

Harris R. Anthony
General Counsel - Florida

Southern Bell Telephone
and Telegraph Company
c/o Marshall Criser III
Suite 400
150 South Monroe St.
Tallahassee, Florida 32301
Phone (305) 530-5555

December 23, 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 Supplemental and Revised Prehearing Statement, 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.

ACK ✓
ATA 4
AFB _____
CIT _____
D _____
E _____
F _____
G _____
H _____
I _____
J _____
K _____
L _____
M _____
N _____
O _____
P _____
Q _____
R _____
S _____
T _____
U _____
V _____
W _____
X _____
Y _____
Z _____

Sincerely yours,
Harris R. Anthony (faw)
Harris R. Anthony

Enclosures

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

RECEIVED & FILED
M. Smiley
FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
13699 DEC 23 93
FPSC-RECORDS/REPORTING

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) Filed: December 23, 1993
)

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY'S
SUPPLEMENTAL AND REVISED PREHEARING STATEMENT

COMES NOW, BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company ("Southern Bell" or "Company"), and in compliance with Order No. PSC-93-1780-CFO-TL, issued December 13, 1993, and the discussions at the Prehearing Conference held on December 20, 1993, herewith submits its Supplemental and Revised Prehearing Statement.

The purpose of Southern Bell's Supplemental and Revised Prehearing Statement is to make changes and corrections to certain portions of the draft Prehearing Order, dated December 17, 1993, as well as to add the names and exhibits of the rebuttal witnesses for Southern Bell, as set forth in Southern Bell's rebuttal testimony filed on December 10, 1993.

A. WITNESSES

In addition to the direct witnesses listed in the draft Prehearing Order dated December 17, 1993, Southern Bell proposes to call the following rebuttal witnesses to offer testimony on the matters indicated below:

<u>Witnesses</u>	<u>Subject/Issues</u>
Joseph P. Lacher (Rebuttal)	Issues 26, 39, 201, 204, 205, 206, 301, 303, 304, 305, 306, 307, 309, 310, 401, 403, and 404

DOCUMENT NUMBER-DATE

13699 DEC 23 83

FPSC-RECORDS/REPORTING

Gary M. Hoeltke (Rebuttal)	Issue 39 and 403
C. J. Sanders (Rebuttal)	Issues 39, 301-310, and 403
C. L. Cuthbertson (Rebuttal)	Issues 205, 305, and 402
April Ivy (Rebuttal)	Issues 301, 305, and 402
A. Wayne Tubaugh (Rebuttal)	Issues 39, 39a, 304, and 308
Jerry Moore (Rebuttal)	Issues 301, 302, 305, 306 and 308
Linda C. Isenhour (Rebuttal)	Issues 301, 303, 305, 306, 307 and 402
Michael T. Dowdy (Rebuttal)	Issue 301
Robin Madden (Rebuttal)	Issues 201-206 and 402
Dr. Barton Weitz (Rebuttal)	Issues 206 and 402
William P. Zarakas (Rebuttal)	Issue 26
David Sappington (Rebuttal)	Issues 25a, 25b and 26
Calvin S. Monson (Rebuttal)	Issue 26
Randall S. Billingsley (Rebuttal)	Issues 9 and 13
William B. Keck (Rebuttal)	Issues 10 and 13
H. E. Gray (Rebuttal)	Issue 2b
Aniruddha (Andy) Banerjee (Rebuttal)	Issue 34

Walter S. Reid (Rebuttal)	Issues 1, 2-8, 11-14, 14e, 15-17, 17d, 17h, 17i, 17l, 17m, 17t, 18-22, and 24-24d
Edward L. Delahanty (Rebuttal)	Issue 15
Jerry L. Wilson (Rebuttal)	Issues 17, 17b, 17c, 17j, 17o, 17p, 17q, 17s and 17t
Stephen P. Budd (Rebuttal)	Issues 17, 17a, 17e, 17f, 17g, 17k and 17o
Bradford J. Branch (Rebuttal)	Issues 17j and 17r
Nancy H. Sims (Rebuttal)	Issues 27-38b

Southern Bell's rebuttal testimony on the Staff's so-called NARUC, WASSP and CPR audits is presently due to be filed on January 4, 1993. Southern Bell therefore reserves the right to amend this Prehearing Statement once this testimony is filed.

B. EXHIBITS

In addition to the exhibits of the direct witnesses listed in the draft Prehearing Order dated December 17, 1993, Southern Bell proposes to introduce the following exhibits of Southern Bell's rebuttal witnesses:

<u>Witness</u>	<u>Document Indicator</u>	<u>Title of Exhibit</u>
Joseph P. Lacher	NONE	
Gary M. Hoeltke	Rebuttal GMH-1	Field Final - November 8, 1993
	GMH-2	Major and Minor Results (Residential Customers - Weighted Data)

	GMH-3	Other Results (Residential Customers - Weighted Data)
	GMH-4	Major and Minor Results (Business Customers - Weighted Data)
	GMH-5	Other Results (Business Customers - Weighted Data)
C. J. Sanders	NONE	
C. L. Cuthbertson	NONE	
April Ivy	NONE	
A. Wayne Tubaugh	(Rebuttal) AWT-1	Telsam Residence and Business Overall Satisfied
	AWT-2	Letter dated November 11, 1993 to Alan Taylor from A. Wayne Tubaugh; Agenda Conference July 21, 1993 Transcript
Jerry Moore	NONE	
Linda C. Isenhour	NONE	
Michael T. Dowdy	NONE	
Robin Madden	NONE	
Dr. Barton Weitz	(Rebuttal) BAW-1	VITA
William P. Zarakas	(Rebuttal) WPZ-1	Alternative Regulatory Frameworks
	WPZ-2	Renewal Actions Alternative

		Regulatory Frameworks
David Sappington	(Rebuttal) DS-1	David E. M. Sappington
Calvin S. Monson	(Rebuttal) CSM-1	Calvin S. Monson
	CSM-2	Florida Cable Subscribers Served by Major MSOs
Randall S. Billingsley	(Rebuttal) RSB-6	Discounted Cash Flow Analysis for Comparable Firm Group
	RSB-7	Expected Market Risk Premium
	RSB-8	Rothschild DCF Results
William B. Keck	NONE	
H. E. Gray	NONE	
Aniruddha (Andy) Banerjee	NONE	
Walter S. Reid	(Rebuttal) WSR-5	Cost of Service Trend
	WSR-6	Issue Summary
	WSR-7	Comments of Citizens of the State of Florida
	WSR-8	Correction of Amortization Expense
	WSR-9	Calculation of Income Taxes; 1993 Intrastate

	WSR-10	Analysis of Voucher Charles listed on OPC Witness Deward's Schedule 34
Edward L. Delahanty	(Rebuttal) ELD-1	Selected Utility Clients of Hewitt Associates Executive Compensation Practice
	ELD-2	1993 Benefit Index Study Comparator Group
	ELD-3	Telecommunications Roundtable Survey Executive/Upper Management Positions
	ELD-4	Telecommunications Roundtable Survey Middle Management /Supervisory / Professional Positions
	ELD-5	1992 Total Compensation Measurement Study
Jerry L. Wilson	NONE	
Stephen P. Budd	NONE	
Bradford J. Branch	(Rebuttal) JBB-1	Southern Bell Telephone and Telegraph Company Square Feet Leased at the Campanile Building
	JBB-2	Memo dated 11/24/92 from Frances Dennis regarding Review of BSC's Lease at Campanile
Nancy H. Sims	NONE	

C. STATEMENT OF BASIC POSITION

Southern Bell has no changes to its Statement of Basic Position as enunciated in the draft Prehearing Order dated December 17, 1993.

D. SOUTHERN BELL'S POSITION ON THE ISSUES

Southern Bell proposes the following changes to its position on certain issues. Southern Bell's position on those issues not specifically listed below remains as set forth in the draft Prehearing Order dated December 17, 1993.

Issue 14(e): In the event that the Commission changes the current regulatory practice regarding the inside wire operation, how should that change be treated for ratemaking purposes?

Position: No change is required in the current regulatory practice regarding inside wire, however, if a change is made, it should be treated for ratemaking purposes on a prospective basis at the time the change is made.

Issue 17(r): How should the Commission treat the lease agreement with Sunlink for ratemaking purposes?

Position: Southern Bell will provide its position on this issue on January 10, 1994 after the filing of Southern Bell's rebuttal testimony to the audits on January 4, 1994.

Issue 17(s): How should the Commission treat the agreement with BellSouth Travel Service for ratemaking purposes?

Position: The net revenue or expense associated with the BellSouth Travel Service agreement should be included in ratemaking as these occur.

Issue 17(t): Should the Commission allow the Company to charge its affiliates a return on investment for the use of common plant and equipment?

Position: The Company does charge a return on investment when the service being provided to the affiliate involves the use of Company investment. When there is no Company investment used in the provision of service to the affiliate, a float charge is included in billings to affiliates. This position will be further developed on January 10, 1994, after the filing of Southern Bell's rebuttal testimony on the audits.

Issue 19(a): How and when should the reserve deficit caused by Hurricane Andrew damage be recognized for ratemaking purposes?

Position: The depreciation expense required to offset the extraordinary retirements from Hurricane Andrew should be recorded in 1994 and included in the box calculations.

Issue 19(b): Has the Company properly computed the adjustment for expiring amortization? If not, what is the appropriate adjustment?

Position: Yes, as set forth in Walter Reid's testimony of September 10, 1993.

Issue 20(a): Should an adjustment be made to the gross receipts tax expense?

Position: No, the intrastate gross receipts tax, as set forth in the December 10, 1993 testimony of Walter Reid, is correct.

Issue 20(b): Should an adjustment be made to the separation factor for taxes, other than income?

Position: No.

Issue 25(b): Has the current incentive regulation plan under which Southern Bell has been operating achieved the goals as set forth in Order No. 20162? What are the positive and negative results, if any?

Position: Yes. Southern Bell has produced results which have met the goals in Order No. 20162. The incentive sharing plan has helped to eliminate the economic disincentives inherent in traditional rate of return regulation, encouraged efficient performance by Southern Bell and created additional incentive for Southern Bell to reduce costs and introduce new services.

Issue 28: Southern Bell has proposed an "Optional Expanded Local Service" (ELS) plan. Customers who subscribe would pay \$.02 per minute for all calls within the existing local calling area and \$.08 per minute for all intraLATA calls up to approximately forty miles. The proposed plan includes many components and features including seven-digit dialing, reduced flat-rate buy-in, and usage caps. It would be available to both business and residence customers.

Position: Southern Bell's proposed optional ELS plan should be approved as filed.

Issue 36: Should Southern Bell be allowed to unbundle the Gross Receipts Tax from base rates and bill it as a separate line

item on customer bills? If so, what is the test year revenue impact of doing so?

Position: It is Southern Bell's understanding that this issue will be deleted from the final Prehearing Order.

Issue 203: How many customers were charged for services not requested through non-contact sales and what is the total amount of such charges that has been collected from Southern Bell customers? Have these charges been refunded appropriately?

Position: Southern Bell refunded to all customers who were affected by the disciplined employees and those individuals who claimed they did not order the services, a full refund with interest.

Issue 205: Did Southern Bell have adequate internal controls for non-contact sales to prevent customers from being misbilled?

Position: Yes. While it is impossible to prevent every intentional improper act, the controls Southern Bell had in place allowed it, once a problem was discovered, to identify the employees who acted improperly.

Issue 301(a): Did any of SBT's employees misreport or otherwise midcode trouble reports? If so, how?

Position: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding

or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance Centers. As a result of its investigation, Southern Bell disciplined a number of employees. Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

Issue 301(b): How widespread were such activities?

Position: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance Centers. As a result of its investigation, Southern Bell disciplined a number of employees. Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

Issue 301(c): Did Southern Bell take timely action to stop the practices?

Position: During an internal network operations review in 1990, Southern Bell discovered irregularities in the handling of

certain trouble reports. As a result, a statewide internal investigation was conducted that determined that out-of-service customer reports had been created, either by deliberate miscoding or the creation of fictitious trouble reports. Irregularities were found in the North Dade and Gainesville Installation Maintenance Centers. As a result of its investigation, Southern Bell disciplined a number of employees. Further, as a result of the settlement agreement entered into with the Office of Statewide Prosecution, the Company compensated customers and instituted enhancements to its procedures to prevent this situation from occurring again.

Issue 304(a): Has SBT filed any inaccurate Commission Forms PSC/CMU 28 (12/86) or Schedules 2, 11, 17, or 18? If so, how?

Position: There are six cases wherein the Schedule 11 needs to be corrected. These six cases are set out in Company witness Tubaugh's direct testimony filed on July 12, 1993.

Issue 304(b): Has Southern Bell filed corrected Quarterly Reports?

Position: As Southern Bell witness A. Wayne Tubaugh's direct testimony, filed on July 12, 1993, states, Southern Bell will be correcting six Schedule 11 reports.

Issue 304(c): If not, what actions should the Commission take?

Position: No action need be taken by the Commission.

Issue 401(a): Has SBT refunded the appropriate amounts due in order to make its customers whole for the Dockets listed

below? If not, what action should the Commission take? Docket No. 900960-TL; Non-Contact Sales.

Position: No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

Issue 401(b): Docket No. 910163-TL; Repair.

Position: No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

Issue 401(c): Docket No. 910727-TL; Rebate.

Position: No further action by the Commission is necessary. As shown in the testimony of Company Witnesses Lacher, Madden, Moore, and Ivy, all customers who may have experienced a loss as a result of these dockets have been fully compensated.

Issue 402(a): Has SBT taken adequate steps to prevent any recurrence of these inappropriate activities, if any, and, if not, what should the Commission require SBT to do to prevent these inappropriate activities from occurring again for the dockets listed below? Docket No. 900960-TL; Contact and Non-Contact Sales.

Position: No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedure and systems, where necessary, in order to ensure the quality and

accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

Issue 402(b): Docket No. 910163-TL; Repair.

Position: No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedure and systems, where necessary, in order to ensure the quality and accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

Issue 402(c): Docket No. 910727-TL; Rebate.

Position: No further action by the Commission is necessary. As shown in the testimony of Company Witness Lacher and Ivy, Southern Bell has implemented changes to its procedure and systems, where necessary, in order to ensure the quality and accuracy of its trouble reporting and rebate processes. Further, as of July, 1991, Southern Bell has stopped all network or non-contact sales programs.

Issue 403(a): Should the Commission penalize SBT for poor quality of service, mismanagement, or violations, if any, of Commission Rules and Florida Statutes for the dockets listed below? If so, how? Docket No. 900960-TL; Non-Contact Sales.

Position: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated,

and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

Issue 403(b): Docket No. 910163-TL; Repair.

Position: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

Issue 403(c): Docket No. 910727-TL; Rebate.

Position: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

Issue 403(d): Docket No. 920260-TL; Quality of Service.

Position: Southern Bell itself discovered the problems raised by these dockets. Once the problems were discovered, disciplinary action was taken, customers were fully compensated, and procedures and controls were strengthened. There is no evidence that management, as a whole, knew of, condoned or

encouraged such behavior and there is no basis for imposing a penalty on the Company in connection with these dockets.

Issue 404(a): Did SBT's settlement with the Office of Statewide Prosecutor sufficiently compensate potentially affected subscribers so that no additional compensation for subscribers is warranted for the dockets listed below? Docket No. 900960-TL; Non-Contact Sales.

Position: With regard to the non-contact sales problem, all persons who could possibly have been affected were compensated, including those who were given the opportunity to indicate that they had a problem but never did so.

Issue 404(b): Docket No. 910163-TL; Repair.

Position: Customers who may have been affected were compensated. Further, the \$3.76 paid per trouble report was more than four times the average rebate required to be paid pursuant to the Commission's Rules.

Issue 404(c): Docket No. 910727-TL; Rebate.

Position: Customers who may have been affected were compensated. Further, the \$3.76 paid per trouble report was more than four times the average rebate required to be paid pursuant to the Commission's Rules.

E. CHANGE IN ISSUE

It has come to Southern Bell's attention that Issue 29 is worded incorrectly. The issue, as it reads in the draft Prehearing Order, dated December 17, 1993, reflects Southern Bell's proposal as it was filed in July of 1993 and not as it was

updated and changed in October of 1993. The issue, as correctly worded, is as follows:

Issue 29: Southern Bell has made the following proposals:

- A) To reduce the local transport element for both originating and terminating access from \$.01540 to \$.01289.
- B) Not to flow through the switched access reductions to mobile interconnection usage rates.
- C) Not to make any changes to its toll service rates.

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

F. GENERAL

Southern Bell respectfully requests substitution of Nancy B. White and Robert G. Beatty for J. Phillip Carver in the "appearances" for Southern Bell.

Respectfully submitted this 23rd day of December, 1993.

SOUTHERN BELL TELEPHONE
AND TELEGRAPH COMPANY

Harris R. Anthony (pm)

HARRIS R. ANTHONY
c/o Marshall M. Criser
400 - 150 South Monroe Street
Tallahassee Florida 32301
(305) 530-5555

R. Douglas Lackey (pm)

R. DOUGLAS LACKEY
NANCY B. WHITE
4300-675 West Peachtree Street
Atlanta, Georgia 30375
(404) 529-5387

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 *23rd* day of *Dec.*, 1993
to:

Robin Norton
Division of Communications
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32399-0866

Tracy Hatch
Division of Legal Services
Florida Public Svc. Commission
101 East Gaines Street
Tallahassee, FL 32399-0863

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter, Grandoff & Reeves
315 South Calhoun Street
Suite 716
Tallahassee, FL 32301-1838
atty for FIXCA

Kenneth A. Hoffman, Esq.
Messer, Vickers, Caparello,
Madsen, Lewis & Metz, PA
Post Office Box 1876
Tallahassee, FL 32302
atty for FPTA

Charles J. Beck
Deputy Public Counsel
Office of the Public Counsel
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

Michael J. Henry
MCI Telecommunications Corp.
MCI Center
Three Ravinia Drive
Atlanta, Georgia 30346-2102

Richard D. Melson
Hopping Boyd Green & Sams
Post Office Box 6526
Tallahassee, Florida 32314
atty for MCI

Rick Wright
Regulatory Analyst
Division of Audit and Finance
Florida Public Svc. Commission
101 East Gaines Street
Tallahassee, FL 32399-0865

Laura L. Wilson, Esq.
c/o Florida Cable Television
Association, Inc.
310 North Monroe Street
Post Office Box 10383
Tallahassee, FL 32302
atty for FCTA

Chanthina R. Bryant
Sprint Communications Co.
Limited Partnership
3065 Cumberland Circle
Atlanta, GA 30339

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

Dan B. Hendrickson
Post Office Box 1201
Tallahassee, FL 32302
atty for FCAN

Benjamin H. Dickens, Jr.
Blooston, Mordkofsky,
Jackson & Dickens
2120 L Street, N.W.
Washington, DC 20037
Atty for Fla Ad Hoc

C. Everett Boyd, Jr.
Ervin, Varn, Jacobs, Odom
& Ervin
305 South Gadsen Street
Post Office Drawer 1170
Tallahassee, Florida 32302
atty for Sprint

Florida Pay Telephone
Association, Inc.
c/o Mr. Lance C. Norris
President
Suite 202
8130 Baymeadows Circle, West
Jacksonville, FL 32256

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

Donald L. Bell, Esq.
104 East Third Street
Tallahassee, FL 32303
Atty for AARP

Gerald B. Curington
Department of Legal Affairs
Room 1603, The Capitol
Tallahassee, FL 32399-1050

Mr. Douglas S. Metcalf
Communications Consultants,
Inc.
631 S. Orlando Ave., Suite 250
P. O. Box 1148
Winter Park, FL 32790-1148

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

Floyd R. Self, Esq.
Messer, Vickers, Caparello,
Madsen, Lewis, Goldman & Metz
Post Office Box 1876
Tallahassee, FL 32302-1876
Attys for McCaw Cellular

Angela Green
Division of Legal Services
Florida Public Svc. Commission
101 East Gaines Street
Tallahassee, FL 32399-0863

Stan Greer
Division of Communications
Florida Public Svc. Commission
101 East Gaines Street
Tallahassee, FL 32399-0863

Harris R. Anthony (PH)