC in determining the revenue requirement for interstate special access services. According to ALLTEL, this study can be used as a proxy for establishing a "price floor" for intrastate special access rates. ALLTEL filed certain of its information under seal and requested that the Commission not disclose the sealed information to anyone without ALLTEL's prior consent.

The Commission issued a Notice of Filing and Hearing in this matter under existing Commission Docket No. 97-239-C, which relates to State USF matters. This is an open docket in which numerous parties have intervened, including the South Carolina Telephone Association ("SCTA"); the South Carolina Telephone Coalition ("SCTC"); BellSouth Telecommunications, Inc. ("BellSouth"); GTE South, Incorporated, now known as Verizon South, Incorporated ("Verizon"); the Consumer Advocate for the State of South Carolina ("Consumer Advocate"); the South Carolina Cable Television Association ("SCCTA"); Southeastern Competitive Carriers Association ("SECCA");

Worldcom, Inc. ("WorldCom"); Alliance for South Carolina's Children ("Alliance"); South Carolina Fair Share and the Women's Shelter ("SC Fair Share"); AT&T Communications of the Southern States, Inc. ("AT&T"); South Carolina Public Communications Association ("SCPCA"); John C. Ruoff, Ph.D. ("Ruoff"); United Telephone Company of the Carolinas, Inc. ("Sprint/United"); South Carolina Budget and Control Board, Office of Information Resources ("OIR"); LCI International, Inc. ("LCI"); ALLTEL South Carolina, Inc. and ALLTEL Communications, Inc. ("ALLTEL"); Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless"); and ITC^DeltaCom.

A public hearing was held in this matter on May 5, 2004. During the hearing, Bluffton, Hargray, Home, Horry, and PBT were represented by M. John Bowen, Jr., and Margaret M. Fox. These companies collectively presented the revised direct testimony of Emmanuel Staurulakis.

ALLTEL was represented by Robert D. Coble. ALLTEL presented the testimony of Jane Eve (adopting the pre-filed direct revised testimony of Rohan Ranaraja) and Scott Terry.

BellSouth was represented by Patrick Turner. Mr. Turner presented BellSouth's motion to hold its request in abeyance. The motion was made on the grounds that BellSouth had entered a settlement agreement in another matter which, if approved by the court, would require BellSouth to withdraw its request for additional State USF funding. The Commission granted the motion, and Mr. Turner thereafter stated that his presence was for the purpose of monitoring the proceeding only.

The Consumer Advocate was represented by Elliott F. Elam, Jr. The Consumer Advocate presented no witnesses.

SCCTA was represented by Frank R. Ellerbe, III. SCCTA presented no witnesses. Mr. Ellerbe stated on the record that SECCA would not be participating in the proceeding.

AT&T was represented by John J. Pringle, Jr. AT&T presented no witnesses. Mr. Pringle stated on the record that SCPCA would not be participating in the proceeding.

WorldCom was represented by Darra W. Cothran and Ken Woods. WorldCom presented no witnesses.

Verizon Wireless was represented by John M.S. Hoefer. Verizon Wireless presented no witnesses.

ITC^DeltaCom was represented by Robert E. Tyson, Jr. ITC^DeltaCom presented no witnesses.

The Commission's Staff was represented by F. David Butler and Jocelyn G. Boyd. The Commission Staff presented the testimony of Barbara J. Crawford and David S. Lacoste. The pre-filed revised direct testimony of James M. McDaniel was held in abeyance, as it related only to BellSouth's portion of the case.

No other appearances were entered.

II. SUMMARY OF TESTIMONY

JANE EVE

ALLTEL presented Jane Eve, Director of State Government Affairs, who adopted the revised direct pre-filed testimony of Rohan Ranaraja. Ms. Eve explained ALLTEL's proposal to draw additional funds from the State USF and demonstrated that ALLTEL's filing complied with the Commission's Guidelines for the State USF. Ms. Eve testified that the State USF funds previously approved for ALLTEL, when combined with the instant request, is less than 33% of ALLTEL's eligible State USF funding and, therefore, it was not necessary for ALLTEL to file updated studies showing the cost of providing basic local exchange service on a per line basis. Ms. Eve further testified that the filing was revenue-neutral for ALLTEL, because it was making a dollar-for-dollar reduction in rates containing implicit support in order to qualify for State USF funding, in accordance with Commission requirements. Ms. Eve testified that the proposed rates were set at a level that is above the calculated cost of providing the services.

SCOTT TERRY

ALLTEL also presented the testimony of Scott Terry, Manager – Access Tariffs and Rates for ALLTEL Communications. Mr. Terry described the cost methodology utilized by ALLTEL to determine the level of implicit support contained in ALLTEL's intrastate special access rates. According to Mr. Terry, ALLTEL complied with all the FCC rules regarding cost separations to develop the intrastate special access revenue requirement. ALLTEL utilized the same methodology it uses to file interstate access revenues annually with the FCC.

EMMANUEL STAURULAKIS

Bluffton, Hargray, Home, Horry, and PBT presented the testimony of Emmanuel Staurulakis, President of John Staurulakis, Inc. (JSI), a telecommunications consulting firm. Mr. Staurulakis described the cost methodology used to determine the level of implicit support contained in the rates of the end user services proposed for reduction by the five companies. He also described recent developments in the federal arena with regard to universal service funding. Mr. Staurulakis testified that none of the five companies participating in the proceeding is requesting additional State USF that, when combined with State USF support received in accordance with the prior phase, would exceed the 66.67% threshold. He further testified that Bluffton, Home, and PBT, with this filing, had reached the 1/3 threshold requiring them to update their cost studies with respect to the cost of providing basic local exchange service. JSI performed cost studies to update the cost of basic local exchange service for those companies. Mr. Staurulakis testified that the updated cost studies show that the cost per line for basic local exchange service for the three impacted companies increased when compared with the original results calculated in the initial State USF cost proceeding. For Bluffton, the cost per line increased from $50.07 to $53.78. For Home, the cost per line increased from $46.14 to $58.08. For PBT, the cost per line increased from $56.49 to $61.29. Mr. Staurulakis testified that the request for State USF was revenue neutral for the companies because they could not receive funds until tariff reductions were approved. He testified that the proposed rates for the five companies were set at levels above the calculated cost of service for each service. According to Mr. Staurulakis, JSI used the Commission

approved cost methodology and actual cost and demand data for the most recent year to calculate the embedded cost of service for the services identified for each of the five companies. Mr. Staurulakis testified that the cost methodology utilized both to determine the level of implicit support contained in the service rates proposed for reduction by each of the five companies and to update the cost of basic local exchange service for Bluffton, Home, and PBT is consistent with the cost methodology previously approved by the Commission in this docket for rural telephone companies.

BARBARA J. CRAWFORD

The Commission Staff presented the testimony of Barbara J. Crawford, Auditor with the Public Service Commission of South Carolina. Ms. Crawford summarized the Audit Staff's participation in the review of the documents filed by the Petitioning LECs in the proceeding. Ms. Crawford testified that the Audit Staff had examined the cost studies filed, and confidential source documentation, and that the respective Petitioning LECs' cost studies were supported by the various companies' books and records.

DAVID S. LACOSTE

The Commission Staff also presented the testimony of David S. Lacoste, Engineer (Associate) with the Commission's Utilities Department. Mr. Lacoste testified that the studies filed by JSI on behalf of Bluffton, Hargray, Home, Horry, and PBT are very detailed and take into account costs associated with plant items such as central office, cable, poles, vehicles, work equipment and other facility items which are typically involved in telephone company operations. He testified that maintenance and depreciation expenses were also identified, along with cost associated with each

company's business office and information services activities, and that the studies show in detail direct, shared and common costs associated with each tariff item proposed for reduction. Mr. Lacoste concluded that the studies show that implicit support exists in each of the rates proposed to be reduced and that, with the proposed reductions, the rates still exceed associated cost. With respect to ALLTEL's filing, Mr. Lacoste testified that, while its cost study does not show direct costs associated with each individual tariff item proposed for change, the study information indicates that an overall Special Access revenue requirement of $814,811 is needed to cover the total costs for this classification of service. Revenue generated at the new lower rates ($814,874) still exceeds the cost. Mr. Lacoste concluded that each of the Petitioning LECs had demonstrated its need for additional State USF funding.

III. MOTIONS

BELLSOUTH MOTION TO HOLD ITS REQUEST IN ABEYANCE

As previously noted, BellSouth moved at the beginning of the proceeding to hold its request in abeyance. TR. at 8-9. The reason for the request was that BellSouth had entered into a settlement agreement in an unrelated matter. As part of the settlement agreement, BellSouth had agreed it would withdraw its request for State USF funding in this proceeding. TR. at 9. However, because the agreement had not yet received the required approval of the court, BellSouth asked the Commission to hold its portion of the case in abeyance. Id. There were no objections to proceeding in this manner. The Commission found BellSouth's request to be reasonable and in the interest of the administration of justice and administrative efficiency and, therefore, granted the motion.

BellSouth's portion of the case and, consequently, the pre-filed testimony of Kathy K. Blake (Direct and Supplemental), J. Edward Matejick, and Robert McKnight on behalf of BellSouth, was held in abeyance. Likewise, the pre-filed testimony of James M. McDaniel on behalf of the Commission Staff was held in abeyance at the request of the Commission Staff's counsel. TR. at 197.

SCCTA MOTION TO DENY PETITIONING LECS' REQUESTS AS A MATTER OF LAW

At the close of the case, Mr. Ellerbe moved on behalf of SCCTA that the Commission deny, as a matter of law, the proposals set forth by the Petitioning LECs. TR. at 200. Mr. Ellerbe argued that the Petitioning LECs had not submitted sufficient information for the Commission to carry out its responsibilities in monitoring the State USF funds. Id. The Consumer Advocate joined in the motion. TR. at 203-04.

Counsel for SCCTA made a similar motion in the last proceeding addressing State USF requests. In that proceeding, counsel stated he was not arguing that the petitioners had not done what was required of them under the Commission's prior State USF orders, but was merely expressing his disagreement with those prior orders and asking the Commission to reconsider them. See Transcript of January 29, 2003 hearing before the Commission in this docket at 128-29; Commission Order No. 2003-215 at 12.

We hereby deny SCCTA's motion, for the same reasons as before. This Commission has been through years of hearings, beginning in August 1997, on this matter and has issued detailed and exhaustive orders in this case. Some of those orders were appealed to the Circuit Court. Judge Kinard issued a detailed 44-page order in

which he affirmed the Commission's orders and concluded: "There is substantial evidence in the record to support the Commission's decisions regarding the State USF. The Commission acted properly and in accordance with its statutory mandate, as well as in the interest of the public, in establishing and implementing the State USF." Order of the Honorable J. Ernest Kinard, Jr. dated September 30, 2002, at p. 43. The case is currently pending before the Supreme Court of this State. We will proceed to consider the requests of the Petitioning LECs on their merits.

IV. OVERVIEW OF STATE USF PROCEEDINGS

This Commission has detailed the concept and goals of universal service in prior orders, most particularly in Commission Order No. 2001-419 in this docket, and has made a number of public interest findings in approving a plan for a phased-in implementation of State USF. Our review here will focus on the instant filing and whether it complies with our prior orders and serves the public interest.

The instant proceeding is the Commission's fifth proceeding to address State USF. In the first proceeding in Docket No. 97-239-C, which began in August 1997, the Commission adopted guidelines, as required by S.C. Code Ann. § 58-9-280(E). The guidelines, among other things, define the services that are supportable under the State USF, define eligibility requirements for receiving funding from the State USF, declare that funding is portable to any qualified Carrier of Last Resort, and establish the administrator of the State USF. The Commission deferred issues relating to the selection of an appropriate cost model(s) and methodologies; sizing the fund; recovery of USF

contributions; and maximum allowable rates. See Commission Order No. 97-753, as modified upon reconsideration in Order Nos. 97-942 and 98-201.

With respect to sizing the fund, the State statute provides that the size of the State USF is the sum of the difference, for each carrier of last resort, between its costs of providing basic local exchange services and the maximum amount it may charge for the services. S.C. Code Ann. § 58-9-280(E)(4). The State statute defines basic local exchange telephone service as "for residential and single-line business customers, access to basic voice grade local service with touchtone, access to available emergency services and directory assistance, the capability to access interconnecting carriers, relay services, access to operator services, and one annual local directory listing (white pages or equivalent)." S.C. Code Ann. § 58-9-10(9). At the time of the first proceeding, however, the Commission had not yet determined the appropriate methodology to be used to determine costs and thus was unable to size the fund at that time.

In its second proceeding in November 1997, the Commission primarily addressed the selection of appropriate cost model(s) and methodologies, and sizing the State USF. The Commission adopted the Benchmark Cost Proxy Model 3.1 as the state forward-looking cost model for BellSouth, GTE, and Sprint/United, after making certain modifications to company specific inputs. The Commission also adopted the South Carolina Telephone Coalition's proposed embedded cost model, including recommended inputs for rural LECs (other than Sprint/United). All other matters related to the intrastate USF that were not ruled upon were "held in abeyance." See Commission Order No. 98-322.

In the third proceeding, the Commission addressed outstanding issues relating to the State USF and ordered a phased-in implementation of the fund, consistent with the Commission's statutory obligation to "establish a universal service fund (USF) for distribution to a carrier(s) of last resort." S.C. Code Ann. § 58-9-280(E). Under the State USF implementation adopted by the Commission in Order No. 2001-419, there is a series of steps or phases leading to the full implementation of the State USF. The phase-in will occur in at least three stages. The first phase consists of two steps. The first step, which was implemented effective October 1, 2001, required an immediate reduction of approximately 50% in intrastate access rates.

In the fourth proceeding, the Commission considered a request for additional State USF funding from six individual LECs to implement the second (end user) step of the first phase of State USF. By Commission Order No. 2003-215, the Commission approved the six LECs' requests to reduce end user rates for MEAS, ACP, and IntraLATA calling services and to recover funding from the State USF on a revenue-neutral basis. The initial phase (access and end user steps) was limited to no more then 33.33% of total State USF, sized according to the Commission's previously approved guidelines. In addition, each individual LEC was limited to one third of its maximum State USF on a company-specific basis.

The instant proceeding is to address the second phase of State USF. The second phase is limited to no more then 66.67% of total State USF, sized according to the Commission's previously approved guidelines. In addition, each individual LEC is limited to two-thirds of its maximum State USF on a company-specific basis.

Each phase of State USF requires tariff filings to reduce rates in compliance with Section 4 of the State USF guidelines, which requires that carriers of last resort make dollar-for-dollar rate reductions before being permitted to draw funds from the State USF. Tariff filings, if made, are required not later than April 1 of each year, and any rate reductions approved by the Commission for those rates containing implicit support are intended to be implemented on October 1 of each year. In order to receive funding beyond the initial (access) step, any local exchange carrier (LEC) seeking further tariff reductions is required to file detailed cost data with the Commission clearly demonstrating that implicit support exists in the rates that are proposed to be reduced. In addition, each LEC is required to update the results of its cost model before being permitted to withdraw more than one-third of its company-specific State USF amount.

V. FINDINGS AND CONCLUSIONS

1. The Commission has a statutory obligation to establish a State USF for distribution to carriers of last resort. S.C. Code Ann. § 58-9-280(E).

2. The Commission has complied with its statutory obligation to establish a State USF and previously set forth a phased-in schedule for implementing the State USF to ensure that funds are distributed to carriers of last resort. See Order No. 2001-419. The Commission has adopted guidelines and procedures for implementation. See Order No. 2001-996 and State USF Guidelines and Administrative Procedures attached thereto. The Commission has previously granted requests for rate reductions and recovery of lost revenues from the State USF. See Commission Order Nos. 2001-419 and 2003-215.

3. The Petitioning LECs have filed embedded cost studies that clearly demonstrate that implicit support exists in the rates they seek to reduce, as required by paragraph 12 of Order No. 2001-419. See cost studies and backup documentation filed as part of the respective companies' applications and submitted under seal for the hearing record in this proceeding. Bluffton, Hargray, Home, Horry, and PBT filed studies prepared by telecommunications consultant John Staurulakis, Inc. The studies utilized the same cost methodology approved by the Commission in Order No. 98-322 and actual cost and demand data for the most recent year available. TR. at 79. The studies show that there is implicit support in each of the rates sought to be reduced, and that, with the proposed rate reductions, the respective rates still exceed the cost of providing the services. TR. at 78-79; 172. ALLTEL used the study it filed with the FCC in determining the revenue requirement for interstate special access services, as a proxy or "price floor" for intrastate special access service cost. See ALLTEL "Overview," filed in this proceeding on September 2, 2003. The cost study complied with all FCC rules regarding cost separations to develop the intrastate special access revenue requirement. TR. at 41. The revenue requirement for intrastate special access services was determined based on ALLTEL's embedded costs. TR. at 16, lines 13-14.

4. It is appropriate for rural telephone companies to use embedded cost methodologies for cost of service studies. See S.C. Code Ann. § 58-9-280(J); Commission Order No. 98-322; Commission Order No. 2003-215 at 16.

5. We agree with the respective Petitioning LECs, and therefore grant their respective motions for confidential treatment of the cost studies submitted in support of

their latest requests in this Docket. In today's competitive environment, we agree that making the information publicly available could give actual and potential competitors an unfair competitive advantage. This is consistent with the manner in which we have treated such information in the past. See Commission Order No. 2002-481.

6. Each of the rates proposed by the Petitioning LECs for the respective services they propose to reduce is above the calculated cost of providing the service. TR at 41, 78, 172.

7. The amount of State USF funding requested by each of the Petitioning LECs, when combined with the funding received from the first phase of State USF, does not exceed 2/3 of the company-specific State USF for each respective company. TR at 14, 74-75; Hearing Exhibit No. 3. Thus, none of the companies has exceeded its allowable State USF for the second phase, as provided for in paras. 13-14 of Commission Order No. 2001-419 and as outlined in the guidelines and administrative procedures for State USF attached to Commission Order No. 2001-996.

8. The amount of State USF funding requested by ALLTEL, Hargray, and Horry, when combined with the funding received from the first phase of State USF, does not exceed 1/3 of the company-specific State USF for each respective company. TR at 15, 75. Therefore, these companies are not required to update the results of their basic local exchange service cost studies at this time. However, should any of these LECs request additional State USF funding that exceeds one-third of its company-specific State USF amount, updated basic local exchange service cost studies will be required, as directed in Commission Order No. 2001-419, para. 22.

9. The amount of State USF funding requested by Bluffton, Home, and PBT, when combined with the funding received from the first phase of State USF, does exceed 1/3 of the company-specific State USF for each respective company. TR at 75; Hearing Exhibit No. 3. Thus, these companies are required to update the results of their basic local exchange service cost studies. This will ensure that no company's withdrawal exceeds appropriate cost or the allowable State USF for that specific company. See Commission Order No. 2001-419, para. 22. JSI performed cost studies to update the cost of basic local exchange service for those companies. As Mr. Staurulakis testified, the updated cost studies show that the cost per line for basic local exchange service for the three impacted companies increased when compared with the original results calculated in the initial State USF cost proceeding. For Bluffton, the cost per line increased from $50.07 to $53.78. For Home, the cost per line increased from $46.14 to $58.08. For PBT, the cost per line increased from $56.49 to $61.29. TR. at 75-76; Hearing Exhibit No. 3. The methodology used in these updated cost studies was consistent with the methodology previously used by the companies and approved by the Commission for use in this docket. TR. at 79. We are satisfied that the results of these updated cost studies show that the companies' requests are appropriate and that no company's request exceeds its appropriate cost or the allowable State USF for that specific company in the second phase of State USF implementation.

10. All of the testimony presented in the proceeding supported the Petitioning LECs' requests and cost studies. Several of the participants in this proceeding participated in cross-examination of the Petitioning LECs and Commission Staff

witnesses. While none of these parties presented testimony in the proceeding, they appear to advocate at least some changes in the guidelines and administrative procedures governing the State USF. However, the points raised through cross-examination and through motions and statements on the record seem to be nothing more than a re-hashing of arguments previously addressed and rejected by this Commission. We again find these arguments unconvincing.

11. Some of the parties seem to suggest new procedures that are inconsistent with those we have previously adopted. For example, some parties questioned whether it might be appropriate for the Commission to take into account the stimulation in demand for those services whose rates will be reduced in calculating the State USF funding needed to offset the loss. See, e.g., TR at 55, 97-99, 114-15. We previously rejected such an approach, and we do so again. See Commission Order No. 2003-215 at 18. As we stated then, measuring any demand stimulation would be a difficult task and is not likely to yield accurate results. Id. Demand stimulation is hypothetical at best. While there is a possibility demand would increase with a decrease in price, there is also a possibility that demand would decrease, depending on the nature of the calling plan and what other providers in the area are offering. Id. Further, the purpose behind reducing the selected rates is to "slow the flow of minute loss," so whether the companies would have more minutes of use or would merely be slowing the loss of minutes of use is unclear. Id. Additionally, even if there were a stimulation of minutes of use, it would likely be accompanied by an increase in expenses to meet the demand. Id.

12. Likewise, implementing a procedure to track the accuracy of "projected" revenue losses is unnecessary, and we previously rejected such a procedure. See Commission Order No. 2003-215 at 18-19. We again find that such a procedure is not necessary and is counter to the policies behind the State USF. To begin with, the revenues reported by the Petitioning LECs are not projections but are based on actual demand for the companies' services. TR. at 140. The State USF is designed so that the amount of funding is calculated at the time the funding is implemented and converted to a per-line amount for portability purposes. See Section IV.D. of State USF Administrative Procedures, attached as Exhibit B to Commission Order No. 2001-996. Once the State USF is calculated on a per-line basis, the amount of funding received by a particular company will track along with the gain or loss of access lines. Thus, the "tracking" mechanism suggested by several parties would not only be administratively burdensome, but it is also unnecessary. Furthermore, the suggestion that future State USF withdrawals should be adjusted based on the fluctuations in demand for the services reduced is inconsistent with the concept of universal service funding. Universal service support programs identify implicit support and convert it to explicit support so that the support will remain constant and not erode even if the demand for those services erodes. In this manner, the support that keeps basic local service affordable can be maintained even if the local exchange company loses customers and access revenues, for example as a result of wireless carriers offering regional calling plans. The fact that the LEC's access minutes of use decline in such a scenario is precisely the reason why State USF should

remain static so that the support that keeps basic local exchange service affordable does not disappear with the access revenues.

13. At least one of the parties also seemed to take issue with the Commission's previously-adopted methodology that allows LECs to choose which rates they will reduce. See, e.g., TR at 130. We again reject the suggestion that the companies should be required to undertake expensive and time-consuming studies to identify the amount of implicit support in each and every service prior to being permitted to reduce rates for particular services. One of the objectives of universal service funding is to make explicit funding available to replace the implicit support that currently exists in the rates for certain services. See Order No. 2001-419 at 32, para. 3. The Commission could have implemented the fund all at one time by ordering the immediate removal of all implicit support from rates. The Commission instead chose to take a more cautious, phased-in approach. One of the fundamental points of such an approach is that funding will be implemented in phases. While there is no need to show actual competition or competitive erosion of services before being permitted to reduce rates for those services that contain implicit support [see Commission Order No. 2001-419 at 45, para. 27], the companies themselves are in the best position to determine what market pressures exist and which services are more critical than others to reduce.

14. Some intervenors expressed concerns that the guidelines and procedures may allow companies to over-recover from the State USF. See TR. at 28, 130. These concerns are unfounded. The Commission requires that each eligible LEC must make dollar-for-dollar reductions in rates containing implicit support before the LEC can

withdraw explicit support from the State USF. TR. at 76; Commission Order No. 2001-419 at 42; Section 4 of Guidelines for State USF, attached as Exhibit A to Commission Order No. 2001-996. Thus, the State USF is revenue-neutral.

15. The Petitioning LECs' requests are approved as filed, subject to adjustment by the Commission Staff as appropriate to ensure compliance with our prior orders and the State USF guidelines and administrative procedures.

IT IS THEREFORE ORDERED THAT:

1. The request for additional State USF funding by each of the respective Petitioning LECs in this matter is granted.

2. The proposed tariffs filed by the Petitioning LECs are approved, effective upon implementation of the State USF funding to offset the tariff reductions proposed by the Petitioning LECs, consistent with the revenue neutrality principle of the State USF guidelines.

3. The Commission will implement the additional State USF funding approved here as soon as feasible, and not later than October 1, 2004.

4. The SCCTA's motion to deny the requests as a matter of law is denied for the reasons stated herein.

5. BellSouth's motion to hold its request in abeyance, and the Commission Staff's request to likewise hold the pre-filed testimony of James M. McDaniel in abeyance, are hereby granted.

6. The motions of the respective Petitioning LECs for confidential treatment of the cost studies submitted in support of their requests and provided for the record under seal are hereby granted.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
O'Neal Hamilton, Vice-Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2005-204-C and 2006-99-C

In Re: Docket No. 2005-204-C -- Request for Extended Calling Area from Bluffton/Sun City Hilton Head Area to Hilton Head Island AND Docket No. 2006-99-C -- Petition of BlufftonTelephone Company and Hargray Telephone Company to Implement Extended Area Service (EAS)	)	**CERTIFICATE OF SERVICE**

This is to certify that I, Vickie Pietschker, legal assistant, have this day caused to be served upon the person(s) named below **South Carolina Cable Television Association's Request for Judicial Notice of Orders** made during hearing held November 30, 2006, in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

M. John Bowen, Jr., Esquire
Margaret M. Fox, Esquire
McNair Law Firm, P.A.
P.O. Box 11390
Columbia, SC 29211

Nanette S. Edwards, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, SC 29211

Mr. Donald A. Cotnoir
204 Col. Thomas Heyward Road
Sun City Hilton Head
Bluffton, South Carolina 29909

Dated at Columbia, South Carolina this 5th day of December, 2006.

Vickie Pietschker

Vickie Pietschker