

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of the) Docket No. 920260-TL
Revenue Requirements and Rate)
Stabilization Plan of Southern Bell) Filed: 9-20-96
Telephone and Telegraph Company)

INTERMEDIA COMMUNICATIONS INC.'S
PREHEARING STATEMENT

Intermedia Communications Inc. (ICI), hereby files this prehearing statement pursuant to Rule 25-22.038(3), Florida Administrative Code and Order No. PSC-96-0965-PCO-TL.

A. Witnesses: All issues

Tom Allen on behalf of Intermedia Communications Inc.

B. Exhibits: At this time, ICI does not plan to introduce exhibits, but reserves the right to introduce cross-examination exhibits if necessary.

C. Basic Position: The reductions at issue here are available because BellSouth had earnings beyond its revenue cap. Thus, in determining the reductions to implement, the Commission should attempt to benefit ratepayers generally by promoting competition and ensuring that resulting rates are more cost-based. BellSouth must not be allowed to use these reductions to widen its competitive advantage while providing little or no relief for the average rate payer.

In evaluating the various proposals, the Commission should embrace four basic principles. First, given that we are on the threshold of a more competitive environment for the provision of local exchange telecommunication services, the Commission should avoid doing any harm to that competitive environment. Second, the Commission should prefer rate reductions that actually promote competition. Third, the Commission should prefer rate reductions that are cost-based when they meet the first two principles; i.e., when they do no harm and tend to promote competition. And fourth, the Commission should prefer rate reductions that benefit customers generally as opposed to reductions that benefit a narrow slice of customers.

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D. ISSUES

ISSUE 1: Below are listed the proposals of various interested parties to this proceeding with respect to the disposition of the

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

scheduled 1996 unspecified rate reductions. Which, if any, should be approved?

- A) BellSouth: millions
1) Reduce switched access (introduce zone density) \$16.40

ICI's POSITION: Intermedia recommends that the Commission reject this proposal. Although zone density pricing is in theory a more cost-based approach to setting the affected rates, BellSouth's proposal would tend to be anti-competitive.

- 2) Reduce PBX rates and introduce term contracts 13.45

ICI's POSITION: The Commission should reject this proposal as anti-competitive. PBX trunks are a very competitive service and concentrating rate reductions in this area would only enhance BellSouth's current competitive advantage. Moreover, ICI adamantly opposes reduction of PBX rates through the term contracts. This is another in a series of recent actions by BellSouth to lock up market share.

- 3) Waive certain business and residential
Secondary Service Order charges 5.81

ICI's POSITION: Intermedia opposes the waiver of these charges. Waiver of charges would promote BellSouth's position in the market by providing a below cost discount to prospective customers and is thus anti-competitive.

- 4) Reduce First Line Connection charge (Business) 3.22

ICI's POSITION: Intermedia opposes the reduction of these charges. Rather than benefit ratepayers generally, these reductions target business customers to give BellSouth an unnecessary advantage in the market place. This proposal would impede competition rather than promote it. Intermedia also opposes those reductions because they do not appear to be cost-based.

- 5) Introduce Area Plus for Business 2.25

ICI's POSITION: Intermedia opposes the this proposal. Rather than benefit ratepayers generally, the proposed reduction would target business customers to give BellSouth an unnecessary advantage in the market place. Thus, this proposal would impede competition rather than promote it.

- 6) Eliminate usage charge on Remote Call Forwarding 2.01

ICI's POSITION: Intermedia supports the reduction of the recurring rates for remote call forwarding, but only where such call forwarding is associated with number portability.

Facilitating number portability promotes competition and benefits ratepayers generally.

- 7) Reduce DID recurring and non-recurring charges 1.88

ICI's POSITION: Intermedia opposes this proposal as it would only widen BellSouth's competitive advantage. BellSouth has decided to reduce these rates and charges at this time for the same reason it has proposed PBX rate reductions: to lock out competition.

- 8) Credit for ECS routes implemented 1.10

ICI's POSITION: Intermedia does not oppose this proposal. The Commission has previously determined the ECS routes in question to be in the public interest.

- 9) Reduce Business Line monthly rates
in Rate Group 12 .62

ICI's POSITION: Intermedia opposes this proposal. BellSouth proposes reducing the Rate Group 12 monthly flat rate from \$29.10 to \$29.00. BellSouth states that the rate exceeds their cost and reducing the rate brings it in line with the proposed PBX trunk rates (under the 49-to-60 month contract). Intermedia believes that while business rates may need to be reduced, basing the proposed reductions on inappropriate reductions in PBX rates would not promote competition or benefit the public generally.

- 10) Reduce Megalink interoffice rates .58

ICI's POSITION: Intermedia supports this proposal. These reductions would bring the rates closer to costs and would be pro-competitive. In addition, the Commission should reduce LightGate, MegaLink and SynchroNet rates (local channel and interoffice rates). The corresponding High Capacity Service and Digital Data Access Service rate should also be reduced. Specifically, the Commission should require a flat-rated local channel and reduce inter-office rates (both fixed and per mile).

- 11) Reduce WATS and 800 Service access line charges .36

ICI's POSITION: Intermedia opposes reduction of WATS & 800 Service Access Line charges for two basic reasons. First, these reductions would benefit only a small number of customers in a narrow slice of the competitive market. Second, the reductions do not appear to be cost-based. BellSouth apparently believed that these access line charges were necessary to cover the costs associated with adding WATS and 800 Service. There has been no demonstration that the

underlying costs of these services have decreased. Reductions of charges that benefit only a few consumers and that are not cost-based are likely anti-competitive.

- 12) Eliminate the Secondary Service Order charge for WatsSaver .30

ICI's POSITION: Intermedia does not support the elimination of the Secondary Service Order charge for WatsSaver. BellSouth is again proposing a rate reduction that would neither be cost-based, nor benefit the general body of ratepayers.

- 13) Reduce SNAC charges for Business .07

ICI's POSITION: Intermedia supports this proposal. These reductions would bring the rates closer to costs, and is pro-competitive.

- 14) Reduce DS-1 interoffice mileage rates .04
\$48.09

ICI's POSITION: Intermedia supports this proposal, as it would also would bring the rates closer to costs and is pro-competitive.

- B) Joint Proposal of ATT, MCI, Sprint Communications, FIXCA, Ad Hoc and McCaw Communications:

- 1) Reduce PBX and DID trunk charges millions
\$11.00

ICI's POSITION: Intermedia opposes this proposal. The restructure of PBX rates and the elimination or reduction of NRCs provide little or no relief for the average rate payer and only improve BellSouth's competitive advantage.

- 2) Eliminate the Residual Interconnection Charge 35.00

ICI's POSITION: Intermedia does not oppose elimination of the RIC. Our only concern with that if the RIC is entirely eliminated, the lion's share of the available revenues will have been used to reduce access charges. As a matter of policy, the Commission might choose to use some of that \$35 million elsewhere. Intermedia does support FIXCA's basic point, however, that access charges need to be driven further toward costs as soon as possible.

- 3) Reduce mobile interconnection rates 2.00
\$48.00

ICI's POSITION: Intermedia does not oppose this proposal. This proposal would bring mobile interconnection usage rates

closer to cost, which is pro-competitive.

- C) **Public Counsel:**
Establish a reserve fund to assist BST customers who have experienced problems with conversion to the 954 NPA.

ICI's POSITION: No position on that issue at this time.

- D) **FCTA:**
Eliminate nonrecurring charges for interconnection trunks and special access circuits ordered by ALECs.

ICI's POSITION: Intermedia supports this proposal. These reductions would facilitate interconnection and thus would promote competition.

- E) **Palm Beach Newspapers, Inc./Florida Today:**
Reduce usage rates for N11 service to \$.02 per minute.

ICI's POSITION: ICI does not oppose this proposal.

ISSUE 2: To the extent the Commission does not approve the plans proposed by BellSouth, Public Counsel, FCTA, Palm Beach Newspapers, Inc./Florida Today and AT&T, MCI, Sprint, FIXCA, AD Hoc and McCaw, how should the Commission implement the scheduled rate reduction?

ICI's POSITION: The Commission should also reduce (a) LightGate, MegaLink and SynchroNet rates (local channel and interoffice rates) and (b) the corresponding High Capacity Service and Digital Data Access Service rates. Specifically, the Commission should require a flat-rated local channel and reduce inter-office rates (both fixed and per mile). These proposals have not been advanced by any other party, yet would be an important pro-competitive, cost-based use of the available funds.

ISSUE 3: What should be the effective dates of the approved tariffs?

ICI's POSITION: No position at this time.

E. **QUESTIONS OF LAW:** None.

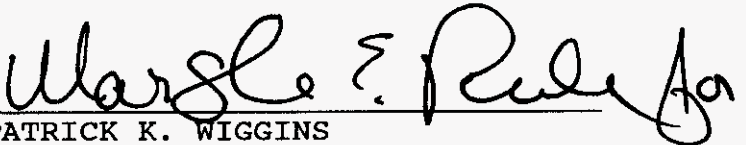
F. **POLICY QUESTIONS:** None.

G. **STIPULATED ISSUES:** None.

H. PENDING MOTIONS OR OTHER MATTERS: Intermedia's Motion for Leave to File Amended Direct Testimony of Thomas E. Allen.

I. REQUIREMENTS THAT CANNOT BE COMPLIED WITH: None.

Respectfully submitted this 20th day of September, 1996.


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CERTIFICATE OF SERVICE

Docket No. 920260-TL

I HEREBY CERTIFY that a copy of Intermedia Communications Inc.'s Prehearing Statement has been furnished this 20th day of September, 1996, to the following:

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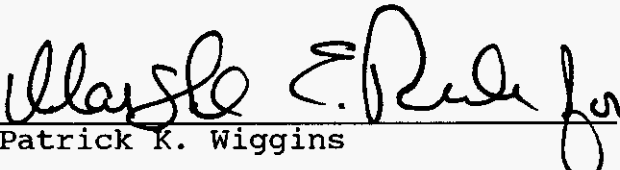
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