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December 18, 1992

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

via Hand Delivery

Re: Southern Bell Rate Case; Docket No. 920260-TL

Dear Mr. Tribble:

Enclosed for filing please find an original and fifteen copies of Florida Cable Television Association's Prehearing Statement for the above-referenced docket. You will also find a copy of this letter enclosed and a diskette containing this same information. Please date-stamp the copy of the letter to indicate that the original was filed and return a copy to me.

If you have any questions regarding this matter, please feel free to contact me. Thank you for your assistance in processing this filing.

Respectfully,

HABEN, CULPEPPER, DUNBAR  
& FRENCH, P.A.

*Peter M. Dunbar*  
Peter M. Dunbar

- ACK \_\_\_\_\_
- AFB 3 \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMC 6 \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 1 PMD/tmz
- LIN 6 Enclosures
- OFC cc: All parties of record
- ROH \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- WAS \_\_\_\_\_
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FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

14648 DEC 18 1992

FPSC-RECORDS/REPORTING

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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 18, 1992

**PREHEARING STATEMENT**

**BY**

**FLORIDA CABLE TELEVISION ASSOCIATION**

The Florida Cable Television Association ("FCTA") respectfully submits the following Prehearing Statement pursuant to Order No. PSC-92-1320-PCO-TL in FPSC Docket #920260-TL.

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**PREHEARING STATEMENT BY FLORIDA CABLE TELEVISION ASSOCIATION**

COMES NOW, Florida Cable Television Association ("FCTA"), pursuant to Rule 25-22.038, Florida Administrative Code, and Order PSC-92-1320-PCO-TL, and respectfully submits its Prehearing Statement in the above-captioned docket to the Florida Public Service Commission ("Commission").

**I. SUMMARY STATEMENT OF BASIC POSITION**

FCTA believes that Southern Bell Telephone Company ("Southern Bell") is required to establish rates consistent with the principles expressed in Chapter 364, Florida Statutes, and based upon what is economically justified for adequate basic local exchange service. Southern Bell offers both monopoly services and services in competition with other telecommunications services providers. In such circumstances, the Commission is required to recognize the emergence of a competitive telecommunications environment through flexible regulatory treatment so that services offered in competition with other providers are not subsidized by rates paid for monopoly services.

FCTA further believes that Southern Bell is required to segregate its intrastate investments and expenses between competitive and monopoly services. Order #PSC-92-0317-FOF-TL, Docket #920178-TL directs staff to investigate the cross-subsidy issues in this case. Thus, the allocation of intrastate investments and expenses should be addressed herein.

## II. WITNESSES, TESTIMONY AND EXHIBITS

FCTA intends to call Mark Cicchetti and Joseph P. Cresse as witnesses. FCTA offers the testimony and exhibits of Mr. Cicchetti and Mr. Cresse as previously filed.

## III. ISSUES OF LAW AND POLICY

FCTA recognizes and acknowledges that forty-five (45) separate issues, some with multiple parts, have been identified and will be addressed by the Commission in this docket. Each is incorporated in this prehearing statement by reference, and is believed by FCTA to be at issue. Additionally, FCTA believes that the issues identified by the parties concerning inside wire and deleted by the prehearing officer are relevant and should be addressed by the Commission in this docket.

### General Issues

**Issue 1: Is the test year ended December 31, 1991 an appropriate test year?**

**FCTA's Position: No position at this time.**

Rate Base

Plant in Service

**Issue 2: What is the appropriate amount of plant in service for the test year?**

**FCTA's Position: No position at this time.**

**Issue 2a: Have the investments and expenses for video transport service been appropriately identified and accounted for?**

**FCTA's Position: No. Video transport service is offered by other providers in competition with Southern Bell and no separation of intrastate investment and expenses has been made as required by Chapter 364, Florida Statutes.**

**Issue 2b: Is Southern Bell's investment in its interLATA internal company network prudent? If not, what action should the Commission take?**

**FCTA's Position: No position at this time.**

**Issues 3 through 16, together with subparts thereof:**

**FCTA's Position: No position at this time.**

Affiliated Transactions

**Issue 17: Are the affiliated charges and overhead allocations to Southern Bell-Florida reasonable, including charges from the central management/service organization?**

**FCTA's Position: No. Southern Bell is engaged in offering services in competition with others and currently does not make allocations concerning intrastate investments and expenses as required by Chapter 364, Florida Statutes.**

**Issue 17a: Are the ownership costs incurred at the corporate level appropriate for ratepayers to pay?**

**FCTA's Position: No position at this time.**

**Issue 17b: How should the Commission treat the expenses incurred by BellSouth for supplemental executive retirement, stock appreciation rights and incentive compensation?**

**FCTA's Position:** No position at this time.

**Issue 17c: Are the regulated operations being properly compensated for billing and collection services provided to nonaffiliated companies, and nonregulated and/or affiliated company operations?**

**FCTA's Position:** No position at this time.

**Issue 17d: How should the Commission treat BST Research Organization expenses?**

**FCTA's Position:** No position at this time.

**Issue 17e: Do Southern Bell's intrastate expenses include Bellcore and BellSouth Services allocated research and development costs which are of no tangible benefit to ratepayers? If so, what adjustment should be made?**

**FCTA's Position:** No position at this time.

**Issue 17f: Do Southern Bell's expenditures for Bellcore services cause ratepayers of regulated telephone services to pay inappropriately for future, potentially non-regulated BellSouth products and services? If so, what adjustment should be made?**

**FCTA's Position:** No position at this time.

**Issue 17g: Are the rental costs incurred by BellSouth Corporation Headquarters and allocated to Southern Bell-Florida reasonable?**

**FCTA's Position:** No position at this time.

**Issues 18 through 25 together with subparts thereof:**

**FCTA's Position:** No position at this time.

### Current Rate Stabilization Plan

**Issue 26a:** What criteria should the Commission use to evaluate Southern Bell's performance under, and its proposal for, an incentive regulation, price cap or price regulation plan? (For example, data provided in MFR Schedules on expenses, productivity, efficiency, comparisons of that or other data with other LECs, etc.)

FCTA's Position: Among the criteria the Commission should use to evaluate performance are conformance to an allocation methodology adopted pursuant to s. 364.3381, a definition for adequate basic local exchange services with specific services identified, and a list of services which Southern Bell offers in competition with other providers.

**Issue 26b:** Has the current incentive regulation plan under which Southern Bell has been operating achieved the goals as set forth in DN 880069-TL? What are the positive and negative results, if any?

FCTA's Position: No position at this time.

### Proposed Price Regulation Plan

**Issue 27:** Southern Bell (SBT) proposes to change its current form of regulation. The proposed plan includes the following components listed below. On the basis of these components, what are the pros and cons of this plan?

FCTA's Position: Until such time as the Commission prescribes an allocation methodology to assure that rates for monopoly services do not subsidize the services Southern Bell offers in competition with others, the plan proposed fails to comply with the requirements of s. 364.036(2)(f), and cannot be approved. Further, the plan is deficient in that it fails to contain an adequate identification of which services are basic services and which services are offered in competition with other providers.

**Issue 28:** Does SBT's proposed Price Regulation Plan meet the requirements of S. 364.036(2)(a)-(g) F.S. as follows:

**A) Is the Price Regulation Plan (PRP) consistent with the public interest?**

FCTA's Position: No. The PRP does not contain safeguards to assure that the rates for monopoly services do not subsidize competitive services.

**B) Does the PRP jeopardize the availability of reasonably affordable and reliable telecommunications services?**

FCTA's Position: Yes. The PRP fails to provide protections for monopoly ratepayers to assure that they do not subsidize services offered in competition with other providers.

**C) Does the PRP provide identifiable benefits to consumers that are not otherwise available under existing regulatory procedures?**

FCTA's Position: No.

**D) Does the PRP provide effective safeguards to consumers of telecommunications services including consumers of local exchange services?**

FCTA's Position: No.

**E) Does the PRP assure that rates for monopoly services are just, reasonable, and not unduly discriminatory and do not yield excessive compensation?**

FCTA's Position: No.

**F) Does the PRP include adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services?**

FCTA's Position: No. There is no allocation methodology as required by s. 364.3381, and therefore the PRP does not include the mandatory safeguard required by law.

**G) Does the PRP jeopardize the ability of Southern Bell to provide quality, affordable telecommunications service?**

FCTA's Position: No position at this time.



**Issue 29: Should the Commission approve an incentive regulation plan for SBT? If so, what is the appropriate plan? If not, what is the appropriate form of regulation for SBT? How does the appropriate form of regulation meet the requirements of Chap. 364.036(a)-(g), F.S.?**

**FCTA's Position:** No. The appropriate plan, and the only plan permitted by Chapter 364 until an allocation methodology pursuant to s. 364.3381, is traditional rate base regulation.

#### **Cross-Subsidy Issues**

**Issue 30a: Should Southern Bell be permitted to cross-subsidize their competitive or effectively competitive services?**

**FCTA's Position:** As a matter of law, pursuant to Chapter 364, Florida Statutes, Southern Bell is not permitted to cross-subsidize its competitive or effectively competitive services with revenues from the ratepayers of monopoly services.

**Issue 30b: Should Southern Bell's basic telephone service rates be based on the most cost effective means of providing basic telephone service?**

**FCTA's Position:** As a matter of law and policy, the Commission is required to establish Southern Bell's basic telephone rates based on the most cost effective means of providing basic telephone service. To do otherwise would require monopoly services to subsidize competitive services.

**Issue 30c: Should Southern Bell segregate its intrastate investments and expenses in accordance with an allocation methodology as prescribed by the Commission to ensure that competitive telecommunications services are not subsidized by monopoly telecommunications services?**

**FCTA's Position:** As a matter of law, pursuant to s. 364.3381, Southern Bell is required to segregate intrastate investments and expenses between competitive and monopoly services.

**Issue 30d: Has the Commission prescribed an allocation methodology to ensure that competitive telecommunications services are not subsidized by monopoly telecommunications services? If so, has Southern Bell followed that prescribed allocation methodology?**

**FCTA's Position: No.**

**Issue 30e: Has the replacement of copper with fiber since the last depreciation study been accomplished in a cost effective manner for adequate basic telephone service?**

**FCTA's Position: On this issue, Southern Bell has not met its burden of proof, therefor it is necessary for the Florida Public Service Commission to require Southern Bell to demonstrate that the replacement of copper since Southern Bell's last depreciation study has been accomplished in a cost effective manner for telephone service.**

**Issues 31 through 45 together with subparts thereof:**

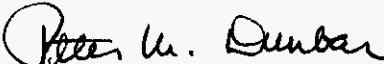
**FCTA's Position: No position at this time.**

#### **IV. PENDING MATTERS**

Office of Public Counsel, supported by the Attorney General of Florida and FCTA, has moved the Commission to reconsider the Prehearing Officer's deletion of issues relating to inside wire. Southern Bell has moved to strike certain testimony of witnesses relating thereto and the Office of Public Counsel, the Attorney General and FCTA have opposed the Motion. FCTA has moved to dismiss the Company's petition for alternative method of regulation.

**RESPECTFULLY SUBMITTED this 18th day of December, 1992.**

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By:   
Peter M. Dunbar

**CERTIFICATE OF SERVICE**  
**DOCKET NO. 920260-TL**

I HEREBY CERTIFY that a true and correct copy of the foregoing Florida Cable Television Association's Prehearing Statement has been furnished by U.S. Mail on this 18th day of December, 1992, to the following parties of record:

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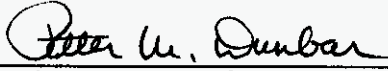
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