

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL  
FILE COPY

In re: Comprehensive review of revenue requirements and rate stabilization plan of SOUTHERN BELL.	)	DOCKET NO. 920260-TL
	)	
In re: Investigation into the integrity of SOUTHERN BELL'S repair service activities and reports.	)	DOCKET NO. 910163-TL
	)	
In re: Investigation into SOUTHERN BELL'S compliance with Rule 25-4.110(2), F.A.C., Rebates.	)	DOCKET NO. 910727-TL
	)	
In re: Show cause proceeding against SOUTHERN BELL for misbilling customers.	)	DOCKET NO. 900960-TL
	)	
In re: Request by Broward Board of County Commissioners for extended area service between Ft. Lauderdale, Hollywood, North Dade, and Miami.	)	DOCKET NO. 911034-TL
	)	FILED: 12/6/93

**STAFF'S PREHEARING STATEMENT**

Pursuant to Order No. PSC-93-0644-PCO-TL, as subsequently modified, the Staff of the Florida Public Service Commission (Staff) hereby files its Prehearing Statement.

**A. All Known Witnesses:** Staff intends to proffer the testimony of the following witnesses on the matters indicated below:

	<u>WITNESSES</u>	<u>ISSUES ADDRESSED</u>
ACK _____	Tim Devlin	14d, 15l, 17, 17a-c, 17e-j, 17m, 17o-p, 21b
AFA _____		
APP _____	David E. Dismukes	28a-b, 34
CAF _____		
GMU _____	Elton Howell	301, 302, 306, 309, 401b, 401c
CTR _____		
EAG _____	Donald B. McDonald	39, 39a
LEG _____		
LIN <u>6</u> _____	Ronald D. Neil	9
OPC _____		
RCH _____		
SEC <u>1</u> _____		
WAS _____		
OTU _____		

DOCUMENT NUMBER-DATE  
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STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 2

<u>WITNESSES</u>	<u>ISSUES ADDRESSED</u>
Costas Panagiotopoulos	2a
Nancy Pruitt	39
Carl S. Vinson, Jr.	201, 205, 206, 301, 303, 304, 306, 307, 309, 310, 402
Ruth Young	15a
Kathy Welch	15c-d, 15p, 15r

B. All Known Exhibits: Staff has prefiled the following exhibits:

<u>WITNESS</u>	<u>ID NO.</u>	<u>TITLE</u>
Tim Devlin	TBA	These exhibits will be filed with the witness' testimony on Dec. 17th
David E. Dismukes	DED-1	Stimulation Analyses
	DED-2	Descriptive Statistics of So. Bell MTS Routes
Elton Howell	EH-1	Rebate Findings - Aug 1990 Data
	EH-2	Rebate Findings - April 1992 Data
	EH-3	Troubles Reviewed by Area Code
	EH-4 - EH-14	DLETHs and Billing Information
	EH-15	Consumer Complaint Findings

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 3

<u>WITNESS</u>	<u>ID NO.</u>	<u>TITLE</u>
Elton Howell	EH-16	Record Comparison
Donald B. McDonald	DBM-1	Periodic Reports 1991-93
	DBM-2	Complaint Activity
	DBM-3	Answer Time Study
	DBM-4	Service Evaluation - May 11 thru July 17, 1992
	DBM-5	Service Evaluation - July 12 thru Sept. 2, 1993
	DBM-6	Weighted Index
	DBM-7	Order No. 24746
	DBM-8	Weighted Index Across Time
	DBM-9	Response to Service Evaluation
Ronald D. Neil	RDN-1	ROE Analyses
C. Panagiotopoulos	TBA	CPR Audit Report will be filed on or before Dec. 17th
Nancy Pruitt	NP-1	So. Bell Logged Complaints
	NP-2	So. Bell Complaint Rate by Type
	NP-3	Complaints Calendar Year 88-92
	NP-4	Justification Calendar Year 88-92
	NP-5	1993 Complaints Jan - Oct

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 4

<u>WITNESS</u>	<u>ID NO.</u>	<u>TITLE</u>
Carl S. Vinson	CSV-REP-1	Audit Report: Repair Process Controls
	CSV-SAL-1	Audit Report: Non-Contact Sales Incentive Program Controls
	CSV-SAL-2	Contact Sales Methods and Controls
Ruth Young	TBA	WASSP Audit Report will be filed on or before Dec. 17th
Kathy Welch	KW-1	Rate Case Audit Report

**C. Staff's Statement of Basic Position:**

Pursuant to order of this Commission, Southern Bell has filed its Minimum Filing Requirements. Until all the evidence and testimony has been received into the record and fully evaluated, it is not possible to determine the appropriateness of all of Southern Bell's proposals. At this point in the proceedings, however, Staff believes that some significant rate reductions are in order. A reasonable Return on Equity would be approximately 10.8%, based on the testimony of staff witness Ron Neil. Southern Bell's Optional Expanded Local Service proposal should not be approved. Staff will take no position on DN 911034-TL, the Broward County Commission's request for EAS relief, until after the traffic study is completed and the results submitted to staff. Finally, Staff will take no position on the Company's proposal to continue its current form of regulation, i.e., rate of return with an expanded range of allowed earnings, until all the evidence has been heard in DN 900960-TL, 910163-TL, and 910727-TL, and the accuracy of the required quarterly performance reports to the Commission has been determined.

**D.-F. Staff's Position on the Issues:**

**GENERAL ISSUES**

**ISSUE 1:** Is the test year ended December 31, 1993, an appropriate test year?

**STAFF'S POSITION:** No position at this time.

**RATE BASE**

**Plant in Service**

**ISSUE 2:** What is the appropriate amount of plant in service for the test year?

**STAFF'S POSITION:** This is a mathematical calculation or a fall-out issue.

**ISSUE 2a:** What adjustment, if any, should be made to plant in service, depreciation reserve and expense to account for plant investments shown on Southern Bell's Continuing Property Record System (CPR) for Circuit Other Account that does not represent physical plant in service?

**STAFF'S POSITION:** No position at this time pending completion of staff's Continuing Property Records audit.

**ISSUE 2b:** Is Southern Bell's investment in its interLATA internal company network prudent, reasonable, and necessary to enable it to provide service to ratepayers? If not, what action should the Commission take?

**STAFF'S POSITION:** No. Certain portions of Southern Bell's interLATA internal company network have been over built. The investment associated with these links should be excluded from rate base.

**Depreciation Reserve**

**ISSUE 3:** What is the appropriate amount of depreciation reserve for the test year?

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 6

**STAFF'S POSITION:** No position at this time.

**Plant Under Construction**

**ISSUE 4:** What is the appropriate amount of construction work in progress for the test year?

**STAFF'S POSITION:** The appropriate amount of construction work in progress for the test year is \$34,223,000 as filed on July 2, 1993.

**Property Held For Future Use**

**ISSUE 5:** What is the appropriate amount of property held for future use for the test year?

**STAFF'S POSITION:** The appropriate amount of property held for future use for the test year is \$179,000 as filed on July 2, 1993.

**Working Capital**

**ISSUE 6:** What is the appropriate amount of working capital allowance for the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 6a:** Should the Company be allowed to include the unamortized portion of deferred Hurricane Andrew expenses in working capital?

**STAFF'S POSITION:** No position at this time.

**ISSUE 6b:** Should the Company be allowed to include the balance for unamortized deferred compensation absences in working capital?

**STAFF'S POSITION:** No position at this time.

**ISSUE 6c:** Should accrued dividends be added back in the computation of the working capital?

**STAFF'S POSITION:** No position at this time.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 7

**ISSUE 7:** Should the unfunded FAS 106 liability reduce rate base?

**STAFF'S POSITION:** Yes. In accordance with Rule 25-14.012, F.A.C., the unfunded FAS 106 liability should reduce rate base.

**ISSUE 8:** What is the appropriate amount of rate base for the test year?

**STAFF'S POSITION:** This is a mathematical calculation or a fall-out issue.

**COST OF CAPITAL**

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

**STAFF'S POSITION:** According to Staff witness Neil, a reasonable return on equity for the Company is 10.8%.

**ISSUE 10:** Is Southern Bell's proposed test year equity ratio prudent and reasonable? If not, how should this be treated?

**STAFF'S POSITION:** No position at this time.

**ISSUE 11:** Is Southern Bell's balance of accumulated deferred investment tax credits, prior to reconciliation to rate base, appropriate?

**STAFF'S POSITION:** No position at this time.

**ISSUE 12:** Is Southern Bell's balance of accumulated deferred taxes, prior to reconciliation to rate base, appropriate?

**STAFF'S POSITION:** No position at this time.

**ISSUE 13:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year?

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL

PAGE 8

**STAFF'S POSITION:** This is a mathematical calculation or a fall-out issue.

**NET OPERATING INCOME**

**Operating Revenue**

**ISSUE 14:** What is the appropriate amount of operating revenue for the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 14a:** Are all of the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 14b:** How should employee concessions be treated for ratemaking purposes?

**STAFF'S POSITION:** Employee concessions should be recognized as revenue to the Company and be treated as an expense, thus subject to jurisdictional separation.

**ISSUE 14c:** Should an adjustment be made to intrastate revenues for the test period to recognize adjustments to IXC's percentage interstate usage (PIU)?

**STAFF'S POSITION:** Yes. Intrastate revenues should be adjusted to recognize the PIU adjustments.

**ISSUE 14d:** What is the appropriate amount of gross directory advertising profit that should be included in the test period?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 9

**ISSUE 14e:** In the event that the Commission changes the current regulatory practice regarding the inside wire operation, how should that change be treated for ratemaking purposes?

**STAFF'S POSITION:** In the event that the Commission changes the current regulatory practice regarding the inside wire operation, the impact of the change should be held subject to refund.

**Operation & Maintenance Expense**

**ISSUE 15:** What is the appropriate amount of O&M expense for the test year?

**STAFF'S POSITION:** This is a mathematical calculation or a fall-out issue.

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

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 15b:** What adjustment, if any, should be made to expenses for USTA and FTA dues?

**STAFF'S POSITION:** A portion of USTA dues associated with activities such as lobbying, public relations, contributions, and meals and entertainment should be disallowed for ratemaking purposes. No position at this time regarding FTA dues.

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

**STAFF'S POSITION:** Expenses associated with lobbying and political activities, if any, should be removed for ratemaking purposes.

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

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 10**

**STAFF'S POSITION:** No position at this time.

**ISSUE 15e:** Does the level of legal, injury, and damage claims expense represent a reasonable and necessary ongoing level?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15f:** What is the appropriate treatment of the Company's promotional expenses, sponsorships, charitable contributions and other miscellaneous expenses?

**STAFF'S POSITION:** Expenses associated with promotional activities, sponsorships, and contributions, if any, should be removed for ratemaking purposes.

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

**STAFF'S POSITION:** No position at this time.

**ISSUE 15h:** In the event that the Commission requires a different accounting practice for software additions than is currently employed by SBT, how should that change be treated for ratemaking purposes?

**STAFF'S POSITION:** In the event that the Commission requires a different accounting practice for software additions than is currently employed by SBT, the impact of the accounting change should be held subject to refund.

**ISSUE 15i:** How should the Commission treat the Company's incentive compensation/bonus plan payments?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15j:** Should the Commission allow the Company to establish a casualty damage reserve? If so, what is the appropriate amount of annual expense?

**STAFF'S POSITION:** No position at this time.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 11

**ISSUE 15k:** What is the appropriate expense adjustment for Hurricane Andrew, if any, in the test period?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15l:** Has Southern Bell's ESOP been treated appropriately for regulatory purposes?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 15m:** How should the costs associated with debt refinancing be treated for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15n:** Has the Company properly recorded legal and professional services in connection with the Attorney General's investigation and the Davis anti-trust lawsuit as below the line expenses?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15o:** Should the Company be allowed to recover a provision for pension expense in cost of service?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15p:** How should the Commission treat the costs and the savings associated with the Company's labor reduction plan for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15q:** Is the budgeted level of maintenance expense appropriate for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 12**

**ISSUE 15r:** Should an adjustment be made to uncollectible accounts expense?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15s:** Should the Company be allowed to recover, in cost of service, the cost of the Supplemental Executive Retirement Plan (SERP)?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15t:** How should the Commission treat costs associated with Stock Appreciation Rights for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15u:** Should the Company be allowed to recover, through cost of service, the cost of chauffeurs?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15v:** Are there any out-of-period expenses which should be removed from the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15w:** Is the Company's proforma adjustment to remove certain aircraft expenses reasonable?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15x:** Should an adjustment be made to the separations factor for the Corporate Operations Expense?

**STAFF'S POSITION:** No position at this time.

**ISSUE 15y:** Should an adjustment be made to the separations factor related to the Universal Service Fund?

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 13

STAFF'S POSITION: No position at this time.

Nonrecurring Items

ISSUE 16: Have non-recurring items been removed from the determination of revenue requirements?

STAFF'S POSITION: No position at this time.

Affiliated Transactions

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

STAFF'S POSITION: No position at this time pending completion of staff's audit.

ISSUE 17a: Are the ownership costs incurred at the corporate level appropriate for ratepayers to pay?

STAFF'S POSITION: No position at this time pending completion of staff's audit.

ISSUE 17b: Are the regulated operations being properly compensated for billing and collection services provided to nonaffiliated companies, and nonregulated and/or affiliated company operations?

STAFF'S POSITION: No position at this time pending completion of staff's audit.

ISSUE 17c: How should the Commission treat BST Research Organization expenses?

STAFF'S POSITION: No position at this time pending completion of staff's audit.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 14

**ISSUE 17d:** Should the Company be allowed to recover as expense, the return on affiliated assets designated as Intracompany Investment Compensation (ICIC)?

**STAFF'S POSITION:** No position at this time.

**ISSUE 17e:** Has the Company properly removed all BSC corporate advertising costs?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17f:** Should an adjustment be made for BSC Corporate Affairs expenses which are charged to the Company?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17g:** Should an adjustment be made for BSC D.C. Public Relations costs which are charged to the Company?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17h:** Should an adjustment be made to remove BSC sponsorships which are charged to the Company?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17i:** Is the return on investment charged to the Company by BSC reasonable?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17j:** Should an adjustment be made for BSC's lease of the Campanile Building which is charged to the Company?

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL**  
**PAGE 15**

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17k:** Should an adjustment be made to the 1993 budgeted BSC project costs charged to the Company?

**STAFF'S POSITION:** No position at this time.

**ISSUE 17l:** Are any adjustments necessary to remove travel, meals, club dues, gifts, sporting events, other entertainment, and other miscellaneous expenses of BSC which are charged to the Company?

**STAFF'S POSITION:** No position at this time.

**ISSUE 17m:** Is the Company's adjustment to remove BSC dues reasonable?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17n:** Should an adjustment be made to remove BSC donations which are charged to the Company?

**STAFF'S POSITION:** Expenses associated with donations, if any, should be disallowed for ratemaking purposes.

**ISSUE 17o:** Should an adjustment be made for BSC legal expenses charged to the Company?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 17p:** Are any adjustments necessary to costs allocated or charged to the Company from BellCore?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 16

**ISSUE 17q:** Should certain Research and Development costs charged to the Company be deferred or capitalized?

**STAFF'S POSITION:** No position at this time.

**ISSUE 17r:** How should the Commission treat the lease agreement with Sunlink for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 17s:** How should the Commission treat the agreement with BellSouth Travel Service for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 17t:** Should the Commission allow the Company to charge its affiliates a return on investment for the use of common plant and equipment?

**STAFF'S POSITION:** No position at this time.

**FAS 112 and 106**

**ISSUE 18:** Should the Commission adopt FAS 112 for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 18a:** What adjustment, if any, should be made for postemployment benefits for the test year related to FAS 112?

**STAFF'S POSITION:** No position at this time.

**ISSUE 18b:** Does the recognition of FAS 112 expense in 1993 duplicate budgeted expenses in 1993?

**STAFF'S POSITION:** No position at this time.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 17

**ISSUE 18c:** What adjustment, if any, should be made for postretirement benefits other than pensions for the test year related to FAS 106?

**STAFF'S POSITION:** No position at this time.

**Depreciation and Amortization Expense**

**ISSUE 19:** What is the appropriate amount of depreciation expense for the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 19a:** How and when should the reserve deficit caused by Hurricane Andrew damage be recognized for ratemaking purposes?

**STAFF'S POSITION:** No position at this time.

**ISSUE 19b:** Has the Company properly computed the adjustment for expiring amortization? If not, what is the appropriate adjustment?

**STAFF'S POSITION:** No position at this time.

**Taxes**

**ISSUE 20:** What is the appropriate amount of taxes other than income for the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 20a:** Should an adjustment be made to the gross receipts tax expense?

**STAFF'S POSITION:** No position at this time.

**ISSUE 20b:** Should an adjustment be made to the separation factor for taxes, other than income?

**STAFF'S POSITION:** No position at this time.

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 18**

**ISSUE 21:** What is the appropriate amount of income tax expense for the test year?

**STAFF'S POSITION:** No position at this time.

**ISSUE 21a:** Has the Company implemented FAS 109, Accounting for Income Taxes, in accordance with Rule 25-14.013, Florida Administrative Code?

**STAFF'S POSITION:** No position at this time.

**ISSUE 21b:** Should the tax savings that BellSouth Corporation retains in connection with the PAYSOP and LESOP plans be allocated to Florida?

**STAFF'S POSITION:** No position at this time pending completion of staff's audit.

**ISSUE 21c:** Should a parent Company debt adjustment be made because of: (1) the debt issued by BellSouth Capital Funding Corporation and (2) the debt issued by the trust which holds the shares for the LESOP?

**STAFF'S POSITION:** No position at this time.

**ISSUE 22:** What is the appropriate achieved test year net operating income?

**STAFF'S POSITION:** This is a mathematical calculation or a fall-out issue.

**ATTRITION**

**ISSUE 23:** Is Southern Bell's attrition (accretion) allowance appropriate?

**STAFF'S POSITION:** No position at this time.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 19

REVENUE REQUIREMENT

ISSUE 24: What is the appropriate amount of revenue increase/decrease for the test year?

STAFF'S POSITION: This is a mathematical calculation or a fall-out issue.

ISSUE 24a: Did Southern Bell earn above 14% Return on Equity (ROE) for 1992 therefore requiring a sharing of earnings between the company and ratepayers per Order No. 20162 in DN 880069-TL? If so, what is the amount to be shared?

STAFF'S POSITION: No position at this time.

ISSUE 24b: Did Southern Bell experience an increase in earnings when netting rate changes against changes in earnings due to exogenous factors and debt refinancings, therefore requiring a refund and/or a permanent disposition for 1992 per Order No. 20162? If so, what is the amount?

STAFF'S POSITION: No position at this time.

ISSUE 24c: What amount of revenue, if any, is subject to disposition for 1993 due to orders issued in DN 920260? How should this revenue be disposed of?

STAFF'S POSITION: No position at this time.

ISSUE 24d: What is the appropriate revenue expansion factor to be used in determining revenue requirements?

STAFF'S POSITION: No position at this time.

INCENTIVE REGULATION

ISSUE 25a: What criteria should the Commission use to evaluate Southern Bell's performance under the current form of regulation?

**STAFF'S PREHEARING STATEMENT**

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 20

**STAFF'S POSITION:** The Commission should use, at minimum, the criteria of provision of new services, reasonable rates and maintenance of quality of service as established in Order No. 20162. Staff takes no position at this time on any additional criteria that should be used.

**ISSUE 25b:** Has the current incentive regulation plan under which Southern Bell has been operating achieved the goals as set forth in Order No. 20162? What are the positive and negative results, if any?

**STAFF'S POSITION:** The following goals were set forth in Order No. 20162:

1. New services will be brought to the consumer.
2. Reasonable rates will be sustained.
3. Quality of service will be maintained.

Staff's preliminary position is that new services have been introduced and regulated rates have not, in general, increased. However, the quality of service has deteriorated. Staff has no position at this time as to whether there is a causal relationship between these results and the incentive regulation plan.

**ISSUE 26:** Should the Commission continue the current form of regulation of SBT? If not, what is the appropriate form of regulation for SBT?

**STAFF'S POSITION:** No position at this time.

**POLICY AND PRICING**

**Billing Units**

**ISSUE 27:** Are Southern Bell's test year billing units appropriate?

**STAFF'S POSITION:** No position at this time pending receipt of discovery responses.

**ISSUE 27a:** Have billing units for employee concessions been properly accounted for in MFR Schedule E-1a?

**STAFF'S PREHEARING STATEMENT**

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 21

**STAFF'S POSITION:** Based on SBT's responses to staff interrogatories, it appears that employee concessions have been properly accounted for in MFR Schedule E-1a.

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

**ISSUE 28:** Southern Bell has proposed an "Optional Expanded Local Service" (ELS) plan. Customers who subscribe would pay \$.02 per minute for all calls within the existing local calling area and \$.08 per minute for all intraLATA calls up to approximately forty miles. The proposed plan includes many components and features including seven-digit dialing, reduced flat-rate buy-ins, and usage caps. It would be available to both business and residence customers.

**ISSUE 28a:** Should Southern Bell's proposed Optional Expanded Local Service (ELS) plan be approved? If not, what alternative plan, if any, should be approved and what should be the criteria? What is the first year revenue impact?

**STAFF'S POSITION:** Southern Bell's proposed optional Expanded Local Service (ELS) plan should not be approved. Staff has no position at this time on what alternative plan, if any, should be approved pending further discovery.

**ISSUE 28b:** If the Company's Optional ELS plan or any other alternative is approved, should stimulation be taken into account? If so, how?

**STAFF'S POSITION:** Stimulation should be taken into account if the Company's Optional ELS plan or any other toll alternative is approved. Stimulation should be based on the percentage change in price and reflect, to the extent possible, the local or toll nature of the approved plan.

**ISSUE 28c:** If the Commission approves an OELS or similar plan, what other action should the Commission take, if any? (e.g., route-specific switched access charges, 1+ IntraLATA presubscription).

**STAFF'S PREHEARING STATEMENT**

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 22

**STAFF'S POSITION:** The Commission should take no action at this time. Docket No. 930330, scheduled for hearing in September 1994, will determine whether 1+ presubscription is in the Florida ratepayers' best interest.

**ISSUE 28d:** Is Southern Bell's proposal to amend, eliminate, or grandfather various existing measured and message rate offerings appropriate?

**STAFF'S POSITION:** Yes. It should be noted that the decision made in Issue 28a could cause a different customer and revenue impact from that proposed by Southern Bell.

**Toll/Access/Mobile Interconnection**

**ISSUE 29:** Southern Bell has made the following proposals:

- A) To reduce the local transport element for both originating and terminating access from \$.01600 to \$.01289.
- B) To reduce the current FGD originating CCL from \$.02660 to \$.02600.
- C) To reduce the current FGD terminating CCL from \$.03660 to \$.02927.
- D) Not to flow through the switched access reductions to mobile interconnection usage rates.
- E) Not to make any changes to its toll services rates.

Should SBT's proposals be approved? If not, what actions should the Commission take with respect to SBT's switched access, toll, and/or mobile interconnection usage rates? What is the test year revenue impact?

**STAFF'S POSITION:** Southern Bell, in addition to the proposed \$10 million decrease in the local transport switched access element, should be required to reduce other switched access elements so that its intrastate rates are at parity with its interstate switched access rates. Staff takes no position on the company's proposal not to flow through switched access reductions to mobile usage rates pending the Commission's decision in Docket No. 930915. Staff takes no position at this time on the company's proposal not to change its toll (MTS) rates.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 23

Vertical Services

ISSUE 30a: Should the Company's proposal to reduce Residential Call Waiting from \$3.50 to \$3.35 and the Residential Call Forwarding-Variable from \$2.45 to \$2.20 be approved? If so, what is the test year revenue impact?

STAFF'S POSITION: Yes.

ISSUE 30b: The Company has made no proposal to change its current Touchtone charges. Is this appropriate? If not, what action should be taken and what is the test year revenue impact?

STAFF'S POSITION: To the maximum extent possible, Touchtone charges should be eliminated.

ISSUE 30c: Should customers be allowed to subscribe to Call Forward-Busy in lieu of rotary or hunting service? If so, what is the test year revenue impact?

STAFF'S POSITION: No position at this time.

ISSUE 30d: Should SBT be required to offer Billed Number Screening for collect and third number billed calls at no charge to subscribers? If so, what is the test year revenue impact?

STAFF'S POSITION: Yes. The test year revenue impact of eliminating this charge is \$1,905,185.

Service Connection Charges

31. Southern Bell has proposed to restructure and reduce its Service Connection Charges as shown below. What changes, if any, should be made to Service Connection Charges? What is the test year revenue impact?

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 24

<u>Current</u>		<u>Proposed</u>	
<u>Residential</u>		<u>Residential</u>	
Primary Service Order	\$25.00	Line Connection - First	\$40.00
Secondary Service Order	\$ 9.00	Line Connection - Add'l	\$12.00
Access Line Connection		Line Change - First	\$23.00
Charge - C.O. Work	\$19.50	Line Change - Add'l	\$11.00
Access Line Connection		Secondary Service Charge	\$10.00
Charge - New Line	\$31.50		
Number Change-per S.O.	\$ 9.00		
Number Change-per No.	\$11.50		
 <u>Business</u>		 <u>Business</u>	
Primary Service Order	\$35.00	Line Connection - First	\$56.00
Secondary Service Order	\$12.50	Line Connection - Add'l	\$12.00
Access Line Connection		Line Change - First	\$38.00
Charge - C.O. Work	\$19.50	Line Change - Add'l	\$11.00
Access Line Connection		Secondary Service Charge	\$19.00
Charge - New Line	\$31.50		
Number Change-per S.O.	\$12.50		
Number Change-per No.	\$11.50		

**STAFF'S POSITION:** No position at this time.

**Extended Area Service**

**ISSUE 32a:** Is a toll relief plan warranted for the routes in Docket No. 911034-TL (Between Ft. Lauderdale and Miami; Ft. Lauderdale and N. Dade; and Hollywood and Miami)? If so, what is the appropriate form of toll relief? What is the revenue impact?

**STAFF'S POSITION:** Staff takes no position pending receipt of traffic study data scheduled to be filed December 8, 1993.

**ISSUE 32b:** Should the modifications to the OEAS and EOEAS plans in Section A3.7 of the General Subscriber Service Tariff be approved as proposed? If not, what action, if any, should be taken? What is the test year revenue impact?

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 25

**STAFF'S POSITION:** Yes. It should be noted that the decision made in Issue 28a could cause a different customer and revenue impact from that proposed by Southern Bell.

**ISSUE 32c:** Should the proposed modifications to the "Local Exceptions" in Section A3.8 of the GSST be approved? If not, what actions, if any, should be taken? What is the test year revenue impact?

**STAFF'S POSITION:** Yes. It should be noted that the decision made in Issue 28a could cause a different customer and revenue impact from that proposed by Southern Bell.

**Basic Local Exchange Rates**

**ISSUE 33a:** Southern Bell has proposed to reduce the rates and modify the rate relationships between certain of its business access lines services as shown below. It has proposed no other changes to business rate relationships. Is this appropriate? If not, what changes, if any, should be made to business access line rate relationships? What is the test year revenue impact?

<u>Service</u>	<u>Reduction</u>	<u>Cur./Prop. B-1 Ratio</u>
Business Rotary (or hunting)	31%	.50 / .35
Residential PBX Trunks	22%	.84 / .66
Business PBX Trunks	24%	2.24 / 1.70
Network Access Registers	24%	2.24 / 1.70
NARs - Small, Medium, Large	42%	1.03 / .59

**STAFF'S POSITION:** No position at this time.

**ISSUE 33b:** Should SBT be required to revise its tariff to change the Directory Assistance (DA) call allowance from one DA call per Centrex/ESSX main station line to 3 DA calls per NAR so as to be comparable with DA call allowances on PBX trunks? If so, what is the test year revenue impact?

**STAFF'S POSITION:** No position at this time.

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 26**

**ISSUE 33c:** SBT's current rates for Customized Code Restriction (CCR) for B-1 and PBX subscribers are greater than the rates for equivalent services to the company's ESSX subscribers. Is this appropriate? If not, what adjustment(s) should be made?

**STAFF'S POSITION:** No position at this time.

**ISSUE 33d:** The Company has made no other proposals to change its basic local exchange rates. Is this appropriate? If not, what changes should be made?

**STAFF'S POSITION:** No position at this time.

**Stimulation**

**ISSUE 34:** Are Southern Bell's proposed stimulation rates and levels appropriate? If not, what is appropriate?

**STAFF'S POSITION:** No. SBT's approach of using elasticity estimates generated by an intraLATA MTS demand model to approximate the effect of changes in the price of interLATA switched access is conceptually flawed. The interLATA MTS demand model developed by staff witness Dismukes is more appropriate for this purpose. Further, SBT overstated the stimulation by failing to consider that interexchange carriers typically price on a statewide basis, not a local exchange company specific basis. In addition, SBT has used short run elasticity estimates when long run elasticity estimates are more appropriate. Finally, to the extent this Commission requires any reductions in intraLATA MTS, the model proffered by staff witness Dismukes should be used to estimate stimulation.

**Miscellaneous Issues**

**ISSUE 35:** Should Southern Bell be required to itemize customer bills on a monthly basis?

**STAFF'S POSITION:** Yes, Southern Bell should be ordered to itemize customer bills on a monthly basis. The Company currently itemizes at its option.

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 27**

**ISSUE 36:** Should SBT be allowed to unbundle the Gross Receipts Tax from base rates and bill it as a separate line item on customer bills? If so, what is the test year revenue impact of doing so?

**STAFF'S POSITION:** This issue should be deleted.

**ISSUE 37:** What other rate changes, if any, should be approved?

**STAFF'S POSITION:** At this time, staff recommends no other changes.

**Effective Date/ Customer Notification**

**ISSUE 38a:** What should be the effective date(s) of any rate changes approved in this docket?

**STAFF'S POSITION:** In general, new rates should go into effect five days after correct tariffs have been received and reviewed. Specified new or revised offerings, if approved, may require more time before becoming effective. Revised tariffs should be filed five days after the final vote.

New rates should apply to all service received on or after the effective date even if they are not actually billed until the following month. A grace period should be established as follows: any customer requesting discontinuance of a service prior to the due date of the first bill following the effective date of that service should receive a credit for the difference in billing between the old and new rate.

**ISSUE 38b:** What information should be contained in the bill stuffers sent to customers and when should such notification take place?

**STAFF'S POSITION:** Southern Bell should notify its customers of any rate changes by a bill stuffer distributed in the first billing cycle following the rate changes. The bill stuffer should be submitted to staff for review within five days of the Commission's vote. Bill stuffers should contain the following information:

- 1) An overview of the case and a summary of the final order;
- 2) Summary of services for which rates have been adjusted;

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 28

- 3) A statement that information on new rates is available from each of the Company's business offices and service centers;
- 4) Explanation of the credit for discontinuance or modification of service and how it may be obtained.

ISSUES IN DOCKET NO. 900960-TL

ISSUE 201: Has SBT charged customers through non-contact sales for services not requested?

STAFF'S POSITION: Yes.

ISSUE 202: Did SBT misbill its customers by misinforming them or misleading them with respect to what was the most economic or least expensive service, with the result that the customers were billed for services they did not desire?

STAFF'S POSITION: Yes, SBT misinformed or misled its customers. To the extent this practice occurred, staff has no position pending further discovery.

ISSUE 203: How many customers were charged for services not requested through non-contact sales and what is the total amount of such charges that has been collected from SBT customers? Have these charges been refunded appropriately?

STAFF'S POSITION: No position at this time, pending further discovery.

ISSUE 204: Did SBT's management know or should they have known that customers were being billed through non-contact sales for services not ordered and were appropriate actions taken?

STAFF'S POSITION: Yes, SBT's management knew or should have known that customers were being billed through non-contact sales for services not ordered. Some corrective action was taken, but whether such action was sufficient and timely cannot be determined pending further discovery.

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL**  
**PAGE 29**

**ISSUE 205:** Did SBT have adequate internal controls for non-contact sales to prevent customers from being misbilled?

**STAFF'S POSITION:** SBT's internal controls were inadequate to prevent customers from being misbilled.

**ISSUE 206:** Did SBT's employees take any other inappropriate actions in regard to marketing and sales of telephone services? If so, what was the impact and what action should the Commission take?

**STAFF'S POSITION:** Yes, SBT's employees appear to have taken other inappropriate actions regarding marketing and sales. The extent, impact and corrective actions cannot be determined, pending further discovery.

**ISSUE 207:** If SBT did charge customers through non-contact sales for services not requested and/or took any other inappropriate actions in its marketing and sales of telephone services, did these actions violate Chapter 364, Florida Statutes, or Commission Rules?

**STAFF'S POSITION:** Yes.

**ISSUES IN DOCKET NOS. 910163-TL AND 910727-TL**

**ISSUE 301:** Did any of SBT's employees misreport or otherwise miscode trouble reports?

**STAFF'S POSITION:** Yes.

**ISSUE 301a:** If so, how?

**STAFF'S POSITION:** Employees of Southern Bell have used several procedures to miscode trouble reports. Listed below is a list of these procedures.

1. Backing up clearing times
2. Improper statusing of trouble reports as out of service, service affecting or employee reports
3. Improper use of CON status

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 30

4. Changing of commitment times without Customer's knowledge
5. Improper use of No Access
6. Improper exclusion of trouble reports
7. Improper use of Test OK Codes
8. Misuse of Employee Codes

**ISSUE 301b:** How widespread were such activities?

**STAFF'S POSITION:** The activities appear to be statewide.

**ISSUE 301c:** Did Southern Bell take timely action to stop the practices?

**STAFF'S POSITION:** No.

**ISSUE 302:** Has SBT violated any Commission Rules or Florida Statutes in regard to its repair and rebate operations? If so, what?

**STAFF'S POSITION:** Yes. Southern Bell violated Commission Rules 25-4.018 (Periodic Reports), 25-4.070 (Customer Trouble Reports), 25-4.0770 (Customer Appointments) and 25-4.110 (Customer Billing).

**ISSUE 303:** Did SBT's management encourage behavior that led to any violations of Commission Rules or Florida Statutes in regard to its repair and rebate operations? If so, how?

**STAFF'S POSITION:** Yes. The company's management encouraged and pressured installation and maintenance employees to meet the FPSC objectives. These actions led to some employees falsifying trouble reports.

**ISSUE 304:** Has SBT filed any inaccurate Commission Forms PSC/CMU 28 (12/86) or Schedules 2, 11, 17, or 18?

**STAFF'S POSITION:** Yes. Southern Bell has filed incorrect schedules with this Commission since at least January 1989.

**ISSUE 304a:** If so, how?

**STAFF'S PREHEARING STATEMENT**

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL

PAGE 31

**STAFF'S POSITION:** It appears that Southern Bell has not corrected Commission Forms PSC/CMU 28 (12/86) for all miscoding errors and claims of improper activity discussed in the company's reviews and the depositions taken in this docket. In addition, it appears that the method by which Southern Bell calculates some of the information in these schedules is wrong and therefore the schedules are incorrect.

**ISSUE 304b:** Has Southern Bell filed corrected Quarterly Reports?

**STAFF'S POSITION:** No.

**ISSUE 304c:** If not, what actions should the Commission take?

**STAFF'S POSITION:** Due to the age and unavailability of the information, staff believes it is impossible for Southern Bell to correct these forms/schedules. Staff believes that for future schedules Southern Bell should remove all excluded trouble reports from the base of Out-of-Service trouble reports when calculating the FPSC indexes. In addition, the Commission should require Southern Bell to file with the Commission a copy of every review done on Southern Bell's repair operations (including DLETHs). At the time of filing these reviews, Southern Bell should indicate any change the deviations may cause in the FPSC indexes.

**ISSUE 305:** Did Southern Bell Telephone and Telegraph Company have sufficient controls in place to detect or prevent any possible repair and rebate falsification from occurring? If not, where and how were the controls insufficient?

**STAFF'S POSITION:** No. The company did not have sufficient controls in several areas such as access to the Loop Maintenance Operational System (LMOS), Verification of Codes input into the LMOS system and the lack of network reviews through Southern Bell's service territory.

**ISSUE 306:** Under what circumstances have rebates been improperly denied to Southern Bell Telephone and Telegraph Company's customers, if any?

**STAFF'S PREHEARING STATEMENT**

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 32

**STAFF'S POSITION:** Southern Bell's customers have been improperly denied rebates for certain customer premises equipment (CPE) related trouble reports that are out-of-service over 24 hours. In those cases where the problem was not isolated to the CPE in the first twenty-four hours, the customer should have received a rebate. In addition to not rebating the CPE trouble reports properly, Southern Bell failed to rebate repeat reports that were out-of-service for several days. The company also has not rebated some customers due to improper activity identified in Issue 301.

**ISSUE 307:** Were customers denied rebates due to mismanagement, if any, by Southern Bell Telephone and Telegraph Company?

**STAFF'S POSITION:** Yes.

**ISSUE 308:** Should Southern Bell Telephone and Telegraph Company be prospectively required to rebate out-of-service over 24 hours reports for the full period of the outage under Rule 25-4.110 (2) by rounding up each pro rata portion of a 24 hour period to equal one full day?

**STAFF'S POSITION:** No. Southern Bell should rebate outages in accordance with Rule 25-4.110 (2).

**ISSUE 309:** Should Southern Bell be required to file a report with the Commission for rebates given to customers due to these investigation dockets? If so, what should be contained in the report?

**STAFF'S POSITION:** Yes, Southern Bell should be required to file a report which contains the customer's name, amount of rebate, and an explanation why the customer was rebated.

**ISSUE 310:** Should the Commission modify Southern Bell Telephone and Telegraph Company's reporting requirements, document retention policy or make any other changes?

**STAFF'S POSITION:** Yes.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 33

GENERAL ISSUES PERTAINING TO DNS 910163, 900960, AND 920260

ISSUE 401: Has SBT refunded the appropriate amounts due in order to make its customers whole for the Dockets listed below? If not, what action should the Commission take?

ISSUE 401a: Docket No. 900960-TL; Non-Contact Sales.

STAFF'S POSITION: No position at this time, pending further discovery.

ISSUE 401b: Docket No. 910163-TL; Repair.

STAFF'S POSITION: No. Staff believes that it is impossible to identify customers who deserve a rebate due to improper coding activity of Southern Bell employees. If a specific customer is identified as not being rebated due to improper activities then Southern Bell should provide an appropriate rebate.

ISSUE 401c: Docket No. 910727-TL; Rebate.

STAFF'S POSITION: No. Southern Bell should provide rebates for CPE related trouble reports that are out-of-service over 24 hours.

ISSUE 402: Has SBT taken adequate steps to prevent any recurrence of these inappropriate activities, if any, and, if not, what should the Commission require SBT to do to prevent these inappropriate activities from occurring again for the dockets listed below?

ISSUE 402a: Docket No. 900960-TL; Contact and Non-Contact Sales.

STAFF'S POSITION: SBT has taken some corrective action, but whether such action was sufficient and timely cannot be determined pending further discovery.

ISSUE 402b: Docket No. 910163-TL; Repair.

STAFF'S POSITION: No position at this time.

**STAFF'S PREHEARING STATEMENT**

**DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL**  
**PAGE 34**

**ISSUE 402c:** Docket No. 910727-TL; Rebate.

**STAFF'S POSITION:** No position at this time.

**ISSUE 403:** Should the Commission penalize SBT for poor quality of service, mismanagement, or violations, if any, of Commission Rules and Florida Statutes for the dockets listed below? If so, how?

**ISSUE 403a:** Docket No. 900960-TL; Non-Contact Sales.

**STAFF'S POSITION:** Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

**ISSUE 403b:** Docket No. 910163-TL; Repair.

**STAFF'S POSITION:** Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

**ISSUE 403c:** Docket No. 910727-TL; Rebate.

**STAFF'S POSITION:** Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

**ISSUE 403d:** Docket No. 920260-TL; Quality of Service

**STAFF'S POSITION:** Yes. As to the method and amount of penalty, staff takes no position at this time, pending further discovery.

**ISSUE 404:** Did SBT's settlement with the Office of Statewide Prosecutor sufficiently compensate potentially affected subscribers so that no additional compensation for subscribers is warranted for the dockets listed below?

**ISSUE 404a:** Docket No. 900960-TL; Non-Contact Sales.

**STAFF'S POSITION:** No position at this time.

**ISSUE 404b:** Docket No. 910163-TL; Repair.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 35

**STAFF'S POSITION:** No position at this time.

**ISSUE 404c:** Docket No. 910727-TL; Rebate.

**STAFF'S POSITION:** No position at this time.

**DN 920260-TL: Quality of Service**

**ISSUE 39:** Is Southern Bell's quality of service adequate?

**STAFF'S POSITION:** No. Periodic reports show that SBT did not meet the standards for repair in any of its repair centers for the third quarter, 1993.

**ISSUE 39a:** Do Rules 25-4.070 & 25-4.110 require SBT 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)?

**STAFF'S POSITION:** Yes.

**G. Stipulations:**

Staff is not aware of any issues that have been stipulated at this time. However, staff believes that the following issues could be stipulated by the parties: Issue 28c, Issue 30d, and Issue 36.

**H. Pending Motions:**

Staff has no pending motions requiring Commission action at this time.

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL  
PAGE 36

I. Matters Which Cannot be Complied With:

Staff is not aware of any matters which it cannot comply with.

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script, appearing to read "Angela B. Green", written over a horizontal line.

ANGELA B. GREEN  
Staff Counsel

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comprehensive review of revenue requirements and rate stabilization plan of SOUTHERN BELL. ) DOCKET NO. 920260-TL

In Re: Investigation into the integrity of SOUTHERN BELL'S repair service activities and reports. ) DOCKET NO. 910163-TL

In Re: Investigation into SOUTHERN BELL'S compliance with Rule 25-4.110(2), F.A.C., Rebates. ) DOCKET NO. 910727-TL

In Re: Show cause proceeding against SOUTHERN BELL for misbilling customers. ) DOCKET NO. 900960-TL

In Re: Request by Broward Board of County Commissioners for extended area service between Ft. Lauderdale, Hollywood, North Dade and Miami. ) DOCKET NO. 911034-TL  
FILED: 12/06/93

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement has been furnished, by U.S. Mail, this 6th day of December, 1993, to the following:

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CERTIFICATE OF SERVICE

DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL

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DOCKETS NOS. 920260-TL, 910163-TL, 910727-TL, 900960-TL, 911034-TL

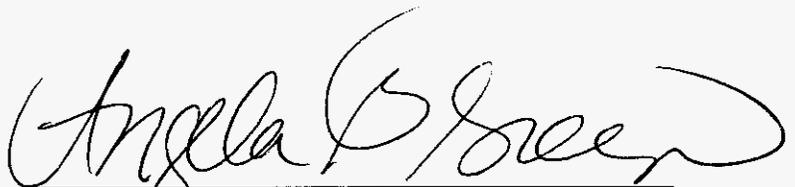
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