

Communications Consultants, Inc.

December 17, 1992

Steven C. Tribble
Director, Division of Records and Reporting
FLORIDA PUBLIC SERVICE COMMISSION
101 E. Gaines Street
Tallahassee, FL 32301

RE: Docket No. 920260-TL
Southern Bell Rate Case

Dear Mr. Tribble:

Enclosed for filing please find fifteen copies of the Prehearing Statement of the Florida Ad Hoc Telecommunications Users' Committee in the above docket.

Service has been provided to all parties of record in accordance with the attached Certificate of Service.

Further, please note the address and phone number changes at the bottom of this page. Please address all future communications for Douglas S. Metcalf, Communications Consultants Inc. or the Florida Ad Hoc Telecommunications Users' Committee to our new post office box.

Thank you.

Sincerely,



Douglas S. Metcalf
Class B Practitioner

DSM:sr

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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: 12/18/92

FLORIDA AD HOC TELECOMMUNICATIONS USERS COMMITTEE'S
PREHEARING STATEMENT

This is the prehearing statement of the Florida Ad Hoc Telecommunications Users Committee ("Ad Hoc"). All requests of the Commission in its Order on prehearing procedure are responded to as follows:

- (a) **Witnesses** - Ad Hoc will present one witnesses in this proceeding. Mr. Douglas S. Metcalf will address the appropriate method for costing and pricing business exchange and private line services, Ad Hoc's concerns with the ELS plan and flaws in SBT's incentive regulation proposal.
- (b) **Exhibits** - No exhibits are contemplated at this time.
- (c) **Basic Position** - Ad Hoc submits that the Southern Bell Telephone Company ("SBT" or "Company") and the Commission must begin to cost and price business exchange and private line services in a manner appropriate for an evolving competitive market. A threshold requirement for such pricing is the consistent application of costing and pricing methodologies for these services. Ad Hoc has examined the Company's costing and pricing methodologies for its proposed rate changes. They are inconsistently applied and are flawed. Ad Hoc also submits that SBT's incentive regulation plan contains flaws which unfairly tilt the telecommunications playing field in favor of SBT and to the detriment of SBT's users and competitors.
- (d) **Questions of fact** - Whether SBT has appropriately priced services utilized by business users. Ad Hoc submits that SBT has incorrectly priced such services.
- (e) **Questions of law** - Whether SBT's proposed rate structure for business users is unreasonably discriminatory. Ad Hoc submits that it is.
- (f) **Policy questions** - Whether SBT has appropriately priced services utilized by business users. Ad Hoc submits that SBT has incorrectly priced such services.
- (g) **Ad Hoc positions** -

Issue 1 through Issue 9: - No position at this time.

Issue 9a: - Yes, there should be a penalty imposed for SBT's poor quality of service. Ad Hoc supports the recognition of this poor quality of service as set forth in the revenue requirement testimony and recommendation of the Office of Public Counsel.

Issue 10 through Issue 14: - No position at this time.

Issue 14a: - Ad Hoc has no position at this time on the total revenues which will result from the Commission's final decision in this docket, nor with the portion which will ultimately be paid by business users. Ad Hoc submits however, that the total amount of revenue paid by business users should be collected based on a relatively equal contribution from all business services provided by SBT. This would require a recalculation of all such services using the same cost and rate methodology.

Issue 14b through 25e: - No position at this time.

Issue 26a: - The Commission should compare statistical data provided by SBT with other statistical data provided by similarly sized telephone companies in other jurisdictions who are not subject to incentive regulation.

Issue 26b: - No, evidence indicates that the quality of service has been deteriorating under incentive regulation.

Issue 27: - Ad Hoc opposes many aspects of SBT's incentive regulation plan and urges that it be rejected. SBT's rate flexibility proposal is a prescription for monopoly pricing abuses. Ad Hoc's testimony demonstrates that the Company's service classification scheme unfairly targets basic users for unjustified price increases. The resultant price gouging which SBT's plan facilitates will create a pool of revenues with which SBT can cross-subsidize its competitive services. Ad Hoc also submits that SBT's proposal contains one-sided features that unfairly favor SBT over its customers and competitors. These features include an unworkable escape clause whereby SBT can raise basic rates above their 'guaranteed' price limits, insufficient notice of price increases and one-sided proposals for reclassifying services subject to rate flexibility.

Issue 28: - Southern Bell's proposed price regulation plan does not meet the requirements of section 364.036(2)(a)-(g) F.S.

Issue 29: - The Commission should not approve an incentive regulation plan for SBT. SBT's prices should be regulated by traditional cost of service regulation. Ad Hoc submits that traditional cost of service regulation is consistent with the public interest, has historically demonstrated the ability to provide affordable and reliable telephone service, and otherwise provides safeguards against unreasonable or discriminatory rates, cross-subsidy and poor quality of service. Accordingly, traditional cost of service regulation best meets the requirements of Chapter 364, F.S.

Issue 30a: - No.

Issue 30b: - Yes.

Issue 30c: - Yes.

Issue 30d: - To the best of Ad Hoc's knowledge, the PSC has not prescribed an allocation methodology to ensure that competitive services are not subsidized by monopoly services.

Issue 30e: - No position at this time.

Issue 31: - No.

Issue 31a through 32a: - No position at this time.

Issue 33a: - No.

Issue 33b: - No, SBT's ELS plan should not be approved. By Commission Order, intraLATA toll became a competitive market as of 1/1/92. Ad Hoc recommends that users be able to presubscribe for their intraLATA toll and that SBT be allowed to compete for this business. Alternatively, if the Commission approves a version of ELS, intraLATA access charges paid to SBT by the IXCs should be at the same rate as they are imputed by SBT.

Issue 33c and 33d: - No position at this time.

Issue 33e: - IntraLATA presubscription would be preferable by the large users. Route-specific switched access charges is the next choice.

Issue 34 and 35a: - No position at this time.

Issue 35b: - Ad Hoc advocates the elimination of the touchtone rate element by melding its cost into the basic service charge and making all R-1 and B-1 service touchtone capable. The Commission is well aware of the additional costs the Company incurs to restrict some customers to rotary service. Further, the touchtone rate element is not charged to all services (ESSX) which use it. It should be added to that competitive offering, or removed from the competing basic exchange services (PBX and B-1) to which it is applied.

Issue 35c: - Yes.

Issue 35d through 39a: - No position at this time.

Issue 39b: - No. SBT has not proposed any changes to private lines and ESSX. The result unfairly burdens other business users.

Issue 39c: - The total cost of ESSX, including station lines and usage factors should be included in the restructure and repricing discussed in Issue 39b.

Issue 39d: - Yes, however, SBT should ultimately be required to reprice business services based on the principles set forth in Ad Hoc's testimony.

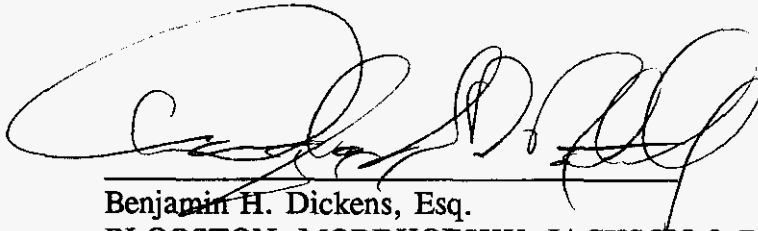
Issue 39e: - No. SBT has selectively priced its local exchange services. It should be required to reprice all of its local exchange services according to the principles set forth in Ad Hoc's testimony.

Issue 39f through 45c: - No position at this time.

- (h) **Stipulations** - None
- (i) **Pending motions** - Ad Hoc has no pending motions before the Commission in this docket.
- (j) **Requirements** - Ad Hoc believes it has complied with all requests and discovery by any party or the Commission in this docket.

Respectfully submitted,

FLORIDA AD HOC TELECOMMUNICATIONS USERS COMMITTEE:



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CERTIFICATE OF SERVICE
Docket No. 920260-TL

I certify that a correct copy of the foregoing was sent by
U.S. Mail to the following parties on December 18, 1992.

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