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December 6, 1993

BY HAND-DELIVERY

Mr. Steve C. 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 MCI Telecommunications Corporation are the original and fifteen copies of MCI's Prehearing Statement.

By copy of this letter, this document has been furnished to the parties on the attached service list.

Very truly yours,

Richard D. Melson

Richard D. Melson

- ACK _____
- AFA 4
- APP _____
- CAF _____ RDM/clh
- CMU _____ Enclosure
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DOCUMENT NUMBER-DATE
12984 DEC-6 93
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Comprehensive Review of the)
Revenue Requirements and Rate)
Stabilization Plan of Southern)
Bell Telephone and Telegraph)
Company)
_____)

Docket No. 920260-TL
Filed: December 6, 1993

MCI TELECOMMUNICATION CORPORATION'S
PREHEARING STATEMENT

MCI Telecommunications Corporation (MCI) hereby submits its Prehearing Statement in the above-captioned docket.

A. Known Witnesses. MCI intends to sponsor the direct testimony of the following witnesses:

- Nina W. Cornell Issue 26
- Don Wood Issue 28

B. Known Exhibits. MCI intends to offer the following exhibits:

- Exhibit ___ (NWC-1) Biography of Nina W. Cornell
- Exhibit ___ (NWC-2) SB's Switching Technology Assumptions and 1993-1997 Network Strategic Plan

MCI reserves the right to use additional exhibits for the purpose of cross-examination.

C. Basic Position. MCI does not object to continuing the current incentive regulation plan for Southern Bell so long as the Commission simultaneously begins to design a regulatory structure that appropriately responds to present and future competition. Such a structure should be designed to protect

monopoly ratepayers, eliminate artificial barriers to the development of competition, and prevent discriminatory pricing of the bottleneck monopoly functions provided by the local exchange network. The two key elements of such a structure are (a) the unbundling of local exchange company services into their basic network building blocks, and (b) the pricing of those building blocks on a nondiscriminatory basis for all business users.

The "optional expanded local service" proposal made by Southern Bell, which couples a 7-digit toll discount plan with local measured service, should not be approved. Instead, the Commission should adopt a local/toll rate design which includes flat rate 7-digit local calling provided by Southern Bell within expanded local calling areas, and 1+ 10-digit long distance calling provided by the presubscribed carrier of the customer's choice for all intraLATA calling outside the flat rate local calling area. Until Southern Bell implements intraLATA presubscription, the Commission should permit customers to designate their choice for carriage of their "1+" dialed intraLATA toll calls. Where that choice is an interexchange carrier, Southern Bell could be accessed by dialing an access code.

D. - G. Issues. MCI's position on certain issues identified in the Order on Prehearing Procedure is as follows. MCI takes "No position at this time" on all the issues not specifically addressed below.

Issue 2b. Is Southern Bell's investment in the interLATA internal company network prudent, reasonable, and necessary to enable it to provide service to ratepayers? If not, what action should the Commission take?

MCI: No. Southern Bell's interLATA network is much larger than needed for the limited legally-permissible uses of that network today. While Southern Bell's stockholders may believe that it is prudent to install a network capable of allowing Southern Bell to reenter the interLATA toll market in the event the MFJ's "line of business" restrictions are lifted, it is not reasonable for monopoly ratepayers to pay for this strategic positioning.

Issue 19. What is the appropriate amount of depreciation expense for the test year?

MCI: Depreciation expense for the test year should be determined using the depreciation rates approved in Docket 920385-TL. In considering Southern Bell's cost of equity and other issues, the Commission should take into account that these depreciation rates have enabled Southern Bell to accomplish significant network modernization and achieve technological efficiency gains with ratepayer provided funds.

Issue 24c. What amount of revenue, if any, is subject to disposition for 1993 due to orders issued in DN 920260? How should this revenue be disposed of?

MCI: If any revenues are to be refunded to customers, refunds should be considered for access customers in addition to residential and business end-users. At a minimum, interexchange carriers are entitled to refunds in an amount equal to the reduction in access charges that should have been implemented under Southern Bell's proposal in mid-1992. (See, Direct Testimony of AT&T's Spooner). These funds should be used to offset Southern Bell's cost of the deployment of intraLATA equal access and presubscription.

Issue 25a. What criteria should the Commission use to evaluate Southern Bell's performance under the current form of regulation?

MCI: In evaluating the results of Southern Bell's operations under incentive regulation and

specifically any cost of service reductions claimed by Southern Bell to have resulted from the deployment of new technology under incentive regulation, the Commission should take into account the fact that "aggressive" depreciation rates established by the Commission have enabled Southern Bell to accomplish significant network modernization and achieve technological efficiency gains with ratepayer provided funds.

Issue 26. Should the Commission continue the current form of regulation of SBT, If not, what is the appropriate form of regulation for SBT?

MCI: MCI does not object to continuing the current form of regulation, provided that the Commission concurrently begins implementing appropriate safeguards to respond to current and future competition. Two key elements are to require the unbundling of services provided by Southern Bell into basic network building blocks, and to price the unbundled elements on a nondiscriminatory basis to all business users. (Cornell)

Issue 28. Southern Bell has proposed an "Optional Expanded Local Service" (ELS) plan.

a. Should Southern Bell's proposed Optional Expanded Local Service (ELS) plan be approved? If not, what alternative plan, if any, should be approved and what should be the criteria? What is the first year revenue impact?

MCI: No. Southern Bell's plan should not be approved because the plan uses 7-digit dialing for some toll calls, prices these toll calls below "imputed" access charges and requires a customer to take local measured service to obtain these toll discounts. Such a plan would cause customer confusion with no corresponding benefits. The Commission instead should approve a plan under which flat rate 7-digit local service would be provided in a mileage-defined local calling area. The size of the expanded local calling areas should be based on an evaluation of existing EAS pressures and the availability of Southern Bell revenues to support a calling area of a given size. All intraLATA calls beyond the flat rated areas should be provided by the customer's presubscribed carrier of choice on a 1+ 10-digit basis. (Wood)

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

MCI: Yes, stimulation should be taken into account in the same manner that it is presently taken into account for reductions in Southern Bell MTS rates. (Wood)

c. If the Commission approves OELS of similar plan, what other action should the Commission take, if any? (e.g. route specific switched access charges, 1+ IntraLATA presubscription).

MCI: The Commission should implement 1+ intraLATA presubscription and reduce the level of access charges to a level where all competitive toll carriers can compete for the customers' 0-40 mile toll traffic. (Wood)

Issue 29. Southern Bell has made the following proposals:

- A) To reduce the local transport element for both originating and terminating access from \$.01600 to \$.01289.
- B) To reduce the current FGD originating CCL from \$.02660 to \$.02600.
- C) To reduce the current FGD terminating CCL from \$.03660 to \$.02927.
- D) Not to flow through the switched access reductions to mobile interconnection usage rates.
- E) Not to make any changes to its toll services rates.

Should SBT's proposals be approved? If not, what actions should the Commission take with respect to SBT's switched access, toll, and/or mobile interconnection usage rates? What is the test year revenue impact?

MCI: At a minimum, the Commission should approve the switched access reductions proposed by Southern Bell. To the extent additional excess revenues are available, the Commission should continue to reduce switched access charges until they reach parity with interstate levels.

Issue 32a. Is a toll relief plan for the routes in Docket No. 911034-TL (Between Ft. Lauderdale and Miami; Ft. Lauderdale and N. Dade; and Hollywood and Miami)? If so, what is the appropriate form of toll relief? What is the revenue impact?

MCI: No toll relief plan is appropriate. If MCI's proposal for expanded local calling areas is adopted and the Commission implements 1+ intraLATA presubscription and appropriate switched access charge rate reductions, competition should operate to reduce toll prices on these routes which are not part of expanded flat rate local calling areas.

Issue 34. Are Southern Bell's proposed stimulation rates and levels appropriate? If no, what is appropriate?

MCI: It is appropriate to recognize stimulation in calculating the revenue effect of reducing switched access charges and toll prices.

Issue 38a. What should be the effective date(s) of any rate changes approved in this docket?

MCI: Rate changes should be implemented as soon as reasonably possible following the final order in the docket. The effective date of any expanded local calling areas should be set to coincide with the effective date of intraLATA 1+ presubscription.
(Wood)

H. Stipulations. MCI is not aware of any issues that have been stipulated by the parties.

I. Pending Motions. MCI has no pending motions that require action by the Prehearing Officer.

J. Requirements of Order. MCI believes this prehearing statement is fully responsive to the requirements of the Order on Prehearing Procedure.

RESPECTFULLY SUBMITTED this 6th day of December, 1993.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was sent by U.S. Mail this 6th day of December, 1993.

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