

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comprehensive review of revenue requirements and rate stabilization plan of SOUTHERN BELL.)	DOCKET NO. 920260-TL
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In Re: Investigation into the integrity of SOUTHERN BELL'S repair service activities and reports.)	DOCKET NO. 910163-TL
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In Re: Investigation into SOUTHERN BELL'S compliance with Rule 25-4.110(2), F.A.C., Rebates.)	DOCKET NO. 910727-TL
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In Re: Show cause proceeding against SOUTHERN BELL for misbilling customers.)	DOCKET NO. 900960-TL
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)	
In Re: Request by Broward Board of County Commissioners for extended area service between Ft. Lauderdale, Hollywood, North Dade and Miami.)	DOCKET NO. 911034-TL ORDER NO. PSC-94-0172-FOF-TL ISSUED: February 11, 1994
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)	

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

ORDER APPROVING STIPULATION AND IMPLEMENTATION AGREEMENT

BY THE COMMISSION:

BACKGROUND

Docket 920260-TL was initiated pursuant to Order No. 25552 to conduct a full revenue requirements analysis and to evaluate the Rate Stabilization Plan under which BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (Southern

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Bell or the Company) has been operating since 1988. Order No. 25552 required that the Company file Minimum Filing Requirements (MFRs) on May 1, 1992. This was done; however, the Company notified the Commission in its test year request letter of March 25, 1992, that it would not be submitting its testimony or proposals at the time of the MFR filing. The Chairman subsequently approved a revised case schedule that required Southern Bell to submit its testimony and updated MFRs by July 15, 1992. The Company, in a letter dated April 10, 1992, waived the eight and twelve month statutory time periods, and also agreed that all decisions in this case would be effective January 1, 1993.

As a result of the revised case schedule, hearings were set to begin January 25, 1993. Service hearings were held throughout Southern Bell's territory. During the January 8, 1993, Prehearing Conference, it was announced that the hearings in Docket No. 920260-TL were being rescheduled to begin during March, 1993.

Order No. PSC-92-1195-PCO-TL established the prehearing procedures for Docket No. 920260-TL. Order No. PSC-92-1320-PCO-TL, an additional order on prehearing procedure, stated that evidence relating to Dockets Nos. 900960-TL, 910163-TL, and 910727-TL would not be incorporated in the main hearings to be held in Docket No. 920260-TL. Rather, evidence relating to those dockets would be heard during hearings already scheduled for those dockets in April, 1993. Subsequently, the Commission voted to consolidate these four dockets for decisional and appellate purposes. See Order No. PSC-93-0390-FOF-TL.

During a motion hearing on March 5, 1993, the Commission voted to grant the Office of Public Counsel's (OPC's) Motion to Postpone Hearings. OPC's Motion pointed to numerous discovery disputes which have required a considerable period of time to resolve, a number of which have gone to the Florida Supreme Court for review. OPC asserted that such discovery was critical to preparation of its case. The Attorney General of the State of Florida (AG) supported OPC's Motion. The Commission's decision on OPC's Motion is reflected in Order No. PSC-93-0575-FOF-TL and resulted in rescheduling the hearings for these dockets to begin January 24, 1994, and to continue for approximately five weeks. The Company was directed to refile its MFRs by July 2, 1993. Service hearings were again held throughout Southern Bell's territory.

Because the hearings had been postponed, the question then arose as to whether the revenues identified in Docket No. 880069-TL

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for permanent disposition in this proceeding should be revisited. By Order No. PSC-93-0588-FOF-TL, issued April 15, 1993, the Commission granted Southern Bell's Motion to Reinstitute Customer Credit. This action prevents accumulation of revenues, while reserving the decision for final disposition of revenues until after all of the evidence has been heard.

By Order No. PSC-93-1301-FOF-TL, issued September 8, 1993, the Commission determined it was appropriate to consolidate Docket No. 911034-TL into Docket No. 920260-TL. The Commission took this action in order to provide the hearing requested by the Florida Interexchange Carriers Association (FIXCA) in the most expeditious fashion. The Commission also directed Southern Bell to conduct new traffic studies on the routes included in this docket.

The Order Establishing Procedure in these dockets was issued April 23, 1993 (Order No. PSC-93-0644-PCO-TL). This has been modified by the following orders: PSC-93-0921-PCO-TL, issued June 17, 1993; PSC-93-1538-PCO-TL, issued October 20, 1993; PSC-93-1567-PCO-TL, issued October 26, 1993; PSC-93-1725-PCO-TL, issued December 1, 1993; PSC-93-1726-PCO-TL, issued December 1, 1993; and PSC-93-1780-PCO-TL, issued December 13, 1993, and amended December 20, 1993. The Prehearing Order is Order No. PSC-94-0046-PHO-TL, issued January 13, 1994.

THE PLEADINGS

On January 5, 1994, Southern Bell, along with OPC, filed a Stipulation and Agreement Between OPC and Southern Bell (Stipulation), along with a Joint Motion for approval of the Stipulation. The Stipulation is included as Attachment "A" to this Order. Also on January 5, 1994, Southern Bell and OPC filed a Joint Motion for Continuance of Hearings and Stay of Discovery. A Motion Supporting Approval of Settlement Agreement (Motion in Support) was filed by the American Association of Retired Persons (AARP) on January 5, 1994, and by the Florida Consumer Action Network, Inc. (FCAN) on January 6, 1994.

On January 12, 1994, Southern Bell filed an Implementation Agreement for Portions of the Unspecified Rate Reductions in Stipulation and Agreement Between OPC and Southern Bell (Implementation Agreement), along with a Motion to approve the Implementation Agreement. The Implementation Agreement is included as Attachment "B" to this Order and is signed by the following

parties: Southern Bell; AT&T Communications of the Southern States, Inc. (AT&T); MCI Telecommunications Corporation (MCI); Sprint Communications Company Limited Partnership (Sprint); FIXCA; the Florida Ad Hoc Telecommunications Users' Committee (Ad Hoc); the Florida Pay Telephone Association, Inc. (FPTA); the Florida Cable Television Association (FCTA); the United States Department of Defense/Federal Executive Agencies (DOD); and McCaw Cellular Communications of Florida, Inc. (McCaw).

Then, on January 12, 1994, AT&T, MCI, Sprint, FIXCA, Ad Hoc, FPTA, FCTA, DOD, and McCaw filed a Joint Motion requesting approval of the Stipulation and Implementation Agreement. Finally, on January 14, 1994, the AG filed its Notice in Support of Southern Bell's Lifeline Proposal, which was also filed in Docket No. 930693-TL.

DISCUSSION

We considered the above-referenced pleadings at our January 18, 1994, Agenda Conference. The Stipulation, Motions in Support of the Stipulation, and the Implementation Agreement (hereinafter collectively referred to as "the Settlement") are all part and parcel of one package which settles all of the issues in these dockets, with the exception of the question of what toll relief plan, if any, should be implemented on the routes identified in Docket No. 911034-TL. In reviewing the Settlement and reaching our decision to approve it, we are cognizant of the fact that the parties have made trade-offs in the spirit of compromise. We believe that this is an important point to remember when analyzing the Settlement. In our view, this Settlement, when viewed as a whole, provides substantial benefits to the Company's ratepayers.

Notably, the Settlement reduces some rates from what they are today, with additional reductions planned across the life of the Settlement. Some of these reductions will be implemented with the first billing cycle falling thirty days after our approval of the Settlement. We support such rate reductions, particularly the elimination of the separate charge for Touchtone service. In addition, residential customers will see a cap on basic local and directory assistance rates through the end of 1997.

The Settlement provides that Southern Bell's existing Incentive Regulation Plan (the Plan) be extended through December 31, 1997. The Plan has already resulted in \$1.2 billion in refunds

and rate reductions for the years 1988 through 1992. In addition, more than \$325 million has been applied to additional depreciation expense, thus facilitating the development of a modern telecommunications network in Florida. The existing Plan will result in over \$1.6 billion of refunds and rate reductions for the years 1993 through 1997. The Settlement will add another \$765 million in rate reductions for the years 1994 through 1997.

The text of the Settlement contains numerous references that purport to require us to act, to refrain from acting, or to otherwise restrict our actions in some manner, or seek action for which we have no authority. Generally, such attempts to bind us to a specified future course of action by adoption of the Settlement must fail as a matter of law. See, e.g., United Telephone Company v. Public Service Commission, 496 So.2d 116, 118 (Fla. 1986), (parties to a contract cannot confer jurisdiction). Similarly, parties cannot by contract or agreement limit or require our exercise of jurisdiction.

It is our statutory responsibility to ensure that Southern Bell's rates, charges, and practices are fair, just, and reasonable. See Sections 364.01(2), 364.03, and 364.14, Florida Statutes. The terms of a contract for the rendering of a service of a public nature are subject to governmental authority. State ex rel Ellis v. Tampa Waterworks Co., 48 So. 639 (Fla. 1909).

When we approve a stipulation between parties, the provisions of the stipulation become part of our order. However, we cannot, by our own order, require or preclude a future Commission from carrying out its mandate. This is analogous to the principle that in adopting legislation, the legislature is not bound by actions of prior legislatures nor can it bind future legislatures.

The question of the Commission being precluded from acting was last addressed in Docket No. 880069-TL. There, Southern Bell argued that, in approving the parameters of the Plan, we committed to leave the Plan as is, absent some precipitous change in circumstances. Several parties had argued that, because the cost of equity capital had fallen, certain amounts of revenue should be held subject to refund, pending the outcome of the upcoming rate case. We concluded that regardless of the Plan's silence on whether it could be modified due to changes solely in the cost of equity capital and regardless of our prior approval of the Plan, we were not precluded from acting, if the public interest so required. See Order No. PSC-92-0524-FOF-TL, issued June 18, 1992.

The Commission, even if it so desired, cannot be bound to a specific course of action through the approval of a stipulation. As we stated in Docket No. 890216-TL:

[W]e do not possess the legal capacity of a private party to enter into contracts covering our statutory duties. Indeed, we cannot abrogate -- by contract or otherwise -- our authority to assure that our mandate from the Legislature is carried out. As a result, we may not bind the Commission to take or forego action in derogation of our statutory obligations.

See Order No. 22352, issued December 29, 1989.

The parties are without authority to confer or preclude our exercise of jurisdiction by agreement. In our view, any such provisions in the Settlement are not fatal flaws; they are simply unenforceable against the Commission and are void ab initio. The parties cannot give away or obtain that for which they have no authority. We note that, consistent with our discussion above, the parties commented during our agenda conference that there was no intent to restrict in any fashion the Commission's responsibility or legal authority.

While it is clear that we cannot be precluded from carrying out our statutory mandate by approving this Stipulation, we also understand that should we find it necessary in the future to alter the regulatory provisions we are now approving, such changes could be the basis for a party to the Settlement to abrogate the prospective portions of the agreement.

The Settlement explicitly states that it resolves all issues relating to the determination of Southern Bell's earnings and revenue requirements, including but not limited to accounting adjustments and affiliated transactions. For the next four years, other than adjustments ordered in Docket 880069-TL, no additional accounting adjustments will be reflected in the Company's earnings calculation. To the extent we may determine a change is needed, such change may be the basis for a party to abrogate the agreement. However, the Company acknowledged at our Agenda Conference that the current regulatory treatment of inside wire was not part of this proceeding and that Southern Bell will be treated the same as any other local exchange company in our inside wire rule docket. The Company also acknowledged that it will continue to file its depreciation studies in accordance with our rules and that it will

implement any changes in depreciation rates or capital recovery schedules that we may order. In addition, 1992 earnings will still need to be addressed.

The Settlement provides that the Company will record additional expenses in 1993 which total approximately \$129 million. We believe that expensing these costs as soon as possible is a benefit to the ratepayers in the long run.

We believe the method provided in the Settlement for adjusting the sharing bands for 1996 and 1997 is reasonable. The Settlement is silent, however, with respect to an authorized floor for return on equity. The Company acknowledged at our Agenda Conference that it is their intent to have no such floor. We note that absent such a floor, there can be no interim rates should Southern Bell seek rate relief in the future.

Southern Bell has withdrawn its proposed Expanded Local Service (ELS) Plan. In addition, it has agreed to set aside \$11 million, beginning in 1995, to offset its revenue losses should we subsequently approve a toll relief plan for the routes in Docket No. 911034-TL. This set aside amount will be adjusted, if necessary; that is, if the final revenue loss exceeds \$11 million, the excess will be taken from scheduled future rate decreases.

The Settlement provides that the Company will implement its Lifeline tariff. This is a residential assistance program, funded through both the interstate and intrastate jurisdictions, by waiving up to the \$3.50 end user common line charge, with a matching state waiver of up to \$3.50 off of the basic local exchange rate. Eligibility for Lifeline requires that the subscriber be a recipient of Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid, or Supplemental Security Income (SSI).

One of the issues in this case has been the quality of Southern Bell's service to its customers. As part of the Settlement, Southern Bell will implement a Service Guarantee Program, the details of which will be contained in a subsequent tariff filing. In addition, the Company has committed to increase its outside plant forces by at least 275 people.

The Settlement contains extensive language addressing a breach of the agreement between Southern Bell and the Statewide Prosecutor (SWP). Basically, this provision gives OPC the right to ask for a

change in the sharing point and the cap, in the event the SWP notifies the Company that it is in violation of its agreement. To the extent that this portion of the Settlement appears to require us to make a determination whether criminal misconduct has occurred, that provision is simply unenforceable. All we could do is ascertain whether an appropriate judicial body has made a finding of criminal misconduct. The provision allowing us to lower the sharing or after-sharing cap points if it is found that there has been material corporate misconduct or a violation of this Settlement appears to limit our action to the stated remedies. Again, we must note that we cannot be bound by such language.

The Settlement indicates that Southern Bell and OPC will jointly petition the Commission to conduct workshops on any issue relating to the Commission's quality of service rules. However, there are no provisions for any such action on our part. We do not believe that the terms of the Settlement were intended to restrict us or our staff from performing our duties, and we intend to continue working with Southern Bell and interested parties to address concerns raised in our investigation dockets. In addition, it is our intent to proceed with other work relating to Southern Bell in the same fashion as we normally do for other local exchange companies.

Given our decision to approve the Settlement, which has been ratified by all the parties, the scheduled hearings shall be cancelled. Dockets Nos. 910163-TL, 911034-TL, and 920260-TL shall remain open, while Dockets Nos. 910727-TL and 900960-TL shall be closed. There are appeals pending in Dockets Nos. 910163-TL and 920260-TL. The resolution of 1992 earnings is still outstanding in Docket No. 920260-TL, and Docket No. 911034-TL must remain open for resolution of the Broward/Dade extended area service issues.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Stipulation and Agreement Between the Office of Public Counsel and BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company filed January 5, 1994, set forth as Attachment "A" to this Order, is hereby incorporated into this Order and approved as discussed in the body of this Order. It is further

ORDERED that the Implementation Agreement for Portions of the Unspecified Rate Reductions in Stipulation and Agreement Between

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the Office of Public Counsel and BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company filed January 12, 1994, and set forth as Attachment "B" to this Order, is hereby approved and shall be incorporated into this Order as discussed in the body of this Order. It is further

ORDERED that the hearings scheduled to begin on January 24, 1994, are hereby cancelled. It is further

ORDERED that Dockets Nos. 900960-TL and 910727-TL shall be closed. It is further

ORDERED that Dockets Nos. 910163-TL, 911034-TL, and 920260-TL shall remain open.

By ORDER of the Florida Public Service Commission, this 11th day of February, 1994.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ABG

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of

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this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition on behalf of) Docket No. 910163-TL
 Citizens of the State of Florida)
 to initiate investigation into)
 integrity of Southern Bell)
 Telephone and Telegraph Company's)
 repair service activities and)
 reports.)

In re: Comprehensive Review of) Docket No. 920260-TL
 the Revenue Requirements and Rate)
 Stabilization Plan of Southern)
 Bell Telephone & Telegraph Company)

In re: Investigation into Southern) Docket No. 900960-TL
 Bell Telephone and Telegraph)
 Company's Non-Contact Sales)
 Practices)

In re: Investigation into) Docket No. 910727-TL
 Southern Bell Telephone and)
 Telegraph Company's Compliance)
 with Rule 25-4.110(2) (Rebates))

**STIPULATION AND AGREEMENT BETWEEN THE
 OFFICE OF PUBLIC COUNSEL AND
 SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY**

COME NOW The Office of Public Counsel ("OPC") and BellSouth Telecommunications, Inc., doing business as Southern Bell Telephone and Telegraph Company ("Southern Bell") (OPC and SOUTHERN BELL hereinafter sometimes collectively referred to as the "PARTIES") and hereby agree and covenant as follows:

WHEREAS, there are presently pending before the Florida Public Service Commission ("FPSC"), four dockets: FPSC Docket No. 920260-TL, Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone and Telegraph Company; Docket No. 900960-TL, Investigation into Southern Bell Telephone and Telegraph Company's Non-Contact Sales Practices; Docket No. 910163-TL Petition on behalf of Citizens of the State

of Florida to initiate investigation into integrity of Southern Bell Telephone and Telegraph Company's repair service activities and reports; and Docket No. 910727-TL Investigation into Southern Bell Telephone and Telegraph Company's Compliance with Rule 25-4.110(2) (Rebates) (sometimes hereinafter collectively referred to as the "Southern Bell Rate Case" or the "Rate Case"), all of which involve the operations of SOUTHERN BELL in Florida; and

WHEREAS, these dockets have been consolidated for hearing before the Florida Public Service Commission ("FPSC"); and

WHEREAS, OPC and SOUTHERN BELL believe that it is in the best interests of the ratepayers of SOUTHERN BELL and the citizens of Florida to amicably settle the SOUTHERN BELL Rate Case without the expenditure of any further time, money and other resources in litigating these issues before the FPSC and the courts;

NOW THEREFORE, the PARTIES do hereby agree and covenant as follows:

1. The PARTIES agree that this STIPULATION AND AGREEMENT is intended to and shall settle all issues in the SOUTHERN BELL Rate Case, except as otherwise specifically exempted in Paragraph 10 below. The OPC and SOUTHERN BELL further agree that this document constitutes the entirety of the agreement of the PARTIES and that all other agreements related to these dockets, not previously reduced to writing, are subsumed within this document.

2. The terms of this STIPULATION AND AGREEMENT resolve all issues related to the determination of SOUTHERN BELL's earnings

and revenue requirements, including but not limited to accounting adjustments and affiliated transactions. To the extent that the FPSC shall, during the term of this STIPULATION AND AGREEMENT, change any accounting rules, practices, interpretations or procedures that could have been considered by the FPSC as a result of its having been part of an issue in the Rate Case, any such change shall have no effect on the calculation of SOUTHERN BELL's earnings nor for any other purpose including, but not limited to, the sharing and after-sharing cap points as described in Paragraph 15 below.

3. The PARTIES agree that, unless otherwise set forth in this STIPULATION AND AGREEMENT, SOUTHERN BELL shall continue to account for its financial results as ordered by the FPSC under the terms and conditions set forth and adopted by the FPSC in Order No. 20162, issued October 13, 1988, in FPSC Docket No. 880069-TL, as modified by subsequent orders issued in that same docket or in Docket No. 920260-TL, the successor docket to Docket No. 880069-TL (hereinafter collectively referred to as the "Order"). Accordingly, unless otherwise modified herein, it is the OPC's and SOUTHERN BELL's intent that SOUTHERN BELL shall continue to record its operations for regulatory purposes and to make the reports required of it by the FPSC using the same format, standards and guidelines adopted by the FPSC in the Order and subsequently used by SOUTHERN BELL in filing its surveillance reports since October of 1988.

4. The PARTIES agree that for Calendar Year 1993, SOUTHERN

BELL shall, in addition to the requirements imposed upon it by the Order, record certain additional expenses for accounting purposes. Specifically, SOUTHERN BELL shall record as an expense in 1993, all of the remaining deferred expenses resulting from Hurricane Andrew, which are anticipated to be approximately \$60 million. SOUTHERN BELL shall record as an expense in 1993, its remaining expenses incurred during 1993 associated with the refinancing of its debt, which amount is expected to be approximately \$28 million. The OPC and SOUTHERN BELL agree that in light of this treatment of the refinancing expenses, interest savings from the 1993 refinancing of SOUTHERN BELL's debt shall not be considered as an exogenous item for purposes of the Order. SOUTHERN BELL further agrees to amortize, in 1993, the reserve deficiency resulting from the early retirements of its plant caused by or associated with the impact of Hurricane Andrew, which is anticipated to be approximately \$19 million. The PARTIES further agree that SOUTHERN BELL shall implement the requirements of FASB 112 in 1993, which is anticipated to result in an expense of approximately \$22 million. Each of the expenses referred to in this paragraph shall be included for purposes of calculating SOUTHERN BELL's return on equity for 1993. The PARTIES further agree that, beginning in 1994, SOUTHERN BELL shall establish a reserve for catastrophic losses from hurricanes and similar occurrences. The accrual expense for such reserve shall be equal to \$10 million a year. This expense accrual shall be included for purposes of calculating SOUTHERN BELL's return on

equity.

5. In lieu of specific adjustments, the OPC and SOUTHERN BELL further agree that SOUTHERN BELL shall implement the following revenue reductions and tariff changes at the times indicated:

- A. During the first billing cycle 30 days after the adoption of this STIPULATION AND AGREEMENT by the FPSC, SOUTHERN BELL shall eliminate all TouchTone charges throughout its service areas in Florida. The estimated impact of this tariff change is \$55 million on an annualized basis.
- B. On July 1, 1994, SOUTHERN BELL shall further reduce its gross revenues by \$60 million, on an annualized basis.
- C. On October 1, 1995, SOUTHERN BELL shall further reduce its gross revenues by \$80 million, on an annualized basis.
- D. On October 1, 1996, SOUTHERN BELL shall further reduce its gross revenues by \$84 million, on an annualized basis.

6. The PARTIES agree that SOUTHERN BELL shall file tariff changes that will dispose of, on a permanent basis, the approximately \$49 million previously set aside by the FPSC in Order No. PSC-93-0588-FOF-TL. Those tariff changes shall become effective during the first billing cycle thirty days after approval by the FPSC of this STIPULATION AND AGREEMENT. Until

those tariffs become effective, the monthly credit currently in place shall continue. These tariffs shall be in accordance with the testimony and proposed tariffs attached thereto, filed by Nancy Sims on July 2, 1993, and shall provide for:

- A reduction and restructure of service connection charges;
- A reduction in flat rate PBX trunk, Network Access Register (NAR) and hunting charges for business customers;
- The elimination of all existing flat rate extended area service (EAS) additives;
- A reduction in certain Custom Calling Service rates.

7. The PARTIES further agree that SOUTHERN BELL shall withdraw its Expanded Local Service Plan proposal. During the term of this STIPULATION AND AGREEMENT, SOUTHERN BELL agrees that it shall not propose nor support any additional statewide optional or mandatory local measured service plan that applies to voice communication by means of 1FR, 1FB, or PBX trunk service.

8. In addition to the rate reductions set forth in Paragraph 5, above, the PARTIES agree that SOUTHERN BELL will absorb, effective January 1, 1995, up to \$11 million in revenue losses and costs that are expected to result from the implementation of a Dade/Broward County extended area service plan. The OPC and SOUTHERN BELL anticipate that the FPSC will consider this matter in 1994 and will reach a decision as to the plan, if any, that will be implemented to provide toll relief for

routes between Broward County and Dade County. In the event that the FPSC ultimately approves, on a permanent basis, the plan that was approved by Order No. PSC-93-0842-FOF-TL, in Docket No. 911034-TL, SOUTHERN BELL will absorb the associated revenue losses and costs. In the event the FPSC approves an alternative plan, and if the losses associated with such alternative plan are less than \$11 million per year when fully implemented, SOUTHERN BELL shall file rate reductions equal to the difference between the actual losses and \$11 million. In the event that an alternative plan is adopted and such alternative plan causes losses in excess of \$11 million, SOUTHERN BELL shall be entitled to reduce the next scheduled rate reduction outlined in Paragraph 5 by an amount equal to the losses in excess of \$11 million, plus a return on such loss in excess of \$11 million, calculated at the rate earned on overall capital as reported by SOUTHERN BELL on its last surveillance report filed prior to the scheduled rate reductions.

9. The OPC acknowledges that BellSouth Telecommunications, Inc., has announced that it will take, for financial reporting purposes, a restructuring charge of approximately \$1.2 billion in 1993 for the nine state area of BellSouth Telecommunications, Inc. The PARTIES agree that for regulatory purposes, the expenses and any resulting savings that occur as a result of the announced restructuring will be accounted for as the expenses or charges occur.

10. The PARTIES agree that the FPSC shall conduct hearings

to determine the rate design by which the amounts set forth in Paragraph 5 above shall be disposed of. SOUTHERN BELL shall submit, not less than 60 days prior to the scheduled effective date of each reduction, its proposal as to how such reductions should be reflected in its tariffs. The FPSC shall approve each such proposal submitted by SOUTHERN BELL unless an interested party files a timely objection to SOUTHERN BELL's proposal. In the event such an objection is filed and causes a delay in the implementation date of the rate reductions from the scheduled implementation dates as set forth in Paragraph 5 above, the PARTIES agree that SOUTHERN BELL shall return the pro rata portion of the rate reduction in question for the period of such delay to SOUTHERN BELL's customers in the form of a refund.¹

11. The PARTIES agree that the rates for 1FR, 1FB, PBX trunks and directory assistance service shall be capped at existing rates over the term of this STIPULATION AND AGREEMENT and that the number of free calls to Directory Assistance shall not be reduced during the term of this STIPULATION AND AGREEMENT.

12. The PARTIES agree that the Lifeline Service tariff requested by the American Association of Retarded Persons and filed by SOUTHERN BELL shall be implemented as filed within 180

¹ For purposes of this STIPULATION AND AGREEMENT, a "refund" shall be accomplished either by customers receiving a check in a separate mailing or a credit appearing on customers' bills, at the sole discretion of Southern Bell. Any such refund shall be distributed in the same manner and proportion as the \$49 million monthly credit provided to Southern Bell customers during 1993. Customers of record as of the last day of the month of the FPSC order requiring such a refund will be eligible therefor.

days after approval of this STIPULATION AND AGREEMENT by the FPSC. The revenue reduction resulting from implementation of the Lifeline Tariff shall be counted as part of the \$49 million revenue reduction set forth in Paragraph 6 above.

13. The PARTIES agree that no later than October 1, 1994, SOUTHERN BELL shall implement a service guarantee rebate plan which provides a \$25.00 rebate to any residence customer and \$100 to every business customer who tells a SOUTHERN BELL employee that he or she is dissatisfied in connection with installation or maintenance service provided to that customer by SOUTHERN BELL. If SOUTHERN BELL disputes the reasonableness of a customer's claim of dissatisfaction and thus that customer's eligibility for a rebate, the FPSC, at the request of SOUTHERN BELL or the customer, shall determine the customer's eligibility for such rebate. In the event of a natural disaster, SOUTHERN BELL shall notify the FPSC that it has suspended the service guarantee plan during the pendency of such disaster.

14. SOUTHERN BELL shall, by April 1, 1994, increase its outside plant forces by at least 275 people above the number of employees in those positions as of January 1, 1993.

15. The PARTIES agree that, as a consequence of the terms of this STIPULATION AND AGREEMENT, SOUTHERN BELL's return on equity for 1993 shall be capped at 10.8%. The PARTIES further agree that for calendar year 1994, sharing shall begin at 12% return on equity with an after-sharing cap of 14% return on equity. Amounts shall be shared as follows: 60% refunded to the

customers with the balance retained by SOUTHERN BELL. The PARTIES further agree that for calendar year 1995, sharing shall begin at 12.5% return on equity with an after-sharing cap of 14.5% return on equity. Amounts shall be shared as follows: 60% refunded to the customers with the balance retained by SOUTHERN BELL. The PARTIES further agree that the sharing and after-sharing cap points for calendar years 1996 and 1997 shall be the same and shall be determined by adjusting upward or downward the sharing and after-sharing cap points for 1995 by an amount equal to the result of subtracting the average yield of AA utility bonds, as reported by Moody's Bond Rating Service, for the period of September, October and November of 1993 from the average yield of AA utility bonds for September, October and November of 1996; provided, however, that the upward or downward movement shall not exceed 75 basis points. The PARTIES agree that the average yield for September, October and November, 1993 is 6.98. Amounts for 1996 and 1997 shall be shared as follows: 60% refunded to the customers with the balance retained by SOUTHERN BELL. For any given year within the time period covered by this STIPULATION AND AGREEMENT, all earnings of SOUTHERN BELL above the after-sharing cap for that year shall be refunded to SOUTHERN BELL's customers.

16. The PARTIES agree that if, pursuant to Paragraph 18 of the Settlement Agreement between the Office of Statewide Prosecution and SOUTHERN BELL, dated October 9, 1992 (the "Settlement Agreement"), the Statewide Prosecutor notifies SOUTHERN BELL that SOUTHERN BELL is in breach of the Settlement

Agreement, as the term "breach" is defined therein, and that the Statewide Prosecutor has decided to void the Settlement Agreement, the OPC may petition the FPSC for a reduction of the sharing and after-sharing cap points set forth in this STIPULATION AND AGREEMENT. In such event, SOUTHERN BELL may request a hearing before the FPSC on OPC's petition, where the OPC and SOUTHERN BELL may offer evidence regarding the allegations of wrongdoing as set forth in the Statewide Prosecutor's notice of intent to void the Settlement Agreement; however, the PARTIES understand that, for purposes of the Settlement Agreement, the FPSC may not review the determination by the Statewide Prosecutor that a breach has occurred, because such determination is solely within the discretion of the Statewide Prosecutor pursuant to the Settlement Agreement; provided further, however, that SOUTHERN BELL, for purposes of this STIPULATION AND AGREEMENT, may contest before the FPSC whether or not any improper conduct has occurred and, if so, whether or not any change in the sharing and after-sharing cap points is warranted. SOUTHERN BELL waives any right to object to the use of evidence by the OPC or the FPSC solely on the basis that it was obtained from the Statewide Prosecutor. The PARTIES further agree that if SOUTHERN BELL is charged by Indictment or Information with criminal conduct arising out of activity occurring during the time periods covered by this STIPULATION AND AGREEMENT, the OPC may petition the FPSC for a reduction of the sharing and after-sharing cap points. SOUTHERN BELL reserves the

right to request a hearing before the FPSC to determine whether or not any criminal conduct has occurred and, if so, whether or not any change in the sharing and after-sharing cap points is warranted, but may not object to the use of evidence by the OPC or the FPSC solely on the basis that it was obtained from the Statewide Prosecutor or the Attorney General. The OPC and SOUTHERN BELL shall have the right of discovery under the rules of the FPSC during the duration of this STIPULATION AND AGREEMENT for the purpose of ascertaining SOUTHERN BELL's compliance with the terms of this STIPULATION AND AGREEMENT. If the OPC learns of information that reasonably suggests that SOUTHERN BELL has engaged in material corporate misconduct to the detriment of the ratepayers or has violated the terms of this STIPULATION AND AGREEMENT, the OPC may petition the FPSC for a lowering of the sharing and after-sharing cap points; provided, however, that SOUTHERN BELL may contest before the FPSC whether or not SOUTHERN BELL has engaged in any material corporate misconduct, or violated the terms and conditions of this STIPULATION AND AGREEMENT and, if so, whether or not any change in the sharing and after-sharing cap points is warranted. If the FPSC finds that there has been material corporate misconduct or a violation of this STIPULATION AND AGREEMENT, then the FPSC may lower the sharing or after-sharing cap points.

17. In Order No. 20162, the FPSC created a mechanism for handling earnings exempt from sharing. This mechanism is hereinafter referred to as the "Box." The PARTIES agree that, as

of December 31, 1993, the Box shall be returned to zero. Those exogenous items that are not currently known, but may occur during the term of this STIPULATION AND AGREEMENT, shall be included in the Box. Those exogenous items currently scheduled to take place during the term of this STIPULATION AND AGREEMENT as a result of past FPSC orders or other governmental action shall be excluded from the Box. The PARTIES agree that, for any bond refinancing that occurs subsequent to January 1, 1994, the cost of such refinancing shall be amortized as rapidly as possible, but in no year shall the amortization exceed the interest savings for that year.

18. The PARTIES further agree that the telecommunications industry may change in the future. As a consequence thereof, neither PARTY can reasonably anticipate all of the changes that may occur in the marketplace, in technology or in the legislation or regulation governing this industry. Therefore, in the event material changes occur in these areas, either PARTY may petition the FPSC, and if the FPSC determines that such material change has occurred and affects SOUTHERN BELL, the FPSC may modify this STIPULATION AND AGREEMENT, such modification to be effective January 1, 1997. Subsequent to January 1, 1997, either PARTY has the option to petition the FPSC for a change as that PARTY deems appropriate. Any order resulting from any such petition filed after January 1, 1997, shall be effective as of the date of such order. The capping of rates for 1FR, 1FB, PBX trunks and directory assistance service and the freeze on the number of free

calls to directory assistance, all as described in Paragraph 11; the Lifeline Tariff described in Paragraph 12; the agreement concerning local measured service described in Paragraph 7; and the rate reductions described in Paragraph 5 are exempt from the provisions of this paragraph.

19. The PARTIES agree that they shall jointly petition the FPSC to conduct workshops on any issue or issues related to the FPSC's quality of service rules that either party believes need to be clarified or addressed.

20. The PARTIES agree that the FPSC shall, immediately upon approval of this STIPULATION AND AGREEMENT, close Docket Nos. 910163-TL, 900960-TL and 910727-TL. The PARTIES further agree that the FPSC shall keep Docket No. 920260-TL open solely for the purposes of: (1) implementing the rate reductions set forth in Paragraph 5 above; (2) determining SOUTHERN BELL's earnings for purposes of the sharing and after-sharing cap points as set forth in Paragraph 15 above; (3) the filing of a petition, if any, by the OPC pursuant to Paragraph 16 above; and (4) determining what toll relief, if any, should be implemented on toll routes between Broward and Dade Counties.

21. The OPC and SOUTHERN BELL further agree that any dispute as to the meaning of any portion of this STIPULATION AND AGREEMENT shall be addressed to the FPSC in the first instance, but that each party reserves any rights it may have to seek judicial review of any ruling concerning this STIPULATION AND AGREEMENT made by the FPSC.

22. Any failure by OPC or SOUTHERN BELL to insist upon the strict performance by any other entity of any of the provisions of this STIPULATION AND AGREEMENT shall not be deemed a waiver of any of the provisions of this STIPULATION AND AGREEMENT, and OPC or SOUTHERN BELL, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this STIPULATION AND AGREEMENT.

23. The PARTIES agree that in the event the FPSC does not adopt this STIPULATION AND AGREEMENT in its entirety, the STIPULATION AND AGREEMENT shall become null and void and be of no effect.

24. This STIPULATION AND AGREEMENT shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida, without regard to its conflict of laws principles.

25. The OPC and SOUTHERN BELL acknowledge that this STIPULATION AND AGREEMENT is being entered into for the purposes of settlement only and that the parties are entering into this STIPULATION AND AGREEMENT to avoid the expense and length of further legal proceedings, taking into account the uncertainty and risk inherent in any litigation. Neither this STIPULATION AND AGREEMENT nor any action taken to reach, effectuate or further this STIPULATION AND AGREEMENT may be construed as, or may be used as an admission by or against any party of any fault, wrongdoing or liability whatsoever, nor as an admission concerning any specific issue raised in the Rate Case. Entering

into or carrying out this STIPULATION AND AGREEMENT or any negotiations or proceedings related thereto, shall not in any event be construed as, or deemed to be evidence of, an admission or concession by any of the parties, or to be a waiver of any applicable claim or defense, otherwise available.

26. This STIPULATION AND AGREEMENT was executed after arm's length negotiations between the PARTIES and reflects the conclusion of the PARTIES that this STIPULATION AND AGREEMENT is in the best interests of all the parties as well as SOUTHERN BELL's ratepayers and the citizens of Florida.

27. The PARTIES participated jointly in the drafting of this STIPULATION AND AGREEMENT, and therefore the terms of this STIPULATION AND AGREEMENT are not intended to be construed against any PARTY by virtue of draftsmanship.

28. This STIPULATION AND AGREEMENT may be executed in several counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this STIPULATION AND AGREEMENT has been executed as of the 5 day of January, 1994, by the undersigned counsel of record for the PARTIES hereto and/or by the PARTIES themselves in multiple counterparts, each of which shall be

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DOCKET NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL

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deemed an original.

THE OFFICE OF PUBLIC COUNSEL

BY Jack Shreve
Jack Shreve, Public Counsel

BELLSOUTH TELECOMMUNICATIONS,
INC. D/B/A SOUTHERN BELL
TELEPHONE AND TELEGRAPH COMPANY

BY Joseph P. Lacher
Joseph P. Lacher,
President-Florida

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition on behalf of)
 Citizens of the State of Florida) DOCKET NO. 910163-TL
 to initiate investigation into)
 integrity of Southern Bell)
 Telephone and Telegraph Company's)
 repair service activities and)
 reports.)

In re: Comprehensive Review of)
 the Revenue Requirements and Rate) DOCKET NO. 920260-TL
 Stabilization Plan of Southern)
 Bell Telephone & Telegraph)
 Company.)

In re: Investigation into)
 Southern Bell Telephone and) DOCKET NO. 900960-TL
 Telegraph Company's Non-Contract)
 Sales Practices.)

In re: Investigation into)
 Southern Bell Telephone and) DOCKET NO. 910727-TL
 Telegraph Company's Compliance)
 With Rule 25-4.110(2) (Rebates))

IMPLEMENTATION AGREEMENT FOR PORTIONS OF THE UNSPECIFIED
RATE REDUCTIONS IN STIPULATION AND AGREEMENT
BETWEEN THE OFFICE OF PUBLIC COUNSEL AND SOUTHERN BELL
TELEPHONE AND TELEGRAPH COMPANY

COME NOW BellSouth Telecommunications, Inc., doing
 business as Southern Bell Telephone and Telegraph Company
 ("Southern Bell"), AT&T Communications of the Southern
 States, Inc. ("AT&T"), MCI Telecommunications Corporation
 ("MCI"), Sprint Communications Company Limited Partnership
 ("Sprint"), the Florida Interexchange Carriers Association
 ("FIXCA"), the Florida Ad Hoc Telecommunications Users'
 Committee ("Ad Hoc"), the Florida Pay Telephone Association,

Inc. ("FPTA"), the Florida Cable Television Association, Inc. ("FCTA"), the United States Department of Defense/Federal Executive Agencies ("DOD"), and McCaw Cellular Communications of Florida, Inc. ("McCaw") (hereinafter sometimes collectively referred to as the "PARTIES") and hereby agree and covenant as follows:

WHEREAS, all of the foregoing PARTIES are currently parties of record to the above-captioned dockets which are pending before the Florida Public Service Commission (the "Commission"); and

WHEREAS, Southern Bell and the Office of Public Counsel ("OPC") have entered into a Stipulation and Agreement dated January 5, 1994 (the "Stipulation") for the purposes of settling the above-captioned dockets; and

WHEREAS, Southern Bell and OPC have filed a Joint Motion dated January 5, 1994 with the Commission seeking Commission approval of the Stipulation; and

WHEREAS, the Stipulation makes provision for certain revenue reductions, but does not specify the services and charges against which such revenue reductions shall apply; and

WHEREAS, the PARTIES hereto believe that it is in the best interest of the Public and the PARTIES to agree as to the implementation of certain portions of the unspecified rate reductions set forth in Paragraph 5 of the Stipulation, the substitution of certain rate reductions set forth in Paragraph 6 of the Stipulation, and the implementation of Paragraph 10 of the Stipulation as set forth herein; and

WHEREAS, the Staff of the Commission has taken the position in its Prehearing Statement in this proceeding that Intrastate Switched Access Charge rates should be reduced to a level that is in parity with Interstate Switched Access Charge rates; and

WHEREAS, the PARTIES are in agreement that it is in the best interest of the Public for the Commission to approve the Stipulation as implemented pursuant to the terms of this Implementation Agreement;

NOW THEREFORE, the PARTIES do hereby agree and covenant as follows:

1. During the years 1994 through 1996 under the terms of the Stipulation, the PARTIES intend to move Southern Bell's intrastate switched access charge rates closer to the cost of providing such switched access services. This goal will be accomplished by Southern Bell proposing and the

Commission approving the following actions with respect to the gross revenue reductions set forth in Paragraph 5 of the Stipulation:

A. \$50 million of the gross revenue reduction scheduled to be implemented on July 1, 1994 pursuant to Paragraph 5.B. of the Stipulation shall be used to reduce Southern Bell's Intrastate Switched Access Charge rates. The remainder of the \$60 million designated for rate reductions on July 1, 1994, will be disposed of in accordance with the provisions of Paragraph 4 of this Implementation Agreement. However, AT&T, MCI, Sprint, and FIXCA agree that they will make no proposal to the Commission under Paragraph 4 of this Implementation Agreement with respect to the disposition of the remaining \$10 million of 1994 revenues. AT&T, MCI, Sprint, and FIXCA may participate in hearings regarding disposition of the \$10 million, may support or oppose the proposals of other parties, or may make a proposal which does not result in a revenue benefit to them; provided, however, that they shall not seek or support having the remaining \$10 million allocated to a further reduction of

the intrastate rates that the interexchange carriers pay to Southern Bell in 1994 or to any other rate reduction which will benefit them.

B. \$55 million of the gross revenue reduction scheduled to be implemented on October 1, 1995, pursuant to Paragraph 5.C. of the Stipulation, shall be used to further reduce Southern Bell's Intrastate Switched Access Charge rates. The remainder of the \$80 million designated for rate reductions on October 1, 1995, will be disposed of in accordance with the provisions of Paragraph 4 of this Implementation Agreement. However, AT&T, MCI, Sprint, and FIXCA agree that they will make no recommendation to the Commission under Paragraph 4 of this Implementation Agreement that would require the use of that remainder (\$25 million) to further reduce Intrastate Switched Access Charge rates during 1995 nor support such recommendation by any other party.

C. On October 1, 1996, Southern Bell will further reduce its Intrastate Switched Access Charge rates to a level that is in parity

with Southern Bell's Interstate Switched Access Charge rates in effect on January 11, 1994. For purposes of this Implementation Agreement, "parity" means that the average price of an intrastate switched access minute is equal to the average price of an interstate switched access minute. The PARTIES understand that the amount of such reduction will be approximately \$35 million in annual revenues. The remainder of the \$84 million designated for rate reductions on October 1, 1996 pursuant to Paragraph 5.D. of the Stipulation (approximately \$49 million) will be disposed of in accordance with Paragraphs 3.C. and 4 of this Implementation Agreement. Any interested person shall have the right to make proposals to the Commission under Paragraph 4 of this Implementation Agreement with respect to the disposition of the aforesaid remainder, except with respect to the approximately \$1 million identified in Paragraph 3.C. of this Implementation Agreement. The right of such interested person shall include the right to propose to the Commission, at the appropriate time specified in Paragraph 4 hereunder, that the

should be used for any purpose, including, but not limited to, a further reduction of Southern Bell's Intrastate Switched Access Charge rates below the aforementioned or then-current interstate levels, and closer to the cost of providing said Intrastate Switched Access Services.

2. The PARTIES agree that the rate reductions set forth in Paragraph 6 of the Stipulation shall be changed as follows:

A. The allocation of \$29.6 million to a reduction in flat rate PBX trunks, Network Access Register (NAR) and hunting charges for business customers shall be changed to a \$29 million reduction for such purposes.

B. The allocation of \$4.3 million to a reduction in certain Custom Calling Service rates shall be replaced by a \$4.3 million reduction in Direct Inward Dialing ("DID") rates.

C. Ad Hoc and DOD agree that they will make no proposal to the Commission under Paragraph 4 of this Implementation Agreement with

respect to the disposition of the remaining \$10 million of gross revenue reductions referenced in Paragraph 1.A. of this Implementation Agreement which will result in rate reductions that will benefit them. Ad Hoc and DOD may participate in hearings regarding disposition of such \$10 million, may support or oppose the proposals of other parties, or may make a proposal which does not result in a revenue benefit to them; provided, however, that they shall not seek or support having such remaining \$10 million allocated to a further reduction of any rates that would directly result in a reduction of the rates paid by DOD or the members of Ad Hoc.

3. Southern Bell will implement the following rate reductions for non-local exchange company pay telephone providers:

A. Effective March 1, 1994, the rates paid by non-local exchange company pay telephone providers to Southern Bell will be reduced by \$0.0025 per-minute during peak and non-peak calling periods and for both the initial and subsequent minutes of usage. The monies for

this rate reduction are derived from the \$600,000 resulting from the rate adjustment for PBX trunk, Network Access Register and hunting charges for business customers referenced in Paragraph 2.A. of this Implementation Agreement and \$400,000 from funds of Southern Bell which are not part of the Stipulation. This \$400,000 revenue reduction shall not be considered for purposes of the Box as that term is used in Paragraph 17 of the Stipulation.

B. Effective July 1, 1994, non-local exchange company pay telephone providers will receive all billed number screening and operator line screening services offered by Southern Bell as part of the current fixed access line charge paid by non-local exchange company pay telephone providers to Southern Bell. The monies for the elimination of the charges for these services are derived from funds of Southern Bell which are not a part of the Stipulation. Moreover, the monies for the elimination of the charges for these services shall not be considered for purposes of the Box as that term is used in Paragraph 17 of the Stipulation.

C. Effective October 1, 1996, the rates paid by non-local exchange company pay telephone providers to Southern Bell will be reduced by \$0.0025 per minute during peak and non-peak calling periods and for both the initial and subsequent minutes of usage. The monies for this rate reduction, approximately \$1 million, are derived from the approximately \$49 million remaining for disposition by the Commission pursuant to Paragraph 5.D. of the Stipulation as implemented by the applicable provisions of this Implementation Agreement.

D. The FPTA agrees that it will make no proposal to the Commission under Paragraph 4 of this Implementation Agreement with respect to the disposition of the remaining \$10 million of 1994 revenues and the remaining \$25 million of 1995 revenues which would result in rate reductions which benefit non-local exchange company pay telephone providers. The FPTA may participate in hearings regarding the disposition of the \$10 million and the \$25 million, may support or oppose the proposals of other parties, or may

revenue benefit to non-local exchange company pay telephone providers; provided, however, that the FPTA shall not seek or support having the remaining \$10 million of 1994 revenues nor the remaining \$25 million of 1995 revenues allocated to a reduction of the rates paid by non-local exchange company pay telephone providers to Southern Bell. The FPTA will have the right to make proposals to the Commission under Paragraph 4 of this Implementation Agreement with respect to the disposition of the approximately \$48 million designated for rate reductions on October 1, 1996, including the right to propose to the Commission, at the appropriate time specified in Paragraph 4 hereunder, that the remaining revenues, or any portion thereof, should be used to reduce the rates non-local exchange company pay telephone providers pay to Southern Bell.

4. The PARTIES agree that the Commission shall conduct hearings to determine the rate design by which the amounts not specifically allocated by the Stipulation and this Implementation Agreement shall be disposed of in 1994 (\$10 million), 1995 (\$25 million), and 1996 (approximately \$48 million). To the extent not limited herein, the PARTIES or

any other interested persons shall submit, not less than 120 days prior to the scheduled effective date of each reduction, their proposals as to how such reductions should be implemented. The PARTIES agree to work toward expeditiously scheduling, conducting and concluding such hearings so that the reductions take effect by the scheduled dates. In the event that the scheduled implementation date is delayed, the PARTIES agree that Southern Bell shall return the pro rata portion of the rate reduction in question for the period of such delay to Southern Bell's customers in the manner set forth in Paragraph 10 of the Stipulation.

5. The terms and conditions of this Implementation Agreement will supersede any contradictory terms and conditions originally agreed to by OPC and Southern Bell in the Stipulation dated January 5, 1994.

6. The PARTIES agree to support before the Commission the adoption of the Stipulation, as implemented by this Implementation Agreement but not otherwise. Any dispute as to the meaning of any portion of this Implementation Agreement shall be addressed to the Commission in the first instance, but each party reserves any rights it may have to seek judicial review of any ruling made by the Commission concerning this Implementation Agreement.

7. Any failure by any of the PARTIES to insist upon strict compliance by any other party with any of the provisions of this Implementation Agreement shall not be deemed a waiver of any of the provisions of this Implementation Agreement, and the PARTIES, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Implementation Agreement.

8. The PARTIES agree that in the event that the Commission does not adopt this Implementation Agreement in its entirety, the Implementation Agreement shall become null and void and be of no effect, and the PARTIES may thereupon exercise all rights available to them under the Florida Statutes or the Commission's Rules of Practice and Procedure.

9. This Implementation Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida, without regard to its conflict of laws principles.

10. The PARTIES acknowledge that this Implementation Agreement is being entered into for the purpose of settlement only and that the PARTIES are entering into this Implementation Agreement to avoid the expense and length of further legal proceedings, taking into account the

uncertainty and risk inherent in any litigation. Neither this Implementation Agreement nor any action taken to reach, effectuate or further this Implementation Agreement may be construed as, or may be used as an admission by or against any party of any fault, wrongdoing or liability whatsoever, nor as an admission concerning any specific issue raised in any of the above-captioned dockets. Entering into this Implementation Agreement or any proceedings related thereto, shall not in any event be construed as, or deemed to be evidence of, an admission or concession by any of the parties, or be a waiver of any applicable claim or defense, otherwise available.

11. This Implementation Agreement was executed after arm's length negotiations between and among the PARTIES and reflects the conclusion of the PARTIES that this Implementation Agreement is in the best interests of all the PARTIES as well as the citizens of the State of Florida.

12. The PARTIES participated jointly in the drafting of this Implementation Agreement, and therefore the terms of this Implementation Agreement are not intended to be construed against any PARTY by virtue of draftsmanship.

13. This Implementation Agreement may be executed in several counterparts, each of which shall constitute an

original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Implementation Agreement has been executed as of the 12th day of January, 1994, by the undersigned counsel of record for the PARTIES hereto and/or by the PARTIES themselves.

BELLSOUTH TELECOMMUNICATIONS,
INC. D/B/A SOUTHERN BELL
TELEPHONE AND TELEGRAPH
COMPANY.

BY Harris R. Anthony
Harris R. Anthony, Esq.

AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, INC.

BY Michael W. Tye
Michael W. Tye, Esq.

MCI TELECOMMUNICATIONS
CORPORATION

BY Michael J. Henry
Michael J. Henry, Esq.

SPRINT COMMUNICATIONS COMPANY
LIMITED PARTNERSHIP

BY *Chanthina R. Bryant*
for Chanthina R. Bryant, Esq.

THE FLORIDA INTEREXCHANGE
CARRIERS ASSOCIATION

BY *Vicki Gordon Kaufman*
Vicki Gordon Kaufman, Esq.

THE FLORIDA AD HOC
TELECOMMUNICATIONS USERS'
COMMITTEE

BY _____
Douglas S. Metcalf

THE FLORIDA PAY TELEPHONE
ASSOCIATION, INC.

BY *Kenneth A. Hoffman*
Kenneth A. Hoffman, Esq.

THE FLORIDA CABLE TELEVISION
ASSOCIATION

BY *Laura L. Wilson*
Laura L. Wilson, Esq.

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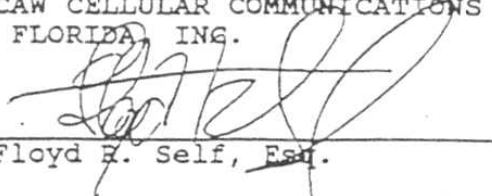
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THE UNITED STATES DEPARTMENT
OF DEFENSE/FEDERAL EXECUTIVE
AGENCIES

By _____
Peter Q. Nyce, Jr., Esq.

MCCAW CELLULAR COMMUNICATIONS
OF FLORIDA, INC.

By  _____
Floyd E. Self, Esq.

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SPRINT COMMUNICATIONS COMPANY
LIMITED PARTNERSHIP

By _____
Chanthina R. Bryant, Esq.

THE FLORIDA INTEREXCHANGE
CARRIERS ASSOCIATION

By _____
Vicki Gordon Kaufman, Esq.

THE FLORIDA AD HOC
TELECOMMUNICATIONS USERS'
COMMITTEE

By  _____
Douglas S. Kercalf

THE FLORIDA PAY TELEPHONE
ASSOCIATION, INC.

By _____
Kenneth A. Hoffman, Esq.

THE FLORIDA CABLE TELEVISION
ASSOCIATION

By _____
Laura L. Wilson, Esq.

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THE UNITED STATES DEPARTMENT
OF DEFENSE, FEDERAL EXECUTIVE
AGENCIES

By 

Peter G. Nyce, Jr., Esq.

MCCAN CELLULAR COMMUNICATIONS
OF FLORIDA, INC.

By _____

Floyd R. Self, Esq.