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# FLORIDA CONSUMER ACTION NETWORK

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December 21, 1992

Mr. Steve C. Tribble, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32301

RE: Docket No. 920260-TL

Dear Mr. Tribble:

Enclosed are an original and a diskette copy of the Florida Consumer Action Network's (FCAN's) Prehearing Statement, which we ask that you file in the above captioned docket. Please accept our apologies for not having a diskette for filing earlier.

The document was prepared using Microsoft Word Version 4.0, under the DOS operating system, and is called "SOBELLPH.DOC" on the enclosed diskette.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies were previously served to you and to the parties shown on the attached Certificate of Service at the time of our original filing on December 18, 1992.

ACK ✓

ATTN 3 -- Thank you for your patience and assistance in resolving this matter.

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EW

EV

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OPU -- Enclosures

RCR

SEC

WAS

Sincerely,

Dan B. Hendrickson

DOCUMENT NO.  
1470392  
12/18/92



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Comprehensive Review of the )  
Revenue Requirements and Rate )  
Stabilization Plan of Southern )  
Bell Telephone & Telegraph Company )  
\_\_\_\_\_ )

Docket No. 920260-TL  
Filed: December 18, 1992

FLORIDA CONSUMER ACTION NETWORK'S (FCAN'S)  
PREHEARING STATEMENT

The Florida Consumer Action Network (FCAN), pursuant to Florida Administrative Code Rule 25-22.038(3), hereby files this Prehearing Statement.

I. Witnesses

FCAN did not prefile testimony for any witnesses in this proceeding.

II. Prefiled Exhibits

FCAN did not prefile any exhibits in this proceeding.

III. Basic Position

Southern Bell's proposed rate reductions do not go nearly far enough.

Southern Bell's current Incentive Regulation Plan has not resulted in measurable benefits to consumers. Southern Bell's current return on equity is simply obscene in light of today's declining economy. The Company should be returned to the same basic rate of return regulation which applies to every other local exchange carrier in Florida.

FCAN opposes the Company's request to move further down the slippery slope of relaxed regulation through implementation of Price Cap Regulation. Under no circumstances should Southern Bell be granted the right to automatic rate annual adjustments without review or public participation.

Despite the Company's rhetoric, their proposal for Extended Local Service is not an appropriate response to customer demands for changed calling patterns. What customers want is expanded area flat-rate local calling.

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FCAN absolutely opposes the implementation of local measured service, even in the so-called "optional" plan proposed by Southern Bell. To grant this request is to open a Pandora's box which we believe will ultimately lead to "installing a pay phone" in the living room of every Southern Bell customer.

IV. Positions on Issues

FCAN takes the following positions on issues currently identified in this proceeding:

Rate Base

Plant in Service

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

FCAN: No.

Cost of Capital

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

FCAN: The appropriate cost of common equity capital for Southern Bell is not more than 11.0%.

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

FCAN: Yes, Southern Bell should be penalized for poor quality service. A minimum of 50 basis points would be a reasonable penalty.

Operation & Maintenance Expense

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

FCAN: Unknown.

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

FCAN: The expense for USTA dues should be reduced to remove any amounts allocated to lobbying and public relations activities.

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

**FCAN:** No amount of lobbying or political expenses are appropriate for ratemaking purposes.

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

**FCAN:** In these tight economic times, advertising and public relations expenses should be carefully scrutinized to ensure that there are net positive revenues resulting from any such expenses, and to remove any and all expenses which are primarily image-enhancing.

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

**FCAN:** Any promotional and charitable contributions which Southern Bell should choose to make should be borne solely at the expense of their shareholders. Such expenses are not appropriate for ratemaking; customers have the right to make their own choices as to which promotional or charitable causes they choose to support.

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

**FCAN:** No. Software additions are capital expenses which should be recovered over a standard five year period, the same as for any other business.

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

**FCAN:** Shareholders, not ratepayers, should bear the cost of abandoned projects. This is why a risk premium is included in the calculation of appropriate cost of capital.

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

**FCAN:** Ratepayers should receive full credit for pension collections not funded or paid into the pension plan, with the exception of any such funds contributed directly by employees.

### Affiliated Transactions

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

**FCAN:** The Commission should carefully scrutinize such charges and allocations with an eye towards inappropriate advertising, promotional, contribution and lobbying expenses.

**ISSUE 17F:** The Commission should carefully scrutinize Southern Bell's expenditures for BellCore services to insure that ratepayers are not cross-subsidizing expenditures for future, potentially non-regulated BellSouth products and services, such as video and information services.

### FAS 106

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

**FCAN:** The Commission should not use FAS 106 for ratemaking purposes, but should instead remain with a "pay-as-you-go" methodology, which ensures employees of their benefits and assures that ratepayers are not overbilled for speculative "guess-timates" of future expenses.

**ISSUE 21B:** Unprotected excess deferred income taxes which were overpaid by past ratepayers in anticipation of higher than actual future tax liabilities should be returned to ratepayers equally over the next three to four year period.

### Revenue Requirement

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

**FCAN:** A substantial revenue decrease is appropriate, which we expect would exceed \$120-million. Additional reductions for a mismanagement penalty and revised depreciation schedules are also appropriate.

**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?

**FCAN:** 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 LEC's, etc.)

**FCAN:** The Commission should consider that the current incentive regulation plan has to-date resulted in not one single penny of "sharing" with ratepayers. The only "incentive" appears to have been to rip-off their own customers through falsified repair orders and fraudulent sales of unwanted services.

**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?

**FCAN:** No, the current incentive regulation plan has been a sad joke on consumers, instead. The negative results are contained in the report of the Statewide Grand Jury investigation into Southern Bell's sales practices. These problems have brought disrepute to the Company and its employees.

### 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?

**FCAN:** Southern Bell's proposed plan appears to only benefit the Company, providing it the opportunity to earn higher returns and windfall profits. Consumers universally reject the idea of allowing Southern Bell to automatically increase its rates up to 5% per year without review or public participation. The Commission clearly has the authority to establish the few beneficial elements of the Company's plan, such as Lifeline rates, without going further down the slippery slope of incentive regulation.

**ISSUE 28:** Does SBT's proposed Price Regulation Plan meet the requirements of S. 364.036(2)(a)-(g) F.S. as follows?

**FCAN:** No.

**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.?

**FCAN:** No, absolutely not! The Commission should deny Southern Bell's proposed price regulation plan. The current incentive regulation plan should end, and Southern Bell should be returned to the same rate of return regulation applied to all other Florida local exchange carriers.

#### **Cross-Subsidy Issues**

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

**FCAN:** No.

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

**FCAN:** Yes, of course.

**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?

**FCAN:** Yes, of course.

#### **Quality of Service**

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

**FCAN:** As pointed out by the Statewide Grand Jury investigation, no.

**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)?

**FCAN:** Yes.

## Policy and Pricing Issues

### Proposed Optional Expanded Local Service (ELS) Plan

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

**FCAN:** No. It is inappropriate to force customers to accept the equivalent of a pay phone in their living room in order to obtain a discount on local long distance calls. There should be no connection between these two distinct and separate services.

**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?

**FCAN:** No ELS plan should be approved which in any way shifts costs onto the backs of basic ratepayers. What customers have repeatedly asked for is expanded flat-rate local calling areas, not complicated formulas which may effectively re-monopolize intraLATA toll calls. Lacking this, a 25-cent plan could be considered as an alternative in some areas.

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

**FCAN:** Yes, stimulation should be taken into account. The Commission should look to actual stimulation experience with other similar plans.

**ISSUE 33E:** If the Commission approves an OELS or similar plan, what other action should the Commission take, if any?

**FCAN:** Regardless of any other action in this area, the Commission should consider the adoption of 1+ IntraLATA presubscription.

### Vertical Services

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

**FCAN:** No, the current charge for Touchtone service is totally inappropriate, and should be completely eliminated. Given today's technology, there is virtually no cost associated with the provision of Touchtone telephone service.

**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 its affiliated companies?

**FCAN:** Yes. Many consumers would see a benefit from a cost-effective consolidation of multiple billings for various telecommunications services.

#### **Extended Area Service**

**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)?

**FCAN:** Customers have repeatedly requested flat rate extended area service for these routes.

#### **Basic Local Exchange Rates**

**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?

**FCAN:** All existing charges for Touchtone telephone service should be eliminated. Basic local exchange rates should be reduced, as well.

**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.

**FCAN:** A Lifeline rate should be established in accordance with the recommendations of the American Association of Retired Persons (AARP).

**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 approval be approved?

**FCAN:** Yes.

Stimulation

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

**FCAN:** Stimulation should be accounted for in each rate reduction approved in this case.

Miscellaneous

**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?

**FCAN:** Yes.

Effective Date/ Customer Notification/ Bill Stuffers

**ISSUE 45A:** What should be the effective date of any rate changes approved in this docket?

**FCAN:** Rate reductions should be made effective at the earliest possible time.

FCAN takes no position at this time on issues not specifically identified within this statement.

V. Pending Matters

FCAN has no pending matters at this time.

Respectfully submitted this 18th day of December, 1992.

by   
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Dan B. Hendrickson, Esquire  
Florida Bar No. 0759510

Florida Consumer Action Network  
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**CERTIFICATE OF SERVICE  
DOCKET NO. 920260-TL**

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties on this 18th day of December, 1992.

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