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Tracy Hatch
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REPORTING

September 23, 1998

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Mrs. Blanca S. Bayo
Director, Division of Records and Reporting'
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

RE: Docket No. 970808-TP

Dear Mrs. Bayo:

Enclosed for filing in the above referenced docket on behalf of AT&T of the Southern States, Inc.'s (AT&T) is AT&T's Response to Motion for Reconsideration and Cross-Motion for Reconsideration.

Copies of the foregoing are being served on all parties or record in accordance with the attached Certificate of Service. Thank you for your assistance in this matter.

Sincerely,

Tracy Hatch

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CERTIFICATE OF SERVICE
Docket No. 970808-TL

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via
U.S. Mail this 23rd day of September, 1998 to the following:

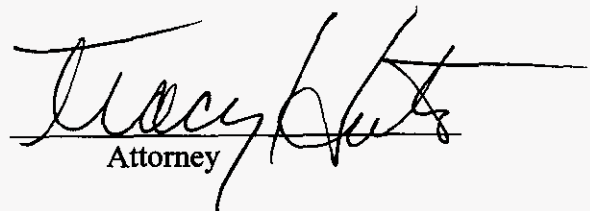
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of BellSouth) Docket No. 970808-TL
Telecommunications, Inc. to remove)
interLATA subsidy received by)
St. Joseph Telephone & Telegraph) Filed: 09/23/98
Company)

AT&T'S RESPONSE TO GTC'S MOTION FOR RECONSIDERATION
AND
CROSS MOTION FOR RECONSIDERATION

AT&T Communications of the Southern States, Inc. (AT&T), pursuant to Rules 25-22.060(1)(b) and (3), Florida Administrative Code, hereby files its Response to GTC's Motion for Reconsideration and Cross Motion for Reconsideration of Order No. PSC-98-1169-FOF-TP (the Order).

The Commission's Order made numerous findings regarding the issues identified in this proceeding. In particular, the Order established that the InterLATA subsidy mechanism could and should be eliminated for GTC. The Order also determined that the price caps set forth in Section 364.051, Florida Statutes, did not bar elimination of the subsidy mechanism and that to the extent GTC desired relief from the effects of the elimination of the subsidy, GTC had an opportunity for redress pursuant to Section 364.051(5), Florida Statutes. The Order further determined that in order to avoid a windfall to BellSouth from the continued revenue stream of InterLATA access charges, BellSouth should be required to reduce its revenues by the amount of the subsidy payment to GTC from which it will be relieved. Finally, the

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Order delegates to BellSouth's discretion the appropriate rate to be reduced to eliminate the revenue windfall.

In its Motion for Reconsideration, GTC argues that the effect of the Order is to foreclose any substantive consideration of its "Petition to Terminate Access Subsidy and Convert to Payment of Access charge Revenue Directly to GTC, Inc." in Docket No. 980498-TP. Accordingly, GTC argues that it has been denied due process. GTC also seeks a stay pending ultimate resolution of its motion for reconsideration and potential appellate opportunities.

AT&T agrees that the effect of the decisions in the Order casts a cloud on the potential relief available to GTC. However, to the extent that GTC seeks to resurrect its claim that GTC's access charges should be increased to replace the lost access subsidy revenues, GTC has had a full and fair opportunity to litigate this issue in this proceeding. GTC has raised no mistake of fact or law on the part of the Commission in rendering its decision that it would not be appropriate to raise GTC's access charges to replace its revenue losses stemming from the elimination of the subsidy. Section 364.163, Florida Statutes, is clear; LEC access charges are capped pursuant to the provisions of that Section.

AT&T notes that the Commission has left open the question of whether Section 364.163 precludes GTC from increasing its access charges in the context of its Petition in Docket 980498-TP. To that extent, AT&T supports GTC's request for a stay. If

it is ultimately determined that GTC can increase its access charges and BellSouth has reduced a rate other than its switched access charges, at the end of the day AT&T and other IXCs will be paying double the amount of access revenue that they currently do in order to subsidize GTC's access revenue. Surely the Commission could have intended no such result.

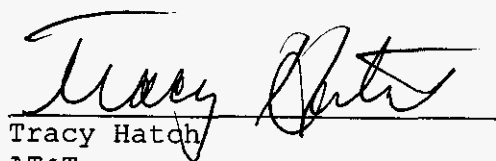
CROSS-MOTION FOR RECONSIDERATION

AT&T submits that the Commission erred in failing to require BellSouth to reduce its switched access charges to avoid the windfall from the discontinuance of the access charge subsidy payments to GTC. In support of its cross motion AT&T states as follows:

In the Order the Commission notes the testimony of Witness Mailhot that the "payments made into the pool by each company, including BellSouth, came from its access charges." (Order p. 11) There is no question that the source of the subsidy funds is interLATA access charges collected by BellSouth from IXCs. BellSouth has never in the history of the access subsidy mechanism used revenues other than the access charges it collected from IXCs to fund the interLATA access pool from which the access subsidy payments to GTC were made. The access reductions made over time by BellSouth were not related in any way to the subsidy mechanism itself nor did they affect the subsidy mechanism in any way. Those reductions changed the amount of access charges paid by IXCs for the use of BellSouth's

network to originate and terminate calls in BellSouth's territory. Those reductions were independent of the access charges that BellSouth collected from IXCs to subsidize GTC's access revenue levels. In failing to require BellSouth to reduce its access charges by the amount of the subsidy to GTC, BellSouth's net access revenue will increase by the amount of the subsidy payment it now gets to keep. The effect of the Commission's decision is to require IXCs to pay increased access revenue to BellSouth which will increase the subsidies paid by IXCs to BellSouth and used by BellSouth to subsidize its other services. Such action is unfair and anticompetitive. Further, increasing the level of IXC funded subsidies to BellSouth is contrary to the requirements and efforts at the Federal and State levels to remove implicit subsidies and make them explicit with appropriate subsidy mechanisms that treat all carriers on a nondiscriminatory basis. Accordingly, AT&T requests that the Commission reconsider its decision to allow BellSouth to reduce the rate of its choice to eliminate the windfall caused by the elimination of GTC's InterLATA access subsidy and direct that BellSouth reduce its switched access charges by the amount of subsidy payment from which it has been relieved.

Respectfully submitted this 23th day of September, 1998.

A handwritten signature in cursive script, appearing to read "Tracy Hatch", is written over a horizontal line.

Tracy Hatch
AT&T
101 North Monroe Street
Tallahassee, Florida 32301

ATTORNEY FOR AT&T COMMUNICATIONS
OF THE SOUTHERN STATES, INC.