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December 18, 1992

Mr. Steven C. Tribble, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

Re: Docket No. 920260-TL

Dear Mr. Tribble:

Enclosed for filing in the above referenced docket are one (1) original and fifteen (15) copies of AT&T's Prehearing Statement. Copies of the foregoing are being served on all parties of record in accordance with the attached Certificate of Service.

Yours truly,

Michael W. Tye

ACK 2

AFM 3

AFR \_\_\_\_\_

CAF \_\_\_\_\_

GMU \_\_\_\_\_

OTR \_\_\_\_\_ MWT:sdh

EAG \_\_\_\_\_ Attachments

LEG 1

LIN 6 cc: J. P. Spooner, Jr.  
Parties of Record

OPC \_\_\_\_\_

RCH \_\_\_\_\_

SSC 1

WIS \_\_\_\_\_

OTH \_\_\_\_\_

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DOCUMENT NUMBER-DATE

14660 DEC 18 1992

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone and Telegraph Company ) Docket No. 920260-TL Submitted for Filing: December 18, 1992

AT&T'S PREHEARING STATEMENT

AT&T Communications of the Southern States, Inc. (hereinafter "AT&T"), pursuant to Rule 25-22.038, Florida Administrative Code, and Order No. PSC-92-1320-PCO-TL, issued November 13, 1992 by the Florida Public Service Commission (hereinafter "the Commission") in the above-referenced docket, hereby submits its Prehearing Statement.

A. Witness

AT&T intends to sponsor the testimony of the following witness:

1. Mike Guedel: Mr. Guedel is an AT&T employee who holds the position of Manager in the Government Affairs organization. Mr. Guedel's testimony:

A. Demonstrates that "price cap" regulation is inappropriate given the current levels and structures of BellSouth Telecommunications' prices and recommends that the Commission reject BellSouth Telecommunications' proposal for "price cap" regulation;

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B. Supports BellSouth Telecommunications' proposals to lower switched access charges (\$10 million reduction in local transport), and recommends significant additional reductions in the carrier common line charge (hereinafter "CCLC"); and

C. Demonstrates the inappropriateness of BellSouth Telecommunications' proposal to implement extended local service (hereinafter "ELS") and recommends that the Commission reject this proposal.

In addition to the foregoing witness whose direct testimony was prefiled on November 16, 1992, AT&T reserves the right to present responsive testimony, if necessary, in the event that there are matters raised by the parties for the first time at the hearing.

B. Exhibits

AT&T does not intend to present any exhibits. However, in the event that there are matters raised by the parties for the first time at the hearing, AT&T reserves the right to submit responsive exhibits, if necessary.

C. Basic Position

AT&T does not oppose the continuance of BellSouth Telecommunications' current incentive regulation plan, but submits that BellSouth Telecommunications' proposal for "price cap" regulation is inappropriate and should be rejected. AT&T

supports BellSouth Telecommunications' proposal to lower the local transport rate component of intrastate access charges, and further submits that at least one half of the revenues found available for rate reductions in this proceeding (or a minimum of \$35 million) be utilized for access charge reductions. Ten million dollars of such revenues can be used to implement the local transport reductions proposed by BellSouth Telecommunications, and all additional revenues should be applied toward reduction of the CCLC. Additionally, AT&T opposes BellSouth Telecommunications' proposal to implement ELS inasmuch as such plan is an ill-disguised attempt to "re-monopolize" the provision of toll service throughout a significant portion of BellSouth Telecommunications' operating territory.

D. Fact Issues

AT&T has no position at this time.

E. Legal Issues

AT&T has no position at this time.

F. Policy Issues

AT&T has no position at this time.

G. Position on Issues

AT&T has no position at this time on Issues 1-26a, Issues 31-32, Issues 35-37, and Issues 39-45. AT&T's positions on other

issues are set forth in Attachment 1 (AT&T's Position on Issues).

H. Stipulated Issues

AT&T is not aware of any issues which have been stipulated to by the parties.

I. Pending Motions

AT&T is not aware of any pending motions.

J. Other Requirements

AT&T is not aware of any requirements set forth in the order on prehearing procedure with which it is unable to comply.

Respectfully submitted,



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ATTORNEY FOR AT&T COMMUNICATIONS  
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AT&T'S POSITIONS ON ISSUES

ISSUE 26b: Has the current incentive regulation plan under which Southern Bell has been operating achieved the goals as set forth in DN 880069-TL? What are the positive and negative results, if any?

AT&T'S POSITION: The plan has offered BellSouth Telecommunications some additional incentives over those of traditional rate of return regulation, while offering the ratepayers a satisfactory degree of protection. The Commission should continue to monitor BellSouth Telecommunications' performance and periodically review the effects of this regulatory plan. AT&T does not oppose the continuance of the current incentive regulation plan.

ISSUE 27: Southern Bell (SBT) proposes to change its current form of regulation. The proposed plan includes the following components listed below. On the basis of these components, what are the pros and cons of this plan? (List omitted).

AT&T'S POSITION: The current level and structure of BellSouth Telecommunications' prices, along with its continuing monopoly position with respect to access to the local exchange, renders price cap regulation inappropriate. Price cap regulation would only serve the interests of BellSouth Telecommunications, and the Commission should reject the proposal. If, through this proceeding, the Commission finds the current revenue sharing plan to be in the public interest, it should extend the trial while continuing to monitor BellSouth Telecommunications' performance under the plan.

ISSUE 28:

Does SBT's proposed Price Regulation Plan meet the requirements of S. 364.036(2)(a)-(g) F.S. as follows:

- A) Is the Price Regulation Plan (PRP) consistent with the public interest?
- B) Does the PRP jeopardize the availability of reasonably affordable and reliable telecommunications services?
- C) Does the PRP provide identifiable benefits to consumers that are not otherwise available under existing regulatory procedures?
- D) Does the PRP provide effective safeguards to consumers of telecommunications services including consumers of local exchange services?
- E) Does the PRP assure that rates for monopoly services are just, reasonable, and not unduly discriminatory and do not yield excessive compensation?
- F) Does the PRP include adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services?
- G) Does the PRP jeopardize the ability of Southern Bell to provide quality, affordable telecommunications service?

AT&T'S POSITION:

No. AT&T submits that, given the current level and structure of BellSouth Telecommunications prices, along with its continuing monopoly position with respect to access to the local exchange, the proposed "price cap" regulation plan fails to meet the requirements of Section 364.036(2)(a)-(g), Florida Statutes.

ISSUE 29:

Should the Commission approve an incentive regulation plan for SBT? If so, what is the appropriate plan? If not, what is the appropriate form of regulation for SBT? How does the appropriate form of regulation meet the requirements of Chap. 364.036(a)-(g) F.S.?

AT&T'S POSITION: AT&T's position is the same as its position on Issue 26b.

ISSUE 30a: Should Southern Bell be permitted to cross-subsidize their competitive or effectively competitive services?

AT&T'S POSITION: No. Southern Bell should not be allowed to subsidize (cross-subsidize) its competitive and/or effectively competitive services or in any other way abuse its monopoly power to inhibit, manipulate, or otherwise distort the functioning of competitive markets.

ISSUE 33a: Is it appropriate to combine local measured usage with discounted intraLATA toll offerings?

AT&T'S POSITION: No. It is not appropriate to bundle the offering of a monopoly provided service (i.e. local service) with the offering of a competitive service (i.e. intraLATA toll). Such bundling will afford the monopolist an opportunity to distort the functioning of the competitive market.

ISSUE 33b: Should Southern Bell's proposed Optional Expanded Local Service (ELS) plan be approved? If not, what alternative plan, if any, should be approved on IntraLATA Toll Calls? Over what distance?

- A. \$0.25 Plan
- B. \$0.25 Plan for Residences; Businesses  
\$0.10 first minute and \$0.06 additional minutes
- C. Other, explain

AT&T'S POSITION: The Commission should reject BellSouth Telecommunications' proposed 40-mile calling plan (ELS). This proposal would restrict competition within the LATA and re-establish a BellSouth monopoly - ignoring a previous Commission finding that competition within the LATA (or EAEA) is in the public interest. The Commission should affirm the findings of its previous order (Order No. 23540), preserve the benefits of toll competition,



and reject the instant BellSouth Telecommunications' proposal.

The available revenues proposed to support the ELS plan should instead be utilized to further reduce switched access charges. Lower access charges will result in lower toll rates for all Florida customers.

ISSUE 33c: Is Southern Bell's proposal to eliminate or grandfather various existing measured and message rate offerings appropriate?

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

ISSUE 33d: If the Company's Optional ELS plan or any other alternative is approved, should stimulation be taken into account? If so, how?

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

ISSUE 33e: If the Commission approves an OELS or similar plan, what other action should the Commission take, if any? (e.g., route-specific switched access charges, 1+ IntraLATA presubscription)

AT&T'S POSITION: If the Commission were to approve the OELS or similar plan, then it should simultaneously take additional actions to attempt to preserve competition within the LATA. These actions should include 1) prohibiting the LECs from blocking any customer attempts to reach the carrier of his/her choice for the purpose of making any telephone call and, 2) reducing intrastate switched access charges to a level below that of the rates charged for the approved plan (or conversely require the imputation of access charges in the development of the plan rates).

ISSUE 34: Southern Bell has made proposals in the areas of switched access service rates, the interconnection usage rates for mobile service providers and toll services as shown below. Should SBT's proposals be approved? Should there be any other changes in switched access, toll or mobile interconnection usage

rates (e.g., reduce intrastate switched access rates to interstate levels)?  
(List omitted).

**AT&T'S POSITION:**

The Commission should approve BellSouth Telecommunications proposal to reduce the local transport rate from \$.016 to \$.01328. Further, the Commission should order BellSouth Telecommunications to significantly reduce other switched access charges (specifically the CCL). Intrastate rates are approximately twice what BellSouth Telecommunications charges for like services in the interstate arena. Approximately \$100 million in rate reductions would be required to bring intrastate rates to interstate levels. The Commission should, therefore, order that at least one-half of the revenues found available for rate reduction in this proceeding (or a minimum of \$35 million) be utilized for access charge reductions.

CERTIFICATE OF SERVICE

Docket No. 920260-TL

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U. S. Mail or hand-delivery to the following parties on this 18<sup>th</sup> day of December, 1992.

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