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ORIGINAL
FILE COPY

July 2, 1993

Mr. Steve C. Tribble
Director, Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Docket No. 920260-TL

Dear Mr. Tribble:

Enclosed please find an original and twenty copies of Southern Bell Telephone and Telegraph Company's Petition for Extension of Current Incentive Sharing Plan, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

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OTH _____

Sincerely yours,

Harris R. Anthony
Harris R. Anthony
(2)

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. Douglas Lackey

DOCUMENT NUMBER-DATE

07109 JUL-28

1993 RECORDS/REPORTING

CERTIFICATE OF SERVICE

Docket No. 920260-TL
Docket No. 900960-TL
Docket No. 910163-TL
Docket No. 910727-TL

I HEREBY CERTIFY that a copy of the foregoing has been
furnished by United States Mail this *2nd* day of *July*, 1993
to:

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(2)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ORIGINAL
FILE COPY**

Comprehensive Review of the)
Revenue Requirements and Rate)
Stabilization Plan of SOUTHERN)
BELL TELEPHONE AND TELEGRAPH)
COMPANY.)
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Docket No. 920260-TL
Filed: July 2, 1993

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY'S
PETITION FOR EXTENSION OF CURRENT
INCENTIVE SHARING PLAN

COMES NOW, Bellsouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company ("Southern Bell" or the "Company"), pursuant to Rules 25-22.036 and 25-4.141, Florida Administrative Code, and files this Petition for Extension of Current Incentive Sharing Plan with the Florida Public Service Commission (the "Commission"). In this Petition Southern Bell is seeking an extension of the Company's current incentive sharing plan. In support thereof, Southern Bell states the following:

1. Southern Bell is a telephone company lawfully doing business in the State of Florida whose regulated operations are subject to the jurisdiction of this Commission pursuant to Chapter 364, Laws of Florida. The Company's full name is BellSouth Telecommunications, Inc. and its principal place of business in Florida is 150 W. Flagler Street, Suite 1910, Miami, Florida 33130.

2. Pursuant to Commission Order No. PSC-93-0644-PCO-TL, issued on April 23, 1993 in the above-captioned docket, Southern Bell is, on even date herewith, filing its direct testimony in this docket. Pursuant to Rule 25-4.141, Southern Bell is also

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filing all pertinent minimum filing requirements ("MFRs") and all other information required by Rule 25-4.141 to be filed with this Commission. As a consequence, Southern Bell is hereby withdrawing all testimony, MFRs, and other information required by Rule 25-4.141 previously filed in this docket.

3. By Order No. 20162, issued October 13, 1988 in Docket No. 880069-TL, this Commission approved an incentive sharing plan for Southern Bell. In so doing, the Commission found that Southern Bell should be provided with new incentives that would allow the Company to adjust to the then newly emerging competitive nature of the telecommunications industry. As stated by the Commission at page 6 of Order No. 20162:

The telecommunications industry has been and continues to be in a state of change. More and more aspects of the relevant markets are becoming competitive. A local exchange company, such as Southern Bell, must adapt to the new competitive world in which it finds itself. This Commission must also recognize these fundamental changes in the industry and allow Southern Bell to transition itself for these changes. We thus believe that the incentive aspects of this plan will assist in this transition process.

The Commission thereupon approved a plan for Southern Bell with the following parameters: a rate setting point of 13.2%; an earnings floor of 11.5%; and a sharing range of 14 to 16%, with all earnings within that range being shared 60 percent to the Company's customers and 40% to the Company.

4. At one time, hearings were scheduled to be held in Docket No. 920260-TL in March and April of 1993 to consider the form of regulation under which Southern Bell would operate.

Pursuant to Order No. PSC-92-1195-PCO-TL, Southern Bell was required to and did file in July of 1992, testimony and MFRs in anticipation of the 1993 hearings. Upon the motion of certain parties to these proceedings, however, the Commission decided to postpone these hearings until January and February of 1994. In the newly revised hearing schedule, as set forth in Order No. PSC-93-0644-PCO-TL, Southern Bell was ordered to file direct testimony and MFRs on July 2, 1993.

5. Since 1988, and particularly since Southern Bell filed its original testimony and MFRs in July of 1992, changes in the telecommunications industry have accelerated. As described in detail in the testimony of Mr. David B. Denton, more and more aspects of the relevant telecommunications markets are becoming competitive. New entrants in these markets are appearing, as are strategic alliances among these entrants and entrenched competitors. As just one example, U.S. West has announced that it plans to invest \$2.5 billion for a 25 percent share of Time Warner Entertainment, which enterprise has announced plans to provide a full service network in the Orlando area. Thus, U.S. West, one of the Regional Bell Operating Companies, in conjunction with a major cable TV operator, may soon be competing with Southern Bell in the provision of telecommunications services in Florida.

6. In addition, there are various issues pending at the federal level which have and will continue to affect the competition facing Southern Bell. For example, the Federal

Communications Commission has allowed physical colocation for special access and is currently considering similar action for switched access. It is also currently undertaking a review of personal communications services, which, if permitted, may well provide significant competition to land line telecommunications services.

7. Competitive policy changes are not exclusive to the federal level. This Commission currently has open before it a number of dockets that may have a significant impact upon the telecommunications industry in Florida. Among these dockets are: Docket No. 930330-TP, which is considering whether or not to allow one-plus presubscription for intraLATA toll traffic; Docket No. 921074-TP, in which the issue of expanded interconnection for special access services is currently being reviewed, with a second phase scheduled in 1994 to consider switched access interconnection; and Docket No. 930046-TL, which is considering whether or not various services provided by local exchange companies are effectively competitive and, if so, how those services should be regulated.

8. Mr. Denton's testimony demonstrates that the telecommunications industry in Florida is in a period of great flux. At the time of the filing of this Petition, neither Southern Bell nor any other party to these proceedings can reasonably anticipate how the Commission will rule on any of these dockets nor how such rulings will affect the Florida telecommunications industry. Because these changes may be

profound, Southern Bell believes that an extension of the Company's current incentive sharing plan with its existing parameters is appropriate. Accordingly, rather than proceed with the price regulation proposal as set forth in its July of 1992 filing and then possibly having to adjust that form of regulation to reflect the changes occurring in the telecommunications industry, this Commission should extend Southern Bell's current incentive sharing plan. This will allow the Commission to examine all of the interrelated issues before it and thus to develop an appropriate integrated policy. At the appropriate time, a new form of regulation that is more reflective of the changing, increasingly competitive world in which Southern Bell provides service can be considered by the Commission.


9. As described more fully in its testimony, Southern Bell is proposing an extension of the incentive sharing plan's current terms. An extension of the plan will be in the best interests of the Company's customers as well as of Southern Bell itself. The direct testimony of Mr. Denton and Mr. Joseph P. Lacher describe in detail the success of the Company's current incentive sharing plan. They describe the new services, enhanced efficiencies and new corporate culture that have occurred since 1988. Accordingly, a continuation of the current plan will allow the Company to continue with these efforts pending the next form of regulation. Further, because Southern Bell's projected earnings are in the zone of reasonableness as established in Order No. 20162, it is proposing no general resetting of rates. As set

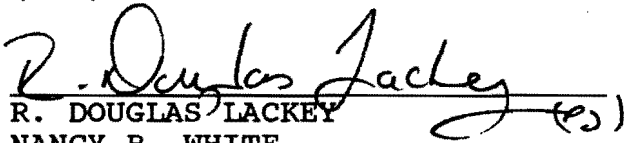
forth in the testimony of Ms. Nancy Sims, however, the Company is proposing certain rate changes that it believes are appropriate as well as changes that dispose of the \$49 million previously identified by this Commission as earnings to be returned to the Company's ratepayers.

WHEREFORE, Southern Bell respectfully requests that its current incentive sharing plan, with all parameters as currently set, be continued and that all other proposals contained in its testimony be approved.

Respectfully Submitted,

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