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November 16, 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

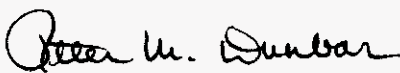
Dear Mr. Tribble:

Enclosed for filing please find an original and fifteen copies of Florida Cable Television Association's Direct Testimony of Joseph P. Cresse for the above-referenced docket. You will also find a copy of this letter enclosed. 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



PMD/tmz
Enclosures

cc: All parties of record

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

I HEREBY CERTIFY that a true and correct copy of the foregoing Florida Cable Television Association's Direct Testimony of Joseph P. Cresse has been served by U.S. Mail on this 16th day of November, 1992, to the following parties of record:

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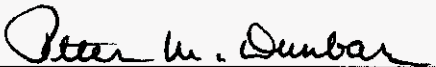
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By: 
PETER M. DUNBAR

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: November 16, 1992

DIRECT TESTIMONY

OF

JOSEPH P. CRESSE

FOR

FLORIDA CABLE TELEVISION ASSOCIATION

DOCUMENT NUMBER-DATE

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 920260-TL

DIRECT TESTIMONY

OF

JOSEPH P. CRESSE

On Behalf of

Florida Cable Television Association

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Joseph P. Cresse. My address is P. O. Box 1876, Tallahassee, Florida 32302-1876.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. I am currently employed as a non-lawyer Special Consultant with the law firm of Messer, Vickers, Caparello, Madsen, Lewis, Goldman & Metz, P.A. I graduated from the University of Florida with a B.S.B.A. Major in Accounting in 1950. A copy of my resume is attached as Exhibit JPC-1.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I was asked by the Florida Cable Television Association to convey my opinion on several of the issues identified on October 9, 1992 at the Issue Identification Workshop. The issues relate to: (1) the provision of inside wire installation and maintenance; (2) the adequacy of the proposed price

1 regulation plan to meet the requirements of section
2 364.036(2)(a)-(g), Florida Statutes; and (3)
3 cross-subsidization. I will utilize the following
4 abbreviations during my testimony:
5 1. "LEC" refers to a local exchange
6 telecommunications company.
7 2. "FCTA" refers to the Florida Cable Television
8 Association.
9 3. "Commission" refers to the Florida Public
10 Service Commission.
11 4. "Staff" refers to the Florida Public Service
12 Commission Staff.
13 5. "Southern Bell" refers to BellSouth
14 Telecommunications, Inc. d/b/a Southern Bell
15 Telephone and Telegraph Company.

16 Q. SHOULD REVENUES LESS EXPENSES OF SIMPLE INSIDE WIRE
17 INSTALLATION AND MAINTENANCE BE BROUGHT
18 ABOVE-THE-LINE FOR RATEMAKING PURPOSES? (ISSUE 20A)

19 A. For reasons discussed below, I believe the
20 appropriate treatment would be to bring the revenues
21 less expenses of simple inside wire installation and
22 maintenance above the line for ratemaking purposes.
23 In short, the Commission has not deemed this service
24 to be effectively competitive or subject to
25 effective competition. By definition, the service

1 continues to be a monopoly service. Therefore,
2 regulatory oversight of the prices, terms and
3 conditions under which this service is provided is
4 necessary to protect consumers of this service.

5 Q. SHOULD THE PRICES FOR INSIDE WIRE INSTALLATION AND
6 MAINTENANCE BE REGULATED? (ISSUE 20B)

7 A. Yes. Because inside wire installation and
8 maintenance service currently is, by definition, a
9 monopoly service, the Commission should set the
10 prices, terms and conditions by which Southern Bell
11 provides this service to ensure against
12 discriminatory behavior and anticompetitive abuse.

13 Q. WHY IS SUCH COMMISSION OVERSIGHT APPROPRIATE?

14 A. The Commission has not deemed Southern Bell's inside
15 wire installation and maintenance services to be
16 effectively competitive nor subject to effective
17 competition pursuant to section 364.338, Florida
18 Statutes, and Southern Bell has not petitioned the
19 Commission for such a classification. As a result,
20 none of the structural or accounting safeguards
21 available to the Commission pursuant to this section
22 have been employed to ensure against anticompetitive
23 behavior. Southern Bell has been afforded and taken
24 advantage of this opportunity to the detriment of
25 ratepayers and competition.

1 Q. WHAT JUSTIFIES THIS CONCLUSION?

2 A. Attached as Exhibit JPC-2 are Southern Bell's
3 responses to several interrogatories posed by Staff
4 regarding inside wire maintenance. Of all the
5 responses given, the most prevalent partial response
6 is: "Southern Bell objects to this interrogatory
7 to the extent that it requests information
8 concerning inside wire, an unregulated service not
9 subject to the jurisdiction of this Commission."
10 [Emphasis supplied.]

11 As I understand Southern Bell's inside wire
12 program, the Southern Bell monopoly operation is
13 totally involved in its provisioning. The program
14 is marketed by Southern Bell employees. Southern
15 Bell maintenance people perform the inside wire
16 repairs if necessary, and the customer has the
17 option of paying a monthly fee for this service or
18 paying for services as needed if trouble occurs.
19 In essence, the monthly service fee is a prepaid
20 maintenance plan, or the customer can choose to pay
21 for the repairs when they are made.

22 When Southern Bell was asked by Staff if the
23 service was a competitive service, and if so, what
24 is the basis for this belief, Southern Bell gave
25 their stock answer that this service is not subject

1 to the jurisdiction of this Commission. Exhibit No.
2 JPC-2 at 2. When Southern Bell was asked to provide
3 a list of competitors they gave the same answer.
4 Exhibit JPC-2 at 19.

5 These responses are inadequate in light of the
6 fact that the monopoly is providing marketing
7 services, billing services, and maintenance
8 services. In fact, as far as I know, the monopoly
9 is providing all services necessary for this program
10 to function, and through cost allocation is putting
11 the revenue and expenses below the line. The
12 problem is the monopoly will not provide these same
13 services for others who may wish to compete with
14 Southern Bell. Thus, the competitors (if any) are
15 not being treated fairly. Southern Bell seems to
16 think that just because this service was deregulated
17 prior to 1990 and the revision of chapter 364,
18 Florida Statutes, that the service continues to be
19 provided in the same manner. My belief is that
20 inside wire installation and maintenance service
21 must be scrutinized under the terms in the current
22 law not the prior law. Until such time as the
23 Commission can determine that this service is
24 effectively competitive, or subject to effective
25 competition and treated as the statute requires, it

1 should be deemed a monopoly service.

2 Q. YOUR TESTIMONY REFERENCES THE TERMS "EFFECTIVE
3 COMPETITION," "SUBJECT TO EFFECTIVE COMPETITION,"
4 "COMPETITIVE," AND "MONOPOLY" SERVICES. ON WHAT
5 BASIS DO YOU DISTINGUISH AMONG THESE TERMS?

6 A. All of these terms are used by the Legislature
7 throughout chapter 364, Florida Statutes. The
8 specific provisions to which I am referring are
9 sections 364.01(3)(c)-(e), 364.338, and 364.3381,
10 Florida Statutes.

11 Section 364.01(3) contains the
12 legislative intent provisions of chapter 364
13 and provides the overriding policy guidance to
14 the Commission. Subsections (3)(c)-(e) state
15 in relevant part:

16 The Commission shall exercise its exclusive
17 jurisdiction in order to:

18
19 (c) Encourage cost-effective technological
20 innovation and competition in the
21 telecommunications industry if doing so will
22 benefit the public by making modern and
23 adequate telecommunications services available
24 at reasonable prices.

25
26 (d) Ensure that all providers of
27 telecommunications services are treated
28 fairly, by preventing anticompetitive behavior
29 and eliminating unnecessary regulatory
30 restraint.

31
32 (e) Recognize the continuing emergence of a
33 competitive telecommunications environment
34 through the flexible regulatory treatment of

1 competitive telecommunications services, where
2 appropriate, if doing so does not reduce the
3 availability of adequate basic local exchange
4 service to all citizens of the state at
5 reasonable and affordable prices, if
6 competitive telecommunications services are
7 not subsidized by monopoly telecommunications
8 services, and if all monopoly services are
9 available to all competitors on a
10 nondiscriminatory basis. [Emphasis supplied.]
11

12 In addition, section 364.338 makes use of the
13 term "subject to effective competition." Sub-
14 section (2) lists a number of factors which the
15 Commission "shall" consider in making a
16 determination whether a service is "subject to
17 effective competition." Subsection (3) further
18 provides in relevant part:

19 (3)(a) If the commission determines,
20 after notice and opportunity to be heard, that
21 a service provided by a local exchange
22 telecommunications company is subject to
23 effective competition, the commission may:

24
25 1. Exempt the service from some of the
26 requirements of this chapter and prescribe
27 different regulatory requirements than are
28 otherwise prescribed for a monopoly service;
29 or

30
31 2. Require that the competitive service
32 be provided pursuant to a fully separated
33 subsidiary or affiliate.

34
35 (b) When authorizing different
36 regulatory requirements pursuant to
37 subparagraph (a)1., the commission:

38
39 1. Shall require that the competitive
40 service be provided on a nonseparated basis
41 pursuant to detailed accounting and reporting
42 requirements.

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2. Shall require that the competitive service be provided pursuant to such safeguards necessary to ensure that the rates for monopoly services do not subsidize competitive services.

3. Shall require that the competitive service be provided pursuant to anti-competitive safeguards, which may include imputing the price of the monopoly services used in providing a competitive service as a cost of providing such service, or offering the tariff rates for such monopoly services separately and individually and on a nondiscriminatory basis to all persons, including other telecommunications companies.

4. Shall require that the rates for competitive services provided by the local exchange telecommunications company cover the cost of providing the service.

5. May require that the competitive service be provided pursuant to any other requirement that the commission determines is necessary to ensure the protection of the ratepayer.

Sections 364.3381(1)-(2) provide additional guidance to the Commission specifically with regard to cross-subsidization and state as follows:

(1) The price of a competitive telecommunications service provided by a local exchange telecommunications company shall not be below its cost by use of subsidization from rates paid by customers of monopoly services subject to the jurisdiction of the commission.

(2) A local exchange telecommunications company which offers both monopoly and competitive telecommunications services shall segregate its intrastate investments and expenses in accordance with allocation methodologies as prescribed by the commission to ensure that competitive telecommunications

1 services are not subsidized by monopoly
2 telecommunications services.

3
4 Finally, I refer to section 364.02(3). This
5 section defines monopoly services as telecom-
6 munications services "for which there is no
7 effective competition, either in fact or by
8 operation of law."

9 Because all of these terms are used in chapter
10 364, the legislative intent can only be carried out
11 by first identifying which LEC services are
12 "effectively competitive," "subject to effective
13 competition," "competitive," and "monopoly." The
14 term "effective competition," as used in chapter
15 364, is a legal and statutory construction rather
16 than purely an economic one. It has its own
17 definitional parameters in relation to the statute.
18 "Effective competition" relates to services
19 experiencing true and fair competition between two
20 or more providers of a functionally equivalent
21 service pursuant to the same terms and conditions.

22 The term "subject to effective competition"
23 means that a particular service has the potential
24 to become effectively competitive. It denotes a
25 lesser state of competition which does not rise to
26 the level of effective competition but can become

1 effectively competitive if given the chance.
2 "Monopoly" services include services where are not
3 functionally or reasonably available from more than
4 one supplier; however, the term can also refer to
5 a competitive service that has not reached the
6 level of effectively competitive or subject to
7 effective competition.

8 "Competitive" services refer to a broad range
9 of services for which there is some competition.
10 Thus, all "effectively competitive" services, all
11 services "subject to effective competition" and
12 even some "monopoly" services fall under this
13 umbrella term. The Legislature recognized that
14 some "monopoly" services are "competitive", i.e.,
15 provided by entities other than the LEC. That is
16 why sections 364.338(6) and 364.3381 establish
17 safeguards for the provisioning of "competitive"
18 services.

19 Because the Commission has not yet determined
20 that inside wire maintenance and installation is
21 effectively competitive, it is by definition a
22 monopoly service.

23 Q. DO THESE PRINCIPLES PROVIDE A FRAMEWORK WHICH THE
24 COMMISSION COULD FOLLOW IN DETERMINING WHETHER
25 OTHER SERVICES SOUTHERN BELL OFFERS ARE EFFECTIVELY

1 COMPETITIVE OR SUBJECT TO EFFECTIVE COMPETITION AND
2 WHAT TREATMENT SHOULD BE AFFORDED TO SUCH SERVICES?
3 A. Yes. For example, if Southern Bell provided video
4 programming, section 364.338(5), Florida Statutes,
5 requires Southern Bell to provide the service
6 through a separate subsidiary. For this
7 competitive service, the Commission would also need
8 to ensure that Southern Bell's regulated monopoly
9 operation provides monopoly services to competitors
10 in a nondiscriminatory manner under the same rates,
11 terms, and conditions. For example, billing and
12 collection services should be made available to
13 competitors if the LEC provides that service to
14 itself for competitive offerings. Cross-
15 subsidization must also be prevented pursuant to
16 section 364.3381, Florida Statutes.
17 Q. FOCUSING NOW UPON SOUTHERN BELL'S PROPOSED
18 INCENTIVE REGULATION PLAN WHAT, IN YOUR OPINION,
19 ARE THE PROS AND CONS OF THE PLAN? (ISSUE 30)
20 A. First, Southern Bell is proposing a Price
21 Regulation Index ("PRI") composed of an inflation
22 measure, less a productivity offset, plus or minus
23 any exogenous factors. Exogenous factors are
24 defined as those measurable expenses beyond
25 Southern Bell's control and include changes in

1 regulations or statutes, taxes, separations and
2 accounting practices, and adjustments to
3 depreciation rates.

4 Southern Bell has not clarified what types of
5 taxes should be included as exogenous factors.
6 Witness Reid's testimony refers to a federal income
7 tax rate reduction in mid-1987 which reduced
8 Southern Bell's revenue requirements. Southern
9 Bell uses this event as an illustration of an item
10 that would have been quantified and included as a
11 negative factor in the calculation of the
12 authorized rate levels under the proposed plan.
13 Direct Testimony of Walter S. Reid at 19-20.
14 However, no distinction is drawn between the proper
15 treatment of income, property or ad valorem taxes
16 under Southern Bell's proposal. The Commission
17 should consider what approach it should take for
18 each of these items.

19 Second, Southern Bell's proposed plan installs
20 pricing rules for basic and non-basic services.
21 For basic services, a limit is set on annual
22 service category increases of 5%. For non-basic
23 services with non-banded rates, a limit is set on
24 annual service category increases of 20%. This
25 proposal should be rejected. Over the span of four

1 years, the Plan permits a total increase of 21.5%
2 to local flat rates and corresponding reductions on
3 local measured service ("LMS"). Southern Bell's
4 long term goal of having LMS throughout their
5 system could be enhanced by this program without
6 the Commission having determined LMS is in the
7 public interest. Prices for selected nonbasic
8 services could be increased or decreased by over
9 100% in the next 4 years. I believe that delegates
10 too much flexibility to Southern Bell in rate
11 design.

12 Third, for both basic and nonbasic services,
13 Southern Bell proposes that rate changes within the
14 preapproved limits be presumptively valid. Rate
15 increases become effective on 30 days notice. Rate
16 decreases become effective on 15 days notice. This
17 proposal should receive closer Commission scrutiny
18 and careful consideration. Customers of both basic
19 and nonbasic services should be given the
20 opportunity to be heard on price changes before
21 they go into effect. Section 364.05, Florida
22 Statutes, provides in pertinent part:

23 (1) Unless the commission otherwise
24 orders, a change may not be made in any rate
25 . . . except after 60 days' notice to the
26 commission.
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. . .

(2) The commission, for good cause shown, may allow changes in rates . . . without requiring the 60 days' notice and publication by an order specifying the change to be made, the time when it shall take effect, and the manner in which the change shall be filed and published.

(3) A change may not be made in any rate . . . prescribed by the commission without its consent or without a hearing, if requested by a substantially affected party prior to the date the rates go into effect

The provisions of subsection (2) currently grant the Commission authority to forego the 60 day notice period upon good cause shown by Southern Bell. Southern Bell should continue to be required to make such a showing if the notice period is to be waived. Notwithstanding, 60 days is an appropriate and reasonable amount of response time to permit customers the full opportunity to respond to a rate change and Staff the opportunity to analyze proposed changes for consistency with Commission goals.

Q. DOES SOUTHERN BELL'S PROPOSED PRICE REGULATION PLAN MEET ALL OF THE REQUIREMENTS SET FORTH IN SECTION 364.036(2)(a)-(g), FLORIDA STATUTES?

A. No. Southern Bell's proposal fails to meet the requirements of subsections (c) and (f). Therefore, I do not believe that the plan is in the

1 public interest as further required by subsection
2 (a).

3 Q. PLEASE EXPLAIN.

4 A. Section 364.036, Florida Statutes, provides in
5 relevant part:

6 [T]he commission shall ensure that
7 monopoly services provided by local exchange
8 telecommunications companies continue to be
9 regulated effectively to protect consumers of
10 such services, while providing the local
11 exchange telecommunications companies with
12 sufficient incentives to implement new
13 technologies and greater efficiency in
14 operations and productivity, to the benefit of
15 the public.

16
17 (2) In fixing rates for a local exchange
18 telecommunications company, the commission, on
19 its own motion or on petition of the local
20 exchange telecommunications company or an
21 interested party, may establish or adopt
22 alternative methods of regulating such local
23 exchange telecommunications company consistent
24 with the provisions of this section. The
25 commission may implement an alternative method
26 of regulation, after notice and opportunity to
27 be heard, if it first finds that the
28 alternative method of regulation:

29
30 (a) Is consistent with the public
31 interest.

32
33 (b) Does not jeopardize the availability
34 of reasonably affordable and reliable
35 telecommunications services.

36
37 (c) Provides identifiable benefits to
38 consumers that are not otherwise available
39 under existing regulatory procedures.

40
41 (d) Provides effective safeguards to
42 consumers of telecommunications services,
43 including consumers of local exchange access
44 services.

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(e) Assures that the rates for monopoly services are just, reasonable, and not unduly discriminatory, and do not yield excessive compensation.

(f) Includes adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services.

(g) Does not jeopardize the ability of the local exchange telecommunications company to provide quality, affordable telecommunications service. [Emphasis supplied.]

Southern Bell's Petition for Order Adopting Plan for Alternative Method of Regulation ("Petition") dated July 15, 1992 alleges that the above criteria have been met. However, the company has not presented any empirical evidence proving this. In fact, what is striking about the plan is the lack of identifiable benefits to consumers. The company points to 4% averaged rate decreases and increased company risks as the primary consumer benefits. But, if the company's earnings fall below the minimum rate of return, the company can still request a rate increase. Southern Bell's plan only allows an opportunity to earn above the range of a fair rate of return with no downside risk.

Further, Southern Bell is not able to assure that its plan contains adequate safeguards to

1 ensure that rates for monopoly services do not
2 subsidize competitive services. The company
3 asserts that limitations on the amount that both
4 aggregate and individual prices can be raised in
5 any given year provide a "strong and effective
6 deterrent to cross-subsidization." Petition at 7.
7 Southern Bell's plan also assumes that so long as
8 a competitive service is priced above its
9 incremental cost, then no cross-subsidization
10 occurs. Petition at 7-8. Southern Bell cannot
11 support such claims and assumptions when it has
12 neither identified its competitive services nor
13 provided incremental cost studies for each
14 competitive service. But even more importantly,
15 Southern Bell's long run incremental test for
16 cross-subsidization has not been adopted by the
17 Commission as the correct measure for detecting
18 cross-subsidization as the term is employed in
19 chapter 364 nor should such a test be adopted.
20 Docket No. 910757-TP was initiated for the purpose
21 of investigating the regulatory safeguards required
22 to prevent cross-subsidization by local exchange
23 companies pursuant to chapter 364, Florida
24 Statutes. As discussed later in my testimony, I
25 firmly believe that Southern Bell's assurances

1 against cross-subsidization do not meet the
2 statutory criteria of section 364.3381, Florida
3 Statutes, and will not aid the Commission in
4 implementing the legislative mandate to ensure
5 against cross-subsidization.

6 Because the Plan does not provide adequate
7 assurance against cross-subsidization or
8 identifiable benefits to consumers not otherwise
9 available under existing regulatory procedures, the
10 proposed plan is not consistent with the public
11 interest. Therefore, it also fails the criteria
12 set forth in subsection (2)(a).

13 Q. HOW SHOULD CROSS-SUBSIDY AND ANTICOMPETITIVE
14 BEHAVIOR, AS THE TERMS ARE USED IN CHAPTER 364, BE
15 DEFINED? (ISSUE 33)

16 A. Consistent with section 364.3381, Florida Statutes,
17 and the legislative intent provisions of section
18 364.01(3), Florida Statutes, cross-subsidy or
19 anticompetitive behavior should be defined more
20 broadly than strictly economic terms. Cross-
21 subsidy and/or anticompetitive behavior occurs
22 whenever the regulated LEC provides any benefit to
23 its own competitive business that is does not
24 provide to other telecommunications competitors, or
25 if the regulated monopoly provides any service to

1 itself under more favorable rates, terms and
2 conditions than provided to competitors. Under
3 this definition, examples of cross-subsidy and/or
4 anticompetitive behavior are summarized as follows:

5 1. Losses incurred from LEC competitive
6 services are financially subsidized through
7 revenues from monopoly services (cross-subsidy).

8 2. The LEC monopoly pays in excess of
9 current fair market price for products or services
10 received from its subsidiaries, or from affiliated
11 companies (cross-subsidy).

12 3. The LEC competitive service does not bear
13 its appropriate share of the costs of providing the
14 service, including a pro rata share of overhead,
15 and those costs are instead covered by revenues
16 received from monopoly services (cross-subsidy).

17 4. The LEC monopoly provides service to its
18 own competitive service under rates, terms, and
19 conditions more favorable than those imposed on
20 other companies offering similar competitive
21 service (anti-competitive behavior).

22 5. The LEC monopoly provides services to its
23 own competitive service that the monopoly will not
24 provide to other companies (anti-competitive
25 behavior).

1 Q. SHOULD SOUTHERN BELL BE PERMITTED TO CROSS-
2 SUBSIDIZE THEIR COMPETITIVE OR EFFECTIVELY
3 COMPETITIVE SERVICES? (ISSUE 33A)

4 A. No. Cross-subsidization is detrimental to
5 ratepayers and competitors. The Legislature
6 mandated in chapter 364, Florida Statutes, that the
7 Commission ensure against cross-subsidization of
8 LEC competitive services with monopoly funds.

9 Q. SHOULD SOUTHERN BELL'S BASIC TELEPHONE SERVICE
10 RATES BE BASED ON THE MOST COST EFFECTIVE MEANS OF
11 PROVIDING BASIC TELEPHONE SERVICE? (ISSUE 33B)

12 A. Yes. The term "most cost effective" should be
13 distinguished from the term "most economic." A
14 determination of what is "most cost effective"
15 should be viewed from the customer or ratepayer's
16 perspective. The alternative that costs the
17 ratepayer the least for providing a service would
18 be considered the "most cost effective." The term
19 "most economic" is a broader term that could take
20 into consideration company "costs" and "benefits"
21 not directly related to the ratepayer.

22 The primary criteria to determining whether a
23 service has been provided in the "most cost
24 effective" means obtainable is that the service
25 must be provided to the ratepayers in the least

1 costly manner possible. Making this determination
2 requires a review of the various alternatives
3 available to provide basic service. A reasonable
4 guide would be that used by the Commission when
5 evaluating electric utilities, wherein the
6 Commission determined that the proposed capacity is
7 the "most cost effective" alternative. The
8 Commission should also consider the quality of the
9 services being provided.

10 This approach to the establishment of rates
11 provides an incentive to Southern Bell. If
12 recognized by its peers and the Commission as being
13 the most cost effective, the company earns a fair
14 rate of return on its investment, achieves greater
15 customer satisfaction and, given proper recognition
16 by regulators, earns more for its shareholders than
17 less efficient companies.

18 Q. SHOULD SOUTHERN BELL SEGREGATE ITS INTRASTATE
19 INVESTMENTS AND EXPENSES IN ACCORDANCE WITH AN
20 ALLOCATION METHODOLOGY AS PRESCRIBED BY THE
21 COMMISSION TO ENSURE THAT COMPETITIVE
22 TELECOMMUNICATIONS SERVICES ARE NOT SUBSIDIZED BY
23 MONOPOLY TELECOMMUNICATIONS SERVICES? (ISSUE 33C)

24 A. Yes. As previously stated, section 364.3381(2),
25 Florida Statutes, requires a telecommunications

1 company offering both monopoly and competitive
2 telecommunications services to segregate its
3 intrastate investments and expenses in accordance
4 with allocation methodologies as prescribed by the
5 Commission. This helps to ensure that competitive
6 telecommunications services are not subsidized by
7 monopoly telecommunications services.

8 Section 364.3381, Florida Statutes, reflects
9 the fundamental intent of the Legislature to
10 prevent the improper cross-subsidization of LEC
11 competitive services with funds derived from
12 monopoly rates. In stating this goal, the
13 Legislature has provided the Commission with the
14 analysis necessary to carry out this policy.
15 First, the Legislature has drawn a distinction
16 between the "price" of a service and its "cost."
17 Subsection (1) requires that the price of a LEC
18 competitive service shall not be below its cost by
19 use of subsidization from monopoly rates. The
20 terms "price" and "cost" are not specifically
21 defined in chapter 364, Florida Statutes. However,
22 section 364.3381(2), read in conjunction with
23 section 364.3381(1), requires use of the LEC's
24 books and records in determining what a competitive
25 service costs. Subsection (2) requires the LEC to

1 "segregate intrastate investments and expenses" in
2 order to ensure that competitive telecommunications
3 services are not subsidized by monopoly
4 telecommunications services. Investment and
5 expenses logically include those costs reflected in
6 the LEC's current regulated, intrastate accounts
7 along with a pro rata allocation of overhead and
8 administrative expense to each competitive service.

9 Additionally, subsection (1) prohibits LEC
10 cross-subsidization of each competitive service by
11 monopoly revenues. Subsection (1) specifically
12 states that "a competitive service" shall not be
13 priced below its cost. As a result, the
14 determination of whether cross-subsidization occurs
15 must be made on a competitive service-by-service
16 basis. The fact that a LEC's competitive services
17 as a whole cover their total cost is insufficient
18 to meet the requirements of this subsection.

19 In sum, section 364.3381 provides a method of
20 ascertaining the cost of a particular competitive
21 service. If a LEC chooses to offer a competitive
22 service and to operate it out of the monopoly
23 business, subsection (2) requires the LEC to
24 segregate all of its intrastate investments and
25 expenses in accordance with an embedded cost

1 methodology which: (1) ties back to the books and
2 records of the company, and (2) properly allocates
3 investment and expense for all monopoly and each
4 competitive service.

5 Q. HAS THE COMMISSION PRESCRIBED AN ALLOCATION
6 METHODOLOGY TO ENSURE THAT COMPETITIVE
7 TELECOMMUNICATIONS SERVICES ARE NOT SUBSIDIZED BY
8 MONOPOLY TELECOMMUNICATIONS SERVICES? (ISSUE 33D)

9 A. No. The goal of Docket No. 900633-TL is the
10 development of a local exchange company cost study
11 methodology. The Commission adopted in principle
12 a functional building block approach for
13 determining price floors for specific services and
14 found that both incremental and embedded costing
15 approaches should be examined in that docket.
16 Order No. 24910. While some progress has been
17 made, no costing methodology has been developed or
18 approved by the Commission.

19 Q. HAS THE REPLACEMENT OF COPPER WITH FIBER SINCE THE
20 LAST DEPRECIATION STUDY BEEN ACCOMPLISHED IN A COST
21 EFFECTIVE MANNER FOR ADEQUATE BASIC TELEPHONE
22 SERVICE? (ISSUE 33E)

23 A. Southern Bell has presented no evidence that its
24 replacement of copper with fiber has been
25 accomplished in a cost-effective manner for basic

1 telephone service. In the depreciation study
2 docket (No. 890256-TL), Southern Bell assured the
3 Commission its depreciation case was,

4 based on the deployment of the overall
5 architecture including fiber deployment to the
6 extent that it is less costly than its copper
7 equivalent. [Emphasis supplied.] Snelling,
8 Tr. 1015.

9 In making a replacement decision, Southern Bell
10 further stated its intent not to,

11 replace anything ever unless it's economic to
12 our best judgement, following our best
13 parameters, carefully scrutinized, properly
14 approved, and then reviewed as to the result.
15 If the result does not turn out as we expected
16 on a micro and macro basis, then we can't do
17 it. Snelling, Tr. 990

18 This intention was also expressed when the
19 following question was posed during
20 cross-examination:

21 Q. Does that indicate your view that the
22 economics of providing present telephone
23 services are the criterion for
24 demonstrating whether or not the
25 replacement technologies are cost
26 effective and have an impact on
27 depreciation rates?

28 A. That's absolutely correct. Hight, Tr.
29 384-385. [Emphasis supplied.]
30

31 Assuming that Southern Bell has performed such
32 analyses with respect to its deployment of fiber,
33 the cost data produced in this docket to date is
34 devoid of such information. Without this

1 information, the cost-effectiveness of replacing
2 copper with fiber cannot be assured and no
3 ratepayer benefit can be demonstrated as required
4 by section 364.01(3)(c), Florida Statutes.

5 Q. DOES THAT CONCLUDE YOUR PREFILED DIRECT TESTIMONY?

6 A. Yes, it does. However, in the depreciation study
7 docket referenced above, the Commission ordered
8 Southern Bell to establish three subaccounts for
9 interoffice, feeder and distribution in each of the
10 Aerial, Underground and Buried fiber cable
11 accounts. Order No. 23132 issued June 29, 1990 at
12 10-11. FCTA has not yet been able to examine these
13 subaccounts for accuracy and reliability, but FCTA
14 intends to pursue this issue through depositions of
15 Southern Bell witnesses. I would therefore reserve
16 the right to file additional testimony, if
17 necessary, upon conclusion of the discovery phase
18 of this proceeding.

19

20

21

22

23

24

25 s\fctatest.jpc

JOSEPH P. CRESSE

Presently employed as a non-lawyer Special Consultant with the law firm of Messer, Vickers, Caparello, Madsen, Lewis, Goldman & Metz P.A. in Tallahassee, Florida; former Chairman of the Public Service Commission having served seven years on the Commission; former State Budget Director for State of Florida under Governor Reubin Askew, and former Assistant Secretary for the Department of Administration, State of Florida.

Resides in Tallahassee, Florida, with wife, Beverly; has two children; born in Indiana, and attended public schools in Frostproof, Florida; attended University of Florida - graduated in 1950 B. S. B. A. Major in Accounting; served in the U. S. Army as Staff Sergeant; member of Beta Alpha PSI Fraternity.

Career accomplishments include recipient of Florida Senate and House Resolution of Commendation; Administrator of the year in 1975; recipient of University of Florida Distinguished Alumnus Award; served on the Executive Committee of National Assn. of State Budget Officers, National Assn. of Regulatory Utility Commissioners, and President of the Southeastern Assn. of Regulatory Utility Commissioners; assisted in passage and implementation of the Career Service System, State of Florida; assisted in the implementation the Governmental Reorganization Act; implementation of program budgeting and computerizing substantial budgeting information; assisted in development of Education funding program for the State of Florida; assisted in development of financial plan to reduce appropriations to operate within available funds when revenue of the State was approximately 10% less than anticipated; assisted the Governor and Legislature during Special 1978 Legislative Session in drafting and passing legislation protecting title to state sovereign lands; served as member of the Florida Advisory Council on Intergovernmental Relations; appointed by Governor as member of the Deferred Compensation Advisory Committee and elected chairman; chaired a Task Force which developed financial and organizational plans to dismantle the Inter-American Center Authority with real estate assets of the Authority preserved for public use; appointed by Governor to state team which successfully negotiated a major settlement involving oil, gas and mineral rights on state-owned submerged lands; appointed to task force overseeing litigation, State v. Mobil Oil, Sovereign Lands; member Growth Management Committee; appointed by Governor and co-chaired Telecommunications Task Force. In 1985 received the National Governor's Association award for Distinguished Service to State Government. Retired from State Government December 1985 to assume present position with Messer, Vickers law firm. Since 1985 I have been engaged in regulatory consulting work with both utilities and non-utilities. I lecture at Indiana University twice a year, and have testified before the Georgia, Florida and South Carolina Regulatory Commissions.

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REQUEST: Provide descriptions (name, service provided, price, to whom available, etc.) of the Company's different inside wire maintenance plans. Indicate whether these services are provided via separate subsidiary or accounting separations.

RESPONSE: Service Plans are provided by BST and fall under internal account separations processes for deregulated products.

Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.



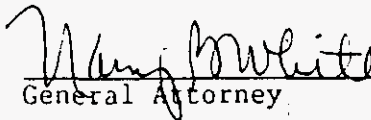
General Attorney

INFORMATION PROVIDED BY: Mary Brooks
South S4G1
3535 Colonnade
Birmingham, AL 35243

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REQUEST: Provide the company's share of the inside wire maintenance market in its territory. Provide the source of the information from which this market share was determined.

RESPONSE: Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.



General Attorney

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REQUEST: Does Southern Bell (or an affiliate or a subsidiary) provide inside wire maintenance services anywhere in Florida outside of Southern Bell's certificated area? If so, where? If not, why not?

RESPONSE:

Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.



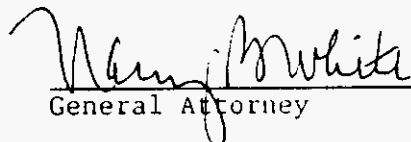
General Attorney

Southern Bell Tel. & Tel. Co.
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REQUEST: Provide the number and percentages of Southern Bell access lines subscribed to each Southern Bell inside wire maintenance option for the 12 months ending 1989, 1990, and 1991. In addition, provide the same information for the calendar years ending 1992, 1993, and 1994.

RESPONSE:

Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.



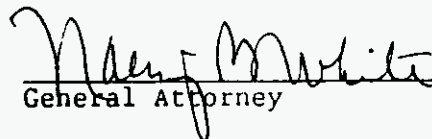
General Attorney

Southern Bell Tel. & Tel. Co.
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REQUEST: Identify for the 12 months ending 1991, the amount of revenues and expenses for the Company's inside wire maintenance options. Identify all the associated subaccounts for the revenues and expenses. If any of this information is available by maintenance option, provide it by option. If the information for inside wire maintenance is combined with other services, provide a list of all other services.

RESPONSE:

Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.


General Attorney

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REQUEST: What is Southern Bell's rate for Trouble Location Charge?
Cite the tariff section and page for this service.

RESPONSE: \$25.00 per service call. Section A15.4 of the General
Subscriber Service Tariff, page 25.

INFORMATION PROVIDED BY: Ron Pardue
South E3B1, Colonnade
Birmingham, AL 35243

Southern Bell Tel. & Tel. Co.
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REQUEST: When a customer who does not subscribe to any of Southern Bell's inside wire maintenance plans calls Southern Bell with a trouble report, and the problem, which involves a visit to the customer's premises, is found to be in the inside wire or CPE, does a Trouble Location Charge apply?

- a. If the trouble is inside wire and then, on the same visit, the customer wants the repair person to fix the wire, will he do so?
- b. What would the customer be charged?
- c. How will the time to do the repair be recorded (above or below the line)?
- d. How, then, will the time to travel to the premises be recorded?

RESPONSE: For the purposes of clarification, in this response, trouble location is defined as the work necessary to determine whether or not a problem resides on the customer's side of the demarcation point. Under the circumstances described in this request, a Trouble Location Charge will apply if the customer does not want the problem which caused the trouble report isolated and/or fixed and trouble location is the only work performed by the technician. If the customer also has the technician isolate and/or repair the problem, a Trouble Location Charge will not apply. However, detariffed time and materials charges apply for both the time spent in trouble location and the time spent isolating and/or fixing the problem on the customer's side of the demarcation.

- a. Yes, at the customer's request, the technician will isolate the problem to the inside wire, set, or other CPE that caused the problem. The technician will also fix a problem in the customer's inside wire if requested to do so.
- b. If the problem is isolated and/or fixed, the customer will be billed detariffed charges for the time and materials used by the technician while performing the trouble location and isolation/repair tasks. Florida basic inside wire customers are charged \$46.50 for the first 15 minute increment during

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RESPONSE:
(Cont'd)

normal working hours. Each additional quarter hour interval is billed at the rate \$13.50. Non-basic inside wire customers are charged \$86.00 for the first hour increment and \$17.50 is charged for each additional quarter hour interval. The time charges cover the cost of most materials used on the job with the exception of jacks which are not of the miniature modular variety.

c. If the trouble is on customer's side of the demarcation point, FCC rules compel BellSouth to have the technician charge the time spent in trouble location to detariffed time reporting codes. This is true even if this activity is the only function performed by the technician and a tariffed Trouble Location Charge applies. Time spent isolating and/or repairing a problem on the customer's side of the demarcation point is also always charged to detariffed time reporting codes.

d. Travel time is always reported to a separate "TRVL" time reporting code regardless of whether the work functions performed on a job are tariffed, detariffed, or a mixture of both. The time shown to this code by a technician is apportioned on a daily basis between tariffed and detariffed accounts based on the percentage of time charged during the day by that technician to tariffed and detariffed time reporting codes.

INFORMATION PROVIDED BY: Richard P. Guilbeau
Staff Manager
Network I&M Support

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- REQUEST:** For this interrogatory and all of its subparts, please respond for each of the inside wire maintenance options Southern Bell has. When a customer with one of Southern Bell's inside wire maintenance options calls with a service outage and the problem, which involves a premises visit, is found to be in the inside wire or CPE, does a Trouble Location Charge apply?
- a. Is the answer any different if it is a CPE problem versus inside wire?
 - b. In the situation where the problem is in the inside wire, how would the different aspects of the service call be recorded (e.g., the trip out, the time to locate the trouble, and the time to repair the trouble)?
 - c. How would this be recorded if the problem was in the CPE (the trip out, the time to locate the trouble, no repair)?

RESPONSE: Presently there are three kinds of plans present in the state of Florida for basic inside wire customers. The first two are "grandfathered" (still used by some of our customers, but no longer sold), the Wire Maintenance Plan and the Trouble Isolation Plan. The only plan currently offered is a combined inside wire plan that takes the place of both of the original two. When a technician on a premises visit locates the problem reported on the customer's side of the demarcation point, a tariffed Trouble Location Charge does not apply provided that the customer subscribes to any of the three inside wire plans.

- a. A Trouble Location Charge would not apply regardless of whether the problem originated in the customer's inside wire or CPE. It should be understood that the differences in the plans involves only what dettariffed charges are covered. The Trouble Isolation Plan covers the isolation of a problem on the customer's side of the demarcation point to the particular inside wire or piece of CPE causing the problem, but does not cover the repair of inside wire. On the other hand, the Wire Maintenance Plan covers all work necessary to affect the repair of inside wire, but does not cover the trouble isolation task if it turns out that the problem originated in the customer's CPE. The combined plan covers all necessary dettariffed work performed on the customer's side of the demarcation point with the exception of the repair of CPE. No plan covers the repair of CPE because Southern Bell does not perform this kind of work for basic inside wire customers.

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RESPONSE:
(CONT'D)

- b. If the problem is in the inside wire and the repairs are made under a plan, the various time intervals would be charged as follows. The time for the trip out is charged to a separate "TRVL" time reporting code; see response to Interrogatory No. 27d for an explanation of how the time charged to this code is allocated. The time to perform trouble location (determining that the trouble is on the customer's side of the demarcation point), the time to isolate the trouble to the particular wire

in trouble, and the time to repair the wire is charged to detariffed time reporting codes.

- c. If the problem is in the customer's CPE, the various time intervals would be charged as follows. The time for the trip out is charged to separate a "TRVL" time reporting code; see response to Interrogatory 27d for an explanation of how the time charged to this code is allocated. The time to perform trouble location (determining that the trouble is on the customer's side of the demarcation point) and the time to isolate the trouble to the particular piece of CPE would be charged to detariffed time reporting codes.

INFORMATION PROVIDED BY: Richard P. Guilbeau
Staff Manager
Network I&M Support

Southern Bell Tel. & Tel. Co.
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REQUEST: When repair persons go out to the customer's premises on a trouble report and a Trouble Location Charge would normally apply, is it Southern Bell's policy to have the repair persons offer to sign the customers up for any of the Company's inside wire maintenance options to avoid paying the Trouble Location Charge.

RESPONSE: No. Even if a customer were to sign up for a plan after reporting a problem that is found to be on his/her side of the demarcation, the problem would be considered to be pre-existing and not covered under the plan.

INFORMATION PROVIDED BY: Richard P. Guilbeau
Staff Manager
Network I&M Support

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REQUEST: Is there any way the customer can avoid paying the Trouble Location Charge after the customer has called the Company out to the house on trouble report? Even if it is not Southern Bell's policy to have the repairperson sign the customer up for monthly inside wire maintenance, can the customer do so?

RESPONSE: Yes, the customer can avoid paying the Trouble Location Charge, but there is a caveat. If the charge would otherwise apply (because a problem has been determined to be on the customer's side of the demarcation point and he/she does not have a plan), the customer can avoid the charge if he/she elects to have the problem isolated/repared by the Southern Bell technician. If the customer elects to have the technician do the isolation/repair, the time already spent performing the trouble location task, along with the time necessary to complete the job, will be billed at the detariffed time rate. Unless the time spent by the technician on trouble location is unusually short, the customer will not benefit by paying the detariffed time rate rather than the tariffed flat rate for the trouble location task.

The customer can sign up for the monthly inside wire maintenance plan at any time, however, the plan does not cover pre-existing problems. Therefore, if the customer signs up for a plan after the technician finds a inside wire/CPE problem, that plan will not cover the current problem; it covers only those which occur after 30 days.

INFORMATION PROVIDED BY: Richard P. Guilbeau
Staff Manager
Network I&M Support

Southern Bell Tel. & Tel. Co.
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REQUEST: Given the scenario described in Interrogatory No. 30. what percentage of total residential customers sign-up for an inside wire maintenance plan at the time of inside wire repair.

RESPONSE: Southern Bell does not track this type of information and, therefore, no statistics are available to answer this interrogatory.

INFORMATION PROVIDED BY: Richard P. Guilbeau
Staff Manager
Network I&M Support

Southern Bell Tel. & Tel. Co.
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REQUEST: Does Southern Bell have any incentive programs to encourage its non-contact employees to sign customers up for monthly inside wire maintenance?

RESPONSE: No, there are no incentive programs in the State of Florida to encourage employees, other than service representatives, to sign customers up for monthly inside wire maintenance plans.

INFORMATION PROVIDED BY: Richard P. Guilbeau
Staff Manager
Network I&M Support

Southern Bell Tel. & Tel. Co.
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REQUEST: Provide a script of how customers are given information on inside wire options during their initial sign-up for services, as well as during the ordering of any additional services later on, or during repair calls.

RESPONSE: Inside wire is offered when negotiating inward movement orders (Ns and Ts) and when negotiating any type service that requires inside wiring.

Contact Personnel:

"Have you made arrangements for your inside wiring?"

If the order is being negotiated at the Vendor Service Center the Contact Personnel will respond:

"Will you be doing your own inside wiring"

If the customer has not made arrangements for inside wiring and asks that Southern Bell handle it, the Contact Personnel advises the customer of his/her options regarding the installation of inside wiring.

INFORMATION PROVIDED BY: Elizabeth H. Allen
Staff Manager
Customer Services Support
3535 Colonnade Pkwy
South S6D1
Birmingham, AL 35243

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REQUEST: If the repair person makes a premise visit to verify a trouble report and cannot get access to the demarcation point, would the travel time be charged above-the-line or below-the-line? If an allocation method is applied, describe the method used.

RESPONSE: If a repair person makes a premise visit to verify a trouble report and cannot get access to the demarcation point, the travel time would be reported to a special reporting code ("TRVL") along with all other travel time incurred by that technician. BellSouth's time reporting system then apportions travel time among all the work codes (regulated and nonregulated) reported for that given day by each technician. Thus, the appropriate travel time in this instance would have been allocated to a no access function; which in turn would have been allocated between regulated and nonregulated activities based primarily on the expenses reported by the repair persons.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 West Peachtree Street
Atlanta, Georgia 30375

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REQUEST: What is the average length of time between inside repairs for a residential customer?

RESPONSE:

Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.



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REQUEST: Do you believe that residential inside wire maintenance is a competitive service? If so, what is the basis for this belief?

RESPONSE:

Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.

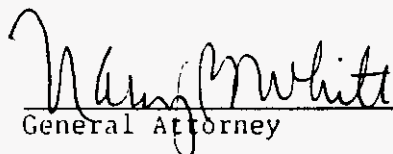


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REQUEST: Provide a list of inside wire maintenance competitors in Southern Bell's operating territory, along with a list of the inside wire maintenance options they provide and the rates for each of those services.

RESPONSE: Southern Bell objects to this interrogatory to the extent that it requests information concerning inside wire, an unregulated service not subject to the jurisdiction of this Commission. On June 12, 1992, the Commission voted to accept the Staff Recommendation on Issue 21o, dated June 5, 1992 in Docket No. 910980, In Re: Depreciation Study for United Telephone of Florida. In effect, the Commission decided to proceed with a generic rulemaking to address the appropriate treatment of inside wire services for all local exchange companies. Thus, the information sought in this interrogatory regarding inside wire is not relevant to the subject matter of this proceeding (Southern Bell's regulated earnings) and the interrogatory is not reasonably calculated to lead to the discovery of admissible evidence in this proceeding.



General Attorney