

FOLEY & LARDNER

215 SOUTH MONROE STREET • SUITE 450
POST OFFICE BOX 508

TALLAHASSEE, FLORIDA 32302-0508

TELEPHONE (904) 222-6100

FACSIMILE (904) 224-0496

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December 18, 1992

Mr. Steve Tribble
Director, Records and Reports
Florida Public Service Commission
101 East Gaines Street
Fletcher Building, Room 111
Tallahassee, FL 32399

**RE: Comprehensive Review of the Revenue Requirement and Rate Stabilization Plan of
Southern Bell Telephone & Telegraph Company, Docket No. 920260-TL**

Dear Mr. Tribble:

ACK _____

AFA 3 _____

APP _____

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OMD _____

CTR _____

EAG _____

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SEC 1 _____

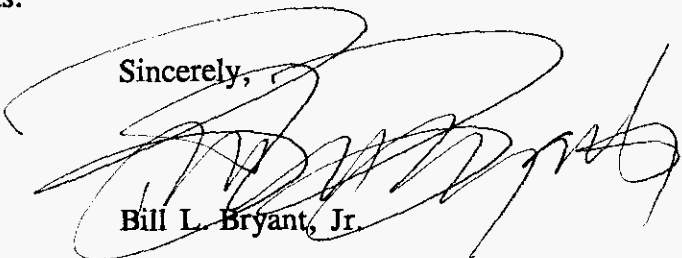
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Enclosed for filing in the above-referenced case are the original and 15 copies of the American Association of Retired Persons 'Prehearing Statement together with a copy of the Prehearing Statement on computer disk in WordPerfect format. A copy has been mailed to each of the persons or entities identified on the service list that accompanies this letter.

Thank you for your assistance in the processing of this filing, and please call if there are any questions or further requirements.

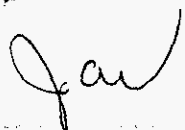
Sincerely,



Bill L. Bryant, Jr.

Enclosure

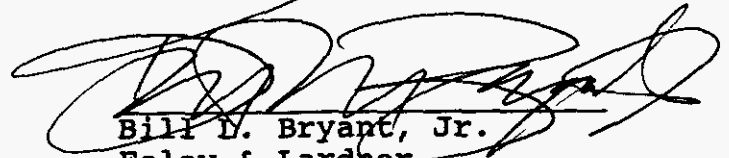
cc: Parties of Record



DOCUMENT NUMBER-DATE
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail this 18th day of December, 1992.



Bill D. Bryant, Jr.
Foley & Lardner
215 South Monroe Street
Suite 450
Post Office Box 508
Tallahassee, Florida 32302
(904) 222-6000
Florida Bar No. 179270

SERVICE LIST

Marshall Criser, III
BellSouth Telecommunications,
Inc. (Southern Bell Telephone
& Telegraph Company)
150 South Monroe St., Suite 400
Tallahassee, FL 32301

Harris B. Anthony
BellSouth Telecommunications,
Inc. (Southern Bell Telephone
& Telegraph Company)
150 W. Flagler St., Suite 1910
Miami, FL 33130

Robin Norton
Division of Communications
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Doug Lackey
BellSouth Telecommunications,
Inc. (Southern Bell Telephone
& Telegraph Company)
4300 Southern Bell Center
Atlanta, GA 30375

Mike Twomey
Department of Legal Affairs
Attorney General
The Capitol, 16th Floor
Tallahassee, FL 32399-1050

Angela Green
Division of Legal Services
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Edward Paschall
Florida AARP Capital City
Task Force
1923 Atapha Nene
Tallahassee, FL 32301

Richard D. Melson
Hopping, Boyd, Green & Sams
23 South Calhoun Street
P.O. Box 6526
Tallahassee, FL 32314

Michael J. Henry
MCI Telecommunications Corp.
MCI Center
Three Ravinia Drive
Atlanta, GA 30346

Joseph A. McGolthlin
Vicki Gordon Kaufman
McWhirter, Grandoff & Reeves
522 East Park Ave., Suite 200
Tallahassee, FL 32301

Rick Wright
AFAD
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Peter M. Dunbar
Haben, Culpepper, Dunbar
& French, P.A.
306 North Monroe Street
P.O. Box 10095
Tallahassee, FL 32301

Patrick K. Wiggins
Wiggins & Villacorta, P.A.
P.O. Drawer 1657
Tallahassee, FL 32302

Dan B. Hendrickson
P.O. Box 1201
Tallahassee, FL 32302

Monte Belote
Florida Consumer Action Network
4100 West Kennedy Blvd., # 128
Tampa, FL 33609

Joseph P. Gillan
J.P. Gillan & Associates
P.O. Box 541038
Orlando, FL 32854-1038

Floyd R. Self
Messer, Vickers, Caparello,
French, Madsen & Lewis, P.A.
P.O. Box 1876
215 South Monroe St., Suite 701
Tallahassee, FL 32302-1876

Chanthina R. Bryant
Sprint
3065 Cumberland Circle
Atlanta, GA 30339

Michael W. Tye
AT&T Communications of the
Southern States, Inc.
106 East College Avenue
Suite 1410
Tallahassee, FL 32301

Charles J. Beck
Deputy Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Jack Shreve, Esquire
Public Counsel
State of Florida
Office of the Public Counsel
111 West Madison St., Rm. 812
Tallahassee, FL 32399-1400

Mr. Cecil O. Simpson
General Attorney
Mr. Peter Nyce, Jr.
General Attorney
Regulatory Law Office
Advocate General
Department of The Army
901 North Stuart Street
Arlington, VA 22203-1837

Thomas F. Woods, Esquire
Gatlin, Woods, Carlson, & Cowdery
1709-D Mahan Drive
Tallahassee, Florida 32308

Douglas S. Metcalf (Ad Hoc)
Communications Consultants, Inc.
1600 E. Amelia Street
Orlando, Florida 32803

Benjamin H. Dickens, Jr.
Blooston, Mordkofsky, Jackson,
& Dickens
2120 L. Street, N.W.
Washington, D.C. 20037

Lance C. Noris, President
Fla. Pay Telephone Ass'n. Inc.
Suite 202
8130 Baymeadows Circle, West
Jacksonville, Florida 32256

Laura L. Wilson, Esquire
Messer, Vickers, Caparello,
Madsen & Lewis, P.A.
Post Office Box 1876
Tallahassee, Florida 32302-1876

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of)
the Revenue Requirements and Rate)
Stabilization Plan of Southern) Docket No. 920260-TL
Bell Telephone and Telegraph)
Company (Formerly FPSC Docket) Filed: December 18, 1992
Number 880069-TL)
_____)

AMERICAN ASSOCIATION OF RETIRED PERSONS ' PREHEARING STATEMENT

Intervenor, American Association of Retired Persons ("AARP ") hereby files this Prehearing Statement.

All Known Witnesses:

AARP intends to call two witnesses, whose direct testimony has been prefiled with the Commission:

1. Mr. Mark Cooper. Mr. Cooper 's testimony concerns Southern Bell 's proposed Lifeline plan and AARP 's proposed modifications to that plan.
2. Mr. David Chessler. Mr. Chessler testifies on the degree of competition Southern Bell faces in various markets and the inappropriateness of price cap regulation in those markets. He also testifies about the inappropriateness of Southern Bell 's proposals for Extended Area Service, and Southern Bell 's incorrect categorization of certain services as non-basic.

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Prefiled Exhibits:

AARP's witnesses prefiled the following exhibits:

1. Mark Cooper.

- | | |
|------------------|---|
| Attachment MNC-1 | Percent of Households in Florida Without Telephone Service |
| Attachment MNC-2 | The Number and Duration of Calls Placed |
| Attachment MNC-3 | Number of Calls Made and Deemed Essential Per Week |
| Attachment MNC-4 | Mark N. Cooper, The Telecommunications Needs of Older, Low Income and General Consumers in the Post Divestiture Era, American Association of Retired Persons and Consumer Federation of America, October, 1987. |
| Attachment MNC-5 | Recent Estimates of Elasticity of Demand for Access and Use |
| Attachment MNC-6 | Percent of Income Devoted to Telephone Service |
| Attachment MNC-7 | Richard Gable, <u>The Impact of Premium Telephone Services on the Technical Design Operation and Cost of Local Exchange Plant</u> , the American Association of Retired Persons, January, 1992 |
| Attachment MNC-8 | Telephone Service Away Households Enrolled in Public Assistance Programs in Florida |
| Attachment MNC-9 | Enrollment in Assistance Programs by Income Level. |

Attachment MNC-10	Distribution of Non-subscribers by Enrollment and Income Level in Florida
Attachment MNC-11	<u>Utility Lifeline Programs: Prevalence and Performance</u> , AARP Consumer Affairs and the Consumer Federation of America
Attachment MNC-12	Examples of Similar State Eligibility Policies
Attachment MNC-13	Cross Tabulation of Factors Affecting Participation Rates
Attachment MNC-14	Enrollment Rates in Lifeline Programs
Attachment MNC-15	Estimating the Revenue Requirement
Attachment MNC-16	Approximation of Incremental Usage Costs Imposed by Flat Rate Subscribers

2. Mr. David Chessler.

Exhibit DC-1	Biographical Information
Exhibit DC-2	BellSystem Interstate Earnings by Service, 1964 to 1964
Exhibit DC-3	Southern Bell Revenue Growth By Service, 1988 to 1991
Exhibit DC-4	Southern Bell Revenue Growth by Service, 1987 to 1991

Exhibit DC-5 Southern Bell Florida Revenue Growth by Service, 1988 to 1991

Exhibit DC-6 Southern Bell Florida Revenue Growth by Service, 1984 to 1991

Statement of Basic Position:

Southern Bell has proposed a lifeline (low income assistance) program. AARP agrees that a lifeline program should be implemented and makes specific proposals for modifying the funding design, and implementation of the proposed program. The program as proposed by Southern Bell is inadequate. In contrast to Southern Bell's proposal, AARP believes that an adequate lifeline program will require funding of \$6.3 million per year. AARP proposes that eligible customers receive a discount equal to the Federal subscriber line charge waiver (currently \$3.50 per month). Eligibility would be based on participation in a major public assistance program (AFDC, Medicaid, Foods Stamps, SSI) or an income below 125% of poverty level. To assure that the program is available to those who need it and to optimize participation, AARP also proposes self certification with periodic verification of eligibility and vigorous outreach efforts to ensure program success.

AARP opposes the proposed rate cap plan. Southern Bell bases its arguments for rate cap regulation on the asserted existence of substantial competition. However, Southern Bell has exaggerated the extent to which it faces competition. This is established by evidence showing that Southern Bell competes effectively for toll service and that Southern Bell has maintained its profits in a recession. Consequently, the proposed plan

cannot be justified on the basis that Southern Bell faces substantial competition and it should not be implemented. AARP also opposes the proposed rate cap plan because it unfairly permits rate increases for basic service customers, even if costs are declining. Furthermore, the rate cap plan would allow Southern Bell to target some competitive services with pricing strategies that will drive competitors out of the market and, because the PSC will be in a poor position to review anti-competitive rates in view of the plan's lack of adequate requirements for providing information and cost support to the PSC.

Southern Bell's proposed Extended Area Service (EAS) plan is not supported by adequate studies and should not be authorized because it would inappropriately force some customers to migrate from flat rates to measured rates. The proposed EAS areas are too large and would have an anticompetitive impact on other long distance providers.

Southern Bell has inappropriately categorized some services as non-basic, that should be categorized as basic. Certain services like directory assistance which Southern Bell treats as non-basic, must be categorized as basic. Furthermore, Southern Bell inappropriately categorizes "new" services as non-basic. Services should be categorized as "basic" or "non-basic" based on whether they are essential to some particular class of customers, or whether they can be offered only by a local exchange carrier. No service should be considered non-essential for all customers merely because it is new. Finally, basic service needs to be protected from excessive or unreasonable price increases. Southern Bell's proposal for a five percent per year cap on increases is not adequate to provide that protection.

Statement of Issues and Positions:

AARP 's statement of the issues is based on the issues as set forth in Appendix A of the Commission 's Additional Order on Prehearing Procedure, Order No. PSC-92-1320-PCO-TL (November 13, 1992), as follows:

General Issues

Issue (1): Is the test year ended December 31, 1991 an appropriate test year?

AARP 's Position:

No position at this time.

Rate Base

Plant in Service

Issue (2): What is the appropriate amount of plant in service for the test year?

AARP 's Position:

No position at this time.

Issue (2a): Have the investments and expenses for video transport service been appropriately identified and accounted for?

AARP 's Position:

No position at this time.

Issue (2b): Is Southern Bell's investment in its interLATA internal company network prudent? If not, what action should the Commission take?

AARP's Position:

No position at this time.

Depreciation Reserve

Issue (3): What is the appropriate amount of depreciation reserve for the test year?

AARP's Position:

No position at this time.

Issue (4): What adjustment should be made to the depreciation reserve to reflect new depreciation rates and recovery schedules as approved in Docket No. 920385-TL?

AARP's Position:

No position at this time.

Issue (5): What is the appropriate amount of construction work in progress for the test year?

AARP's Position:

No position at this time.

Property Held For Future Use

Issue (6): What is the appropriate amount of property held for future use for the test year?

AARP 's Position:

No position at this time.

Working Capital

Issue (7): What is the appropriate amount of working capital allowance for the test year?

AARP 's Position:

No position at this time.

Issue (8): What is the appropriate amount of rate base for the test year?

AARP 's Position:

No position at this time.

Cost of Capital

Issue (9): What is the appropriate cost of common equity capital for Southern Bell?

AARP 's Position:

No position at this time.

Issue (9a): Should there be a penalty imposed for poor quality of service? If so, what should be the penalty?

AARP 's Position:

No position at this time.

Issue (10): Is Southern Bell 's proposed test year equity ratio prudent and reasonable? If not, how should this be treated?

AARP 's Position:

No position at this time.

Issue (11): Is Southern Bell 's balance of accumulated deferred investment tax credits, prior to reconciliation to rate base, appropriate?

AARP 's Position:

No position at this time.

Issue (12): Is Southern Bell 's balance of accumulated deferred taxes, prior to reconciliation to rate base, appropriate?

AARP 's Position:

No position at this time.

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

AARP 's Position:

No position at this time.

Operating Revenue

Issue (14): What is the appropriate amount of operating revenue for the test year?

AARP's Position:

No position at this time.

Issue (14a): Are all of the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

AARP's Position:

No position at this time.

Issue (14b): Has the Company accounted for employee concessions appropriately during the test year?

AARP's Position:

No position at this time.

Issue (14c): Should an adjustment be made to intrastate revenues for the test period to recognize adjustments to IXC's percentage interstate usage (PIU)?

AARP's Position:

No position at this time.

Issue (14d): How often should Southern Bell be required to perform PIU audits?

AARP's Position:

No position at this time.

Issue (14e): What is the appropriate amount of directory advertising revenue that should be included in the test period?

AARP's Position:

No position at this time.

Issue (14f): Does the Company's uncollectible accounts ratio represent a reasonable and necessary ongoing level?

AARP's Position:

No position at this time.

Operation & Maintenance Expense

Issue (15): What is the appropriate amount of O&M expense for the test year?

AARP's Position:

No position at this time.

Issue (15a): Are the allocations to non-regulated operations reasonable?

AARP's Position:

No position at this time.

Issue (15b): What is the appropriate adjustment to revenue requirements related to BellSouth's reorganization?

AARP's Position:

No position at this time.

Issue (15c): What adjustment, if any, should be made to expenses for USTA dues?

AARP's Position:

No position at this time.

Issue (15d): Is Southern Bell correctly separating the revenues, expenses and investment in its Line Identification Data Base (LIDB) offering to the appropriate jurisdictions?

AARP's Position:

No position at this time.

Issue (15e): Is the amount of lobbying and other political expenses included in the Company's intrastate operating expenses appropriate for ratemaking purposes?

AARP's Position:

No position at this time.

Issue (15f): Is the amount of advertising and public relations expenses included in the Company's intrastate operating expenses appropriate for ratemaking purposes?

AARP's Position:

No position at this time.

Issue (15g): Has the Company properly employed an appropriate expense/capitalization ratio for compensation?

AARP's Position:

No position at this time.

Issue (15h): Does the level of legal, injury and damage claims expense represent a reasonable and necessary ongoing level?

AARP 's Position :

No position at this time.

Issue (15i): What is the appropriate treatment of the Company 's promotional and charitable contributions?

AARP 's Position :

No position at this time.

Issue (15j): Are the test year expenses for software reasonable?

AARP 's Position :

No position at this time.

Issue (15k): How should software additions be treated for ratemaking purposes?

AARP 's Position :

No position at this time.

Issue (15l): How should the Commission treat the Company 's incentive compensation/bonus plan payments?

AARP 's Position :

No position at this time.

Issue (15m): Are employee benefits expenses reasonable and based on known and measurable events?

AARP 's Position :

No position at this time.

Issue (15n): How should the Commission treat the Company's abandoned projects?

AARP's Position:

No position at this time.

Issue (15o): Should ratepayers receive credit for pension collections not funded or paid into the pension plan?

AARP's Position:

No position at this time.

Issue (15p): How should overfunded pension amounts be treated?

AARP's Position:

No position at this time.

Non-recurring Items

Issue (16): Have non-recurring items been removed from the determination of revenue requirements?

AARP's Position:

No position at this time.

Issue (16a): Does the level of employee relocation expenses represent a reasonable and necessary ongoing level?

AARP's Position:

No position at this time.

Issue (16b): How should the Commission treat the expenses included in the test year related to early retirement?

AARP § Position:

No position at this time.

Affiliated Transactions

Issue (17): Are the affiliated charges and overhead allocations to Southern Bell-Florida reasonable, including charges from the central management/service organization?

AARP § Position:

No position at this time.

Issue (17a): Are the ownership costs incurred at the corporate level appropriate for ratepayers to pay?

AARP § Position:

No position at this time.

Issue (17b): How should the Commission treat the expenses incurred by BellSouth for supplemental executive retirement, stock appreciation rights and incentive compensation?

AARP § Position:

No position at this time.

Issue (17c): Are the regulated operations being properly compensated for billing and collection services provided to nonaffiliated companies, and nonregulated and/or affiliated company operations?

AARP's Position:

No position at this time.

Issue (17d): How should the Commission treat BST Research Organization expenses?

AARP's Position:

No position at this time.

Issue (17e): Do Southern Bell's intrastate expenses include Bellcore and BellSouth Services allocated research and development costs which are of no tangible benefit to ratepayers? If so, what adjustment should be made?

AARP's Position:

No position at this time.

Issue (17f): Do Southern Bell's expenditures for Bellcore services cause ratepayers of regulated telephone services to pay inappropriately for future, potential non-regulated BellSouth products and services? If so, what adjustment should be made?

AARP's Position:

No position at this time.

Issue (17g): Are the rental costs incurred by BellSouth Corporation headquarters and allocated to Southern Bell-Florida reasonable?

AARP § Position:

No position at this time.

FAS 106

Issue (18): What is the appropriate amount of expense for postretirement benefits other than pensions for the test year?

AARP § Position:

No position at this time.

Depreciation and Amortization Expenses

Issue (19): What is the appropriate amount of depreciation expense for the test year?

AARP § Position:

No position at this time.

Issue (19a): What adjustment should be made to depreciation expense to reflect the new depreciation rates and recovery schedules as approved in Docket No. 920385-TL?

AARP § Position:

No position at this time.

Taxes

Issue (20): What is the appropriate amount of taxes other than income for the test year?

AARP's Position:

No position at this time.

Issue (21): What is the appropriate amount of income tax expense for the test year?

AARP's Position:

No position at this time.

Issue (21a): How should the effect of implementing SFAA 109, Accounting for Income Taxes, be treated by the Commission?

AARP's Position:

No position at this time.

Issue (21b): How should the unprotected excess deferred income taxes be amortized?

AARP's Position:

No position at this time.

Issue (22): Should consolidated tax savings be recognized for ratemaking?

AARP's Position:

No position at this time.

Net Operating Income

Issue (23): What is the appropriate achieved test year net operating income?

AARP's Position:

No position at this time.

Issue (24): Is Southern Bell's attrition (accretion) allowance appropriate?

AARP's Position:

No position at this time.

Revenue Requirement

Issue (25): What is the appropriate amount of revenue increase/decrease for the test year?

AARP's Position:

No position at this time.

Issue (25a): Did Southern Bell earn above 14% Return on Equity (ROE) for 1991 therefore requiring a sharing of earnings between the company and ratepayers per Order No. 201627? If so, what is the amount to be shared?

AARP's Position:

No position at this time.

Issue (25b): Did Southern Bell experience an increase in earnings when netting rate changes against changes in earnings due to exogenous factors and debt refinancing, therefore requiring a refund and/or a permanent disposition for 1991 per Order No. 20162: If so, what is the amount?

AARP's Position:

No position at this time.

Issue (25c): What amount of revenue is subject to disposition in 1993 due to orders issued in DN 880069?

AARP's Position:

No position at this time.

Issue (25d): What amount of revenue, if any, should be refunded?

AARP's Position:

No position at this time.

Issue (25e): Should Southern Bell be required to file, within 30 days after the date of the final order in this docket, an updated schedule to reflect the actual rate case expense?

AARP's Position:

No position at this time.

Current Rate Stabilization Plan

Issue (26a): What criteria should the Commission use to evaluate Southern Bell's performance under, and its proposal for, an incentive regulation, price cap or price regulation plan? (For example, data provided in MFR Schedules on expenses, productivity, efficiency, comparisons of that or other data with other LECs, etc.)

AARP 's Position :

Southern Bell 's proposal appears to establish no criteria for evaluating the company 's performance. Before agreeing to such a plan, the Commission should require that any rate filings, even for competitive service provide cost support and market studies, allow enough time for staff review, provide for suspension, and provide for expedited discovery and hearings if necessary. (Dr. Chessler).

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?

AARP 's Position :

The incentive plan adopted in 1988 gives the company a great deal of flexibility. It also gives the company financial incentives to cut costs and improve productivity. In that respect it was a success. The company has been competing effectively and raising its market share. This raises the question of why the commission would allow a change from the incentive plan to a rate cap plan. (Dr. Chessler).

Proposed Price 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?

Price Regulation Index

- A. Places ceiling on aggregate prices via a Price Regulation Index (PRI). This index is composed of an inflation measure, less a productivity factor offset, plus or minus any exogenous factors.

AARP's Position:

Under the PRI, a rate increase in one service must be compensated for by a rate decrease in another. There is no protection for basic services under this plan beyond the guarantee that rates won't increase more than 5 percent per year. The company is free to decide which rates to reduce and by how much. It is then required to make offsetting rate increases. (Dr. Chessler).

- B. For inflation, PRI uses the Gross National Product-Price Index (GNP-PI).

AARP's Position:

Southern Bell demonstrates no basis for using this index.

- C. PRI Productivity offset set at 4%.

AARP's Position:

The productivity offset of 4% is too low. The offset should be set at a much higher historically based figure (5.5%) to give the company proper incentives (Dr. Chessler).

- D. Defines exogenous factors as those measurable expenses beyond SBT's control. This includes changes in regulations or statutes, taxes, separations, and accounting practices, and adjustments to depreciation rates.

AARP's Position:

No position at this time.

- E. PRI initially indexed at 100 as the starting point.

AARP's Position:

No position at this time.

- F. PRI is adjusted annually and aggregate prices are then adjusted accordingly. Downward adjustments are required, upward adjustments are optional. First adjustment is in 1994.

AARP's Position:

Downward adjustments are not required. Southern Bell can raise rates 5% even if rates should come down, so long as the index changes by the appropriate amounts. (Dr. Chessler).

- G. Any changes in aggregate prices during the year must be below or at the PRI of 100.

AARP's Position:

Limiting price changes based on aggregate prices permits the company excessive flexibility in changing rates. (Dr. Chessler).

H. Regulated Services with no tarrified rates are excluded from the PRI.

AARP § Position :

Southern Bell has demonstrated no basis for this exclusion.

I. Contract Service Arrangement prices are excluded from PRI.

AARP § Position :

Southern Bell has demonstrated no basis for this exclusion.

J. New service prices excluded from PRI for at least 12 months.

AARP § Position :

Just because a service is new does not mean that it is not essential. New services should not be automatically excluded from PRI. It must be determined beforehand whether services are essential. (Dr. Chessler).

K. Restructured services are placed in the PRI upon filing.

AARP § Position :

No position at this time.

L. PRI to be recalculated annually. Price changes required to bring average prices at or below the PRI would be filed in associated tariffs in an annual May 1 filing and would go into effect 60 days later.

AARP § Position :

AARP objects to this aspect of the plan because of the lack of filing requirements. lack of adequate notice, and lack of any significant requirements that the company show support for price changes. AARP

objects to the degree of flexibility given with respect to average prices. (Dr. Chessler).

Baskets

M. Proposes two categories of service, basic and non-basic services.

AARP's Position:

There is no basis in the company's tariffs for this categorization and AARP objects to the way this definition is implemented because certain services that are essential to particular categories of customers are excluded from basic services. (Dr. Chessler).

N. Defines basic service as those services generally required to provide essential local exchange services to an end user as well as access to providers of basic local services and toll service.

AARP's Position:

AARP objects to the way this definition is implemented because it results in the exclusion of certain services that are essential to some customers from basic service. (Dr. Chessler).

O. Defines Non-Basic services as those tariffed services not in the basic category. Includes those that are optional or can be provided by a vendor other than SBT.

AARP's Position:

Excluding "optional services" allows Southern Bell to exclude services from basic service even though they may be essential. In effect, Southern Bell may

ignore its definition of basic services if the service at issue is optional, even though the service may be essential to many customers. (Dr. Chessler).

P. Installs pricing rules for each category.

1. For basic services:

- * Sets limit on service category increases at 5%.
- * Individual service prices could be raised a maximum of 5% annually, as long as the average for all prices did not exceed the PCI.
- * No floor set on reductions.
- * Lifeline and Link-up rates could not be changed without Commission approval.

AARP's Position:

With the exception of lifeline and link-up rates which require Commission approval, there is no protection for basic service rates. Under this plan the company can decide which rates to reduce and by how much. It can increase rates for any service up to 5%.

2. For non-basic services:

- * Sets limit on service category increases at 20%.
- * Individual service prices could be raised a maximum of 20% annually, as long as the average for all prices did not exceed the PCI.
- * No floors set on reductions.

- * For those services currently having banded rates, the existing maximum and minimum rates will be retained. Price changes can be made anywhere within the range.

AARP § Position :

Non basic services could be reduced excessively. Excessively low prices could drive reduction that could drive competitors out of the market. Consequently, having no floor on non-basic services could be used anticompetitively by Southern Bell. Furthermore, AARP believes some services are improperly categorized as non-basic. AARP is concerned that those services could be subject to 20% annual rate increases.

3. For both:

- * Increases and decreases in rates are treated the same for both basic and non-basic services. Increases in rates become effective on 30 day notice. Decreases become effective on 15 days notice. Changes are presumptively valid.

AARP § Position :

These notice requirements are inadequate, particularly in view of the absence of any requirement to provide supporting information. (Dr. Chessler).

- Q. Services can be recategorized. Requests for recategorization of services would be ruled upon by the Commission within 60 days.

AARP § Position:

AARP opposes this element of the plan. The notice period of 60 days is too short. There is no requirement for the filing of cost or other support information. The Commission will have no information on which to act, and it is not clear how the Commission could act to suspend tariffs for hearings. Before agreeing to this extreme level of flexibility the Commission should require filing of customer support information and market studies, allow enough time for staff review, provide for suspension, and provide for expedited discovery and hearings. (Dr. Chessler).

- R. Services can be removed from price earnings regulation all together.

AARP § Position:

The basis for removing a service from price-earnings regulation has not been adequately addressed by Southern Bell, if it has been addressed at all. Furthermore, the question of whether removing a service from price-earnings regulations would remove the service from the revenue requirement has not been addressed either.

New Services/Restructured Services

- S. Defines new services as those not previously offered or not replacing an existing services.

AARP § Position:

This is not an adequate definition of new services. AARP does not believe new services should automatically be categorized as non-basic. Some services

may be essential to particular categories of customers even though they are new. Southern Bell has applied this definition to exclude some services (or rate elements) from basic services. Furthermore Southern Bell is categorizing some services as new even though they are just new elements of an existing service, even basic services. For example, call waiting is a new element of an existing service.

- T. Prices new services above incremental cost.

AARP's Position:

Incremental cost is undefined and the company is not required to file cost support information. Consequently, this limitation has no operational effect. (Dr. Chessler).

- U. New service prices are excluded for at least 12 months from the PRI calculation.

AARP's Position:

Just because a service is new does not mean that it is not essential. New services should not be automatically excluded from PRI. It must be determined beforehand whether services are essential. (Dr. Chessler).

- V. Effective within 30 days with presumptively valid approval.

AARP's Position:

This is inadequate notice, particularly in view of the lack of information that must be provided to the Commission. (Dr. Chessler).

W. Floor for rates at incremental cost. No ceiling.

AARP 's Position :

Incremental cost is undefined and the company is not required to file cost support information so that this limitation has no operational effect. (Dr. Chessler).

X. Rate changes allowed with 15 day effective date during the first 12 months the service is offered.

AARP 's Position :

This is inadequate notice, particularly in view of the lack of information that must be provided to the Commission. (Dr. Chessler).

Y. Defines restructured services as those replacing an existing service.

AARP 's Position :

Under this definition, Southern Bell could change a major rate element of an existing service, rename that service, and describe it as restructured.

Z. The rate cannot exceed the rate of the existing service it is replacing.

AARP 's Position :

If a service were restructured as described under Y above, there would be no way of comparing rates for the old service with rates for the restructured service because of the change in a major rate element. Consequently, this limitation has no operational effect.

AA. Restructured services are placed in the PRI upon filing.

AARP's Position:

Because the rates have been changed and no comparison is possible, this would allow the company to implement a new rate without any review.

Sharing

AB. Sharing ratio is 50/50 split between the company and the ratepayers. No rate setting point was proposed. Floor is to be set at 11.5% ROE. Ceiling is to be set at 16% ROE. Sharing begins at 14% ROE. Any ROE above 16% ROE is to be 100% returned to ratepayers.

AARP's Position:

AARP does not believe the proposed 50/50 split between the company and ratepayers is appropriate because it is less favorable to consumers than the existing arrangement. (Dr. Chessler). AARP has no position on the other elements of this issue at this time.

Relief

AC. SBT can request rates be moved above PRI under the following circumstances:

1. Earnings fall below the established floor.

AARP's Position:

If Southern Bell wants to move rates above PRI at any time then the plan should be terminated and a new rate case should be instituted.

2. Structural changes from changes in the industry or Commission orders.

AARP 's Position :

If Southern Bell wants to move rates above PRI at any time then the plan should be terminated and a new rate case should be instituted.

3. Changes in competitive conditions as authorized by the Commission.

AARP 's Position :

If Southern Bell wants to move rates above PRI at any time then the plan should be terminated and a new rate case should be instituted.

Important Dates

AD. Plan goes into effect May 1, 1993.

AARP 's Position :

No position at this time.

AE. Plan reviewed after four years for adjustment.

AARP 's Position :

No position at this time.

AF. No termination date set.

AARP 's Position :

No position at this time.

Service Requirements

AG. Service requirements - none proposed.

AARP's Position:

This issue is unclear. If it relates to universal service requirements, AARP addresses the need for universal service in its testimony on the lifeline issue (Mr. Cooper). If this issue is intended to address quality of services, AARP (Issue 39(f)) notes that under this plan the company could cut costs in maintenance and other service areas to increase profits.

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?

AARP's Position:

No. The plan unfairly permits rate increases for basic service customers even when costs are declining. The plan would allow Southern Bell to target some competitive services with pricing strategies that will drive competitors out of the market. The plan also places the PSC in a poor position to review/revise anticompetitive or otherwise unfair rates. (Dr. Chessler).

B) Does the PRP jeopardize the availability of reasonably affordable and reliable telecommunications services?

AARP § Position :

Affordable reliable service is jeopardized because under this plan the company can raise rates for basic service without adequate review. See also AARP § position on Issue 28G.

- C) Does the PRP provide identifiable benefits to consumers that are not otherwise available under existing regulatory procedures?

AARP § Position :

No identifiable benefits are offered.

- D) Does the PRP provide effective safeguards to consumers of telecommunications services including consumers of local exchange services?

AARP § Position :

No. The plan unfairly permits rate increases for basic service customers even when costs are declining. The plan would allow Southern Bell to target some competitive services with pricing strategies that will drive competitors out of the market. The plan also places the PSC in a poor position to review/revise anticompetitive or otherwise unfair rates. (Dr. Chessler).

- E) Does the PRP assure that rates for monopoly services are just, reasonable, and not unduly discriminatory and will not yield excessive compensation?

AARP's Position:

No. The plan unfairly permits rate increases for basic service customers even when costs are declining. The plan would allow Southern Bell to target some competitive services with pricing strategies that will drive competitors out of the market. The plan also places the PSC in a poor position to review/revise anticompetitive or otherwise unfair rates. (Dr. Chessler).

F) Does the PRP include adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services?

AARP's Position:

Definitely not, the PRP provides extreme flexibility that would allow the company to engage in extensive cross-subsidization, without any justifiable basis.

G) Does the PRP jeopardize the ability of Southern Bell to provide quality, affordable telecommunications service?

AARP's Position:

The ability to provide quality affordable services is impaired by the plan's absence of any incentives to provide such service, and by the existence of incentives not to do so. See also AARP's position on Issue 28B.

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.?

AARP 's Position:

The proposed plan is not incentive regulation, it is a rate cap plan and should not be approved. AARP believes that classic rate of return regulation is the appropriate form of regulation.

Cross-Subsidy Issues

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

AARP 's Position:

No.

Issue (30b): Should Southern Bell 's basic telephone service rates be based on the most cost effective means of providing basic telephone service?

AARP 's Position:

Yes, in general basic telephone service rates should be based on the most cost effective means of providing service, except where strong public considerations dictate otherwise.

Issue (30c): Should Southern Bell segregate its intrastate investments and expenses in accordance with allocation methodology as prescribed by the Commission to ensure that competitive telecommunications services are not subsidized by monopoly telecommunications services?

AARP 's Position :

AARP 's consistent position has been that monopoly services should not subsidize competitive telecommunications services. AARP believes that it is the Commission 's responsibility to ensure that does not occur.

Issue (30d): Has the Commission prescribed an allocation methodology to ensure that competitive telecommunications services are not subsidized by monopoly telecommunications services? If so, has Southern Bell followed that prescribed allocation methodology?

AARP 's Position :

No position at this time.

Issue (30e): Has the replacement of copper with fiber since the last depreciation study been accomplished in a cost effective manner for adequate basic telephone service?

AARP 's Position :

No position at this time.

Quality of Service

Issue (31): Is Southern Bell 's quality of service adequate?

AARP 's Position :

No position at this time on current quality of service, but AARP notes that the proposed plan has no quality of service incentives.

Issue (31a): Do Rules 25-4.070 & 25-4.110 require Southern Bell to provide a rebate for an out-of-service condition when the company fails to notify, within 24 hours of the trouble report, that the trouble is located in the Customer Premises Equipment (CPE)?

AARP's Position:

No position at this time.

Policy and Pricing Issues

Billing Units

Issue (32): Are Southern Bell's test year billing units appropriate?

AARP's Position:

No position at this time.

Issue (32a): Have billing units for employee concessions been properly accounted for in MFR Schedule E-1a?

AARP's Position:

No position at this time.

Proposed Optional expanded Local Service (ELS) Plan

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

AARP's Position:

No position at this time.

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?

AARP's Position:

Southern Bell has demonstrated no basis for the adoption of this plan at this time.

A. \$0.25 Plan

AARP's Position:

No position at this time.

B. \$0.25 Plan for Residences; Businesses \$0.10 first minute and \$0.06 additional minutes

AARP's Position:

No position at this time.

C. Other, explain.

AARP's Position:

No position at this time.

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

AARP's Position:

AARP objects to forced migration of some customers from these currently existing services to the proposed optional expanded local service. There is no

evidence of customer demand for this service and no significant demonstration of need for this service. (Dr. Chessler).

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

AARP's Position:

Yes, it has to be recognized that revenues and costs will increase and, depending upon how it is calculated, revenue will probably increase more than costs. The only way to account for stimulation is to require the company to provide information on this issue.

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)

AARP's Position:

No position at this time.

Toll/Access/Mobile Interconnection

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)?

AARP § Position:

No position at this time.

- A) To reduce switched access rates in the local transport element for both originating and terminating access from \$.01600 to \$.01328.

AARP § Position:

No position at this time.

- B) To reduce current mobile originating peak usage rate from \$.03470 to \$.03200.

AARP § Position:

No position at this time.

- C) To reduce the optional land-to-mobile intra-company usage charge from \$.0597 to \$.0572.

AARP § Position:

No position at this time.

- D) To reduce the optional land-to-mobile inter-company usage charge from \$.1692 to \$.1667.

AARP § Position:

No position at this time.

- E) To make no changes to its tool services rates.

AARP § Position:

No position at this time.

Vertical Services

Issue (35a): Should the Company's proposals to reduce Residential Call Waiting from \$3.50 to \$3.35 and the Residential Call Forwarding-Variable from \$2.45 to \$2.20 be approved?

AARP's Position:

We disagree with the separation of this service from basic service, but AARP has no objection to the rate reductions.

Issue (35b): The Company has made no proposal to change its current Touchtone charges. Is this appropriate?

AARP's Position:

We disagree with the separation of this service from basic service, but have no objection to rate reduction.

Issue (35c): Should customers be allowed to subscribe to Call Forward-Busy in lieu of rotary or hunting service?

AARP's Position:

No position at this time.

Issue (35d): What other changes, if any, should be made to services in the Miscellaneous Service Arrangements section of Southern Bell's tariff?

AARP's Position:

No position at this time.

Issue (36): Should Southern Bell be required to provide billing and collection services for others on the same terms and conditions it provides those services to itself or to its affiliated complaints?

AARP 's Position :

No position at this time.

Service Connection Charges

Issue (37): Southern Bell has proposed to restructure and reduce its Service Connection Charges as shown below. What changes, if any, should be made to Service Connection Charges?

<u>Current</u>		<u>Proposed</u>	
<u>Residential</u>		<u>Residential</u>	
Primary Service Order	\$25.00	Line Connection - First	\$40.00
Secondary Service Order	9.00	Line Connection - Add 1	12.00
Access Line Connection		Line Change - First	24.00
Charge - C.O. Work	19.50	Line Change - Add 1	10.00
Access Line Connection		Secondary Service Charge	9.00
Charge - New Line	31.50		
Number Change - per S.O.		9.00	
Number Change - per No.	11.50		
<u>Business</u>		<u>Business</u>	
Primary Service Order	\$35.00	Line Connection - First	\$60.00
Secondary Service Order	12.00	Line Connection - Add 1	13.00
Access Line Connection		Line Change - First	38.00
Charge - C.O. Work	19.50	Line Change - Add 1	11.00
Access Line Connection		Secondary Service Charge	19.00
Charge - New Line	31.50		
Number Change - per S.O.		12.50	
Number Change - per No.	11.50		

AARP's Position:

Increases in residential service connection charges may adversely affect lifeline customers and in part eliminate the benefit of that program by limiting participation.

Extended Area Service

Issue (38a): Should the EAS additives on the Yulee/Jacksonville, Munson/Pensacola and Century/Pensacola routes be eliminated? If not, why not?

AARP's Position:

No basis for this change has been demonstrated and AARP opposes this change until such time as it is demonstrated. In its direct testimony AARP sets forth criteria that should be used in determining whether this change should be made at the appropriate time. (Dr. Chessler).

Issue (38b): What alternative toll relief plan should be approved for the routes in Docket No. 911034-TL (Between Ft. Lauderdale and Miami; Ft. Lauderdale and N. Dade; and Hollywood and Miami)?

AARP's Position:

See AARP's position on Issue 38(a).

Issue (38c): Should the revenue losses resulting from combining the calling areas of North and South St. Lucie be offset in this proceeding (DN 911011-TL), and if so, how?

AARP 's Position :

See AARP 's position on Issue 38(a).

Issue (38d): Should the OEAS and EOEAS plans in Section A3.7 of the General Subscriber Service Tariff be eliminated or modified? If modified, how should this be accomplished?

AARP 's Position :

No basis for this change has been demonstrated and AARP opposes this change until such time as that occurs. In its direct testimony AARP sets for criteria that should be used in determining whether this change should be made at the appropriate time. (Dr. Chessler).

Issue (38e): Should any of The "Local Exceptions " in Section A3.8 be eliminated or modified? If modified, how should this be accomplished?

AARP 's Position :

No basis for this change has been demonstrated and AARP opposes this change until such time as that occurs. In its direct testimony AARP sets for criteria that should be used in determining whether this change should be made at the appropriate time. (Dr. Chessler).

Basic Local Exchange Rates

Issue (39a): Southern Bell has proposed no change to its current rate group structure of 12 rate groups. Is this appropriate? If not, what changes should be made?

AARP 's Position :

No position at this time.

Issue (39b): Southern Bell has proposed to reduce the rates and modify the rate relationships between certain of its business access lines as shown below. It has proposed no other changes to business rate relationships? Is this appropriate? What changes, if any, should be made to business access line rate relationships?

<u>Service</u>	<u>Reduction</u>	<u>Cur./Prop. B-1 Ratio</u>
Business Rotary (or hunting)	31%	.50/ .35
Residential PBX Trunks	22%	.84/ .66
Business PBX Trunks	24%	2.24/1.70
Network Access Registers	24%	2.24/1.70
NARs - Small, Medium, Large	42%	1.03/ .59

AARP 's Position :

AARP objects to the fact that these reductions are much greater than for residential customers and no competitive basis for the difference has been demonstrated.

Issue (39c): Aside from Network Access Registers, what changes, if any, should be made to Southern Bell 's ESSX offerings?

AARP 's Position :

No position at this time.

Issue (39d): Southern Bell has proposed to introduce a new rotary rate for both its ESSX NARs and for PBX trunks. These new elements would be priced identically within each rate group. The proposed rate is 35% of the B-1 rate. Should this proposal be approved?

AARP's Position:

No position at this time.

Issue (39e): The Company has made no other proposals to change its basic local exchange rates. Is this appropriate? If not, what changes should be made?

AARP's Position:

AARP believes residential customers should receive reductions comparable to the business rate reductions described under Issue (39b).

Issue (39f): Southern Bell has proposed to offer a lifeline rate to qualified subscribers composed of a federal credit of \$3.50 and a matching credit from the state/Southern Bell. Should this proposal be approved, modified, or rejected?

AARP's Position:

AARP agrees that a lifeline program is needed and agrees with the proposed rate. However, AARP believes that the program design and estimated level of funding are inadequate. AARP proposes the following design and funding modifications: (1) estimated funding of \$6.3 million; (2) eligibility based on participation in a major public assistance program (AFDC, Medicaid, Food Stamps, SSI) or income below 125 percent of poverty level; (3) self-certification with periodic partial verification to check on enrollment, achieve

high participation, and keep administrative costs down; (4) vigorous outreach efforts to ensure program success. The proposed program as modified by AARP is supported by strong public policy considerations. (Mr. Cooper).

Issue (39g): Southern Bell has proposed an Economic Development plan by which businesses which locate in "Enterprise Zones " as defined in the Florida Enterprise Zone Statute, would receive a waiver of service connection charges, and a 50% discount off their basic local service charges for one year. Should this proposal be approved?

AARP 's Position:

No position at this time.

Stimulation

Issue (40): Except for ELS, Southern Bell has proposed no stimulation or repression effects. Is this appropriate?

AARP 's Position:

By doing so Southern Bell has overstated the revenue effect of rate reductions and understated the revenue effect of rate increase.

Miscellaneous Issues

Issue (41): Should the Company be required to identify, notify, and, if appropriate, provide refunds to customers that are being billed for non-required Protective Connection Arrangement (PCA) devices?

AARP 's Position :

No position at this time.

Issue (42): Should Southern Bell be required to itemize customer bills on a monthly basis?

AARP 's Position :

Yes.

Issue (42a): Is Southern Bell complying with Rule 25-4.110 concerning customer billing?

AARP 's Position :

No position at this time.

Issue (43): Is Southern Bell able to reconcile billed revenue to booked revenue for 1991? If not, should any adjustment be made to recognize the inability to reconcile billed and booked revenue?

AARP 's Position :

No position at this time.

Issue (44): What other changes, if any, should be approved?

AARP 's Position :

No position at this time.

Effective Date/ Customer Notification/ Bill Stuffers

Issue (45a): What should be the effective date(s) of any rate changes approved in this docket?

AARP's Position:

No position at this time.

Issue (45b): When should customers be notified of any rate changes and other Commission decisions in this docket?

AARP's Position:

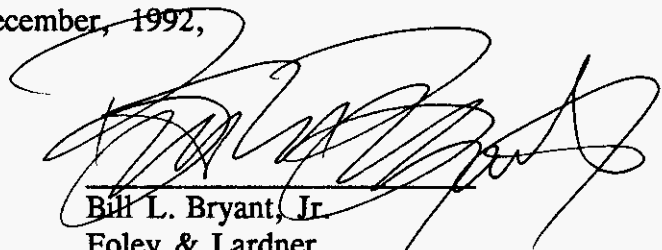
No position at this time.

Issue (45c): What information should be contained in the bill stuffers sent to customers?

AARP's Position:

AARP has no position at this time on the substantive contents of bill stuffers. However, AARP believe the Commission should consider requiring larger type sizes and should consider requiring bilingual bills in certain zip code areas.

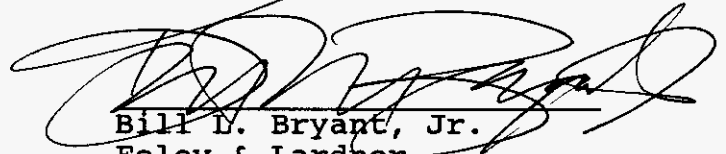
Respectfully submitted this 18th day of December, 1992,



Bill L. Bryant, Jr.
Foley & Lardner
215 South Monroe Street
Suite 450
Post Office Box 508
Tallahassee, Florida 32302
(904) 222-6000
Florida Bar No. 179270

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail this 18th day of December, 1992.



Bill D. Bryant, Jr.
Foley & Lardner
215 South Monroe Street
Suite 450
Post Office Box 508
Tallahassee, Florida 32302
(904) 222-6000
Florida Bar No. 179270

SERVICE LIST

Marshall Criser, III
BellSouth Telecommunications,
Inc. (Southern Bell Telephone
& Telegraph Company)
150 South Monroe St., Suite 400
Tallahassee, FL 32301

Harris B. Anthony
BellSouth Telecommunications,
Inc. (Southern Bell Telephone
& Telegraph Company)
150 W. Flagler St., Suite 1910
Miami, FL 33130

Robin Norton
Division of Communications
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Doug Lackey
BellSouth Telecommunications,
Inc. (Southern Bell Telephone
& Telegraph Company)
4300 Southern Bell Center
Atlanta, GA 30375

Mike Twomey
Department of Legal Affairs
Attorney General
The Capitol, 16th Floor
Tallahassee, FL 32399-1050

Angela Green
Division of Legal Services
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Edward Paschall
Florida AARP Capital City
Task Force
1923 Atapha Nene
Tallahassee, FL 32301

Richard D. Melson
Hopping, Boyd, Green & Sams
23 South Calhoun Street
P.O. Box 6526
Tallahassee, FL 32314

Michael J. Henry
MCI Telecommunications Corp.
MCI Center
Three Ravinia Drive
Atlanta, GA 30346

Joseph A. McGolthlin
Vicki Gordon Kaufman
McWhirter, Grandoff & Reeves
522 East Park Ave., Suite 200
Tallahassee, FL 32301

Rick Wright
AFAD
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Peter M. Dunbar
Haben, Culpepper, Dunbar
& French, P.A.
306 North Monroe Street
P.O. Box 10095
Tallahassee, FL 32301

Patrick K. Wiggins
Wiggins & Villacorta, P.A.
P.O. Drawer 1657
Tallahassee, FL 32302

Dan B. Hendrickson
P.O. Box 1201
Tallahassee, FL 32302

Monte Belote
Florida Consumer Action Network
4100 West Kennedy Blvd., # 128
Tampa, FL 33609

Joseph P. Gillan
J.P. Gillan & Associates
P.O. Box 541038
Orlando, FL 32854-1038

Floyd R. Self
Messer, Vickers, Caparello,
French, Madsen & Lewis, P.A.
P.O. Box 1876
215 South Monroe St., Suite 701
Tallahassee, FL 32302-1876

Chanthina R. Bryant
Sprint
3065 Cumberland Circle
Atlanta, GA 30339

Michael W. Tye
AT&T Communications of the
Southern States, Inc.
106 East College Avenue
Suite 1410
Tallahassee, FL 32301

Charles J. Beck
Deputy Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Jack Shreve, Esquire
Public Counsel
State of Florida
Office of the Public Counsel
111 West Madison St., Rm. 812
Tallahassee, FL 32399-1400

Mr. Cecil O. Simpson
General Attorney
Mr. Peter Nyce, Jr.
General Attorney
Regulatory Law Office
Advocate General
Department of The Army
901 North Stuart Street
Arlington, VA 22203-1837

Thomas F. Woods, Esquire
Gatlin, Woods, Carlson, & Cowdery
1709-D Mahan Drive
Tallahassee, Florida 32308

Douglas S. Metcalf (Ad Hoc)
Communications Consultants, Inc.
1600 E. Amelia Street
Orlando, Florida 32803

Benjamin H. Dickens, Jr.
Blooston, Mordkofsky, Jackson,
& Dickens
2120 L. Street, N.W.
Washington, D.C. 20037

Lance C. Noris, President
Fla. Pay Telephone Ass'n. Inc.
Suite 202
8130 Baymeadows Circle, West
Jacksonville, Florida 32256

Laura L. Wilson, Esquire
Messer, Vickers, Caparello,
Madsen & Lewis, P.A.
Post Office Box 1876
Tallahassee, Florida 32302-1876