

AR



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December 18, 1992

Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Docket No. 920260-TL

Dear Mr. Tribble:

Enclosed for filing in the above-referenced docket on behalf of the Citizens of the State of Florida are the original and 15 copies of the Citizens' Prehearing Statement.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Charles J. Beck
Charles J. Beck
Deputy Public Counsel

Enclosure

- ACK ✓
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- APP _____
- CAF _____
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FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Comprehensive Review of the)
Revenue Requirements and Rate)
Stabilization Plan of Southern)
Bell Telephone & Telegraph Company)

Docket No. 920260-TL
Filed: December 18, 1992

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CITIZENS' PREHEARING STATEMENT

The Citizens of Florida ("Citizens") by and through Jack Shreve, Public Counsel, file this prehearing statement.

Witnesses

The Citizens prefiled testimony by the following six witnesses:

1. Randy M. Allen. Mr. Allen addresses revenue requirement issues.

2. Michael L. Brosch. Mr. Brosch addresses Southern Bell's transactions with certain affiliated companies, including the parent, BellSouth Corporation Headquarters, and Bell Communications Research, Inc. He also examines one segment of the Southern Bell affiliate BellSouth Services' Science and Technology division.

3. Dr. Mark N. Cooper. Dr. Cooper reviews the planning and marketing practices employed by Southern Bell to sell optional

services in light of its proposal to further relax regulation. He examines the strategy and tactics applied by Southern Bell to influence consumers to take those services when the customer is conducting transactions related to the provision of monopoly services.

4. Dr. Marvin H. Kahn. Dr. Kahn reviews Southern Bell's 1988 incentive plan and addresses Southern Bell's price cap proposal.

5. R. Earl Poucher. Mr. Poucher reviews the Company's quality of service in the areas of its repair activities and "non-contact" sales. In addition, he addresses Southern Bell's existing incentive regulation plan and its proposed price cap proposal. He recommends that the Commission impose a mismanagement penalty on Southern Bell. Finally, he recommends that the Commission re-regulate Southern Bell's installation, sales and maintenance of simple inside wire at the earliest possible time.

6. James A. Rothschild. Mr. Rothschild addresses Southern Bell's cost of common equity.

In addition, the Citizens have either served subpoenas or are in the process of serving subpoenas on four Southern Bell employees. The Citizens intend to call these Southern Bell employees as witnesses at the hearing as hostile witnesses. The

four Southern Bell's employees, and the general topics of their expected testimonies, is as follows:

7. C. J. Sanders, Southern Bell's Vice President for Network-South Operations. He is a Southern Bell officer responsible for outside plant engineering, construction, installation, maintenance and network center operations in the states of Florida and Alabama. Mr. Sanders will discuss the quality of Southern Bell's repair service activities during the incentive plan period and will discuss disciplinary actions taken by Southern Bell against Southern Bell's managers related to the quality of this service. Generally, Mr. Sanders will be questioned about those same areas covered in his deposition conducted on June 17, 1992.

8. C. L. Cuthbertson, Southern Bell's General Manager-Human Resources. Mr. Cuthbertson is responsible for the overall human resources functions of Southern Bell in Florida and Alabama. He will discuss Southern Bell's disciplinary actions taken with respect to the quality of its repair service activities during the incentive period. The areas to be covered by Mr. Cuthbertson are generally those discussed in his deposition conducted on June 17, 1992.

9. Larry E. Mixon. Mr. Mixon is Southern Bell's Operation Manager for Customers Services in the West Palm Beach and Fort Pierce areas. Mr. Mixon will discuss his discovery of questionable

sales activities by personnel responsible for repairing unsatisfactory telephone service, the actions he took after discovering these activities, his discussions about the activities with higher management, and the lack of action by higher management for approximately 18 months after he reported these activities. Mr. Nixon will generally discuss those areas covered in his deposition conducted on September 14, 1992.

10. Wayne Tubaugh. Mr. Tubaugh is employed by Southern Bell in its Tallahassee Office and will discuss the quality of service reports submitted by Southern Bell to the Commission.

Prefiled Exhibits

The Citizens prefiled the following exhibits:

Mr. Randy M. Allen

Appendix A: Expert testimonies and other services provided by Randy M. Allen.

Exhibit RMA-1: Schedules showing summary of operating income, summary of adjustments to operating income, and summary of rate base.

Exhibit RMA-2: 23 schedules supporting the adjustments proposed by Mr. Allen in the rate case.

Michael L. Brosch

MLB-1: BellSouth Corporate service charges.

MLB-2: Summary of BellCore and S & T Projects disallowed, along with supporting attachments MLB 1-6.

Dr. Mark N. Cooper

MNC-1: Officer slide presentation proposing a Florida employee sales referral incentive plan.

MNC-2: February 13, 1990 revenue committee minutes.

MNC-3: Business plans for proposed Florida gold line covered with officers.

MNC-4: Florida gold line good news, June, 1990.

MNC-5: Memorandum regarding Florida gold line speakers bureau.

MNC-6: September 10, 1991 memo from Judy Eberhart to Jerry Dick regarding price increase opportunities.

MNC-7: Memo from R. T. Burns to N. C. Baker dated June 14, 1988 relating to cable TV services and the evolution of rate of return regulation to price regulation.

MNC-8: BellSouth services' service representative initial training, April, 1990.

MNC-9: Resident segmentation training facilitator guide.

MNC-10: Training materials regarding the ABC of assuring, buying signals, and handling customers objections.

MNC-11: July 22, 1992 memorandum from Jan Funderburg, Operations Manager, to Operations Managers and Managers, RSC-BSC.

MNC-12: Memorandum dated January 13, 1989 from Sales Coordinator-Florida regarding customer service sales report.

MNC-13: January 25, 1990 minutes of the South Florida service rep forum.

MNC-14: June 14, 1990 meeting minutes of the Southeast residence service rep forum.

MNC-15: May 16, 1990 minutes of the South Florida service rep forum.

MNC-16: November 27, 1990 letter from Hale Davis, Director-Customer Services, to William G. Dresser, General Manager-Customer Services.

MNC-17: May 27, 1992 memo from T. L. Hamby, Assistant Vice President-Residence and Consumer Services regarding hunting sales overview package.

MNC-18: Florida gold line report card, May, 1990.

MNC-19: Order of the Georgia Public Service Commission regarding Southern Bell's provision of memory call service.

MNC-20: October 9, 1990 memorandum to L. E. Spradlin regarding match program.

MNC-21: September 6, 1990 memorandum to Ron Pyo regarding gold line referrals.

MNC-22: One page document regarding sales issues.

MNC-23: November 24, 1987 interview.

MNC-24: Excerpts from Southern Bell's internal investigation conducted by the Company's security personnel.

MNC-25: Statement by Shirley L. Jarriel dated October 18, 1990 regarding sales.

MNC-26: September 29, 1986 memo from Denise Maggert, Area Sales Coordinator, regarding "Accent on Action."

MNC-27: Statement dated September 19, 1990 by Marsha Ann Taylor regarding sales.

MNC-28: Statement dated September 18, 1990 by George Moses Sloan regarding sales.

MNC-29: Proposal regarding inside wire maintenance.

MNC-30: Summary of inside wire subcommittee meeting, monthly reports investigation/recommendation, June 2, 1987.

MNC-31: Memorandum dated July 29, 1987 from T. J. Carmody, Jr., to T. C. Taylor regarding sales information.

MNC-32: August 4, 1987 document regarding BellSouth Service's recommendations for grandfathering of T&F customers.

MNC-33: July 15, 1987 letter from Jeff Weiss, Operations Manager, to Tom Knight, Operations Manager regarding Florida request for early deployment of the combined inside wire maintenance/trouble isolation plan.

MNC-34: October 6, 1987 SEQ1X Flash.

MNC-35: April 14, 1988 memorandum from Southern Bell Center Atlanta Executive Offices to Operations Managers and Administrative Managers regarding maintenance rate increase and adjustments.

MNC-36: March 28, 1988 from Jim Skinner, Inside Wire Product Manager, to Rosemary Kirkland and Joey Saia regarding sales procedures for inside wire.

MNC-37: June 6, 1988 memorandum to Florida Operations Managers-Customer Services and Administrative Managers regarding inside wire maintenance.

MNC-38: October 10, 1989 memo from J. C. Edwards, Operations Manager-Lines of Business Network to D. R. Dobbins, Operations Managers-Marketing Support regarding rate changes for the inside wire service plans.

MNC-39: October 1, 1990 inside wire service plan BellSouth Services recommended advertising-promotions plan.

MNC-40: October 19, 1990 inside wire maintenance project overview.

MNC-41: August 20, 1991 interoffice memorandum from Ron Pardue regarding product plan for basic inside wire services.

MNC-42: January 15, 1991 memorandum from Rick Guilbeau to Wanda Godfrey regarding Southern Bell inside wire costing study completion.

MNC-43: June 21, 1990 memorandum from Ron Pardue to Bill Freeman regarding "State of the wire" message on basic inside wire.

MNC-44: Final Report of the Tenth Statewide Grand Jury, September, 1992.

MNC-45: Settlement agreement between Southern Bell and the Office of Statewide Prosecution dated October 9, 1992.

Dr. Marvin H. Kahn

MHK-1: Revenue requirement per access line.

MHK-2: Telecommunications Network Infrastructure: Regional Bell Operating Companies and Southern Bell States.

MHK-3: Regression results and econometric assessment, deployment of advanced network technologies.

MHK-4: Productivity offset per McClellan attrition analysis.

MHK-5: Southern Bell Florida price cap simulation back cast 1984-1990.

R. Earl Poucher

REP-1: Excerpt from advisory opinion of the Tenth Statewide Grand Jury.

REP-2: Final Report of the Tenth Statewide Grand Jury, September, 1992.

REP-3: Southern Bell's response to the Citizens' 28th Set of Interrogatories, Item no. 6, docket no. 910163-TL.

REP-4: Late filed exhibit no. 7 to the June 17, 1992 depositions of C. J. Sanders and C. L. Cuthbertson, Jr.

REP-5: Analysis of mid-level management discipline, March, 1992.

REP-6: December 31, 1991 standards and procedures - customer and employee trouble reports.

REP-7: Southern Bell's review program.

REP-8: June 18, 1991 memorandum from C. L. Cuthbertson, Jr., to Ms. Becky Dunn.

REP-9: Documents responsive to the Citizens' 22nd Production of Documents, docket no. 910163-TL.

REP-10: Memorandum to operations managers-IMC South Area regarding monthly schedule 11 (PSC OOS over 24 hours) for the period ending July 31, 1989.

REP-11: Late file exhibit no. 59, docket no. 910163-TL.

REP-12: Letter dated November 29, 1990 to Mr. L. E. Crittendon from Nancy M. D'Alessio.

REP-13: December 26, 1990 letter to Mr. Crittendon from Nancy D'Alessio.

REP-14: Quotas.

REP-15: Central Dade Operational Review, December, 1990.

REP-16: 1990 Planning View, non-regulated summary.

REP-17: Excerpt from memorandum opinion and order released March 15, 1988.

REP-18: Excerpt from third report and order released February 14, 1992.

REP-19: PSC out-of-service omitted from PSC results.

James A. Rothschild

Schedule 1: Overall cost of capital.

Schedule 2: BellSouth discounted cash flow indicated cost of equity.

Schedule 3: Regional holding companies discounted cash flow indicated cost of equity.

Schedule 4: Comparative telephone companies - prior AT&T Bell Companies, selective financial data.

Schedule 5: Comparative telephone companies' external financing rate.

Schedule 6: Return on equity, market to book, and earned risk premium of Dow Industrials from 1920 through 1991.

Schedule 7: Relative risk as indicated by Beta.

Schedule 8: Electric companies, analysis of effect of leverage on overall cost of capital.

Schedule 9: Southern Bell Telephone actual and forecasted earned return on book equity for Dr. Billingsley's "cluster" companies.

Appendix: testifying experience of James A. Rothschild through October, 1992.

Summary of Position

Southern Bell's rates should be reduced by \$234,616,000.00 in order to reflect appropriate accounting adjustments and to set Southern Bell's rates at a reasonable after-tax return on equity of 11.0%.

This annual revenue decrease, however, does not take into account the upcoming changes in depreciation expense or a mismanagement penalty. Southern Bell's Florida operations currently have the highest depreciation expense rates in the entire country. If an adjustment is also included to reflect an

appropriate depreciation expense level, the total revenue decrease is well in excess of \$400 million dollars per year.

The testimony of staff witness Don McDonald, Attorney General witness Mike Malloy, and the Citizens' witnesses Mark Cooper and Earl Poucher demonstrate the completely unsatisfactory service provided by Southern Bell while Southern Bell's "incentive regulation" plan was in effect. According to Mr. McDonald, staff measurements of compliance with Commission rules and accepted standards shows that Southern Bell has violated a host of such rules and standards. In fact, Southern Bell's level of compliance has been declining during the incentive plan.

The incentive plan provided an impetus to increase sales and revenues to the point where the Company fraudulently added services to customers' bills. In addition, it created an atmosphere where the Company constantly attempts to push additional services on customers, even when customers call the Company merely for matters such as billing or service problems.

The Company let quality of service tumble during the incentive plan, and it falsified the reports it submits to the Commission on its quality of service. Southern Bell management had knowledge of such falsifications for years, but chose to do nothing while it pursued ever higher profits regardless of the effect on customers or the truthfulness of the reports it files with the Commission. Such actions warrant a mismanagement penalty that would set Southern Bell's rates at the bottom of an authorized range.

Southern Bell's new proposal for even further deregulation should not be adopted by the Commission. It calls for flexible pricing of monopoly as well as competitive services, allowing the company to increase local rates 5% a year at their discretion even though local rates have remained stable or gone down under rate of return regulation.

The plan does not provide the promised incentive to improve performance, but instead provides the Company the opportunity to earn higher returns and to gain windfalls at the expense of customers. While the plan provides few net advantages to ratepayers, it denies them the potential of lower rates that would otherwise result from the efficient and timely operation of traditional rate base rate of return regulation used for all other local exchange companies in Florida.

Had this plan been in effect either over the short term or long term in the past, customers would be worse off today than they have been under rate of return regulation.

Issues

The Citizens take the following positions on issues in this case:

Issue 1: The test year ended December 31, 1991 is appropriate.

Issue 2: This is a fall-out amount.

Issue 2A: The Citizens are not aware of any accounting that has been made of investments and expenses for video transport service.

Issue 2B: No position at this time.

Issue 3: This amount is a fall-out from docket no. 920385-TL.

Issue 4: This amount is a fall-out from what the Commission will decide in docket no. 920385-TL.

Issue 5: No position at this time.

Issue 6: No position at this time.

Issue 7: No position at this time.

Issue 8: This is a fall-out amount.

Issue 9: The appropriate cost of common equity capital for Southern Bell is 11.0%. (Rothschild).

Issue 9A: Yes, a penalty should be imposed for poor quality service. The Commission should set rates at the low end of Southern Bell's authorized return on equity. (Poucher).

Issue 10: No position at this time.

Issue 11: No position at this time.

Issue 12: No position at this time.

Issue 13: The appropriate weighted average cost of capital is 8.15%. The component of each element making up the 8.15% cost is set forth on schedule 1, page 1, attached to the prefiled testimony of James A. Rothschild. (Rothschild).

Issue 14: The appropriate amount of operating revenue for the test year is \$2,218,243,000.00. See exhibit RMA-1, schedule 1, attached to the testimony of Randy M. Allen. (Allen).

Issue 14A: No position at this time.

Issue 14B: No, the company has not accounted for employee concessions appropriately during the test year. Part of the cost of employee concessions should be allocated to the interstate jurisdiction.

Issue 14C: No position at this time.

Issue 14D: No position at this time.

Issue 14E: No position at this time.

Issue 14F: No, the Company's uncollectible accounts ratio is not a reasonable and necessary ongoing level. Southern Bell's uncollectible accounts have significantly increased since at least 1988 and are significantly higher than the other major telephone companies in Florida. The Commission should use the net write-off method of calculating an effective uncollectible rate using an historical four year average of Southern Bell's actual ratio of net write-offs to revenue. This will result in an adjustment to net operating income of \$9,631,000.00. See exhibit RMA-2, schedule 8, attached to the testimony of Randy M. Allen. (Allen).

Issue 15: Adjustments should be made to O & M expense for promotional activities, employee activity, legal settlement claims, outside services, and the Atlanta Golf Classic. (Allen).

Issue 15A: Because of limitations imposed on the staff's cost allocation audit by Southern Bell, there is no way to know whether the allocations to non-regulated operations are reasonable.

Issue 15B: No position at this time.

Issue 15C: USTA dues should be reduced by \$78,000.00. This would disallow the portion of USTA dues dedicated to legislative advocacy, regulatory advocacy, public relations, and meals and entertainment. (Allen).

Issue 15D: No position at this time.

Issue 15E: No position at this time.

Issue 15F: Promotional advertising should only be allowed if Southern Bell can affirmatively show that the incremental revenues derived from promotional activities exceed the cost of such activities and the related cost of services or products promoted. (Allen).

Issue 15G: No position at this time.

Issue 15H: No, the level of legal, injury and damage claims expense included in the test year is not representative as a reasonable and necessary ongoing level. Using a four average level adjusted for inflation to a 1991 level, an adjustment of \$1,146,000.00 to these expenses should be made. (Allen).

Issue 15I: No position at this time.

Issue 15J: Test year software expenses are not reasonable. Southern Bell proposes to expense its software additions over a one year period even though it is generally recognized that general purpose software is used for a number of years. The Commission should capitalize software additions and allow the company to recover that cost over a five year period. An adjustment of \$17,995,00.00 should be made to software expense in the test year. (Allen).

Issue 15L: Southern Bell's incentive bonus plan uses a 50% weighting for financial goals, while service goals are given only a 25% weighting. It is not appropriate to require ratepayers to pay for an incentive for employees to maximize shareholders' profit. Further, the amounts included by Southern Bell are unreasonable in any event. An adjustment of \$18,043,000.00 should be made to remove incentive bonus expense from cost of service. (Allen).

Issue 15M: No position at this time.

Issue 15N: Abandoned properties represent assets that were determined not to be used and useful, and therefore were abandoned. Ratepayers should not bear the risk associated with abandonment. The Commission should reduce abandoned property expense by \$675,000.00 in the test year. (Allen).

Issue 150: As of December 31, 1991 the BellSouth Management Pension Plan and the BellSouth Pension Plan had a fair value in excess of projected benefit obligations of \$808 million dollars and \$967 million dollars, respectively. In 1991, expense exceeded actually funding levels by \$23.2 million dollars. These ratepayers supplied funds represent cost free capital and should be deducted from rate base. Rate base should be reduced by \$23,190,000.00. (Allen).

Issue 15P: See response to issue 150.

Issue 16: No, all non-recurring have not been removed from determination of revenue requirements. Five adjustments should be made. (Allen).

Issue 16A: No position at this time.

Issue 16B: The Commission should treat the early retirement cost included in 1991 as a non-recurring event and remove \$13,674,000.00 from expense. (Allen).

Issue 17: No, the affiliated charges are unreasonable. In addition to the matters addressed in issues 17A - 17G, the Commission should disallow \$1.7 million dollars of BellSouth Corporation Headquarters charges for contributions, advertising,

lobbying and liaison, membership and dues, and the BellSouth Golf Classic. (Brosch).

Issue 17A: No, ownership costs incurred at the corporate level are inappropriate for ratepayers to pay. Ownership costs are those costs which are incurred as a function of BellSouth Corporation in the role of parent company and investor in Southern Bell. Ownership costs of \$1,576,419.00 charged to Florida ratepayers should not be allowed. (Brosch).

Issue 17B: No position at this time.

Issue 17C: No position at this time.

Issue 17D: The Commission should disallow expenses for those BellSouth Services Science and Technology projects identified in the testimony of Michael L. Brosch. (Brosch).

Issue 17E: Certain research and development expenditures of BellCore should be disallowed. The fundamental issues with respect to these expenditures is whether current ratepayers should bear the cost of such research and development. Sub-issues include whether these expenditures subsidize future Southern Bell customers, whether they subsidize Southern Bell affiliates, whether they subsidize Southern Bell non-regulated services, and whether they subsidize BellSouth new business risk. The Commission should

disallow those projects identified in the testimony of Michael L. Brosch. (Brosch).

Issue 17F: See Citizens' position on issues 17E.

Issue 17G: No position at this time.

Issue 18: The Commission should not use SFAS 106 for setting rates. It was never intended to be used for setting rates and can be ill suited for that purpose. Postretirement benefits expense should be reduced by \$5,906,000.00 in the test year. (Allen).

Issue 19: The results of docket no. 920385-TL will determine the appropriate amount of depreciation expense for the test year. The evidence submitted by the Citizens in that case shows that Southern Bell's depreciation expense should be reduced by approximately \$180 million dollars per year on an intrastate basis. (Poucher).

Issue 19A: See Citizens' position on issue 19.

Issue 20: This is a fall-out issue.

Issue 21: This is a fall-out issue.

Issue 21A: SFAS 109 should have no impact on the determination of revenue requirements. No rate making adjustments should be made. (Allen).

Issue 21B: Unprotected excess deferred income taxes represent an excess amount of tax paid by past ratepayers under the assumption that future tax liabilities would be paid at 46%. A three year amortization period should be used to expeditiously return unprotected funds to ratepayers. This adjustment would reduce Federal income tax expense and increase net operating income by \$8,057,000.00. In addition, to reflect the proper level of unamortized unprotected excess deferred taxes, rate base should be increased by \$2,628,000.00. (Allen).

Issue 22: No position at this time.

Issue 23: This is a fall-out issue.

Issue 24: Southern Bell's accretion allowance is insufficient. The Company used the period 1989 through 1991 to develop the accretion allowance, but this period includes a period of general economic recession which is not expected to continue through 1993. The period picked by the Company was also one of a declining rate of access line growth. Beginning in 1992, there should be increase in the rate of growth. Further, the Company inappropriately used an absolute value of change instead of

focusing on the pattern of change in developing its accretion allowance.

At a minimum, a more appropriate inflation rate should be used for calculating the accretion adjustment. An adjustment should be made to the Company's accretion allowance to increase net operating income by \$16,915,000.00. (Allen).

Issue 25: Without considering the upcoming change in depreciation expense or a mismanagement penalty, the appropriate revenue decrease is \$234,616,000.00.

Southern Bell's Florida operations currently have the highest depreciation expense rates in the entire country. If an adjustment is also included to reflect an appropriate depreciation expense level, the total revenue decrease is well in excess of \$400 million dollars per year. (Allen, Poucher).

Issue 25A: No position at this time.

Issue 25B: No position at this time.

Issue 25C: No position at this time.

Issue 25D: No position at this time.

Issue 25E: Yes.

Issue 26A: The Commission should consider whether the incentive plan provided an impetus to increase sales and revenues to the point where the Company fraudulently added services to customers' bills. In addition, the Commission should consider whether the incentive plan created an atmosphere where the Company constantly attempts to push unwanted services on customers, even when customers call the Company merely for matters such as billing or service problems. The Commission should also consider whether the Company let quality of service slip during the incentive plan and falsified reports it submits to the Commission on its quality of service. Finally, the Commission should consider whether the claimed benefits from the incentive plan are simply reflections of trends occurring around the country (for example, reflections of new technology) having no connection to "incentive regulation." (Kahn, Poucher, Cooper).

Issue 26B: No, the current incentive regulation plan has not achieved the goals set forth by the Commission. The Company has attempted to force unwanted services upon customers when they contacted the Company for any reason, and has even fraudulently added services to customers bills. In addition, quality of service has slipped. The Company has misled the Commission in the quality of service reports it files with the Commission. (Poucher, Cooper).

Issue 27: Southern Bell's proposal calls for flexible pricing of monopoly as well as competitive services. This is especially troubling when the vast majority of services is offered in markets that are characterized by a natural monopoly or in which the Company otherwise retains a dominant position. The plan does not provide the promised incentive to improve performance, but instead provides the Company the opportunity to earn higher returns and to gain windfalls.

While the plan provides few net advantages to ratepayers, it denies them the potential of lower rates that would otherwise result from the efficient and timely operation of traditional rate base rate of return regulation.

The plan does not promote a competitive outcome in the market as claimed, but instead permits the Company the freedom to exercise monopoly power. Had this plan been in effect either over the short term or long term in the past, customers would be worse off today than they have been under rate of return regulation. (Kahn).

Issue 28: The price regulation plan does not meet any of the requirements set forth in section 364.036(2), Florida Statutes.

Issue 29: The Commission should not approve an incentive regulation plan for Southern Bell. Customers will be better off under the type of regulation used by the Commission for all other local exchange companies -- rate of return regulation. (Kahn).

Issue 30A: No, Southern Bell should not be permitted to cross subsidize their competitive or effectively competitive services.

Issue 30B: Yes, Southern Bell's basic telephone service rates should be based on the most cost effective means of providing basic telephone service.

Issue 30C: Southern Bell should segregate its intrastate investments and expenses in accordance with an allocation methodology prescribed by the Commission for competitive telecommunications services.

Issue 30D: No, the Commission has not prescribed an allocation methodology to insure that competitive telecommunications services are not subsidized by monopoly telecommunications services.

Issue 30E: No, the replacement of copper with fiber since the last depreciation study has not been accomplished in a cost effective manner for adequate basic telephone service. (Poucher).

Issue 31: Southern Bell's quality of service is inadequate. Their service does not meet Commission rule requirements and has been declining during the incentive plan.

Southern Bell falsified its quality of service reports submitted to the Commission. In addition, Southern Bell

added services to customers' bills without their consent, and Southern Bell foists new services on customers at every opportunity, even when customers call about service or billing problems. All of this reflects a totally inadequately quality of service. (Poucher, Cooper).

Issue 31A: Rules 25-4.070 and 25-4.001 do 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.

Issue 32: No position at this time.

Issue 32A: No position at this time.

Issue 33A: No, it is totally inappropriate to require customers to subscribe to local measured usage in order to obtain a discount on intraLATA toll service. There should be no linkage between these two items.

Issue 33B: No, Southern Bell's proposed optional expanded local service should not be approved. The Commission should consider a 25 cent plan.

Issue 33C: No position at this time.

Issue 33D: Stimulation should be taken into account.

Issue 33E: The Commission should move expeditiously towards one plus intraLATA presubscription in any event.

Issue 34 through 37: No position at this time.

Issue 38A: Yes, the EAS additives should be eliminated.

Issue 38B: The Commission should consider flat rate extended area service for these routes. If the revenue effect of flat rate extended area service is prohibitive, a 25 cent plan should be considered.

Issue 38C: No position at this time.

Issue 38D: No position at this time.

Issue 38E: No position at this time.

Issues 39A through 39D: No position at this time.

Issue 39E: The rates for touchtone service should be eliminated. In addition, in light of the large revenue reductions required in this case, the Commission should reduce basic local exchange rates.

Issue 39F: The lifeline program proposed by Southern Bell should be expanded considerably, consistent with the testimony presented by the American Association of Retired Persons in this case. (Cooper).

Issue 39G: The proposal for enterprise zones should, at a minimum, be approved. The Commission should consider additional incentives for these zones.

Issue 40: Stimulation should be considered for all rate changes in this case.

Issue 41: Yes.

Issue 42: Yes, customers' bills should be itemized on a monthly basis. (Poucher).

Issue 42A: No position at this time.

Issue 43: No position at this time.

Issue 44: No position at this time.

Issue 45A: The effective date for the rate reductions in this case should be approved as quickly as possible.

Issue 45B: Customers should be notified of the rate reductions in this case as soon as possible.

Issue 45C: The bill stuffers sent to customers should contain an easy to read description of the rate reductions ordered by the Commission.

Pending Matters

The Citizens await rulings on the following matters:

1. The Citizens' First Motion to Compel and Request for In Camera Inspection of Documents filed May 8, 1992, supplemented by the Citizens' supplement to our First Motion to Compel and Request for In Camera Inspection of Documents filed on June 2, 1992.

2. The Citizens' Second Motion to Compel filed May 13, 1992.

3. The Citizens' Third Motion to Compel filed June 5, 1992.

4. The Citizens' Motion to Compel BellSouth Vice President C. J. Sanders and BellSouth General Manager-Human Resources C. L. Cuthbertson, Jr., to Answer Deposition Questions filed on July 2, 1992.

5. Citizens' Fourth Motion to Compel filed on July 13, 1992.

6. Citizens' Motion to Impose a Penalty on Southern Bell for Filing and Failing to Correct False Information submitted to the Commission filed on July 21, 1992.

7. Citizens' Eighth Motion to Compel and Request for In Camera Inspection of Documents and Expedited Decision filed on August 21, 1992 both in this docket and in docket no. 910163-TL.

8. Motion to Require Sworn Testimony by Southern Bell Sponsoring its Quality of Service Reports filed on September 11, 1992.

9. Motion to Set Intervenor Testimony Filing Date At Least 30 Days after Production of Documents and Information Subject to Pending Motions to Compel filed on October 12, 1992.

10. Motion for Review of Order Establishing Procedure filed on October 26, 1992.

11. Motion for Review of Additional Order on Prehearing Procedure filed on November 23, 1992.

12. Citizens' Response and Opposition to Southern Bell's Motion to Strike the Testimony of Michael R. Maloy, R. Earl Poucher, Mark N. Cooper, Joseph P. Cresse filed on December 4, 1992.

13. Citizens' Petition to Inspect and Examine Staff's Rate Case Audit Report Workpapers filed on December 11, 1992.

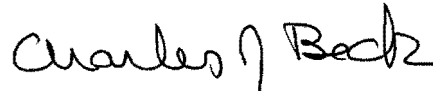
14. Citizens' Motion to Hold Service Hearings in Palm Beach County filed on December 18, 1992.

15. Citizens' Motion for Ruling on the Public Record Status of the Prefiled Testimony and Exhibits of Dr. Mark N. Cooper and R. Earl Poucher filed on December 18, 1992.

16. Citizens' Response and Opposition to Southern Bell's Motion to Quash Subpoenas, or, in the Alternative, for a Protective Order filed on December 18, 1992.

Respectfully submitted,

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Public Counsel



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**CERTIFICATE OF SERVICE
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I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties on this 18th day of December, 1992.

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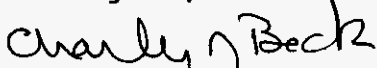
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