



OFFICE OF THE ATTORNEY GENERAL

THE CAPITOL

ORIGINAL

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Reply to:

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VIA FAX AND MAIL

September 1, 1998

Anne E. Marsh  
Economic Analyst  
Division of Communications  
Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Special Project 980000A-SP

Dear Ms. Marsh:

In accordance with your memo dated July 10, 1998, please be informed that the Office of the Attorney General intends to file written comments and make a presentation at the workshops scheduled for October 1-2 and 8-9, 1998. Attached are two outlines which list the name of the speaker(s), a brief description of the subject matter to be discussed, the anticipated length of time needed, and the preferred date(s) of presentation.

Please contact me if I can be of any further assistance to you in this regard.

Sincerely,

Michael A. Gross  
Assistant Attorney General

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

encl.  
cc: Blanca S. Bayo (mail only)  
Director  
Division of Records and Reporting

AN AFFIRMATIVE ACTION/EQUAL OPPORTUNITY EMPLOYER

DOCUMENT NUMBER-DATE

09566 SEP-2 1998

FPSC-RECORDS/REPORTING

Florida Workshop I

October 1-2, 1998

**Name of Speaker:** William Dunkel and Tom Regan  
**Party:** Office of Attorney General

**Description of Issues that will be Addressed:**

We will address the major issues in the case:

1. Loop Cost Recovery
  - Proper principles, U.S. Supreme Court Requirement, Federal Telecommunications Act Requirement, FCC and Joint Board Orders, Florida Legislative Requirement, Past FPUC Orders
2. The test to determine if a service is paying a subsidy:
  - A service is paying a subsidy only if its price exceeds its stand alone cost
3. The test to determine if a service is receiving a subsidy:
  - A service is receiving a subsidy only if its price is below incremental cost
4. The "subsidy free" zone
  - A service priced above (or equal to) its incremental cost, and below (or equal to) its stand alone cost, is "subsidy free". It is not paying a subsidy or receiving a subsidy.
5. The relationship of rates to costs for local, toll, and access service in Florida
6. The improper "double standard" contribution analysis-
  - The revenues are compared to incremental cost for toll and access services, but for local service the revenues are compared to stand alone cost.
7. Other as appropriate.
8. Question and answer period

**Length of Time Needed for Presentation:** 1½ hours

**Preferred Date of Presentation:** October 1

Florida Workshop II

October 8-9, 1998

Name of Speaker: William Dunkel and Tom Regan

Party: Office of Attorney General

Description of Issues that will be Addressed:

1. Motivation
  - Improperly shifting cost recovery from competitive to monopoly service is in the utilities' interest, but not in the public interest. This shift impedes competition and abuses monopoly power.
  - Utilities were first regulated because before regulation the railroads were charging high prices where they had monopoly power, and low prices where they faced competition.
2. Business vs. Residential rates
  - Large business pay Centrex rates, which are low
  - Small business service (B1):
    - (A) Includes a valuable yellow page listing
    - (B) A higher percentage of business usage is on-peak
    - (C) Business service generally receives faster repair time than residential service
    - (D) Business service is tax deductible-Residential is not
  - Comparison to Other states
    - The B1 to R1 rate relationship in Florida is similar to the nationwide average
    - The nationwide average B1 rate is 2.4 times the R1 rate.
3. Telephone is different from other utilities because it is interdependent. A business telephone service cannot be used to call residential customers, unless those residential customers also have telephone service.
4. Will address issues raised in Workshops
5. Question and Answer period

Length of Time Needed for Presentation: 1 hour

Preferred Date of Presentation: October 9