

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review of the
revenue requirements and rate stabili-
zation plan of SOUTHERN BELL TELEPHONE
AND TELEGRAPH COMPANY.

DOCKET NO. 920260-TL

FILED: 12/18/92

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STAFF'S PREHEARING STATEMENT

Pursuant to Orders Nos. PSC-92-1195-PCO-TL and PSC-92-1320-PCO-TL, the Staff of the Florida Public Service Commission files its Prehearing Statement.

- A. All Known Witnesses: Staff intends to proffer the direct testimony of Nancy Pruitt, Paul W. Stallcup, Donald B. McDonald, Ruth Young, and Kathy Welch. These witnesses will testify and exhibit on the issues indicated below:

<u>WITNESSES</u>	<u>ISSUES ADDRESSED</u>
Nancy Pruitt	31
Paul W. Stallcup	24, 40
Donald B. McDonald	31
Ruth Young	15a
Kathy Welch	7, 15b, 15k, 16, 17, 18

- B. All Known Exhibits: Staff has prefiled the following exhibits:

<u>WITNESS</u>	<u>I.D. NO.</u>	<u>TITLE</u>
Nancy Pruitt	NP-1	Southern Bell Logged Complaints
	NP-2	Southern Bell Complaint Rate by Type
	NP-3	Complaints Calendar Year 87-91
	NP-4	Justification Calendar Year 87-91

DOCUMENT NUMBER DATE

14698 DEC 18 1992

FPSC-RECORDS/REPORTING

<u>WITNESS</u>	<u>I.D. NO.</u>	<u>TITLE</u>
Paul W. Stallcup	PWS-1	Schedule 1 - Estimates of Price Elasticities for Intrastate Toll Calls
	PWS-2	Schedule 2 - Florida Toll Demand Elasticities
	PWS-3	Schedule 3 - Recommended Range of Price Elasticities
Donald B. McDonald	DBM-1	Periodic Reports
	DBM-2	Complaint Activity
	DBM-3	Answer Time Study - Gainesville and Pensacola
	DBM-4	Results of Evaluation in Gainesville and Orlando LATA area
	DBM-5	Weighted Index - October 21, 1992
	DBM-6	Weighted Index - Using New Answer Time Rule - October 21, 1992
	DBM-7	PSC Order No. 24746 - <u>Order Accepting Offer of Settlement and Closing Investigation</u> in Docket No. 910622-TP
	DBM-8	Weighted Index

C. Staff's Statement of Basic Position:

Southern Bell has filed Minimum Filing Requirements, as well as a petition for approval of its Price Regulation Plan. Until all the evidence and testimony has been received into the record and fully evaluated, it is not possible to determine Southern Bell's revenue requirements or whether its Price Regulation Plan should be approved.

D.-G. Staff's Position on the Issues:

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

STAFF'S POSITION: No position at this time pending further discovery.

Rate Base

Plant in Service

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

STAFF'S POSITION: This a mathematical calculation or a fall-out issue. Staff has no position at this time pending further discovery.

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

STAFF'S POSITION: Yes. Southern Bell does not offer intrastate video transport service. However, the company does provide interstate video transport service. The associated investments and expenses are included in the Private Line and directly assigned 100% to the interstate jurisdiction.

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

STAFF'S POSITION: No. It appears that the capacity deployed in several Cross-Sections, West Palm Beach to Orlando, Fort Pierce to Orlando, Titusville to Oak Hill, Pierson to Pamona Park, Gainesville to Lake City, Lake City to Valdosta (GA), Yulee to Jesup (GA), is excessive for the current and foreseeable usage in those Cross-Sections. The Commission should remove the excessive portion of this investment from ratebase.

Depreciation Reserve

ISSUE 3: What is the appropriate amount of depreciation reserve for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 4: What adjustment should be made to the depreciation reserve to reflect new depreciation rates and recovery schedules as approved in Docket No. 920385-TL?

STAFF'S POSITION: No position at this time pending further discovery.

Plant Under Construction

ISSUE 5: What is the appropriate amount of construction work in progress for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

Property Held For Future Use

ISSUE 6: What is the appropriate amount of property held for future use for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

Working Capital

ISSUE 7: What is the appropriate amount of working capital allowance for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 8: What is the appropriate amount of rate base for the test year?

STAFF'S POSITION: This is a mathematical calculation or a fall-out issue. Staff has no position at this time pending further discovery.

Cost of Capital

ISSUE 9: What is the appropriate cost of common equity capital for Southern Bell?

STAFF'S POSITION: No position at this time.

ISSUE 9a: Should there be a penalty imposed for poor quality of service? If so, what should be the penalty?

STAFF'S POSITION: Yes, a penalty should be imposed for poor quality of service, based on the increasing trend in not repairing out-of-service troubles within 24 hours, the decline in service evaluation performance reflected by the weighted index, as well as the continued problems in answer time for both repair and the business office. The penalty amount is unknown at this time.

ISSUE 10: Is Southern Bell's proposed test year equity ratio prudent and reasonable? If not, how should this be treated?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 11: Is Southern Bell's balance of accumulated deferred investment tax credits, prior to reconciliation to rate base, appropriate?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 12: Is Southern Bell's balance of accumulated deferred taxes, prior to reconciliation to rate base, appropriate?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 13: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

Operating Revenue

ISSUE 14: What is the appropriate amount of operating revenue for the test year?

STAFF'S POSITION: This is a mathematical calculation or a fall-out issue. Staff has no position at this time pending further discovery.

ISSUE 14a: Are all of the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 14b: Has the Company accounted for employee concessions appropriately during the test year?

STAFF'S POSITION: No. Staff believes that employee concessions should be treated as an expense and therefore, a portion of the expense should be allocated to interstate.

ISSUE 14c: Should an adjustment be made to intrastate revenues for the test period to recognize adjustments to IXC's percentage interstate usage (PIU)?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 14d: How often should Southern Bell be required to perform PIU audits?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 14e: What is the appropriate amount of directory advertising revenue that should be included in the test period?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 14f: Does the Company's uncollectible accounts ratio represent a reasonable and necessary ongoing level?

STAFF'S POSITION: No position at this time pending further discovery.

Operation & Maintenance Expense

ISSUE 15: What is the appropriate amount of O&M expense for the test year?

STAFF'S POSITION: This is a mathematical calculation or a fall-out issue. Staff has no position at this time pending further discovery.

ISSUE 15a: Are the allocations to non-regulated operations reasonable?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15b: What is the appropriate adjustment to revenue requirements related to BellSouth's reorganization?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15c: What adjustment, if any, should be made to expenses for USTA dues?

STAFF'S POSITION: The portion of USTA and FTA dues relating to legislative, public relations, and advertising should be removed for ratemaking purposes.

ISSUE 15d: Is Southern Bell correctly separating the revenues, expenses and investment in its Line Identification Data Base (LIDB) offering to the appropriate jurisdictions?

STAFF'S POSITION: Yes. This is a staff issue and can be withdrawn if other parties agree.

ISSUE 15e: Is the amount of lobbying and other political expenses included in the Company's intrastate operating expenses appropriate for ratemaking purposes?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15f: Is the amount of advertising and public relations expenses included in the Company's intrastate operating expenses appropriate for ratemaking purposes?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15g: Has the Company properly employed an appropriate expense/capitalization ratio for compensation?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15h: Does the level of legal, injury and damage claims expense represent a reasonable and necessary ongoing level?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15i: What is the appropriate treatment of the Company's promotional and charitable contributions?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15j: Are the test year expenses for software reasonable?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15k: How should software additions be treated for ratemaking purposes?

STAFF'S POSITION: This issue should be decided in a generic proceeding.

ISSUE 15l: How should the Commission treat the Company's incentive compensation/bonus plan payments?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15m: Are employee benefits expenses reasonable and based on known and measurable events?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15n: How should the Commission treat the Company's abandoned projects?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15o: Should ratepayers receive credit for pension collections not funded or paid into the pension plan?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 15p: How should overfunded pension amounts be treated?

STAFF'S POSITION: No position at this time pending further discovery.

Non-recurring Items

ISSUE 16: Have non-recurring items been removed from the determination of revenue requirements?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 16a: Does the level of employee relocation expenses represent a reasonable and necessary ongoing level?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 16b: How should the Commission treat the expenses included in the test year related to early retirement?

STAFF'S POSITION: The Commission should exclude early retirement expenses from test period expenses as nonrecurring.

Affiliated Transactions

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

STAFF'S POSITION: No position at this time pending further discovery.

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

STAFF'S POSITION: No position at this time pending further discovery.

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

STAFF'S POSITION: No position at this time pending further discovery.

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?

STAFF'S POSITION: No position at this time pending further discovery.

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

STAFF'S POSITION: No position at this time pending further discovery.

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?

STAFF'S POSITION: No position at this time pending further discovery.

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?

STAFF'S POSITION: No position at this time pending further discovery.

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

STAFF'S POSITION: No position at this time pending further discovery.

FAS 106

ISSUE 18: What is the appropriate amount of expense for postretirement benefits other than pensions for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

Depreciation and Amortization Expense

ISSUE 19: What is the appropriate amount of depreciation expense for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 19a: What adjustment should be made to depreciation expense to reflect the new depreciation rates and recovery schedules as approved in Docket No. 920385-TL?

STAFF'S POSITION: No position at this time pending further discovery.

Taxes

ISSUE 20: What is the appropriate amount of taxes other than income for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 21: What is the appropriate amount of income tax expense for the test year?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 21a: How should the effect of implementing SFAS 109, Accounting for Income Taxes, be treated by the Commission?

STAFF'S POSITION: The effect of implementing SFAS 109 should be on a revenue neutral basis.

ISSUE 21b: How should the unprotected excess deferred income taxes be amortized?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 22: Should consolidated tax savings be recognized for ratemaking?

STAFF'S POSITION: No position at this time pending further discovery.

Net Operating Income

ISSUE 23: What is the appropriate achieved test year net operating income?

STAFF'S POSITION: This is a mathematical calculation or a fall-out issue. Staff has no position at this time pending further discovery.

Attrition

ISSUE 24: Is Southern Bell's attrition (accretion) allowance appropriate?

STAFF'S POSITION: No. The Company's attrition adjustment is not appropriate because the projected revenue used to calculate the adjustment does not include the demand response associated with approved rate changes which occurred during or subsequent to 1991. In addition, the attrition adjustment is based on trending

methodology, used for forecasting revenues, access lines, and expenses, which may not be appropriate.

Revenue Requirement

ISSUE 25: What is the appropriate amount of revenue increase/decrease for the test year?

STAFF'S POSITION: This is a mathematical calculation or a fall-out issue. Staff has no position at this time pending further discovery.

ISSUE 25a: Did Southern Bell earn above 14% Return on Equity (ROE) for 1991 therefore requiring a sharing of earnings between the company and ratepayers per Order No. 20162? If so, what is the amount to be shared?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 25b: Did Southern Bell experience an increase in earnings when netting rate changes against changes in earnings due to exogenous factors and debt refinancings, therefore requiring a refund and/or a permanent disposition for 1991 per Order No. 20162? If so, what is the amount?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 25c: What amount of revenue is subject to disposition in 1993 due to orders issued in DN 880069?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 25d: What amount of revenue, if any, should be refunded?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 25e: Should Southern Bell be required to file, within 30 days after the date of the final order in this docket, an updated schedule to reflect the actual rate case expense?

STAFF'S POSITION: Yes.

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.)

STAFF'S POSITION: Among other factors, appropriate criteria should include those listed in Order No. 20162 (DN 880069-TL), as well as performance benchmarks as demonstrated in information provided in the MFR F Schedules.

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?

STAFF'S POSITION: No position at this time pending further discovery.

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?

Price Regulation Index

- A. Places ceiling on aggregate prices via a Price Regulation Index (PRI). This index is composed of an inflation measure, less a productivity factor offset, plus or minus any exogenous factors.

- B. For inflation, PRI uses the Gross National Product-Price Index (GNP-PI).
- C. PRI Productivity offset set at 4%.
- D. Defines exogenous factors as those measurable expenses beyond SBT's control. This includes changes in regulations or statutes, taxes, separations, and accounting practices, and adjustments to depreciation rates.
- E. PRI initially indexed at 100 as the starting point.
- F. PRI is adjusted annually and aggregate prices are then adjusted accordingly. Downward adjustments are required, upward adjustments are optional. First adjustment is in 1994.
- G. Any changes in aggregate prices during the year must be below or at the PRI of 100.
- H. Regulated services with no tariffed rates are excluded from the PRI.
- I. Contract Service Arrangement prices are excluded from PRI.
- J. New service prices excluded from PRI for at least 12 months.
- K. Restructured services are placed in the PRI upon filing.
- L. PRI to be recalculated annually. Price changes required to bring average prices at or below the PRI would be filed in associated tariffs in an annual May 1 filing and would go into effect 60 days later.

Baskets

- M. Proposes two categories of services, basic and non-basic services.
- N. Defines basic services as those services generally required to provide essential local exchange services to an end user as well as access to providers of basic local services and toll service.

- O. Defines Non-Basic services as those tariffed services not in the basic category. Includes those that are optional or can be provided by a vendor other than SBT.
- P. Installs pricing rules for each category.
1. For basic services:
 - Sets limit on service category increases at 5%.
 - Individual service prices could be raised a maximum of 5% annually, as long as the average for all prices did not exceed the Price Cap Index (PCI).
 - No floor set on reductions.
 - Lifeline and Link-up rates could not be changed without Commission approval.
 2. For non-basic services:
 - Sets limit on service category increases at 20%.
 - Individual service prices could be raised a maximum of 20% annually, as long as the average for all prices did not exceed the PCI.
 - No floors set on reductions.
 - For those services currently having banded rates, the existing maximum and minimum rates will be retained. Price changes can be made anywhere within the range.
 3. For both:
 - Increases and decreases in rates are treated the same for both basic and non-basic services. Increases in rates become effective on 30 day notice. Decreases become effective on 15 days notice. Changes are presumptively valid.
- Q. Services can be recategorized. Requests for recategorization of services would be ruled upon by the Commission within 60 days.
- R. Services can be removed from price earnings regulation all together.

New Services/Restructured Services

- S. Defines new services as those not previously offered or not replacing an existing services.
- T. Prices new services above incremental cost.

- U. New service prices are excluded for at least 12 months from the PRI calculation.
- V. Effective within 30 days with presumptively valid approval.
- W. Floor for rates at incremental cost. No ceiling.
- X. Rate changes allowed with 15 day effective date during the first 12 months the service is offered.
- Y. Defines restructured services as those replacing an existing service.
- Z. The rate cannot exceed the rate of the existing service it is replacing.
- AA. Restructured services are placed in the PRI upon filing.

Sharing

- AB. Sharing ratio is 50/50 split between the company and the ratepayers. No rate setting point was proposed. Floor is to be set at 11.5% ROE. Ceiling is to be set at 16% ROE. Sharing begins at 14% ROE. Any ROE above 16% ROE is to be 100% returned to ratepayers.

Relief

- AC. SBT can request rates be moved above PRI under the following circumstances:
 - 1. Earnings fall below the established floor.
 - 2. Structural changes from changes in the industry or Commission orders.
 - 3. Changes in competitive conditions as authorized by the Commission.

Important Dates

- AD. Plan goes into effect May 1, 1993.
- AE. Plan reviewed after four years for adjustment.
- AF. No termination date set.

Service Requirements

AG. Service requirements - none proposed.

STAFF'S POSITION: Problems with the plan elements include the proposed categorizations of services, the lack of quality of service standards, proposed treatment of earnings and the proposed variables in the price cap formula.

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?
- B) Does the PRP jeopardize the availability of reasonably affordable and reliable telecommunications services?
- C) Does the PRP provide identifiable benefits to consumers that are not otherwise available under existing regulatory procedures?
- D) Does the PRP provide effective safeguards to consumers of telecommunications services including consumers of local exchange services?
- E) Does the PRP assure that rates for monopoly services are just, reasonable, and not unduly discriminatory and do not yield excessive compensation?
- F) Does the PRP include adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services?
- G) Does the PRP jeopardize the ability of Southern Bell to provide quality, affordable telecommunications service?

STAFF'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.?

STAFF'S POSITION: No position at this time pending further discovery.

Cross-Subsidy Issues

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

STAFF'S POSITION: No, Chapter 364.338(3)(b)2 and .3381(1) F.S. prohibits the local exchange telecommunications companies from using rates paid by customers of monopoly services to subsidize competitive services.

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

STAFF'S POSITION: Yes.

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?

STAFF'S POSITION: Yes, Southern Bell should do so for any services the Commission determines to be effectively competitive.

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?

STAFF'S POSITION: No, the Commission has not prescribed an allocation methodology to ensure that competitive

telecommunications services are not subsidized by monopoly telecommunications services.

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?

STAFF'S POSITION: No position at this time.

Quality of Service

ISSUE 31: Is Southern Bell's quality of service adequate?

STAFF'S POSITION: No, Southern Bell's quality of service is not adequate. Based on the service evaluation results and periodic reports, the Company failed to meet the required standards for business office and repair answer times, as well as for delayed connections. The Company also needs to reverse the trend, as outlined in the periodic reports, which shows an increase in out-of-service troubles which are not being repaired within 24 hours.

ISSUE 31a: Do Rules 25-4.070 & 25-4.110 require Southern Bell to provide a rebate for an out-of-service condition when the company fails to notify, within 24 hours of the trouble report, that the trouble is located in the Customer Premises Equipment (CPE)?

STAFF'S POSITION: Yes, Rules 25-4.070 & 25-4.110 require Southern Bell to provide a rebate for an out-of-service condition when the company fails to notify, within 24 hours of the trouble report, that the trouble is located in the Customer Premises Equipment (CPE).

Policy and Pricing Issues

Billing Units

ISSUE 32: Are Southern Bell's test year billing units appropriate?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 32a: Have billing units for employee concessions been properly accounted for in MFR Schedule E-1a?

STAFF'S POSITION: No position at this time pending further discovery.

Proposed Optional Expanded Local Service (ELS) Plan

ISSUE 33a: Is it appropriate to combine local measured usage with discounted intraLATA toll offerings?

STAFF'S POSITION: No, it is not appropriate to combine optional local measured usage with discounted intraLATA toll offerings.

ISSUE 33b: Should Southern Bell's proposed Optional Expanded Local Service (ELS) plan be approved? If not, what alternative plan, if any, should be approved on IntraLATA Toll Calls? Over what distance?

- A. \$0.25 Plan
- B. \$0.25 Plan for Residences; Businesses \$0.10 first minute and \$0.06 additional minutes
- C. Other, explain

STAFF'S POSITION: Southern Bell's proposed Optional Expanded Local Service (ELS) plan should not be approved. The geographic scope over which any plan is approved should be determined by competitive considerations and public need, balanced with the revenue impact to the general body of rate payers. No position as to any specific plan pending discovery.

ISSUE 33c: Is Southern Bell's proposal to eliminate or grandfather various existing measured and message rate offerings appropriate?

STAFF'S POSITION: This issue will be governed by the plan approved under Issue 33b and the customer impact resulting therefrom.

ISSUE 33d: If the Company's Optional ELS plan or any other alternative is approved, should stimulation be taken into account? If so, how?

STAFF'S POSITION: Yes, in accordance with the elasticity ranges submitted in the testimony of staff witness Stallcup.

ISSUE 33e: If the Commission approves an OELS or similar plan, what other action should the Commission take, if any? (e.g., route-specific switched access charges, 1+ IntraLATA presubscription)

STAFF'S POSITION: No position at this time pending further discovery.

Toll/Access/Mobile Interconnection

ISSUE 34: Southern Bell has made proposals in the areas of switched access service rates, the interconnection usage rates for mobile service providers and toll services as shown below. Should SBT's proposals be approved? Should there be any other changes in switched access, toll or mobile interconnection usage rates (e.g., reduce intrastate switched access rates to interstate levels)?

- A) To reduce switched access rates in the local transport element for both originating and terminating access from \$.01600 to \$.01328.
- B) To reduce current mobile originating peak usage rate from \$.03470 to \$.03200.
- C) To reduce the optional land-to-mobile intra-company usage charge from \$.0597 to \$.0572.
- D) To reduce the optional land-to-mobile inter-company usage charge from \$.1692 to \$.1667.
- E) To make no changes to its toll services rates.

Vertical Services

ISSUE 35a: Should the Company's proposal to reduce Residential Call Waiting from \$3.50 to \$3.35 and the Residential Call Forwarding-Variable from \$2.45 to \$2.20 be approved?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 35b: The Company has made no proposal to change its current Touchtone charges. Is this appropriate?

STAFF'S POSITION: To the extent possible, Touchtone charges should be reduced or eliminated.

ISSUE 35c: Should customers be allowed to subscribe to Call Forward-Busy in lieu of rotary or hunting service?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 35d: What other changes, if any, should be made to services in the Miscellaneous Service Arrangements section of Southern Bell's tariff?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 36: Should Southern Bell be required to provide billing and collection services for others on the same terms and conditions it provides those services to itself or to its affiliated companies?

STAFF'S POSITION: No position at this time pending further discovery.

Service Connection Charges

ISSUE 37: Southern Bell has proposed to restructure and reduce its Service Connection Charges as shown below. What changes, if any, should be made to Service Connection Charges?

<u>Current</u>		<u>Proposed</u>	
<u>Residential</u>		<u>Residential</u>	
Primary Service Order	\$25.00	Line Connection - First	\$40.00
Secondary Service Order	\$ 9.00	Line Connection - Add'l	\$12.00
Access Line Connection		Line Change - First	\$24.00
Charge - C.O. Work	\$19.50	Line Change - Add'l	\$10.00

Access Line Connection		Secondary Service Charge	\$ 9.00
Charge - New Line	\$31.50		
Number Change-per S.O.	\$ 9.00		
Number Change-per No.	\$11.50		

Business

Primary Service Order	\$35.00
Secondary Service Order	\$12.00
Access Line Connection	
Charge - C.O. Work	\$19.50
Access Line Connection	
Charge - New Line	\$31.50
Number Change-per S.O.	\$12.50
Number Change-per No.	\$11.50

Business

Line Connection - First	\$60.00
Line Connection - Add'l	\$13.00
Line Change - First	\$38.00
Line Change - Add'l	\$11.00
Secondary Service Charge	\$19.00

STAFF'S POSITION: The proposed restructure of Southern Bell's Service Connection charges is appropriate in concept; however, pending further discovery the appropriate rate levels have yet to be determined. Further, it may be appropriate to combine the premises visit and premises work charges, as GTEFL has done.

Extended Area Service

ISSUE 38a: Should the EAS additives on the Yulee/Jacksonville, Munson/Pensacola and Century/Pensacola routes be eliminated? If not, why not?

STAFF'S POSITION: Yes. Since the EAS additives have been in effect over two years, they should be eliminated and the exchanges placed in the appropriate rate group for their respective toll free calling scopes.

ISSUE 38b: What alternative toll relief plan should be approved for the routes in Docket No. 911034-TL (Between Ft. Lauderdale and Miami; Ft. Lauderdale and N. Dade; and Hollywood and Miami)?

STAFF'S POSITION: Since none of the routes qualified for nonoptional, flat rate, two-way calling, any toll relief plan should be the plan approved under Issue 33b.

ISSUE 38c: Should the revenue losses resulting from combining the calling areas of North and South St. Lucie be offset in this proceeding (DN 911011-TL), and if so, how?

STAFF'S POSITION: Yes. The net revenue losses from combining the North and South St. Lucie calling areas should be allowed in this proceeding. The amount allowed should be the difference in the prior local and toll revenues versus local revenues after implementation, along with facility and directory costs.

ISSUE 38d: Should the OEAS and EOEAS plans in Section A3.7 of the General Subscriber Service Tariff be eliminated or modified? If modified, how should this be accomplished?

STAFF'S POSITION: Depending upon the toll alternative plan approved under Issue 33b, each of the specific OEAS and EOEAS routes should be reviewed and a determination made as to whether they should be eliminated or modified. Factors to be considered should be the rates and charges, as well as the existing take rate (subscribers) under these optional plans and the revenue effect.

ISSUE 38e: Should any of The "Local Exceptions" in Section A3.8 be eliminated or modified? If modified, how should this be accomplished?

STAFF'S POSITION: Depending upon the toll alternative plan approved under Issue 33b, each of the specific "Local Exceptions" should be reviewed and a determination made as to whether they should be eliminated or modified. Factors to be considered should be the rates and charges, as well as the existing take rate (subscribers) to the exception and the revenue effect.

Basic Local Exchange Rates

ISSUE 39a: Southern Bell has proposed no change to its current rate group structure of 12 rate groups. Is this appropriate? If not, what changes should be made?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 39b: Southern Bell has proposed to reduce the rates and modify the rate relationships between certain of its business access lines as shown below. It has proposed no other changes to business rate relationships? Is this appropriate? What changes, if any, should be made to business access line rate relationships?

<u>SERVICE</u>	<u>REDUCTION</u>	<u>CUR./PROP.</u> <u>B-1 RATIO</u>
Business Rotary (or hunting)	31%	.50/ .35
Residential PBX Trunks	22%	.84/ .66
Business PBX Trunks	24%	2.24/1.70
Network Access Registers	24%	2.24/1.70
NARs - Small, Medium, Large	42%	1.03/ .59

STAFF'S POSITION: While mitigating customer impact, the Company should structure all business interconnection rates based on relative costs. At a minimum, the Commission should reduce the price for business rotary and PBX trunk prices relative to other business services.

ISSUE 39c: Aside from Network Access Registers, what changes, if any, should be made to Southern Bell's ESSX offerings?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 39d: Southern Bell has proposed to introduce a new rotary rate for both its ESSX NARs and for PBX trunks. These new elements would be priced identically within each rate group. The proposed rate is 35% of the B-1 rate. Should this proposal be approved?

STAFF'S POSITION: This issue is substantively the same as issue 39B, therefore Staff recommends that this issue be deleted.

ISSUE 39e: The Company has made no other proposals to change its basic local exchange rates. Is this appropriate? If not, what changes should be made?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 39f: Southern Bell has proposed to offer a lifeline rate to qualified subscribers composed of a federal credit of \$3.50 and a matching credit from the state/Southern Bell. Should this proposal be approved, modified, or rejected?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 39g: Southern Bell has proposed an Economic Development plan by which businesses which locate in "Enterprise Zones" as defined in the Florida Enterprise Zone Statute, would receive a waiver of service connection charges, and a 50% discount off their basic local service charges for one year. Should this proposal be approved?

STAFF'S POSITION: No position at this time pending further discovery.

Stimulation

ISSUE 40: Except for ELS, Southern Bell has proposed no stimulation or repression effects. Is this appropriate?

STAFF'S POSITION: No, the Commission should recognize that stimulation and repression occur, and should incorporate it into revenue calculations, where it has a substantive effect on revenues.

Miscellaneous Issues

ISSUE 41: Should the Company be required to identify, notify, and, if appropriate, provide refunds to customers that are being billed for non-required Protective Connective Arrangement (PCA) devices?

STAFF'S POSITION: Yes, the Company should be required to notify PCA subscribers that they may be being billed for PCAs that are no longer required. No position on the refund issue at this time.

ISSUE 42: Should Southern Bell be required to itemize customer bills on a monthly basis?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 42a: Is Southern Bell complying with Rule 25-4.110 concerning customer billing?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 43: Is Southern Bell able to reconcile billed revenue to booked revenue for 1991? If not, should any adjustment be made to recognize the inability to reconcile billed and booked revenue?

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 44: What other changes, if any, should be approved?

STAFF'S POSITION: No position at this time pending further discovery.

Effective Date/ Customer Notification/ Bill Stuffers

ISSUE 45a: What should be the effective date(s) of any rate changes approved in this docket?

STAFF'S POSITION: The effective date should be five days after a complete set of correct tariffs has been filed. Revised tariffs should be filed five days after the final vote. New rates should apply to all service received on or after the effective date even if it is not actually billed until the following month. Any customer requesting discontinuance of a service which increases in price prior to the due date of the first bill should receive a credit for the increased amount.

ISSUE 45b: When should customers be notified of any rate changes and other Commission decisions in this docket?

STAFF'S POSITION: Southern Bell should notify its customers of any rate changes by a bill stuffer distributed in the first billing cycle following the rate changes.

ISSUE 45c: What information should be contained in the bill stuffers sent to customers?

STAFF'S POSITION: The bill stuffers to Southern Bell's customers should contain the following:

- 1) An overview of the case and a summary of the final order;
- 2) Summary of services for which rates have been adjusted;
- 3) A statement that information on new rates is available from each of the Company's business offices and service centers;
- 4) Explanation of the credit for discontinuance or modification of service and how it may be obtained.

The bill stuffer should be submitted to staff for review within five days of the Commission's vote.

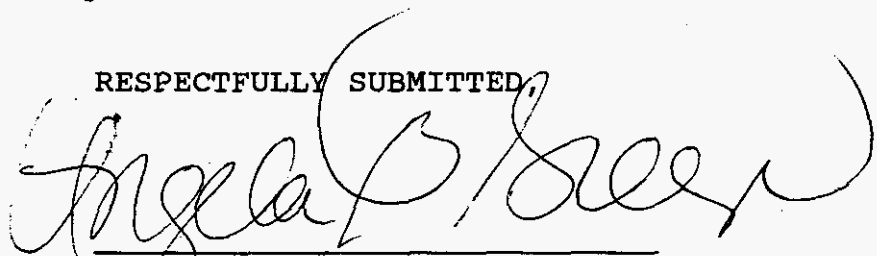
H. Stipulation

Staff is not aware of any issues that have been stipulated at this time.

I. Pending Motions:

Staff has no pending motions at this time.

RESPECTFULLY SUBMITTED,



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