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July 10, 1995

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Ms. Blanca S. Bayó
Director, Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 920260-TL

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Telecommunications Corporation in the above referenced docket are the original and 15 copies of MCI Telecommunications Inc.'s Prehearing Statement. Also enclosed is a diskette containing the filing in WP 5.1 format.

By copy of this letter this document has been provided ACK to the parties on the attached service list.

AKA 1

APP

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O'Norton

Very truly yours,

R.D.M.

Richard D. Melson

RDM/cc

Enclosures

1 cc: Parties of Record

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
FILE COPY

In re: Comprehensive review of)
the revenue requirements and) Docket No. 920260-TL
rate stabilization plant of)
Southern Bell Telephone and) Filed: July 10, 1995
Telegraph Company)
_____)

**MCI TELECOMMUNICATION CORPORATION'S
PREHEARING STATEMENT**

MCI Telecommunications Corporation (MCI) hereby submits its Prehearing Statement in the above-captioned docket.

A. Known Witnesses. MCI has no known witnesses.

B. Known Exhibits. MCI has no known exhibits pending completion of discovery. MCI reserves the right to use exhibits for the purpose of cross-examination.

C. Basic Position. The Commission should reject Southern Bell's proposed ECS plan. That plan is anticompetitive and violates the provisions of Chapter 364 that will be applicable on January 1, 1996 to local exchange companies that elect price regulation. As proposed, the plan would result in the offering of a non-basic service below its direct and imputed cost and would effectively remonopolize a significant portion of the intraLATA market. The Commission should instead devise a plan to dispose of the \$25 million in a manner that enhances competition. Specifically, the Commission should use the funds to reduce the existing non-cost-based price differences between PBX trunks/DID service and ESSX service in order to remove artificial barriers to full competition in this segment of the business market.

D. - G. Issues. MCI's position on the issues identified by the parties in this docket as follows:

Issue 1: Which of the following proposals to dispose of \$25 million for Southern Bell should be approved?

- (a) SBT's proposal to implement the Extended Calling Service (ECS) plan pursuant to the tariff filed on May 15, 1995. (T-95-304)
- (b) CWA's proposal to reduce each of the following by \$5 million:
 - 1. Basic "lifeline" senior citizens telephone service;
 - 2. Basic residential telephone service;
 - 3. Basic telephone service to any organization that is non-profit with 501(c) tax exempt status;
 - 4. Basic telephone service of any public school, community college and state university;
 - 5. Basic telephone service of any qualified disabled ratepayers.
- (c) McCaw's and FMCA's proposal that a portion be used, if necessary, to implement the decisions rendered in DN 940235-TL.
- (d) Any other plan deemed appropriate by the Commission.

MCI: The Commission should reject the Southern Bell and CWA proposals and should dispose of the funds in a way that will encourage competition in the telecommunications markets. MCI takes no position on the McCaw/FMCA proposal, which would not dispose of the entire \$25 million at issue in any event. Southern Bell's proposal should be rejected as anticompetitive because: (i) it results in the offering of a non-basic service at a price which does not cover the direct and imputed costs of providing the service in violation of the new price regulation provisions of section 364.051(6)(c), and (ii) it would effectively remonopolize a substantial portion of the intraLATA toll market which the Commission's recent 1+ order intended to make more competitive. CWA's proposal should be rejected because it proposes reductions in rates which are generally believed already to be priced below cost. The Commission should fashion a plan which reduces the non-cost based disparity between PBX trunk/DID rates and ESSX rates in order to remove an artificial

barrier to competition in this segment of the business telecommunications market.

Issue 2: If the Southern Bell proposal is approved, should the Commission allow competition on the Extended Calling Service routes? If so, what additional actions, if any, should the Commission take?

MCI: Yes, the Commission should allow competition on the ECS routes in the event the Southern Bell proposal is approved. In addition, to prevent the proposal from having an anticompetitive effect, and to comply with the new provisions of Chapter 364, the Commission should (1) leave the 1+ dialing pattern in effect on these routes; (2) ensure that the price for ECS covers its direct and imputed costs under section 364.051(6)(b); (3) allow the resale of ECS at a price which represents an appropriate discount from the retail price of the service under section 364.162(5); and (4) establish an appropriate interconnection rate to apply to the origination and termination of ECS-like traffic.

Issue 3: When should tariffs be filed and what should be the effective date?

MCI: Tariffs should be filed as soon as practicable after the Commission's decision in this docket and should become effective on October 1, 1995. If that effective date cannot be met, Southern Bell should make the appropriate refund in compliance with Paragraph 10 of the Stipulation incorporated in Order No. PSC-94-0172-FOF-TL.

Issue 4: Should this docket be closed?

MCI: No. This docket should remain open to deal with future rate reduction and earning sharing issues under Order No. PSC-94-0172-FOF-TL.

H. Stipulations. MCI is not aware of any issues that have been stipulated by the parties.

I. Pending Motions. MCI has no pending motions that require action by the Prehearing Officer.

J. Requirements of Order. MCI believes this prehearing statement is fully responsive to the requirements of the Order on Prehearing Procedure.

RESPECTFULLY SUBMITTED this 10th day of July, 1995.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was sent by U.S. Mail this 10th day of July, 1995.

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