

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of CENTRAL TELEPHONE	)	DOCKET NO. 891246-TL
COMPANY OF FLORIDA for a rate increase	)	ORDER NO. 23686
	)	ISSUED: 10/26/90

Pursuant to Notice, a Prehearing Conference was held on October 15, 1990, in Tallahassee, Florida, before Chairman Michael McK. Wilson, as Prehearing Officer.

## APPEARANCES:

LEE L. WILLIS, JOHN P. FONS, and KENNETH R. HART, Esquires, Ausley, McMullen, McGehee, Carothers and Proctor, Post Office Box 391, Tallahassee, Florida 32302, and LORELI F. COHN, Esquire, 8745 Higgins Road, Chicago, Illinois 60631, on behalf of CENTRAL TELEPHONE COMPANY OF FLORIDA.

CHARLES J. REHWINKEL and CHARLES J. BECK, Esquires, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on behalf of the CITIZENS OF THE STATE OF FLORIDA.

MICHAEL W. TYE, Esquire, AT&T Communications of the Southern States, Inc., 315 South Calhoun Street, Suite 860, Tallahassee, Florida 32301, on behalf of AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

FLOYD R. SELF and DAVID A. HALLMAN, Esquires, Messer, Vickers, Caparello, French, Madsen and Lewis, P.A., 215 South Monroe Street, Suite 701, Tallahassee, Florida 32302-1876, on behalf of FLORIDA PAY TELEPHONE ASSOCIATION, INC. and McCAW CELLULAR COMMUNICATIONS INC.

STEPHEN S. MATHUES, Esquire, Department of General Services, Office of General Counsel, 2737 Centerview Drive, Knight Building, Suite 309, Tallahassee, Florida 32399-0950, on behalf of the FLORIDA DEPARTMENT OF GENERAL SERVICES.

ANGELA B. GREEN, Esquire, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0863, on behalf of the Commission Staff.

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CYNTHIA B. MILLER, Esquire, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0862, on behalf of the Commissioners.

PREHEARING ORDER

I. BACKGROUND

On June 12, 1990, Central Telephone Company of Florida (Centel or the Company) filed a Petition to adjust its rates and charges pursuant to Sections 364.05 and 364.055, Florida Statutes, and for approval of an Incentive Regulation Plan. Through this Petition, Centel seeks a permanent revenue increase of \$18,087,736, as well as approval of its proposed Incentive Regulation Plan. The Company requested that we allow the permanent increase to go into effect immediately. In the alternative, the Company asked that we either allow the full amount of the permanent increase to go into effect on an interim basis or that we approve an interim increase in the amount of \$3,788,867.

By letter dated April 19, 1990, Centel sought modification of the minimum filing requirements (MFRs) specified in Rule 25-4.141, Florida Administrative Code. By Order No. 22970, issued May 23, 1990, we granted in part the Company's request for modification of the MFRs, to the extent outlined therein. On June 12, 1990, Centel made its initial MFR filing.

By Order No. 23138, issued July 2, 1990, we acknowledged the intervention of the Office of Public Counsel (OPC) in this docket. In addition, intervention was sought by and granted to the Florida Pay Telephone Association, Inc., AT&T Communications of the Southern States, Inc., the Florida Department of General Services, and McCaw Cellular Communications, Inc.

On July 9, 1990, OPC filed its Answer to Centel's Petition. On July 13, 1990, OPC filed a revision to its Answer in which it made several corrections to its July 9th filing.

Centel has filed amendments to its General Customer Services and Access Tariffs (MFR Schedule E-5) to produce an annual revenue increase of approximately \$18,095,000. The increase in basic local rates alone is approximately \$14,288,000, which represents about a

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sixty percent (60%) increase above current rates. The Company has also proposed a decrease in the busy hour minute of capacity (BHMOC) charge which totals approximately \$2,555,826. Additionally, Centel seeks approval of a proposed Incentive Regulation Plan which is comprised of five primary components as described by Centel: price-capped rates for basic and non-basic services, with flexible pricing for non-basic services; special treatment for switched access service, until a more favorable price to cost relationship has been achieved; an annual flow-through of exogenous factors; enhanced service commitments; and continued implementation of improved technologies. The term of Centel's Incentive Regulation Plan would be four years (1991 through 1994).

Pursuant to Section 364.05(4), rates proposed by a telephone company become effective sixty (60) days after filing unless this Commission withholds its consent to the proposed rates within those sixty (60) days. Further, the above-referenced statute permits the Company to implement the proposed rates under bond or corporate undertaking, subject to refund, eight (8) months after filing, unless final action has been taken by the Commission. The Commission is required to take final action and enter its final order within twelve (12) months after the commencement date for final agency action.

At our July 31, 1990, Agenda Conference, we considered Centel's request for immediate implementation of its permanent rate increase, along with the associated proposed rate schedules and tariff sheets. We found it reasonable and necessary to require further explanation and substantiation of the data filed by the Company. Additionally, we believed that a formal evidentiary hearing, as well as customer service hearings, were warranted with such a filing. Accordingly, we found it appropriate to suspend the Company's proposed permanent rate schedules and associated tariffs. That decision is reflected in Order No. 23454, issued September 10, 1990.

Concurrent with its Petition for a permanent rate increase, Centel also petitioned for an interim increase in rates pursuant to Section 364.055 (the interim statute). The interim statute requires that we authorize an interim increase sufficient to allow the Company to earn the minimum of the range of the rate of return calculated in accordance with subparagraph (5)(b)2. That section of the statute contemplates that interim revenues will equal the

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difference between the required rate of return and the Company's achieved rate of return for the most recent 12-month period. Based upon our review of the Company's average achieved rate of return for 1989, we found it appropriate, on an interim basis, to increase Centel's revenues. In so doing, we made a number of adjustments to the Company's interim filing, as set forth in Order No. 23454.

In order to allow Centel the opportunity to generate additional revenues of \$1,142,672, we authorized the Company to increase its rates for basic local service for interim purposes. Centel was ordered to apply the increase uniformly across the board to Section 3, Basic Local Exchange Service rates. This resulted in a maximum rate of \$6.32 for R-1 service in the highest rate group, an increase of approximately 5.26%. Interim rates were made effective to all billings on or after September 16, 1990. The interim rates we approved are subject to refund with interest, in accordance with Rule 25-4.114, Florida Administrative Code. Pursuant to Section 364.055, the excess of the interim rates over the previously authorized rates are being collected under guarantee, subject to refund with interest. To guarantee a potential refund, Centel has provided a corporate undertaking in the appropriate amount, pursuant to Rule 25-4.114.

Customer hearings were held in this matter on August 15, 1990, in Tallahassee and on August 20, 1990, in Ft. Walton Beach. The evidentiary hearing is scheduled for October 29 through November 2, 1990, November 5, 1990, and November 7 through 9, 1990, in Tallahassee.

At the Prehearing Conference on October 15, 1990, the procedure to govern the hearing was established.

## II. TESTIMONY AND EXHIBITS

Upon insertion of a witness's testimony, exhibits appended thereto may be marked for identification. After opportunity for opposing parties to object and cross-examine, the document may be moved into the record. All other exhibits will be similarly identified and entered at the appropriate time during hearing. Exhibits shall be moved into the record by exhibit number at the conclusion of a witness's testimony.

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Witnesses are reminded that on cross-examination, responses to questions calling for a yes or no answer shall be answered yes or no first, after which the witness may explain the answer.

II. WITNESSES

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES</u>
<u>Incentive Regulation</u>			
<u>Dr. Alfred E. Kahn Direct/Rebuttal</u>	Centel	10/29	Incentive Regula- tion
<u>Dale L. Cross Direct</u>	Centel	10/29	Incentive Regula- tion/Policy
<u>William P. Montgomery Direct/Surrebuttal</u>	OPC	10/29	Incentive Regula- tion
<u>Dr. Jeffrey H. Rohlfs Rebuttal</u>	Centel	10/29	Incentive Regula- tion
<u>Dale L. Cross Rebuttal</u>	Centel	10/29	Incentive Regula- tion
<u>Accounting and Budgets</u>			
<u>*Stephen M. Bailor Direct/Rebuttal</u>	Centel	10/30	Accounting Policy & Budgeting Pro- cess
<u>*Dale L. Cross Direct</u>	Centel	10/30	Budget
<u>*Bruce A. Samuelson Direct/Rebuttal</u>	Centel	10/30	Overall Revenue Requirement
<u>*Alan D. Felsenthal Direct/Rebuttal</u>	Centel	10/30	Budgeting Process & Testing of 1991 Forecast
<u>*Robert J. Dinneen, Jr. Rebuttal</u>	Centel	10/30	Compensation Mat- ters

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<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES</u>
Thomas C. De Ward <u>Direct</u>	OPC	10/31	Accounting

\*To testify as a panel. Panel will begin on 10/30, if time permits, will continue on 10/31, and carry over to 11/1, if necessary.

Rates

Sam E. Wahlen <u>Direct</u>	Centel	11/1	Rate Design
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Testimony of the following witnesses has been stipulated into the record by agreement of all parties at the Prehearing Conference:

Cost of Capital/Capital Structure

James H. Vander Weide <u>Direct/Rebuttal</u>	Centel	Cost of Equity
Mark A. Cicchetti <u>Direct</u>	OPC	Cost of Capital & Capital Structure
Michael J. Claerhout <u>Direct/Rebuttal</u>	Centel	Capital Structure & Overall Cost of Capital

Service

Kathryn Dyal Brown <u>Direct</u>	Staff	Service
J. Alan Taylor <u>Direct</u>	Staff	Service

Rates

Mike Guedel <u>Direct</u>	AT&T	Rate Design & Incentive Regulation
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IV. BASIC POSITIONS

CENTEL'S BASIC POSITION:

Proposed Incentive Regulation Plan

Recent changes in technology and the regulatory environment have dramatically changed the conditions under which Central Telephone-Florida provides service to its customers. The introduction of fiber optic transmission and digital electronic switching, together with computerized directory assistance, operator services and repair services have resulted in lower operation and maintenance costs, higher service quality and improved satisfaction. At the same time, however, the federally mandated restructuring of the telecommunications industry has resulted in the introduction of the subscriber line charge, equal access and increasing competition among providers of telecommunication equipment and services. These changed conditions have combined to make obsolete the manner in which the Company's earnings and prices have been traditionally regulated.

The regulation of a local exchange company should encourage universal service, promote quality service at reasonable prices and provide a reasonable opportunity for the Company to earn a fair return on its investment. Regulation should also encourage economic efficiency while minimizing regulatory costs, and attempt to simulate the incentives and results of competitive markets. Regulation should reward innovation, but should not impair the Company's ability to offer new services or compete with non-regulated businesses providing products and services comparable to those offered by the Company. The current system of regulation does not meet these objectives. To meet them, Central Telephone-Florida proposes adoption of an Incentive Regulation Plan.

Central Telephone-Florida's proposed Incentive Regulation Plan is comprised of five primary components; Price-capped rates for basic and non-basic services; special treatment for switched access service, until a more favorable price to cost relationship has been achieved; an annual flow-through of exogenous factors; enhanced service commitments; and continued implementation of improved technologies to maintain service excellence at affordable prices. The term of Central Telephone-Florida's Incentive Regulation Plan would be four years (1991 through 1994).

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The Incentive Regulation Plan proposed by Central Telephone-Florida promotes economic efficiency, minimizes regulatory costs, and stimulates both service and technological innovation. In short, the Plan will provide benefits to consumers not available through traditional regulation. Traditionally, basic local service rates have been residually priced, with a significant portion of the Company's revenue requirement being covered with revenues from the Company's discretionary service offerings. As the prices for these discretionary services, e.g., toll, private line, special access, enhanced services, etc., become more market driven, the ability of the Company to preserve the current subsidy stream is seriously jeopardized. Consequently, the Company must have the pricing and earnings flexibility to market its current services and introduce new services and new technology.

Furthermore, the Incentive Regulation Plan provides an effective mechanism by which basic local service rates will remain just and reasonable over time. First, however, the rates for a variety of the Company's services, including basic local service, must be set at levels which more accurately reflect the cost of providing those services. For this reason, the Company requests that the Commission adopt the Company's proposed rate changes as an integral step in the adoption of its proposed Incentive Regulation Plan.

#### Request for Permanent Rate Relief

Central Telephone-Florida is dedicated to providing quality customer service at reasonable prices. Under present prices, however, the revenues from the Company's services will not be sufficient to cover the Company's operating costs and produce a fair rate of return on its property used and useful in serving the public. While the Company's Petition originally requested an increase of \$18,087,736, its rate increase request was revised to \$16,980,425 as shown in the rebuttal testimony and exhibits of Bruce Samuelson. The Company calculates that the present tariffed prices will earn an adjusted rate of return on average rate base of about 5.19 percent in 1991. A fair and reasonable overall rate of return for the Company is at least 9.96 percent based on a fair and reasonable 14.5 percent return on equity.

In order to afford the Company an opportunity to earn a fair rate of return and to establish a solid foundation for implementing



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the Company's Incentive Regulation Plan, the Commission should authorize additional annual net revenues from \$16,980,425. This revenue increase will bring the Company's earnings to a level which will allow it to attract capital on reasonable terms. Having established a reasonable point of departure from traditional earnings regulation, the Commission can be assured that implementation of the Incentive Regulation Plan will provide significant long-term benefits to the Company's customers.

OPC'S BASIC POSITION: The Citizens' basic position in this docket is that Centel's request for rate relief is dramatically overstated. In addition, Centel's request to restructure rates at the expense of local ratepayers is unwarranted and unsupported by the facts.

AT&T'S BASIC POSITION: AT&T does not oppose the concept of price cap regulation provided that adequate safeguards are maintained and access charges are targeted for immediate and continuing reductions. The required safeguards include:

The price for intralata toll should recover the price of access service that interexchange carriers would be required to pay if offering a similar service.

Monopoly services should not be allowed to subsidize competitive or potentially competitive services.

Tariffs filed in accordance with an LEC incentive plan should be free of unreasonable discrimination so that no customer or competitor is unfairly disadvantaged.

In addition to the safeguards, any approved plan must incorporate a mechanism to reduce and phase down access charge levels over the life of the trial. AT&T specifically recommends that the BHMOC be initially set at \$4.85 (down from the current \$6.47) and then subsequently reduced by an additional \$1.62 at each anniversary of the inception of an approved plan until all charges for the BHMOC are eliminated.

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Further, AT&T encourages Centel to move toward open network architecture (ONA) type structures to mitigate the potential ill effects of increased pricing flexibility.

FPTA'S BASIC POSITION: Centel's application raises a number of issues that are of vital importance to the pay telephone industry and all competitive telephone service providers operating in Florida. New Florida Statutes chapter 364 requires the Commission take certain actions to ensure no cross-subsidization or anti-competitive actions by a local exchange company's monopoly operations. While this proceeding is not expressly governed by new Florida Statutes chapter 364, the Commission will be establishing policies after the effective date of this new law that will affect ratepayers and competitors, and the Commission should not take any actions inconsistent with this legislation. Based upon the record presented thus far, there is no basis for changing current regulations as applied to Centel's monopoly service or those competitive services that are not provided on a fully separated basis.

MCCAW'S BASIC POSITION: McCaw's first interest is to ensure that the rates and services it purchases from Centel are properly priced and fairly offered in a nondiscriminatory manner. Centel's filing in this case indicates that it is not proposing to properly reduce cellular usage rates consistent with the requirements of Order No. 20475 (issued December 20, 1988).

The second and more critical issue of importance to McCaw is to help ensure that any incentive regulation plan adopted by the Commission for Centel is consistent with Florida law and will ensure that Centel will fairly and equally provide services to and compete with competitive carriers. Centel's proposed plan must be rejected because it fails to meet the legal requirements of Florida Statutes, Chapter 364 effective prior to October 1, 1990. Centel's plan must also be rejected because it fails to meet the requirements of Florida Statutes, Section 364.036, effective October 1, 1990. In particular, this new legislation must be the basis for the review of any alternative regulatory plan as the Florida Legislature has clearly expressed the minimum criteria for such plans, and Centel has failed to meet its burden in proving how the company fulfills these fundamental requirements. In the final analysis, it is Centel that has the burden of proof in this case, and it is not the Commission's or other parties' duties to propose

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alternative regulatory plans. Since Centel's plan fails to comply with Florida law, its plan must be rejected.

DGS'S BASIC POSITION: DGS has not filed a prehearing statement.

STAFF'S BASIC POSITION: Central Telephone Company of Florida (Centel) filed a petition on June 12, 1990, to adjust its rates and charges pursuant to Sections 364.05 and 364.055, Florida Statutes, and for approval of an Incentive Regulations Plan. Until all the evidence and testimony has been received into the record and fully evaluated, it is not possible to determine whether Centel's rates should be decreased or increased.

V. ISSUES AND POSITIONS:

ISSUE 1: Is the quality of service adequate?

CENTEL'S POSITION: Yes. The quality of service of Central Telephone-Florida is in substantial compliance with prescribed standards and is reasonably adequate as provided by law. (Cross)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Yes. The quality of service is reasonably adequate.

RATE BASE

ISSUE 2: What is the appropriate amount of Plant in Service?

CENTEL'S POSITION: As originally filed, the appropriate gross amount of intrastate test year plant in service is \$386,155,997 as shown on MFR Schedule A-2a. The amount of net plant in service will change slightly to reflect changes in the reserve resulting

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from the filing of the Company's revised depreciation study. See Issues 3 and 4. (Samuelson)

OPC'S POSITION: At this time it is Citizens' position that Centel's gross plant in service is \$386,155,997 (intrastate), although this budgeting amount may be overstated in light of historical additions to plant and potential reductions in the construction budget. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAUS POSITION: No position at this time.

STAFF'S POSITION: It appears that the retirements are understated; therefore, the plant in service is overstated. An adjustment amount has not been determined at this time.

ISSUE 3: What adjustments should be made to the depreciation reserve for the test year to reflect new depreciation rates, amortization, and recovery schedules?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

This Stipulation is intended for settlement of Docket No. 881543-TL, In re: Central Telephone Company of Florida Depreciation and for stipulation and settlement of issues relating to depreciation in Docket No. 891246-TL In re: Petition of Central Telephone Company of Florida for a Rate Increase:

1. Effective January 1, 1990 the annual total Company depreciation expense of Central Telephone-Florida shall be increased by \$2,000,000 (\$1,509,256 intrastate) to be added as a bottom line non-account specific addition to expenses derived from currently prescribed depreciation rates and amortization schedules under current orders.

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2. For purposes of setting rates using the 1991 test year, the appropriate amount of intrastate depreciation expense in 1991 which reflects the effect of the \$1,509,256 intrastate increase in depreciation expense and the removal of aircraft depreciation in the amount of \$92,204 (\$69,141 intrastate) is \$23,864,062. The total Company depreciation reserve shall be increased by \$3,000,000 (\$2,243,352 intrastate) in 1991 as a result of the stipulated increase in depreciation expense.

3. The appropriate total amount of intrastate depreciation reserve for 1991 is \$152,738,991.

4. Docket No. 881543-TL shall be closed. The Company's next depreciation study required under Rule 25-4.0175(8)(a) shall be filed during the fourth quarter of 1991 with rates proposed to be effective January 1, 1992.

5. Issues 3, 4, 24 and 24a in Docket No. 891246-TL are stipulated and Issue 23j is dropped.

6. The intent of this stipulation is to increase annual total Company depreciation expense of Central Telephone-Florida by \$2,000,000 (\$1,509,256 intrastate) as a bottom line nonaccount specific addition to expenses derived from currently prescribed depreciation rates and amortization schedules under current orders after adjustments have been made, if any, to plant in service under Issue 2. Nothing contained in the aforesaid stipulation shall prevent the Commission from adjusting the Company's plant in service, nor shall this stipulation interfere with the Commission's ability to adjust the Company's depreciation expense or depreciation reserves resulting from any specific adjustment to plant in service.

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ISSUE 4: What is the appropriate amount of depreciation reserve?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party. The contents of the stipulation are set forth in Issue 3.

ISSUE 5: What is the appropriate amount of Telephone Plant under Construction?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

The appropriate amount of intrastate test year Telephone Plant Under Construction ("TPUC") to be included in rate base (i.e., short term TPUC) is \$603,987 as shown on MFR Schedule A-2a.

ISSUE 6: What is the appropriate allocation of working capital allowance between interstate and intrastate jurisdiction?

This issue has been dropped.

ISSUE 6a: How should unearned revenues be jurisdictionally allocated for purposes of calculating test year working capital?

CENDEL'S POSITION: The unearned revenue liability account, while predominately local in nature, does contain interstate revenue billed in advance. This revenue includes interstate end user access charges, IXC special access and WATS access line billings. An analysis of this account at December 31, 1989, shows that approximately 30% of the total relates to interstate revenue billings. The Company applied a general separation percentage of about 25% in its working capital calculation. The 5% difference is immaterial and requires no adjustment. (Samuelson)

OPC'S POSITION: All unearned revenues should be allocated to intrastate. Working capital should be reduced \$640,933. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

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MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Staff agrees with the company. No adjustment is necessary.

ISSUE 7: What is the appropriate amount of working capital allowance?

CENTEL'S POSITION: As originally filed, the appropriate amount of intrastate test year working capital allowance is (\$842,088) as shown on MFR Schedule B-1b. The revised amount of intrastate cash working capital is (\$666,842). This amount is made up of the (\$842,088) shown on MFR Schedule A-2a and the net \$175,246 of adjustments summarized in the rebuttal testimony of Bruce A. Samuelson. (Samuelson)

OPC'S POSITION: Intrastate working capital allowance should be \$(4,850,553). (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: The appropriate amount of working capital allowance is as originally filed in MFR schedule B-1b, plus any adjustments from Issues 7a through 7d.

ISSUE 7a: Should deferred pension costs be removed from test year working capital?

CENTEL'S POSITION: No. The issue is not whether "cash working capital" is required but rather, whether prepaid pension costs are supported by liabilities and equity which have an associated cost. Clearly, prepaid pension costs are supported by liabilities and equity and are entitled to earn the Company's requested overall rate of return. This position is consistent with the basis tenets of the balance sheet approach to computing working capital which has been approved by the Commission and is reflected in the methodology set forth in MFR Schedule B-6c. Prepaid pension cost should also be considered in connection with the liability for other post retirement benefits. Both relate to retirement benefits

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and taken together they represent the status of all post retirement benefits. The results of this analysis show that the net impact resulting from these items is a net reduction in working capital. (Felsenthal)

OPC'S POSITION: Yes. The company has included in working capital a book amount to record the debit side of the entry associated with the recording of negative pension expense according to SFAS 87. This does not represent an outlay of funds and is an artificial asset and thus there is no associated working capital requirement. Working capital should be reduced \$3,421,844. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: Recognition of negative pension expense results in a working capital component.

ISSUE 7b: How should directory receivables (both long term and short term) be treated in test year working capital?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

Intrastate working capital should be reduced by \$1,214,031 to remove the long-term CenDon directory receivable from working capital. However, working capital should be increased by \$197,057 due to an increase in short-term directory receivable. The net effect of these adjustments is to reduce working capital by \$1,016,974.

ISSUE 7c: Should unamortized rate case expense be allowed in test year working capital? If so, in what amount?

CENDEL'S POSITION: Yes. Rate case expense has always been recognized as a valid expense reasonably incurred as part of the regulatory process. Under the current form of regulation in



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Florida, the Company can only adjust its local service rates to proper levels through the general rate case process. Because the Company has expended these dollars from investor-supplied funds within the framework of the regulatory process and a portion of these dollars remain unrecovered, the investment is properly included in the working capital calculations. The Company does agree however that the 1991 level of unamortized rate case expense in the MFRs should have included the amortization in expense for 1991. Additionally, since this filing is intrastate in nature, no part of deferred rate case expense should be allocated to the interstate jurisdiction as was done in the original filing. The impact of these adjustments will increase the overall balance of unamortized rate case expenses for 1991 by \$179,113. (Samuelson)

OPC'S POSITION: It has long been the Citizens' position that ratepayers should not be required to pay for return on rate case expense in addition to a four year amortization of the expense. Working capital should be reduced \$1,090,941. In the alternative, the Commission should ensure that Centel does not receive return on the unamortized balance of rate case expense. The average balance should be utilized if a return is to be given. This would reduce working capital by \$545,470 if the alternative is followed. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: It is staff's position at this time that the Company should at least use the average balance of the unamortized rate case expense, thus reducing the intrastate working capital by \$545,470.

ISSUE 7d: Should working capital reflect the impact of the three amortization adjustments proposed by the Company, as well as the increase in post-retirement expense?

This issue has been partially stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

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The impact of the amortization of the Revenue Accounting Center closing costs (Issue 23a) and COPRS (Issue 23b) should be included in working capital. These adjustments increase intrastate working capital by \$157,836 and \$733,562 respectively for a total increase of \$891,398. The working capital impact of Arthur Andersen costs (Issue 23g) and the increase in post retirement expense (Issue 23l) should be considered after the resolution of Issues 23g and 23l.

CENDEL'S POSITION: Yes. The impact of the amortization of COPRS costs, the Revenue Accounting Center closing costs, and Arthur Andersen costs should be included in working capital. Also, the impact of the increase in post-retirement expense impact on working capital should be included. These adjustments increase intrastate working capital by \$1,013,106. (Samuelson)

OPC'S POSITION: No further position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No further position at this time.

ISSUE 8: What is the appropriate test year rate base?

CENDEL'S POSITION: As originally proposed by the Company, the appropriate amount of intrastate test year rate base is \$231,250,555 as shown on MFR Schedule A-2a. The Company's proposed revised intrastate test year rate base is \$231,391,029 as shown in Mr. Samuelson's rebuttal testimony and rebuttal exhibit (BAS-2). (Samuelson)

OPC'S POSITION: At this time, Citizens' witness Tom DeWard testifies that the adjusted intrastate rate base should be \$226,160,977. (DeWard)

AT&T'S POSITION: No position at this time.

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FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: The appropriate test year rate base is the net amount of Issues 2, 4, 5 and 7.

COST OF CAPITAL

ISSUE 9: What specific adjustments should be made to Accumulated Deferred Income Tax?

CENDEL'S POSITION: None. As originally filed, the appropriate test year intrastate balance of Accumulated Deferred Income Taxes is \$46,072,298 as shown on MFR Schedule A-2c (Company method). (Claerhout, Samuelson)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: The final amount of intrastate Accumulated Deferred Income Taxes will depend on the rate base determined in Issue 8, the deferred tax effects of adjustments to revenues and expenses, and the reconciliation of rate base and capital structure.

ISSUE 10: What specific adjustments should be made to Accumulated Investment Tax Credits?

CENDEL'S POSITION: None. As originally filed, the appropriate amount of intrastate test year Accumulated Deferred Investment Tax Credit is \$4,188,040 as shown on MFR Schedule A-2c (Company method). (Claerhout, Samuelson)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

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FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: The final amount of intrastate Accumulated Deferred Investment Tax Credits will depend on the rate base determined in Issue 8, the depreciation rates determined in Issues 24 and 24a; and the reconciliation of rate base and capital structure.

ISSUE 10a: What cost rate should be associated with Investment Tax Credits?

CENDEL'S POSITION: The appropriate cost rate for ITCs is 12.46%. No adjustment for the parent debt effect of the equity component of ITCs was made because of the minor impact of this adjustment. If a parent company debt adjustment is made to the equity component it would also affect the interest expense in the tax calculation, not the cost rate in the capital structure. Consequently if Staff's proposed adjustment is made it should also be made as part of the parent company debt adjustment in Issue 26.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: The ITC cost rate should be adjusted for the parent debt effect of the equity component of the ITCs.

ISSUE 11: Should customer deposits be allocated 100% to intra-state?

This issue has been dropped.

ISSUE 12: What is the cost of common equity capital?

CENDEL'S POSITION: The cost of common equity is 14.50% as established in the prefiled direct testimony of Dr. Vander Weide. (Vander Weide)

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OPC'S POSITION: As recommended by Citizens' witness Mark Cicchetti, Centel's rates should be set utilizing a return on equity of 12.15%. (Cicchetti)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: The cost of common equity capital if 12.80%.

ISSUE 13: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year 1991?

CENTEL'S POSITION: The weighted average cost of capital is 9.96% as shown on MFR Schedule A-1a (Company method). (Samuelson, Claerhout, Vander Weide) The proper components, amounts and costs rates are as follows:

<u>Class of Capital</u>	<u>Cost of Capital Dollars</u>	<u>Requested Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long-term Debt	\$ 64,316,412	27.81%	9.08%	2.52%
Short-term Debt	3,492,333	1.51%	9.00%	0.14%
Preferred Stock				
Customer Deposits	623,990	0.27%	7.64%	0.02%
Common Equity	112,557,483	48.67%	14.50%	7.06%
Tax Credits-Zero Cost				
Tax Credits-Wtd. Cost	4,188,040	1.81%	12.46%	0.23%
Accum Deferred Income				
Taxes-Zero Cost	46,072,298	19.92%		
Other				
Total	<u>\$231,250,555</u> =====	<u>100.00%</u> =====		<u>9.96%</u> =====

OPC'S POSITION: The weighted average cost of capital is 8.67%.

AT&T'S POSITION: No position at this time.

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FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: The weighted average cost of capital is 9.09%.

ISSUE 13a: Is Centel's proposed capital structure reasonable and prudent?

CENTEL'S POSITION: Yes. The Company's proposed capital structure is reasonable and prudent. The Company's test year common equity ratio is reasonable for Central Telephone-Florida in a capital-intensive industry. It is also consistent with comparable companies in the telephone industry. Because Central Telephone Company-Florida's cost of capital depends directly upon the risks it faces as a separate business, it is appropriate to use the Company's actual capital structure for the test year. (Claerhout)

OPC'S POSITION: No. Centel's equity ratio should be adjusted (for ratemaking purposes only) to 57% of investor capital. (Cicchetti)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: Centel's proposed capital structure, which consists of 62% equity and 38% debt as a percentage of investor-supplied capital, appears unreasonable when compared to the parent company's capital structure which consists of 44% equity and 56% debt.

#### NET OPERATING INCOME

ISSUE 14: Are all the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the forecast?

This issue has been dropped.

ISSUE 15: What is the appropriate test year revenues?

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CENTEL'S POSITION: This is a fall out issue. As discussed in issue 15a, no adjustment to the test year revenues is appropriate. The appropriate test year intrastate revenues, as originally proposed by the Company, are \$109,115,375 as shown on MFR Schedule A-2b (Company method). (Samuelson)

OPC'S POSITION: No position at this time since this is a fallout issue; however pursuant to issue 15(a), test year local revenue should be increased \$1,943,250. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: The appropriate amount of test year revenue depends on Issue 15a.

ISSUE 15a: Should Centel discontinue debiting local revenues and credit interstate revenues for the difference between Centrex trunk equivalency charge and the per line subscriber line charge? If not, what is the adjustment to test year local revenues?

CENTEL'S POSITION: No. The Company should continue to debit local revenues and credit interstate revenues for the difference between Centrex trunk regulatory charges and the per line subscriber line charge. This accounting treatment is necessary to ensure that interstate revenues are reported properly. (Cross)

OPC'S POSITION: No. Test year local revenue should be increased by \$1,943,250. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: Agree with Public Counsel since the current practice requires intrastate ratepayers to subsidize an interstate charge.

MCCAW'S POSITION: Agree with Public Counsel since the current practice requires intrastate ratepayers to subsidize an interstate charge.

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STAFF'S POSITION: No position at this time.

ISSUE 16: Are equal access costs properly allocated between intrastate and interstate jurisdictions?

This issue has been dropped.

ISSUE 17: Should the 20% meal and entertainment exclusion for IRS purposes be disallowed for ratemaking?

This issue has been dropped.

ISSUE 18: Have all legislative lobbying and political action committee related expenses been removed from regulated expenses?

This issue has been dropped.

ISSUE 19: Should all meals and entertainment expenses related to public relations and image building efforts be removed from regulated expenses?

This issue has been dropped.

ISSUE 20: Did all expenses relating to Centel Classic and Western Professional Golf Tournaments get removed from the operating expenses?

This issue has been dropped.

ISSUE 21: What is the appropriate adjustment to operating and maintenance expense for advertising, if any?

This issue has been dropped.

ISSUE 22: What is the appropriate amount of rate case expense?

CENDEL'S POSITION: As originally filed, the total intrastate rate case expense of \$1,451,491 should be amortized to cost of service over a 4-year period, and the correct amount of rate case expense in the 1991 test period is \$362,873. (Samuelson)

OPC'S POSITION: Rate case expense should be reduced by at least \$75,962 to remove Arthur Anderson's fees related to an overall



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system-wide budget revision process. Other adjustments may be warranted after further discovery. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: At this time, it is staff's position that the intrastate rate case expense shown in MFR Schedule C-20a should be amortized over a 4-year period.

ISSUE 23: What is the appropriate amount of test year operating and maintenance expense?

CENTEL'S POSITION: As originally filed, the appropriate amount of intrastate test year operating and maintenance expense is \$92,680,729 as shown on MFR Schedule A-2b. The revised appropriate amount of intrastate test year total operating expense is \$92,041,913. This amount is made up of the \$92,680,729 shown on MFR Schedule A-2b (Company method) and the adjustments of (\$638,816) shown in the rebuttal testimony of Bruce A. Samuelson and Exhibit BAS-2. This is a summary issue, the result of which is dependent on the resolution of other issues. (Samuelson)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: The appropriate amount of test year O & M expense depends on the series of issues in Issue 23.

ISSUE 23a: What is the Centel-Florida's portion of the savings from the Virginia Data Center consolidation and how should it be treated in the test year?

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This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

A total Company adjustment of \$60,844 should be made to increase expenses for the amortized cost of closing the revenue accounting center together with an offsetting adjustment of \$313,000 to decrease expense for the savings associated with the same, for a net \$252,156 decrease to expense. The net intrastate amount is \$179,548. The appropriate working capital adjustment should be made also. (See Issue 7d)

ISSUE 23b: What is the proper rate making treatment of COPRS costs and savings?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

The anticipated total cost of COPRS of \$4,583,000 should be recovered ratably over a four year period beginning January 1, 1991. This results in a \$1,145,000 annual charge to expense. The savings from the project are already in the revenue requirement calculation. This adjustment decreases total Company test year expenses by \$715,250. The intrastate expense decrease is \$544,970. The appropriate working capital adjustment should be made as well. (See Issue 7d)

ISSUE 23c: Should Centel's method of accounting for retirement benefits be approved?

CENTEL'S POSITION: Yes. While Public Counsel correctly notes that the effective date for the proposed FASB pronouncement on post-retirement benefits has been delayed until fiscal years beginning after December 15, 1992, Public Counsel has failed to recognize that early adoption of the pronouncement is encouraged. Further, whether or not the exposure draft becomes effective now or in 1992,

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the FASB concluded as far back as 1982 that post-retirement benefits should be accounted for using the accrual method of accounting. The Company's proposed accounting treatment for post-retirement benefits is consistent with the intent of the FASB and sound ratemaking practices. The Citizens' proposed adjustments for post-retirement benefits should be rejected. (Bailor)

OPC'S POSITION: The company has assumed the FASB pronouncement on post retirement benefits would be effective in 1991. The current exposure draft has been delayed until years beginning after December 15, 1992. Test expense should be reduced by \$1,005,220. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: Post-retirement benefits should be accounted for on the accrual basis. The basis of the expense should be reasonable.

ISSUE 23d: Should the accrued bonuses proposed by Centel be allowed as a test year expense?

CENDEL'S POSITION: Yes. The accrued bonuses (short-term incentives) proposed by the Company are part of the Company's carefully tailored, market-based employee compensation program. This corporate program enables the Company to attract and retain highly qualified people. The Company's proposed short-term incentives, taken in the context of the Company's overall compensation package and expenses, are reasonable, prudent, and necessary. (Dinneen)

OPC'S POSITION: Customers should not have to bear the cost of controllable accrued bonuses, with no certainty that actual payments will be made. Centel's proposed test year intrastate accrued bonuses of \$1,111,803 should be disallowed for ratemaking purposes. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

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MCCAUS POSITION: No position at this time.

STAFF'S POSITION: Staff agrees with OPC's adjustment to decrease intrastate expense for accrued bonuses. The ratepayers should not bear the cost of Centel's bonuses, especially during the time when the Company claims that it is in financial difficulties.

ISSUE 23e: Should projected stock option expenses and incentive deferred compensations plans expenses be allowed as test year expenses?

CENDEL'S POSITION: Yes. The projected stock option expenses and incentive deferred compensation plans expense are part of the Company's carefully tailored, market-based employee compensation program. This compensation program enables the company to attract and retain highly qualified people. These expenses, considered in the context of the Company's overall compensation expenses are reasonable, prudent, and necessary. (Dinneen)

OPC'S POSITION: Because the company's proposed accruals for IDCP stock option plans are speculative and not known and measurable it is inappropriate to include such expense in the projected test year. Test year expense should be reduced by \$551,234. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAUS POSITION: No position at this time.

STAFF'S POSITION: Staff agrees with OPC's adjustment to decrease intrastate expense for stock option expenses and incentive deferred compensation plans. This expense is an unquantifiable expense and thus, should not be in the projected test year.

ISSUE 23f: Should the Okaloosa County fiber span lease costs be removed from test year expense?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

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A total Company adjustment of \$202,551 should be made to reduce expense for leasing cost associated with the Okaloosa County fiber span expected to be completed in 1991. The intra-state amount is \$151,195.

ISSUE 23g: What level of Arthur Anderson fees (including rate case expense) should be allowed in test year expenses?

CENTEL'S POSITION: The level of Arthur Anderson fees which should be allowed in test year expenses is a total of \$298,550. Of this total, \$101,750 is rate case expense and \$196,800 is Florida's allocation of other Arthur Andersen fees. The rate case expenses represent the fee for designing the methodology for preparing MFRs, reviewing the MFR package, testing the reasonableness of assumptions, responding to discovery requests and preparation of testimony. Florida's allocated portion of the \$1.2 million of other Arthur Andersen fees is \$196,800. This amount should not be removed because costs of these type are recurring. Alternatively, the company proposes to include a total of \$184,092 in test year expenses. Of this total, \$101,750 is rate case expenses and \$82,342 is Florida's allocation of other Arthur Andersen fees. Under its alternative proposal, the Company proposes to accumulate the total costs of the budget process review and recover it ratably over a four-year period concurrent with the term of the Company's proposed incentive regulation plan. Under this alternative, an adjustment to decrease intrastate test year expenses by \$114,458 ( $\$298,550 - \$184,092 = \$114,458$ ) is appropriate. In either case, the Citizens' proposed adjustment should be rejected. If the Company's alternative adjustment is made, the appropriate working capital adjustment should be made as well. (Bailor)

OPC'S POSITION: Florida's allocated portion of the \$1.2 million dollar Arthur Anderson fees for 1991 should be removed because it is nonrecurring. In addition to the adjustment made for rate case expense, test year expense should be reduced by an additional \$99,441. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

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STAFF'S POSITION: According to Bailor's rebuttal testimony, there were three phases to the designing and implementing of the new budget system. The first two phases were completed in 1990; therefore, were not included in 1991 budget as this is a 1990 one-time cost. The last phase which is at issue is scheduled to be completed in 1991. It is staff's position that this is also a one-time cost thus should not be included in 1991 budget. Intrastate expense should be reduced by \$146,922.

ISSUE 23h: Should miscellaneous affiliate cost allocations such as, holiday parties, company picnics, and kids day; Morgan Stanley fees; year end gifts to the employees; and certain legal services be disallowed for rate making purposes?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

Central Telephone-Florida shall make an adjustment of \$80,000 intrastate to disallow certain Morgan Stanley fees and other miscellaneous affiliate cost allocations for rate-making purposes.

In addition, an adjustment of \$1,018,500 on a total Centel Corporation basis to reduce certain legal expenses relating to cases not applicable to Central Telephone-Florida is appropriate. The proper amount for Central Telephone-Florida is contingent on the allocation factors determined in conjunction with Issue 28a.

ISSUE 23i: Should test year pension expense be adjusted to reflect changes in the actuarial assumptions?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

Test year pension expense should be adjusted to reflect changes in actuarial assumptions. The correct adjustment to reflect these chang-

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es is to increase the credit to total Company pension expense by \$45,494. The intrastate increase to the pension credit is \$32,425.

ISSUE 23j: What adjustment, if any, should be made to Operating and Maintenance Expense to reflect expenses associated with the filing, defending, and correcting the depreciation study in Docket No. 881543-TL?

This issue has been stipulated pursuant to the stipulation set forth in Issue 3.

ISSUE 23k: Should the impact of the six Arthur Andersen "Proposed Adjusting Journal Entries" be included in this filing?

CENTEL'S POSITION: As a result of Arthur Andersen & Co. review of the Company's budget for this filing six "proposed adjusting journal entries" were identified. OPC seeks to reduce the Company's revenue requirements by adjusting only those items which reduce revenue requirements. Central Telephone-Florida asserts that either all or none of these adjustments should be made. The Company's primary position is that all of these adjustments should be made. The total impact on expense is the sum of the adjustment, shown in Samuelson's Rebuttal Exhibit (BAS-1), Document 5, lines 10 through 14 and 33. In the alternative because they have little effect on total test year expenses, none of the adjustments should be made. (Samuelson)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 23l: Should the cumulative impact of the changes to the test year budget that were discovered after the initial filing be included in test year expense?

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CENDEL'S POSITION: Yes. These adjustments are discussed in Samuelson's rebuttal testimony and shown in Samuelson's Rebuttal Exhibit (BAS-2), Document 4, lines 22, 23, and 25 through 29. The working capital impact of the adjustment correcting post-retirement benefits expense should be considered as well. (Samuelson)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: The adjustment amount cannot be determined at this time due to outstanding 6th Set of Staff's Interrogatories.

ISSUE 23m: Should an adjustment be made for corporate philanthropy costs?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

An additional total Company adjustment of \$16,312 should be made to remove the portion of corporate philanthropy costs inadvertently left in the original filing as shown on Document 5, line 30 of Samuelson's Rebuttal Exhibit. The intrastate amount is \$11,155.

ISSUE 23n: Should certain expenses relating to employee relocation be disallowed for ratemaking purposes?

CENDEL'S POSITION: Centel's moving expense reimbursement policy for transferred employees allows the Company to take advantage of the qualifications of employees who are located outside the immediate geographic constraints of the local operating unit. This allows the Company to promote and assign individuals wherever opportunities arise systemwide, thus enhancing the employees' skills and abilities to provide service.



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In order to attract employees to accept transfers, particularly those who are homeowners, it is reasonable to assist with the potentially high financial burdens it would impose on such employees and their families if Centel did not provide assistance with the expenses associated with the sale of the old residence and the purchase of a new residence. The 4% relocation allowance as part of the relocation program covers other miscellaneous expenses incurred as a result of the relocation, such as new motor vehicle license and registration fees; cleaning of rugs, carpeting, drapes and curtains; cost of rewiring or plumbing for appliances; etc. -- expenses that would not have been incurred had employees not moved at the Company's request.

The \$38,268 Central Telephone-Florida total Company amount of moving expense included in the test year is well below the actual 1989 intrastate amount (\$213,634) and is significantly below the historic annual average intrastate amount for the last four years (\$117,052).

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: Yes. It is Centel's corporate practice to absorb the following expenses relating to employee relocation: closing costs on the purchase of new residence; certain expenses associated with the selling of the old residence; 4% of annual salary; and direct moving expense. It is staff's position that any employee relocation expenses absorbed by the Company other than the direct moving expense should be disallowed for ratemaking purposes because those expenses provide no benefits to the ratepayers.

ISSUE 230: Is the projected salary expense appropriate for the test year?

CENTEL'S POSITION: Yes.

OPC'S POSITION: The Citizens believe the 7% automatic increase for exempt employees is too high.

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AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No. Staff believes that salary increases for the exempt employees in excess of the Company's assumed CPI of 5% are inappropriate.

ISSUE 24: What is the appropriate amount of depreciation expense for test year to reflect new depreciation rates, amortization and recovery schedules approved in Docket No. 881543-TL?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party. The contents of the stipulation are set forth in Issue 3.

ISSUE 24a: Should depreciation and amortization expense be adjusted to replace the company's budgeted amounts with the amounts contained in the staff's August 1990 recommendation?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party. The contents of the stipulation are set forth in Issue 3.

ISSUE 25: What is the appropriate amount of taxes other than income tax for the test year?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

The appropriate amount of intrastate test year taxes other than income taxes is \$4,493,993 (see MFR A-26) plus \$27,541 for the increase in regulatory assessment fee. [Note this amount is calculated as follows: \$110,162,819 (see MFR C-1a Column 4, line 1) x .00025 (change in regulatory assessment fee) = \$27,541 intrastate expense increase.]

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ISSUE 26: What is the appropriate amount of parent company debt adjustment?

CENDEL'S POSITION: Total income tax expense should be reduced by \$624,585 (intrastate) to reflect the effect of parent company debt.

It is not appropriate to include a state income tax impact in the parent company debt adjustment as proposed by Staff. The debt that generates the interest expense in this adjustment is not debt of Central Telephone Company-Florida. It is debt of the Company's parent, Central Telephone Company, and grandparent, Centel Corp. There should be a federal income tax impact to this adjustment because interest expense is deductible for federal income tax no matter where it is generated. However, none of it is deductible for Florida state income tax purposes because it is generated by companies that do not do business in Florida. Neither of these companies or Central Telephone Company-Florida is able to deduct this interest for Florida state income tax purposes. Therefore Staff's proposed adjustment is inappropriate. (Samuelson)

OPC'S POSITION: This is a fallout issue.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: The adjustment should reflect both the federal and state income tax rates.

ISSUE 27: What is the proper amount of income tax expense?

CENDEL'S POSITION: The proper amount of intrastate test year income tax expense is \$22,247 (intrastate). (Samuelson)

OPC'S POSITION: This is a fallout issue.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

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STAFF'S POSITION: No position at this time.

ISSUE 28: Is Centel's cost allocation procedure appropriate?

This issue has been dropped.

ISSUE 28a: Should test year O&M expense be adjusted to eliminate the increased corporate expense allocations caused by the sale of Centel Business Systems?

CENTEL'S POSITION: No. As long as the organization retains its significant, core businesses, changes in the sizes or numbers of other, less significant businesses, such as the sale of a single business unit like Centel Business Systems, do not significantly affect the level of corporate service costs. It is, therefore, inappropriate to assume that corporate service costs will decline as a result of the sale of Centel Business Systems. Accordingly, test year O&M expenses should not be adjusted to eliminate the effect on corporate allocation caused by the sale of Centel Business Systems. (Bailor)

OPC'S POSITION: Yes. Centel has not justified why the generally allocated costs increased because of this sale. Test year expenses should be reduced by \$558,170 (intrastate). (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: Disposition of a competitive business does not constitute sufficient justification for increased costs to be allocated to the monopoly operations.

MCCAW'S POSITION: Disposition of a competitive business does not constitute sufficient justification for increased costs to be allocated to the monopoly operations.

STAFF'S POSITION: The allocated corporate service costs are not directly attributable to a specific business unit. However, if Centel takes into consideration the potential sale of Business Systems, then the company also needs to consider the potential acquisitions of other operations as well. Since this process is difficult to quantify, it is staff's position that the 1990 factor of 11.1% be applied to Florida as the appropriate allocation

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percentage for the test year expense. The adjustment amount has not been determined at this time.

ISSUE 28b: Should Information Systems incentive deferred compensation plan costs be allocated to Florida?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

A total company adjustment of \$48,640 is necessary to reduce test year expenses for benefits applicable to another operating unit of Centel Corporation, Information Systems, which were inadvertently included in Central Telephone-Florida's cost of service. The intrastate amount is \$34,373.

ISSUE 28c: Should special executive compensation and pension benefits be allocated to Florida?

CENTEL'S POSITION: Yes. These costs are part of the Company's total market-based compensation package. This compensation package enables Centel to attract and retain highly qualified people. The Company's compensation package and expenses are reasonable, prudent and necessary. (Dinneen)

OPC'S POSITION: No. Intrastate expense should be reduced by \$54,906. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No. Staff agrees with OPC's adjustment. See Issues 23d and 23c.

ISSUE 28d: Should Centel's 1991 budgeted expenses be adjusted for the revised general allocator and the adoption of an exception time reporting methodology?

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This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

An adjustment to reduce expenses for the adoption of the exception time reporting and a revised method of allocating centrally-managed costs should be made. On a total Central Telephone Company of Florida basis, the amount of the adjustment is a \$122,410 decrease to test year expenses, using the Company's allocation factor. The proper amount for Central Telephone-Florida is contingent on the allocation factor determined in conjunction with Issue 28a.

ISSUE 28e: Should allocated corporate community relations be removed from the test year expenses?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

An adjustment should be made to decrease expenses for costs related to Central Corporation's community relations department. On a total Centel Corporation basis, the amount of the adjustment is a \$1,516,953 decrease to test year expenses. The proper amount for Central Telephone-Florida is contingent on the Central Telephone-Florida allocation factor determined in conjunction with Issue 28a.

ISSUE 28f: Should aircraft depreciation be removed from test year expenses?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

A total Company adjustment of \$92,204 to reduce expense for depreciation on corporate aircraft and a total Company adjustment of

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\$11,520 to reduce expense to cost of insurance on corporate aircraft should be made. The intrastate amounts are \$69,141 and \$8,239 respectively.

ISSUE 29: What services, if any, which Centel treats as non-regulated should be considered as regulated services?

CENTEL'S POSITION: None. (Cross)

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Staff believes that there are two services which Centel treats as nonregulated that should be considered as regulated services: Voice Mail and Marketing Services. Refer to Issue 90 for Staff's position on Voice Mail service. Revenues and expenses associated with AT&T Marketing Services should be treated above-the-line.

ISSUE 30: What is the appropriate amount of net operating income?

CENTEL'S POSITION: As originally filed, the Company's intrastate adjusted net operating income is \$12,007,243 as shown on MFR Schedule A-2e (Company method). The Company's revised intrastate adjusted net operating income is \$12,557,223 as shown in the rebuttal testimony of Bruce A. Samuelson and his Rebuttal Exhibit (BAS-2). (Samuelson)

OPC'S POSITION: This is a fallout position, however at this time Citizens' witness DeWard supports a test year NOI of at least \$17,596,888 (intrastate). (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

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STAFF'S POSITION: The appropriate amount of net operating income depends on Issues 15, 23, 24 and 27.

ISSUE 31: What is the appropriate expansion factor?

This issue has been stipulated by Centel, OPC and Staff, without objection from any other party, as follows:

The appropriate revenue expansion factor is 1.617665.

#### REVENUE REQUIREMENT

ISSUE 32: What is the final amount of interim increase? What should be disposition?

CENTEL'S POSITION: The interim increase of \$1,142,672 in additional annual revenues should be affirmed in the final order. (Samuelson)

OPC'S POSITION: Centel's maximum revenue deficiency is \$3,253,038, pending other adjustments. (DeWard)

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 33: What is the appropriate amount of the revenue increase/decrease for the test year?

CENTEL'S POSITION: The amount of the revenue increase for the test year is \$18,087,736 is shown on MFR Schedule A-1a (Company method). However, the Company has revised its request to \$16,980,425 as shown on Document 3 of Mr. Samuelson's Rebuttal Exhibit (BAS-2). (Samuelson)

OPC'S POSITION: This is a fallout issue, however, the maximum revenue increase allowable would be \$3,253,038. (DeWard)



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AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

RATE DESIGN AND TARIFF CHANGES

ISSUE 34: Centel's proposed revenues are based on projected units. Is the method Centel used to develop the projected units appropriate?

CENTEL'S POSITION: Yes. Central Telephone-Florida's unit forecasts were based on historical trends, economic condition projections, planned marketing programs, technology changes, and specific knowledge of the customer. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 35: What general approach, considering accuracy and methodology of cost studies, value of service, competition, universal service goals, etc., should be used in changing rates to produce the approved revenue requirement?

CENTEL'S POSITION: Basic services should undergo rate changes that reflect both the value of service, as in changes in rate groupings, and the cost of service, as reflected in the overall increases in basic local service rates and the proposed decrease in the BHMOC element of switched access service.

Non-basic services should be priced based on market conditions to yield the maximum possible overall contribution to revenues and common costs. (Wahlen)

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OPC'S POSITION: Because the local rate is the one rate every customer must pay just to have telephone service, the Commission should strive to maintain current reasonable local rates.

AT&T'S POSITION: As we move into an environment where elements of long time monopoly provided services are becoming competitive and where monopoly items are being offered in conjunction with competitive items by the local exchange companies, elemental cost becomes an increasingly important rate-making criteria. In other words, rates charged for a particular service should reflect the underlying costs incurred in providing the service. Further, when monopoly provided elements are offered in conjunction with competitive elements, the Commission must ensure that those monopoly items are offered to customers free of discrimination with respect to price, terms and/or availability. It would be inappropriate for a service provider to distort or influence a competitive market through discriminatory pricing of monopoly provided services.

FPTA'S POSITION: In making pricing decisions in this docket, the Commission should be guided by the policies embodied in the revised Florida Statutes, Chapter 364, that takes effect on October 1, 1990. Although the new legislation does not expressly govern these proceedings, the rate decisions rendered in this case may govern the company and its ratepayers for approximately the next four years, and there is no bar under the current law to consideration and evaluation of the Centel proposals in light of the requirements set forth in the law that will govern at the conclusion of this rate case. To the extent consistent with universal service goals, access charges and other charges which are substantially in excess of cost should be reduced. For those services priced below cost, the prices should be increased with competitive services priced not less than cost plus some equitable share of overhead.

MCCAW'S POSITION: In making pricing decisions in this docket, the Commission should be guided by the policies embodied in the revised Florida Statutes, Chapter 364, that takes effect on October 1, 1990. Although the new legislation does not expressly govern these proceedings, the rate decisions rendered in this case may govern the company and its ratepayers for approximately the next four years, and there is no bar under the current law to consideration and evaluation of the Centel proposals in light of the requirements set forth in the law that will govern at the conclusion of this

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rate case. To the extent consistent with universal service goals, access charges and other charges which are substantially in excess of cost should be reduced. For those services priced below cost, the prices should be increased with competitive services priced not less than cost plus some equitable share of overhead.

STAFF'S POSITION: Staff's preliminary position is that rates and charges for basic local service should be set after rates and charges for all other services have been set. Thus, staff recommends that the Commission continue its policy of residually pricing basic local service. Cost studies, where available and determined reasonable, should be used as one input in pricing decisions. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. Specific rates for basic local service should then be set based on costs, if available and reasonably determined, relative usage, value of service, and social goals such as universal service.

ISSUE 36: Is the Company able to reconcile billing units revenue to booked revenue for 1989? If not, should any adjustment be made to recognize the inability to reconcile billed and booked revenue?

This issue has been dropped.

ISSUE 37: The Company has proposed no changes to its employee concessions. Are the current employee concessions appropriate?

This issue has been dropped.

ISSUE 38: Have the billing units for employee concessions been accounted for properly?

This issue has been stipulated by Centel and Staff, without objection from any other party, as follows:

Yes, the billing units for employee concessions have been properly accounted for in Schedule E1a.

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ISSUE 39: Centel has proposed no changes to its Directory Assistance services. Is this appropriate?

CENDEL'S POSITION: Yes. The current \$.25 price for local directory assistance reflects industry standard prices and covers costs. (Whalen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: Rates should be increased to place greater costs on the cost causers.

ISSUE 40: Centel has proposed no changes in the rates for Local Operator Assistance as shown below. Is this appropriate?

	<u>Present</u>	<u>Proposed</u>
Paystation Person to Person	\$2.50	\$2.50
Paystation Credit Card	1.00	1.00
Paystation All Other	1.00	1.00
Busy Verification	.35*	.35
Emergency Interrupt	.75*	.75
* approved effective 07-31-90 (T90-233)		

CENDEL'S POSITION: Yes. The present rates for all of these services are the same as the proposed rates. The busy verification and emergency interrupt were just approved by the Commission. (Whalen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

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STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 41: Centel has proposed changes in the rates for directory listings as shown below. Are the proposed rate appropriate?

	<u>Present</u>	<u>Proposed</u>
Business Additional Listings	\$1.00	\$1.25
Residential Additional Listings	.75	1.25
Business Alternate Listing	1.00	1.25
Residential Alternate Listing	.75	1.00
Add'l. Business List Each Line	1.00	1.25
Non-listed service	1.20	1.60
Non-published service	1.50	2.00
Res. Listing Foreign Exchange	.75	1.25
Bus. Listing Foreign Exchange	1.00	1.25
Hours of Service Listing	1.00	1.25

CENTEL'S POSITION: Yes. These increases are based upon an analysis of prices being charged in other markets for the same services. Moreover, these services have not been repriced for several years. Even with these modest changes, the overall increase to customers requiring these services is minimal. These increases will help to meet the overall revenue requirement. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribu-

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tion levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 42: Centel has proposed changes in the rates for Custom Calling Features as shown below. Is this appropriate?

Individual Services, per C. O. lines equipped.

	<u>Present</u>	<u>Proposed</u>
Call forwarding		
Residential	\$ 1.50	\$ 2.25
Business	1.50	2.25
Three-Way Calling		
Residential	1.75	2.25
Business	1.75	2.25
Call Waiting		
Residential	2.25	2.25
Business	2.25	2.25
Speed Calling-8 Code Type		
Residential	1.50	2.25
Business	1.50	2.25
Speed Calling-30 Code Type		
Residential	2.50	2.50
Business	2.50	2.50
Enhanced Call Waiting		
Residential	\$ 2.50	\$ 2.50
Business	2.50	2.50

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	<u>Present</u>	<u>Proposed</u>
Calling Forward Busy/No Answer		
Residential	1.50	1.50
Business	1.50	1.50
Call Forward Three Way Calling, Call Waiting and Speed Calling (8 Code)		
Residential	5.25	6.30
Business	5.25	6.30
Call Forwarding, Three Way Calling, Call Waiting and Speed Calling (30 Code)		
Residential	6.75	6.75
Business	6.75	6.75
Call Forwarding, Call Waiting and Speed calling (8 Code)		
Residential	4.00	5.00
Business	4.00	5.00
Call Forwarding, Call Waiting and Speed Calling (30 Code)		
Residential	5.25	5.00
Business	5.25	5.00
Call Forwarding, Call Waiting, Three Way Calling		
Residential	4.00	5.00
Business	4.00	5.00
Call Forwarding, Call Waiting		
Residential	3.00	3.60
Business	3.00	3.60

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	<u>Present</u>	<u>Proposed</u>
Call Forwarding, Three Way Calling, Enhanced Call Waiting, Speed Calling (8 Code)		
Residential	5.50	5.50
Business	5.50	5.50

CENTEL'S POSITION: Yes. These are increasingly popular discretionary services and will support some price increase, thus providing increased contribution to common costs to help keep basic service rates low. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 43: Centel has proposed no changes to the following offerings contained in its Miscellaneous Service arrangements tariff. Is this appropriate?

1. Hot Line Service
2. Time and Charges Reporting
3. Magnetic Tape Billing
4. Billed Number Screening
5. Permanent Trap & Trace Maintenance

This issue has been dropped.



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ISSUE 44: Centel has proposed to restructure and increase the Extension Line Mileage and Tie Line rates contained in its Miscellaneous Service Arrangement tariff. Is this appropriate?

CENTEL'S POSITION: Yes. It is the Company's goal to align its local private line service structure and rates with Southern Bell's intraLATA interexchange private line service to bring uniformity to the intraLATA market. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 45: Centel has proposed increases to various items provided under the Special Service Arrangements subsection of its Miscellaneous Service Arrangements tariff. Is this appropriate?

This issue has been dropped.

ISSUE 46: Centel has proposed changes in the rates for Touch Calling as shown below. Is this appropriate?

	<u>Present</u>	<u>Proposed</u>
Residence	\$1.00	\$1.25
Business Key	1.00	1.25
Trunks	4.00	4.25

CENTEL'S POSITION: Yes. Although Touch Calling has many more applications, it is still a discretionary service and is not required for touch tone applications or functions which may be

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called for by the called party, e.g., a bank, or other data service. In those situations, the newer pulse/tone telephone sets can perform the require function without the customer subscribing to Touch Calling service. These modest increases help reduce the amount of price increases otherwise required for basic local service. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: For competitive pay telephone service providers, subscription to Touch Calling service is not discretionary. In order to provide any pay telephone service, competitive payphone service providers must subscribe to this service. To eliminate the potential for anticompetitive pricing practices for this bottleneck monopoly input, nonLEC payphone providers should pay cost-based rates for this service as a result of these proceedings. At a minimum, the nonLEC payphone providers should not be subject to a price increase in this required service.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 47: Centel has proposed no change in its tariff for Charges Applicable Under Special Conditions (Section A5). In light of the recent changes in other Local Exchange Companies' similar tariffs, is this appropriate?

CENTEL'S POSITION: Yes. All of the rates for the service in Section 5 of the tariff have been established since May of 1988. Most were established in 1989 or this year. Section 5 was designed for unique construction service arrangements, for which there are no provisions under other sections of the tariff. The Company believes the charges are still appropriate. (Wahlen)

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OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No. Centel should file tariff revisions to reflect the restructure in Southern Bell's tariff approved in Docket No. 870099-TL. Staff has no position on the specific assemblies in Section A5 at this time.

ISSUE 48: Should any of the subsections contained in Section 5, Charges Applicable Under Special Conditions be obsolete in the cases where certain customers for which the rates were developed can now be better served out of other parts of the tariff?

This issue has been dropped.

ISSUE 49: Centel has proposed to increase semi-public telephone rates as shown below. Is this appropriate?

	<u>Present</u>	<u>Proposed</u>
Rate Group 1	\$7.61	15.54
Rate Group 2	8.06	16.56
Rate Group 3	8.45	17.20
Rate Group 4	9.28	19.04
Rate Group 5	9.73	19.87
Rate Group 6	10.12	20.70
Rate Group 7	N/A	21.51
Rate Group 8	N/A	22.36

CENTEL'S POSITION: Yes. Like other business one-party services, the semi-public service rate, even at proposed rates, does not cover the fully allocated cost of a business line. In addition, the Company provides a coin telephone set with this service at no additional charge. Like many basic services, this service needs to be moved closer to cost. (Wahlen)

OPC'S POSITION: The Citizens take no position.

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AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: Yes, semi-public telephones should be priced more in line with the B-1 rate.

ISSUE 50: Centel has proposed no changes to the following offerings contained in its Telecommunications Devices for Persons with hearing Impairment subsection of its Auxiliary Equipment tariff. Is this appropriate?

- a. Porta View Jr
- b. AC Adapter/Charger
- c. Ring Alert
- d. Amplified Handset
- e. Tone Ringer

This issue has been stipulated by Centel and Staff, without objection from any other party, as follows:

Yes, pursuant to Commission's order such devices for the hearing impaired are to be provided at cost.

ISSUE 51: Centel has proposed no changes to the Weatherproof Voice Jacks equipment contained in the Modular Jack Equipment and Portable Telephone Sets subsection of its Auxiliary Equipment tariff. Is this appropriate?

This issue has been stipulated by Centel and Staff, without objection from any other party, as follows:

Yes, Centel is presently recovering costs for this competitive service.

ISSUE 52: The only change that Centel has proposed to mobile interconnection tariff is to increase the non-recurring charges for DID service. Is this appropriate?

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CENTEL'S POSITION: Yes. The remaining charges were recently set  
In re: Investigation into Interconnection of Mobile Carriers with  
Facilities of LECs, Docket No. 870675-TL. (Whalen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No. The Commission's cellular interconnection policies established in Order No. 20475 tie the cellular usage rates to certain switched access charge elements with changes in the levels of these components to be reflected in the rates paid by cellular carriers. Any access charge rate changes must be properly reflected in Centel's cellular usage rates.

In addition, if the Commission adopts any incentive regulation plan for Centel, which based upon the current record it should not, cellular interconnection services should not be subject to any price caps or annual rate adjustments plan. First, in general, it is inappropriate for competitive service prices set in a full adjudicatory proceeding to be adjusted automatically without an opportunity for hearing. Second, any competitive interconnection service priced significantly above cost should not be subject to any automatic annual price increase; these services are already paying their fair share. Third, with respect to the cellular usage rates, so long as these rates are tied to access charges, they should continue to be subject only to changes made in access charges in order to be consistent with the Commission's findings in the cellular docket.

STAFF'S POSITION: No position at this time.

ISSUE 53: Centel has proposed to increase the rates for tone-only mobile service access lines by 57% with no change to usage rates. They have also proposed to increase the rates for company-owned mobile service by 44% with no change to usage rates. Is this appropriate?

CENTEL'S POSITION: Yes. The tone-only mobile service refers to the Company's paging service. The company-owned mobile service refers to its Improved Mobile Telephone Service. Both of these

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services are declining. The proposed prices are designed to bring the revenues from these minor services more in line with costs. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 54: Has Centel complied with Commission policy set forth in Order Nos. 21815 and 23183 in DN 880423, the Commission's investigation of Information Services? If not, what should Centel be required to do to implement that policy?

This issue has been stipulated by Centel and Staff, without objection from any other party, as follows:

Centel is in compliance with Orders 21815 and 23183 in Docket No. 880423; therefore, no further action is necessary.

ISSUE 55: Centel has proposed changes in the rates for Direct Inward Dial Trunks (DID) as shown below. Is this appropriate?

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	<u>Present</u>	<u>Proposed</u>
RG 1	\$20.25	\$31.09
2	21.47	33.12
3	22.50	34.40
4	24.71	38.08
5	25.92	39.74
6	26.96	41.40
7	N/A	43.05
8	N/A	44.71

This issue has been dropped.

ISSUE 56: Centel has proposed no change in the Installation Charge and Monthly Rate for DID trunks as shown below. Is this appropriate?

	<u>Installation Charge Monthly Rate</u>	
Two Wire DID Trunk Termination, each	\$ 90.00	\$40.00
Establish Trunk Group and provide first group of 20 DID number	\$915.00	\$4.00
Each additional group of 20 DID number	\$15.00	\$4.00

CENDEL'S POSITION: The service rates identified above have been established recently, and the rates fully recover the associated costs of service. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

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ISSUE 57: Centel has proposed to increase the nonrecurring charge from \$15.00 to \$23.55 and the recurring monthly rate from \$1.25 to \$1.95 for its Telephone Answering Service (TAS). Is this appropriate?

This issue has been dropped.

ISSUE 58: What changes are appropriate for local private line rates considering costs, value of service, effect of competition, etc?

CENTEL'S POSITION: The Company's proposed changes in rate structure and rate level are appropriate. The facilities used to provide local private line services, special access, and exchange portion of interexchange private lines are identical in almost every case. It is appropriate to have like services priced the same. The prices for private line services should be developed based upon market conditions and incremental costs. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 59: What will be the revenue impact to Centel of the restructure of interexchange private line and special access and how should that impact be addressed in this docket?

CENTEL'S POSITION: Based upon the Company's input, Southern Bell has estimated that the annual reduction to Central Telephone-Florida's distribution from the private line pool will be \$194,540. Contrasting this reduction against anticipated revenue increases to special access revenue, results in an approximate net \$71,975 decrease offset to BHMOC. Individual customer impact statements will be required in November, 1990. Rates will be implemented in January, 1991. Southern Bell does not plan to de-pool intraLATA private line until 1992. (Wahlen)



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OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this.

ISSUE 60: Should Centel submit its own rates and tariffs for interexchange private line and special access, or is it appropriate for the Company to continue in its concurrence with the Southern Bell rates and tariffs?

CENDEL'S POSITION: At the time the Company filed its case, there was uncertainty as to when and to what extent the LECs were going to be permitted to file their own private line/switched access prices and structures. In view of the Commission's recent decision in Docket No. 890505-TL (Order No. 23400, issued August 24, 1990), the Company is now in a position to prepare its own tariffs. However, because this will require substantial revisions, as well as market analysis, the Company will defer this action until the completion of the current proceeding. In the meantime, the Company believes it is appropriate to concur in Southern Bell's rates, which the Company has determined cover the Company's incremental costs of providing private line/switched access service. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 61: Centel proposes to consolidate tariff sections pertaining to D-4 Channel equipment and Digital Access Cross Connect Service into the Intraexchange Private Line Section (Section 20). Is this appropriate?

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CENTEL'S POSITION: Yes. The Company believes all private line-type services should be consolidated in a single tariff section for administrative ease, and for ordering and billing purposes. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Staff agrees with the company that all private line-type services should be in a single tariff section and the restructured rates and charges should be in accordance with Commission's cost manual.

ISSUE 62: Did Centel appropriately apply the cost manual in the development of private line costs, as mandated by the Commission?

CENTEL'S POSITION: Yes. Centel Telephone-Florida's private line study complies with Commission requirements. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: It appears Centel has followed Commission's mandated cost manual; however, staff has not completed its review of engineering assumptions.

ISSUE 63: Centel has indicated the Private Line and Special Access Services are non-basic, and therefore may fluctuate upward, individually, up to 10 percent without Commission approval. Is this appropriate, given the concurrence that the Company maintains with the Southern Bell Interexchange Private Line and Special Access Services Tariff?

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CENTEL'S POSITION: Yes. Central Telephone-Florida may either ask Southern Bell to file specific rates on its behalf or file its own tariff at a later date. (Wahlen)

OPC'S POSITION: Just as Centel's alternative regulation proposal violates Chapter 364.14 and 364.035, Florida Statutes, so, too, does this proposal to fluctuate rates up to 10% without Commission approval violate the same statute because it would allow rates to change independent of the company's fair and reasonable return on investment.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: This issue would have application only if the Commission authorizes Centel's Incentive Plan (Issue 94) or some variation thereof. Any approved change could be reflected in the Southern Bell Interexchange and Private Line and Special Access Tariff for account of Centel or Centel could publish its own tariff.

ISSUE 64a: Centel has proposed to obsolete its Local Data Transmission Service contained in Section 16 of its Data Service tariff. Is this appropriate?

CENTEL'S POSITION: Yes. Equivalent service can be obtained from the restructured tariff, Section 20.22, Voice Grade Service. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

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ISSUE 64b: Centel has proposed no changes to the rates or tariff pages associated with their Packet Switching Network contained in Section 16 - Data Service. Is this appropriate?

CENTEL'S POSITION: The Company's previous experimental Packet Switching Tariff has expired, and the Company plans to file a new tariff in the near future. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 65: Centel has proposed to restructure and increase its rate for Foreign Central Office Services. Is this appropriate?

CENTEL'S POSITION: No. The proposed rate should have been filed at a level equal to the restructured interoffice facility rate. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 66: Centel has proposed to continue its concurrence in Southern Bell's tariff for Foreign Exchange Service (rates, rules

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and regulation). Is this appropriate or should Centel develop its own tariff?

CENDEL'S POSITION: Same as the Company's Position on Issue 60. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 67: Centel has proposed to increase its rates for Digital Business Service as shown below. Is this appropriate?

<u>Number of Lines*</u>	<u>Monthly Rates</u>	
	Present	Proposed
3-6	\$20.30	\$27.11
7-15	20.25	26.86
16-25	20.15	26.61
26-50	20.00	26.11
51-100	19.75	25.61
101-150	19.50	25.11
151-200	19.00	24.61
201-250	18.25	24.11
251-300	17.50	23.61
301-500	16.75	22.86
501-1,000	15.75	21.86
1,001-2,000	14.75	19.35
2,001-10,000	13.75	15.93
10,001 and up	12.50	12.50

\* Three line minimum service requirement.

CENDEL'S POSITION: Yes. Digital Business Service (i.e., Centrex) is a relatively new service. It was properly priced at its inception in 1988, and has been raised in this case to retain some

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relationship to business services. Business services such as B-1s have been below attributable cost, and the rates have not been raised since 1976. PBX trunk rates are based on a relationship to the B-1 rate reflecting an estimate of their higher network usage. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 68: Centel has proposed no changes in its current rates for City Wide Service, Northern Telecom Business Terminal, Automatic Call Distribution and Customer Specific Recorded Announcements. Is this appropriate?

CENTEL'S POSITION: Yes. These are low-volume services, and each has been repriced since 1988. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established

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Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 69: Centel has proposed no changes to its central office non-transport service offering, (Digital Services for the Florida Lottery, Okaloosa County School Board and Suncom Network). Is this appropriate?

This issue has been dropped.

ISSUE 70: Centel has proposed to increase the Trouble Location charge to end users from \$29.50 to \$46.80. Is this appropriate?

CENTEL'S POSITION: Yes. This aligns the trouble location charge percent increase with the Customer Premise charge percent increase since they are comparable functions. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 71: Centel has proposed no increases to the Trouble Location Charge in the Access Tariff. Is this appropriate?

CENTEL'S POSITION: Yes. This charge is contained in an industry tariff in which the Company concurs. The Company sees no reason to file an exception rate at this time. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

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FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 72: Centel does not tariff their return check charge. Is this appropriate? If not, what charge should be tarified?

This issue has been stipulated by Centel and Staff, without objection from any other party, as follows:

Centel agrees to tariff their return check charge at the \$15.00 charge (or 5%) as authorized by statute.

ISSUE 73: Centel has proposed the following changes to the rates for service connection charges:

<u>Service Charges</u>	<u>Residence</u>		<u>Business</u>	
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
Service Ordering Charges				
Primary	\$10.64	\$11.10	\$12.16	\$22.25
Secondary	6.08	7.46	7.60	19.97
Line Connection Charge	9.88	23.40	11.40	27.25
Premises Visit Charge	9.77	15.50	9.77	15.50

Should the Company's proposed changes be approved?

CENTEL'S POSITION: Yes. The proposed rates are now based on a current cost study. The existing rates were last set in 1987, and do not reflect current cost. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.



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FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 74: Centel has proposed no changes to its intraLATA MTS toll rates. Is this appropriate?

CENTEL'S POSITION: Central Telephone-Florida set forth several objectives in the development of its proposed rates. One was to keep basic local rates at a comparable level to other phone companies, and the other was to reduce the BHMOC charge. While the Company is not adverse to the reduction of its MTS rates, the Company did not seek MTS reduction in this filing because to do so would require a further increase in basic service rates to offset the lost MTS revenues. It is the Company's belief that any further increase in basic service rates than has been proposed by the Company at this time would result in basic service rate shock. (Wahlen)

OPC'S POSITION: Intralata MTS toll rates should not be changed if the effect of changing these rates would be to increase basic local exchange rates.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 75: Centel has proposed no changes to its recurring WATS or 800 Service rates. They have proposed an increase in the installation and nonrecurring charges as shown below. Is this appropriate?

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Installation

a. For installation of WATS access lines, extensions or four-wire terminating arrangements.

(1) Access Lines and Extension Lines

	Nonrecurring Charge	
	Present	Proposed
Service Ordering-Primary, each other	\$16.00	\$20.00
Service Ordering-Secondary, each other	13.00	16.25
Line Connection Charge, each	15.00	18.75
Premises Visit, each visit	16.00	20.00

(2) Four-Wire Terminating Arrangements

Each arrangement	\$17.00	\$21.15
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b. For moving a dedicated access line or extension line

(1) Inside Move

Service Ordering, each order	\$13.00	\$16.25
Premises Visit, each visit	16.00	20.00

(2) Outside Move, Different Building

Moves to a different building will be treated as a disconnect of the existing access line or extension and installation as specified in Section 19.3.d.1 will be applicable.

c. (1) Changing the 800 Service telephone number to a different number at the request of the customer.

Service Ordering, each order	\$13.00	\$16.25
Line Connection Charge, each	15.00	18.75

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		Nonrecurring Charge	
		Present	Proposed
(2)	Separating an existing 800 Service into two or more hunting arrangements which contain the same 800 Service access lines as the original hunting arrangement.		
	Service Ordering, each order	13.00	16.25
	Line Connection Charge, each	15.00	18.75
(3)	Combining two or more 800 Service hunting arrangements into a single hunting arrangements containing the same 800 Service access lines		
	Service Ordering, each order	13.00	16.25
	Line Connection Charge, each	15.00	18.75
(4)	Conversion to a Four-Wire Termination Arrangement		
	Each arrangement	85.75	107.19

CENDEL'S POSITION: Yes. See the Company's Position on Issue 74. As to the proposed increase to installation and non-recurring charges, these increases are designed to bring the charges more in line with costs. The costs would be similar to those incurred for similar local exchange activity. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 76: Should Centel's proposal to recognize the elimination of the PIC change charge be approved?

This issue has been dropped.

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ISSUE 77: Centel has not proposed a Late Payment Charge. Is this appropriate?

CENTEL'S POSITION: It is the Company's experience in other jurisdictions that the administrative expense is too high and the deterrent effect is too low to warrant the imposition of a Late Payment charge. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAOW'S POSITION: No position at this time.

STAFF'S POSITION: Staff believes the company should tariff Late Payment Charge if the company charges end users.

ISSUE 78: Centel has proposed no changes in its nonoptional or optional intraLATA toll calling rates (EAS). Is this appropriate?

CENTEL'S POSITION: Yes. There are low-volume services, and rates were established by the Commission in specific EAS dockets for each route beginning in 1987. Toll-Paks are a substitute for flat rate EAS. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAOW'S POSITION: No position at this time.

STAFF'S POSITION: Staff believes exchanges exhibiting a sufficient community of interest should receive some appropriate toll relief.

ISSUE 79: Centel has proposed to reduce its BHMOC charge from \$6.60 to \$5.46. Is this appropriate?

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CENTEL'S POSITION: Yes. The BHMOC charge needs to be reduced to reflect the industry consensus that access service is still overpriced. However, the reduction in BHMOC cannot be as large as would otherwise be desired because of the Company's inability to raise the necessary lost revenues from any other categories of services other than basic local exchange services which are already being substantially increased in this proceeding. (Wahlen)

OPC'S POSITION: The BHMOC charge should not be reduced if the effect of reducing the charge is to increase local exchange rates. The BHMOC charge should only be reduced if doing so does not increase local exchange rates.

AT&T'S POSITION: No. Considering the current high level of Centel's access charges in the State of Florida, this proposed reduction is inadequate. At a minimum, the BHMOC charge should initially be reduced to \$4.85. Further, a schedule should be established to reduce the BHMOC by an additional \$1.62 annually until the charge is completely eliminated.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

STAFF'S POSITION: The concept of reducing the BHMOC charge is appropriate. No position at this time on Centel's specific proposal.

ISSUE 80: Should stimulation and/or repression due to rates reductions be considered in determining revenue requirements, and if so, what are the appropriate adjustments?

CENTEL'S POSITION: No. The Company does not believe there are reliable estimates of stimulation or repression available to make adjustments. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAWE'S POSITION: No position at this time.

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STAFF'S POSITION: Staff believes the necessary demand studies, measures of elasticity and demand forecasts are not available or not reliable enough to consider stimulation and/or repression.

ISSUE 81: Centel has proposed no change in the Billing and Collection service (E8). Is this appropriate?

CENDEL'S POSITION: Yes. This is an industry tariff. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: If and when Centel submits its company-specific tariff, it should include billing and collection and cost justify.

ISSUE 82: Should Centel's proposal to separately, state gross receipts tax on to customer's bill as permitted by Section 203.10(5), Florida Statutes, be approved?

This issue has been stipulated be Centel and Staff, without objection from any other party, as follows:

Yes, gross receipts tax should not be treated as an expense for ratemaking purposes in this proceeding, but rather may be billed directly to customers as permitted by Section 203.01(5), Florida Statutes.

ISSUE 83: Does Centel's current bill format meet the Commission bill format requirements and guidelines?

CENDEL'S POSITION: Central Telephone-Florida complies with all bill format requirements except for those specified in Docket No. 90037-TI. (Wahlen)

OPC'S POSITION: The Citizens take no position.

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AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: Centel's bill format should specifically identify those charges which are nonregulated, i.e., inside wire.

ISSUE 84: Centel has proposed to increase the number of rate groups from six to eight as shown below. Is this appropriate?

<u>Present</u>		<u>Proposed</u>	
Group	Upper Limit	Group	Upper Limit
1	2,000	1	2,000
2	4,000	2	4,000
3	8,000	3	8,000
4	16,000	4	16,000
5	32,000	5	32,000
6	32,001 and above	6	64,000
7	N/A	7	128,000
8	N/A	8	128,001 and over

This issue has been stipulated by Centel and Staff, without objection from any other party, as follows:

Centel has agreed to revise rate group 8 to reflect upper limit 128,001 and over; therefore, the rate groups are in compliance with Commission's rule.

ISSUE 85: Centel has proposed an optional Local Measured Service (LMS) to residence subscribers. Subscribers will pay the monthly rates shown below and receive a message allowance of 30 calls after which a per message charge of \$.10 will apply. Is this appropriate?

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<u>Rate Group</u>	<u>Monthly Charge</u>
1	\$4.14
2	4.41
3	4.59
4	5.06
5	5.33
6	5.52
7	5.70
8	5.97

CENTEL'S POSITION: Yes. This service offering will help reduce the effects of the proposed rate increase on customers with fixed income who have limited outward calling needs. (Wahlen)

OPC'S POSITION: An optional message rate service, offered at 60% of the flat rate local exchange rate, and having a message allowance of 30 calls after which a per message charge of 10 cents per message applies, is appropriate.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent the service does not put undue burden on general body of ratepayers, Staff believes that an optional LMS should be approved.

ISSUE 86: Centel currently charges PBX rates for all hybrid key systems. Is this appropriate?

CENTEL'S POSITION: Yes. In cases where Central Telephone-Florida provides service which terminates to known hybrid key systems, PBX trunk rates are charged. Hybrid Key systems utilize pooled trunk groups which are accessed through a SPREE code (e.g., dial "9" type access codes) as opposed to dedicated lines for each station of a traditional key system. As a result, the amount of traffic carried on a single communication path is increased and the subscriber needs fewer access lines to handle total traffic volumes. This access arrangement is physically and functionally the same as PBX trunking; therefore, PBX rates are considered appropriate. (Wahlen)



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OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent hybrid key systems function like PBXs, their rates should be comparably priced.

ISSUE 87: Centel currently has no PBX message rated trunks nor any usage rates for hotel/motel, hospitals, etc.. Is this appropriate?

CENTEL'S POSITION: By virtue of the transient nature of the end user, sharing arrangements by the user examples are considered neither duplicative nor competitive with the local exchange service provided by the Company. It is not, therefore, deemed appropriate to charge measured rates to providers of shared service to transient end users as described in Section 23.7 of Central Telephone-Florida's general customer services tariff. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

ISSUE 88: Centel proposes to adjust rates upward for basic local exchange services prior to implementing its rate cap proposal. Centel proposes to increase basic local exchange access line rates by \$14,389,492 or 56.7% over current rates at proposed test year

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units. What changes, if any, should be made to local exchange access line rates?

CENDEL'S POSITION: The Company's proposed basic local rates should be approved as filed. The proposed rates are below the fully allocated costs of providing the services. These rates should be moved closer to cost so that the Company does not have to rely to such extensive degree on the contributions from access and non-basic services to meet its total revenue requirement since these services are increasingly subject to competition from alternative suppliers. (Wahlen)

OPC'S POSITION: Centel has not justified the rate increase of that magnitude. The Commission should refrain from increasing local rates for the purpose of reducing access charges or toll rates. Neither Centel nor any other local exchange company has been able to demonstrate that local rates subsidize toll rates.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

McCAW'S POSITION: No position at this time.

STAFF'S POSITION: Basic local rates should be increased the least amount feasible to achieve the company's revenue requirement.

ISSUE 89: Centel proposes to change the relationship between basic local service access line rates as a proportion of the RI rate, in the following classes of service shown below. Is this appropriate?

<u>Rate Group 6</u>	<u>Present</u>	<u>Proposed</u>
R1	1.00	1.00
B1	2.25	2.25
B1R	3.37	3.38
PBX	4.49	4.50
Semi Pub	1.69	2.25

It should be noted that minor changes in relationship occur because of Centel's proposal to expand the number of rate groups.

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CENTEL'S POSITION: Since this service does not cover its costs, the need to increase the rate was more important than the need to modify rate relationships. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: In setting rates for business services, the Commission should consider cross-elasticity between business access facilities.

ISSUE 90: How should the revenues and costs for Centel's Voice Mailbox Service be accounted for in this proceeding?

CENTEL'S POSITION: Central Telephone-Florida believes that its current treatment of Voice Mail Service is appropriate. At present, Voice Mail Service for the State of Florida is a regulated offering associated with its contract with Central Telephone-Florida for the provision of telecommunications services. Voice Mail Service for other users is a non-regulated information service. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time on this specific service, but as a general matter all unregulated services should be conducted from a fully separated subsidiary that deals with the monopoly company on an arms' length, tariffed basis.

MCCAW'S POSITION: No position at this time on specific service, but as a general matter all unregulated services should be conducted from a fully separated subsidiary that deals with the monopoly company on an arms' length, tariffed basis.

STAFF'S POSITION: The revenues and costs for Centel's Voice Mailbox Service should be accounted for above the line.

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ISSUE 91: What should be contained in the bill stuffer to Centel customers announcing any rate charges?

CENTEL'S POSITION: This should not be an issue. It should be dropped. (Wahlen)

OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Staff's preliminary position is that the bill stuffer should contain the following:

- 1) An overview of the case and a summary of the final order;
- 2) Effective date of the rates and explanation of proration of local service charges;
- 3) Explanation of new service offerings and any other changes such as rate regroupings;
- 4) Summary of services for which rates have been adjusted (Current rates and approved rates listed side by side); and
- 5) A statement that information on new rates is available from each of the Company's business offices and service centers.

ISSUE 92: What should be the effective date of any rate changes?

CENTEL'S POSITION: If the Commission approves the pending tariff pages as filed, Central Telephone-Florida could submit final tariff pages within two days of a Commission order. Should rate design or other extensive changes be made by the Commission, the time required to produce tariff sheets would depend on the complexity of the changes. (Wahlen)

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OPC'S POSITION: The Citizens take no position.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Revised tariffs should be filed five days after the final vote (or the vote on reconsideration if applicable). The effective date should be five days after a complete set of correct tariffs have been filed. Billing should apply to all service received on or after the effective date even if it is not actually billed until the following month. Any customer requesting discontinuance of all or a portion of service prior to the due date of the first bill reflecting the increased rates should receive a credit back to the effective date of the rate increase for the increased amount.

ISSUE 93: Should the Commission approve an incentive regulation plan for Centel?

CENTEL'S POSITION: Yes, most definitely. As stated in the Company's basic position, changes in industry structure and technology, and the introduction of competition into the largest portion of the Company's business has dramatically altered the environment in which Central Telephone-Florida provides service to its customers. In this new environment, with mixed competitive and monopoly services, and different risks and opportunities, the traditional manner in which the Company's prices and earnings have been regulated is no longer appropriate.

The regulation of a local exchange company should encourage universal service, promote quality service at reasonable prices and provide a reasonable opportunity for the Company to earn a fair return on its investment. Regulation should also encourage economic efficiency while minimizing regulatory costs, and attempt to simulate the incentives and results of competitive markets. Regulation should reward efficiency and innovation, but should not impair the Company's ability to offer new services or compete with nonregulated businesses providing products and services comparable to those offered by the Company. The current system of regulation does not meet these objectives.

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Traditional regulation attempts to deal with innovation and efficiency of operations by monitoring the activities of the telephone company, examining the prudence of its investment projects, assessing the reasonableness of its purchasing policies, and disallowing unnecessary or imprudently incurred costs. But, this kind of negative regulatory second-guessing is a weak instrument in a rapidly changing industry with new technology driving customer demand for innovative services. The kind of regulatory oversight that accompanies cost-plus regulation is inevitably a highly imperfect substitute for a regime in which the Company itself has a powerful incentive continuously to search out ways for providing basic and innovative services with maximum efficiency.

Unlike traditional regulation, with its lack of adequate incentives for efficiency and innovation, incentive regulation-and in particular the type of incentive plan proposed by the Company - will create motivational challenges, yield significant savings in administrative costs, maximize productivity and efficiency gains and provide the flexibility needed for telephone companies to respond rapidly to changing market conditions. Moreover, incentive regulation will meet the Commission's primary goal of ensuring quality service with a sound, cost-efficient infrastructure at reasonable and affordable prices.

The Company recognizes that there are many different ways this Commission could fashion a plan to achieve the basic objectives of incentive regulation. The point is that it is extremely important for this Commission to focus on the basic objectives of incentive regulation. This Commission made a very significant first step in the adoption of the Southern Bell Incentive Regulation Plan in Docket No. 880069-TL. That plan, which contains an earnings sharing mechanism, is movement in the right direction. The Company's Price Cap Plan is intended to build on the basic underlying goals, objectives and benefits which are inherent in incentive regulation. The Company understands that its plan is not the only definitive plan, however, and that there may be other combinations of features which could be reasonably incorporated into it.

Regardless of the details of the plan ultimately prescribed by this Commission, it should be an aggressive, well thought-out proposal - which is what the Company has presented to the Commis-

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sion. Central Telephone-Florida is an ideal candidate for this Commission to continue to experiment with incentive regulation. The Company has, in the past, demonstrated to this Commission that it is an aggressive pursuer of efficiencies for the benefit of its customers, as demonstrated by the levels of refunds and reductions in rates experienced by Central Telephone-Florida's customers since its last rate case in 1976. This historical experience provides substantial assurance that the Company's exemplary behavior will continue under price caps or whatever form of regulation the Commission approves. Accordingly, the Company urges the Commission to continue its aggressive pursuit of incentive regulation for the benefit of the Company's ratepayers. (Cross, Kahn)

OPC'S POSITION: The Commission should not, and cannot, approve the plan proposed by Centel. Centel's plan would violate Section 364.14 and 364.035, Florida Statutes, by departing from rate of return regulation.

AT&T'S POSITION: Reference AT&T's "Basic Position" stated above.

FPTA'S POSITION: No, the record does not support approval of an incentive regulation plan by Centel. An incentive regulation plan may be appropriate, but the burden should be clearly on the local exchange company, and not the Commission or parties, to develop a plan that meets the minimum requirements of Chapter 364 (effective October 1, 1990). Centel has failed to make the proper showing under Florida law.

McCAW'S POSITION: No, the record does not support approval of an incentive regulation plan by Centel. An incentive regulation plan may be appropriate, but the burden should be clearly on the local exchange company, and not the Commission or parties, to develop a plan that meets the minimum requirements of Chapter 364 (effective October 1, 1990). Centel has failed to make the proper showing under Florida law.

STAFF'S POSITION: Yes. A plan that provides an incentive for the company to operate more efficiently and innovatively, which meets the public interest test, should be approved provided sufficient documentation, budgeting and evidence supports such a finding.

ISSUE 94: Centel's plan proposes to substitute price caps for traditional rate of return regulation. The plan proposes the

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following components listed below. What are the pros and cons of this proposed plan? Is this plan appropriate?

RATES

A. Defines Basic services as:

- a) local access services consisting of residence and business access lines, trunks, semi public access lines, public access telephone service, cellular service, and
- b) switched access service.

B. Defines Non-basic services as

- a) all new services implemented after adoption of the plan (i.e., services that are not a mere repackaging or repricing of existing basic services) and
- b) all other existing services not specifically included in the definition of basic services.

C. Adjusts rates of all basic services except switch access services upward as a starting point.

D. Caps adjusted rates for all basic services except switched access service.

E. Price caps would be recalculated annually using a price cap index (PCI) of the Gross National Product-Price Index (GNP-PI) less a 2% productivity factor plus or minus exogenous factors.

F. Defines price caps such that prices for individual services could be raised or lowered up to 10%, as long as the average for all non-basic prices did not increase over the PCI.

G. Defines exogenous factors as changes in regulations or statutes, taxes, separations, and accounting practices, and adjustments to depreciation rates.



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- H. Treats exogenous factors such that increases and decreases in exogenous factors are netted and applied as follows:
1. Any aggregate downward adjustment in revenue is applied to reduce rates for switched access service.
  2. Any aggregate upward adjustment in revenue is applied to increase rates for basic local service in equal percentages for residential and business customers.
- I. Proposes that impacts from any depreciation adjustment be put on rate categories that are priced under cost.
- J. Proposes that as long as the costs of providing switched access do not increase, the company will not increase rates for busy hour minutes of capacity (BHMO) charges and the carrier common line rate element. Proposes that these elements be reduced whenever possible.
- K. Adjusts basic service rates downward or upward annually. Increases and decreases due to exogenous factors from the prior year, along with other known and measurable exogenous changes for the upcoming year will be netted and reflected in current year rates. If the Commission or any other interested party desires further review of the price changes required by exogenous factors, the new prices would go into effect immediately; provided that the case of an increase in prices, the increased amount would be subject to refund pending conclusion of the Commission's review.
- L. Proposes that, during the proposed four-year term of the plan, a moratorium be placed on rate cases and show cause proceeding, except for "significant unforeseen circumstances".
- M. Requires comprehensive review of the plan's parameters during second half of 1994. Allows plan to be review thereafter upon the mutual consent of the Commission and the Company, subject to any amendments approved by the Commission.

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#### TARIFFS

- A. Proposes that instead of the current tariff process, the company notify the Commission of changes in prices for nonbasic services, and the new prices become effective 30 days later.
- B. Proposes that the Company address possible cross subsidization in the following way:

Company will set prices for competitive service over incremental costs so they make a contribution to common costs.

#### SERVICE

- A. Proposes that the Company establish specified service installations dates. Proposes that missed commitment dates for reasons within Company's control result in customers receiving credit equal to basic service charge for one month.
- B. Proposes that the Company establish customer repair appointments. Proposes that missed appointments within Company's control result in customers receiving credit equal to basic service charge for one month.

CENDEL'S POSITION: The Incentive Regulation Plan proposed by Central Telephone-Florida promotes economic efficiency, minimizes regulatory costs, and stimulates both service and technological innovation. In short, the Plan will provide benefits to consumers not available through traditional regulation. Traditionally, basic local service rates have been residually priced, with a significant portion of the company's revenue retirement being covered with revenues from the Company's discretionary service offerings. As the prices for these discretionary services, e.g., toll, private line, special access, enhanced service, etc., become more market driven, the ability of the Company to preserve the current subsidy stream is seriously jeopardized. Consequently, the company must have the pricing and earnings flexibility to market its current service and introduce new services and new technology without

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constantly checking to see if the success of these new services is contributing more revenues than necessary to cover the Company's common costs.

The Company's proposed incentive plan, with its price caps and service commitments provides the Company and the Commission with incentives to meet customer demand for new service in a timely fashion and at reasonable and affordable prices. With the additional incentives provided by the plan to invest in a modern infrastructure, the Company will provide its customers with a variety of services that will improve their quality of life. At the same time, price caps will, over time, assure reasonable local service rates. (Cross, Kahn, Rohlf)

OPC'S POSITION: As filed, Centel's plan is not legally sufficient under the current Florida law. The revised Chapter 364 could possibly authorize an alternative regulation scheme such as the one proposed by Centel, but only if filed after October 1, and set for hearing in a different proceeding. This plan may not be taken up in this proceeding because all the parties, namely the Office of the Public Counsel, have not agreed to it. Furthermore, as reflected in the testimony of Citizens' witness Page Montgomery, the Centel plan is not in the public interest and would result in excessive rates being charged to Centel customers.

AT&T'S POSITION:

General Position: The high level of Centel's access charges in the State of Florida does not constitute an appropriate starting point for access price caps. Access charges must be scheduled for immediate and continuing reductions. AT&T will oppose the implementation of any price cap plan for Centel unless a specific schedule of continuing access charge reductions (like that proposed in AT&T's direct testimony of Mike Guedel in this docket) is incorporated in the approved plan. Assuming the adoption of such scheduled access charge reductions, AT&T offers the following positions on the specifics of Centel's proposal:

RATES

Position on Item A: AT&T accepts Centel's categorization as a means of defining particular service "baskets" for the purposes of administering the proposed trial. AT&T does not accept the

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implication that the term "non-basic" is somehow synonymous with the term "competitive". Indeed the majority of the so-called "non-basic" services are monopoly provided services - many to the same extent as basic local service. Given this reality, the Commission must exercise particular care in evaluating the reasonableness of any proposed rate changes in this category.

Position on Item B: See response to Item A.

Position on Item C: Rates for switched access services should be immediately reduced and targeted for on-going scheduled reductions. Rates for other "basic" services should be adjusted upward as needed, based upon the Commission's determination of an appropriate revenue requirement for Centel's.

Position on Item D: AT&T accepts this provision with the understanding that switched access charges are scheduled for reduction as discussed in our "general" position above.

Position on Item E: AT&T does not object to the use of the proposed formula. AT&T takes no position at this time on the appropriateness of the "2%" factor.

Position on Item F: AT&T does not object to this provision at this time with the understanding that approval of such provision does not relieve this Commission of its obligation to ensure that Centel's rate proposals remain in compliance with previous Commission rules and orders, particularly those dealing with the imputation of access charges and the prohibition of unjust discrimination.

Position on Item G: AT&T does not object to this definition.

Position on Item H: AT&T supports proposed position.

Position on Item I: AT&T supports proposed position.

Position on Item J: There are no incremental costs associated with either the BHMOC charge or the CCLC, therefore, rates applicable to these elements should never be increased. Rather, rates charged for these elements should be scheduled for immediate and continuing reductions. Rates charged for Traffic Sensitive (TS) switched access elements should not be increased unless or

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until the incremental cost incurred in providing the elements approaches the existing rates.

Position on Item K: AT&T accepts this position providing rate adjustments are made in conjunction with the prescription offered in Item H above.

Position on Item L: AT&T has no position on this provision at this time.

Position on Item M: AT&T supports this position.

#### TARIFFS

Position on Item A: AT&T does not object to this provision assuming the same caveats expressed in our response to "rates", Item F above and that all service rates are publicly available.

Position on Item B: AT&T considers this provision as an adequate interim safeguard against predatory pricing pending resolution of the issues in docket 900633 regarding the development of LEC cost methodologies. However, when service become competitive and the deregulation of these services is considered (an fully competitive services should be deregulated), then the terms contained in the cost allocation manuals should comprise the definitive safeguards.

#### SERVICE

Position on Item A: AT&T does not object to this provision.

Position on Item B: AT&T does not object to this provision.

FPTA'S POSITION: As a fundamental matter, Centel's proposed incentive rate fails to meet the requirements of Florida Statutes chapter 364 (effective October 1, 1990). While this proceeding is not governed by this law, Centel's proposed plan should be reviewed in light of the provisions of new 364.036 and the fundamental policies embodied in section 364.01(3). A review of Centel's plan in light of the general policies of chapter 364 and the specific requirements of section 364.036 indicates noncompliance.

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Notwithstanding the requirements of revised chapter 364, Centel's proposal has several major deficiencies. First, Centel has failed to provide identifiable benefits to consumers that are not available under existing regulatory procedures. Second, Centel has been unable to point to any actions that it would have taken in the past had the company not been subject to the existing regulations. Third, bottleneck monopoly inputs to competitive providers should not be subject to annual rate adjustments; these services are already priced substantially in excess of cost, and the plan gives too much discretion to the company. Fourth, LEC costs are declining, not increasing, therefore Centel's proposal is particularly inappropriate for monopoly services. In the final analysis, the only difference for ratepayers between the status quo and Centel's proposed plan is an annual increase in rates. Accordingly, Centel's plan should be rejected.

MCCAW'S POSITION: As a fundamental matter, Centel's proposed incentive rate fails to meet the requirements of Florida Statutes chapter 364 (effective October 1, 1990). While this proceeding is not governed by this law, Centel's proposed plan should be reviewed in light of the provisions of new 364.036 and the fundamental policies embodied in section 364.01(3). A review of Centel's plan in light of the general policies of chapter 364 and the specific requirements of section 364.036 indicates noncompliance.

Notwithstanding the requirements of revised chapter 364, Centel's proposal has several major deficiencies. First, Centel has failed to provide identifiable benefits to consumers that are not available under existing regulatory procedures. Second, Centel has been unable to point to any actions that it would have taken in the past had the company not been subject to the existing regulations. Third, bottleneck monopoly inputs to competitive providers should not be subject to annual rate adjustments; these services are already priced substantially in excess of cost, and the plan gives too much discretion to the company. Fourth, LEC costs are declining, not increasing, therefore Centel's proposal is particularly inappropriate for monopoly services. In the final analysis, the only difference for ratepayers between the status quo and Centel's proposed plan is an annual increase in rates. Accordingly, Centel's plan should be rejected.

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STAFF'S POSITION: Only until such time as all the testimony and evidence is received into the record and fully evaluated by staff, will staff be able to take a position on Centel's Incentive Plan.

ISSUE 95: The following services have not been addressed in other issues and no changes have been proposed.

- a) Tariffed items:
  - Leaky PBX rates
  - Busy Verify & Intercept
  - COCOTS Usage
  - Operator Handled
  - CPE Paystation Options
  - E911
  - Miscellaneous Service Arrangements
  - Restricted Sent Paid
  - Bill number screening
  - Late Pay to IXCs
  - IntraEAEA compensation
  - Carrier Common Line Charge
  - Switched Access Charges
  - Ordering Options Access Tariff
  - Engineering, Labor, etc. Access Tariff
  - InterLEC IntraLATA Access Service
  
- b) Nontariffed items:
  - Directory Advertising
  - InterLATA Operator Services
  - IntraLATA Private Line Pooling
  - IntraLATA Other (DA other LECs, Repair, etc.)
  - Rent Revenues (Pole Attch., IXC Floor Space, etc.)
  - Miscellaneous (Late Payment, Sales Alph. Listing, E911 Collection Fees, nontariff services)
  - Billing & Collection Interstate
  - Access Revenues Interstate

CENTEL'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

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MCCAW'S POSITION: No position at this time.

STAFF'S POSITION: Centel is refileing its MFR Schedule E1a and staff will require further review before it will be prepared to take a position on these items.

ISSUE 96: Does the Commission have the jurisdiction to grant Central Telephone-Florida's proposed incentive regulation plan? (Legal Issue)

CENTEL'S POSITION: Yes, the Commission has the jurisdiction to grant Central Telephone-Florida's proposed incentive regulation plan. This is a legal issue which the Company will expand upon in its post-hearing brief. Furthermore, the Commission has the jurisdiction and authority to make whatever changes, amendments or modifications it may deem appropriate or necessary to harmonize the Company's incentive regulation plan to the Commission's view of its jurisdiction and authority.

OPC'S POSITION: No. The Citizens incorporate by reference the arguments contained in the Motion to Strike filed on October 10, 1990 (Comm. Doc. No. 9106-90).

AT&T'S POSITION: No position at this time.

FPTA'S POSITION: No. The Commission lacks the legal authority under chapter 364 (effective prior to October 1, 1990) to abandon rate of return regulation for the reasons set forth in Public Counsel's October 10, 1990, Motion to Strike.

MCCAW'S POSITION: No. The Commission lacks the legal authority under chapter 364 (effective prior to October 1, 1990) to abandon rate of return regulation for the reasons set forth in Public Counsel's October 10, 1990, Motion to Strike.

STAFF'S POSITION: This is a legal issue. Staff takes no position at this time, pending submission and analysis of the parties' post-hearing briefs.



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VI. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFERRING PARTY</u>	<u>EXHIBIT NO.</u>	<u>TITLE</u>
	Centel	1	Notice
Cross	Centel	DLC-1	Exhibit of Dale L. Cross
Cross	Centel	DLC-2	Rebuttal Exhibit of Dale L. Cross
Kahn	Centel	AEK-1	Qualifications of Al- fred E. Kahn
Bailor	Centel	SMB-1	Exhibit of Stephen M. Bailor
Bailor	Centel	SMB-2	Rebuttal Exhibit of Stephen M. Bailor
Samuelson	Centel	BAS-1	Exhibit of Bruce A. Samuelson
Samuelson	Centel	BAS-2	Rebuttal Exhibit of Bruce A. Samuelson
Felsenthal	Centel	AF-1	Exhibit of Alan D. Felsenthal
Vander Weide	Centel	JHV-1	Exhibit of James H. Vander Weide
Vander Weide	Centel	JHV-2	Rebuttal Exhibit of James H. Vander Weide
Claerhout	Centel	MJC-1	Exhibit of Michael J. Claerhout
Claerhout	Centel	MJC-2	Rebuttal Exhibit of Michael J. Claerhout
Whalen	Centel	SEW-1	Exhibit of Sam E. Whalen

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*	Centel	MFR Volume 2 Schedules A-1 - B-15 Historic
*	Centel	MFR Volume 3 Schedule B-5a Historic
*	Centel	MFR Volume 4 Schedules C-1 - C-28 Historic
*	Centel	MFR Volume 5 Schedules D-1 - F-3 Historic
*	Centel	MFR Volume 6 Schedules G-1 - G-9 Interim Average
*	Centel	MFR Volume 7 Schedules G-1 - G-9 Interim General
*	Centel	MFR Volume 8 Schedules A-1 - B-4 Projected
*	Centel	MFR Volume 9 Schedules B-5 - B-15 Projected
*	Centel	MFR Volume 10 Schedules C-1 - C-14 Projected
*	Centel	MFR Volume 11 Schedules C-15 - C-28 Projected
*	Centel	MFR Volume 12 Schedules D-1 - F-3 Projected
*	Centel	MFR Volume 13 Schedule E-5 Projected

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*	Centel	MFR Volume 14	Schedule B-5B
*	Centel	MFR Volume 15	Schedule B-5A
*	Centel	MFR Volume 16	Schedule B-5B
*	Centel	MFR Volume 17	Schedule B-5A
*	Centel	MFR Volume 18	1992-1994 Budgets, May 1990

\* The MFR schedules are sponsored in part by witnesses Cross, Bailor, Samuelson, Claerhout, Flesenthal, and Wahlen.

Brown	Staff	KDB-1	Central Telephone Logged Complaints - 10 Year Comparison
		KDB-2	Central Telephone Com- pany - Complaint Rate By Type - 1989
		KDB-3	Complaint Activity - Comparison and Per- centage Change
		KDB-4	Complaint Activity - Comparison and Detail
Taylor	Staff	JAT-1	Staff Service Evalua- tion
		JAT-2	Summary of Scores By Year

Staff has not yet finalized its list of exhibits which it intends to utilize in this proceeding. Staff will supply a list of the remainder of its exhibits to all parties prior to the Hearing.

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VII. STIPULATIONS:

1. Issues 6, 11, 14, 16-21, 28, 36, 37, 43, 45, 48, 55, 57, 69 and 76 have been dropped by staff without objection from any party.
2. Issues 3, 4, 5, 7b, 23a, 23b, 23f, 23h, 23i, 23m, 24, 24a, 25, 28b, 28d, 28e, 28f, 31, 38, 50, 51, 54, 72, 82 and 84 have been stipulated. See the statement of the issues in Section V of this Order for the contents of and the parties to these stipulations. Issue 23j has been dropped pursuant to the stipulation set forth in Issue 3.
3. Issue 7d has been partially stipulated. See the statement of the issues in Section V of this Order for the contents of and the parties to these partial Stipulations.
4. Centel and FPTA have entered into a stipulation, without objection from any other party, as follows:

The parties agree that the Commission's determination of issues identified in Order No. 23273 issued July 31, 1990, in Docket No. 860723-TP will govern the determination of those issues and will not be relitigated herein.

VIII. PENDING MOTIONS:

1. Central Telephone Company of Florida's Responses and Objections to Citizens' Request for Production of Documents and Motion for Protective Order (and Amendment).
2. Central Telephone-Florida's Responses and Objections to Citizens' Fifth Request for Production of Documents and Motion for Protective Order (and Supplemental Response).
3. Central Telephone Company of Florida's Responses and Objections to Citizens' 7th Request for Production of Documents and Motion for Protective Order.

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4. Central Telephone-Florida's First Request for Confidential Classification.
5. Central Telephone-Florida's Second Request for Confidential Classification.
6. OPC's First Motion to Compel filed July 13, 1990.
7. OPC's Section Motion to Compel filed September 19, 1990.

Relative to pending motions number 1, 2, 3, 6 and 7, Centel and OPC advised the Prehearing Officer that negotiations to resolve these items were under way and that the Commission would be notified later if a formal ruling would actually be needed.

Pending motions number 4 and 5 will be ruled upon after the Prehearing Conference.

IX. RULINGS:

1. The Motion to Strike filed by OPC on October 10, 1990, as well as Centel's Response thereto filed on October 15, 1990, were argued during the Prehearing Conference. The Prehearing Officer denied OPC's Motion.
2. The Motion for Leave to File Surrebuttal Testimony filed by OPC on October 12, 1990, was argued during the Prehearing Conference and taken under advisement by the Prehearing Officer. The Prehearing Officer has now determined that the Motion shall be granted. However, the surrebuttal testimony shall be presented by the witness in conjunction with or immediately following his direct testimony.

X. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION:

In the event it becomes necessary to handle confidential information, the following procedure will be followed:

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1. The Party utilizing the confidential material during cross examination shall provide copies to the Commissioners and the Court Reporter in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material shall be provided a copy in the same fashion as provided to the Commissioners subject to execution of any appropriate protective agreement with the owner of the material.
2. Counsel and witnesses should state when a question or answer contains confidential information.
3. Counsel and witnesses should make a reasonable attempt to avoid verbalizing confidential information and, if possible, should make only indirect reference to the confidential information.
4. Confidential information should be presented by written exhibit when reasonably convenient to do so.
5. At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the owner of the information. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

If it is necessary to discuss confidential information during the hearing the following procedure shall be utilized.

After a ruling has been made assigning confidential status to material to be used or admitted into evidence, it is suggested that the presiding Commissioner read into the record a statement such as the following:

The testimony and evidence we are about to receive is proprietary confidential business information and shall be kept confidential pursuant to Section 364.093, Florida Statutes. The testimony and evidence shall be received by the Commissioners in executive session with only the following persons present:

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- a) The Commissioners
- b) The Counsel for the Commissioners
- c) The Public Service Commission staff and staff counsel
- d) Representatives from the office of public counsel and the court reporter
- e) Counsel for the parties
- f) The necessary witnesses for the parties
- g) Counsel for all intervenors and all necessary witnesses for the intervenors.

All other persons must leave the hearing room at this time. I will be cutting off the telephone ties to the testimony presented in this room. The doors to this chamber are to be locked to the outside. No one is to enter or leave this room without the consent of the chairman.

The transcript of this portion of the hearing and the discussion related thereto shall be prepared and filed under seal, to be opened only by order of this Commission. The transcript is and shall be non-public record exempt from Section 119.07(1), Florida Statutes. Only the attorneys for the participating parties, Public Counsel, the Commission staff and the Commissioners shall receive a copy of the sealed transcript.

(AFTER THE ROOM HAS BEEN CLOSED)

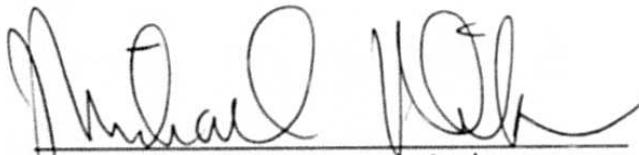
Everyone remaining in this room is instructed that the testimony and evidence that is about to be received is proprietary confidential business information, which shall be kept confidential. No one is to reveal the contents or substance of this testimony or evidence to anyone not present in this room at this time. The court reporter shall now record the names and affiliations of all persons present in the hearing room at this time.

It is therefore,

ORDERED by Chairman Michael McK. Wilson, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

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By ORDER of Chairman Michael McK. Wilson, as Prehearing  
Officer, this 26th day of OCTOBER, 1990.



MICHAEL McK. WILSON, Chairman  
and Prehearing Officer

( S E A L )

ABG