

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of GTC, Inc. to)
 terminate GTC, Inc.'s InterLATA) Docket No. 980498
 Access Subsidy and Convert to)
 Payment of Access Charge Revenue)
 Directly to GTC, Inc.)

In re: Petition of BellSouth) Docket No. 970808-TL
 Telecommunications, Inc. to remove)
 interLATA subsidy received by St.) Filed: 05/4/98
 Joseph Telephone & Telegraph)
 Company)

AT&T's Prehearing Statement

AT&T Communications of the Southern States, Inc. (hereinafter "AT&T"), pursuant to Rule 25-22.038, Florida Administrative Code, and Orders Nos. PSC-97-1584-PCO-TL and PSC-98-0300-PCO-TL, hereby submits its Prehearing Statement in the above-referenced dockets.

A-B. Witnesses and Exhibits:

AT&T intends to sponsor the direct testimony of Mike Guedel. AT&T reserves the right to present any exhibits that may be necessary to cross-examine opposing witnesses or to respond to matters which are raised for the first time at the hearings in this proceeding.

C. Basic Position:

BellSouth Telecommunications, Inc.'s (BellSouth's) request to eliminate its interLATA access charge subsidy payment to St. Joseph Telephone and Telegraph Company/GTC, Inc. (GTC) should be granted. To avoid a windfall to BellSouth, BellSouth should reduce its switched access charges by the amount of interLATA access subsidy that is eliminated. To the extent that GTC believes that the revenues lost from the elimination of its interLATA access subsidy must be replaced from other sources, it must demonstrate a need for such revenues.

The access subsidy mechanism was created to avoid adverse effects on any individual LEC stemming solely from the implementation of bill and keep for access charges. As a result, each LEC was kept on a revenue neutral basis. Those LECs experiencing a windfall from bill and keep were required to use such windfall to subsidize those LECs experiencing a shortfall. The access subsidy was created to avoid the probability of having thirteen simultaneous rate cases upon the implementation of access bill and keep. It was intended as a temporary mechanism that would last only until the Commission could eliminate the subsidies through rate cases or other convenient proceedings.

D-F. Positions on the Issues:

See Attachment A to this Prehearing Statement.

G. Stipulated Issues:

No issues have been stipulated at this time.

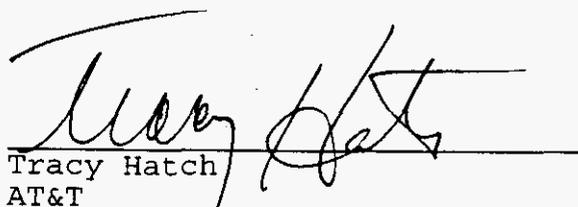
H. Pending Motions:

AT&T has no pending motions at this time.

I. Other Requirements:

AT&T is not aware of any requirements set forth in the Order on Prehearing Procedure with which it is unable to comply.

Respectfully submitted this 4th day of May, 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
Suite 700
Tallahassee, FL 32301

Attorney for AT&T Communications
of the Southern States, Inc.

ATTACHMENT A

AT&T'S POSITION ON THE ISSUES

ISSUE 1. What is the interLATA access subsidy and why was the interLATA access subsidy established?

AT&T's Position:

The interLATA access subsidy mechanism is a transitory system of subsidy payments to those LECs that would have experienced a shortfall in access revenues if bill and keep had been implemented on a flashcut basis. The interLATA access subsidy mechanism was established to initially maintain revenue neutrality for each LEC to avoid revenue disruption relating to the implementation of bill and keep of access charges. The subsidy was intended to exist only as long as there was a demonstrated need.

ISSUE 1b. What is the history of the interLATA access subsidy and how has Commission policy regarding the subsidy evolved since the subsidy was established?

AT&T's Position:

From the inception of the access subsidy mechanism the Commission has reduced or eliminated the subsidy for each recipient in each practicable instance. In order to avoid a windfall to the contributors of the subsidies, commensurate with the reduction of the access charge subsidies, the Commission also reduced the revenues of the subsidy contributors by a like amount.

ISSUE 2. Was the interLATA access subsidy pool intended to be a permanent subsidy? If not, what criteria should be used for ending the interLATA access subsidy pool?

AT&T's Position:

The interLATA subsidy pool was never intended to be permanent. Consistent with the Commission's prior policies, any continuation of the access subsidy should be contingent on a clear showing of need by GTC.

ISSUE 3. What is the statutory authority for the BellSouth Telecommunications, Inc.'s proposal to eliminate the interLATA access subsidy of GTC, Inc.?

AT&T's Position:

The Commission's authority to oversee the continuing implementation of its orders allows the Commission to terminate the access subsidy payments to GTC by BellSouth. The Commission's authority to act in the creation and implementation of its access charge system and its associated mechanisms stems generally from Section 364.14, Florida Statutes. The adoption of the amendments to Chapter 364 in 1995 did not act as a general repealer of any prior lawful act of the Commission. The Commission's ability to oversee and enforce its prior orders remains unchanged. The current law will govern any new actions not encompassed in the Commission's prior orders.

ISSUE 4. Considering that the rates of a small LEC electing price cap regulation may not be altered during the period rates are frozen, except as provided for in Section 364.051(5), Florida Statutes, may the subsidy in effect at the time price cap regulation was elected be discontinued during the period rates are frozen?

AT&T's Position:

Yes. Section 364.051(5), Florida Statutes, provides an opportunity for each price-capped LEC to avoid the price caps upon a sufficient showing.

ISSUE 5. Should the interLATA access subsidy received by GTC, Inc. be removed?

AT&T's Position:

Yes. Access charge subsidy payments are inconsistent with the competitive environment as was determined by the Commission when the access subsidy mechanism was created. This is particularly true where the subsidy recipient has elected to avail itself of the competitive advantages of Chapter 364 and to forego the protective mechanisms of traditional regulation.

ISSUE 6. If the access subsidy being paid to GTC, Inc. is eliminated, should BellSouth Telecommunications, Inc. be directed to cease collection of the access subsidy funds? If the access subsidy being paid to GTC, Inc. is eliminated, and collection of the access subsidy funds is not terminated, what disposition should be made of the funds?

AT&T's Position:

Yes. The access subsidy payments to GTC should be terminated and BellSouth should be directed to reduce its access charges by the amount of the access subsidy. Since the revenues that feed the subsidy payments made by BellSouth are collected from IXCs in the form of access charges, the only appropriate disposition of access revenue windfall is to reduce BellSouth's switched access charges.

ISSUE 7. If the subsidy should be removed, should it be removed entirely at one time, or should the subsidy be phased out over a certain time period?

AT&T's Position:

GTC's subsidy should be eliminated immediately. GTC has received an access subsidy for over a decade. GTC's election to pursue the competitive path pursuant to Chapter 364 makes continuation of the subsidy even more inconsistent with a competitive market place. If a phase-down of the subsidy is deemed absolutely necessary, it should be accomplished in as short a time as possible.

ISSUE 8. If the subsidy should be removed entirely at one time, on what date should the removal be effective?

AT&T's Position:

The subsidy should be removed and BellSouth's access charges reduced no later than October 1, the date the access charge reductions of all LECs are required.

ISSUE 9. If the subsidy should be phased out, over what time period should the phase out take place and how much should the reduction of the subsidy be in each period?

AT&T's Position:

If a phase-down of the subsidy is deemed absolutely necessary, it should be accomplished in as short a time as possible.

CERTIFICATE OF SERVICE

DOCKETS NOS. 970808-TL AND 980498TP

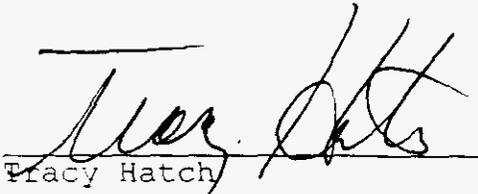
I HEREBY CERTIFY that a true copy of the foregoing has been furnished by United States Mail or hand-delivery to the following parties of record this 4th day of May, 1998:

Ms. Nancy White
C/o Ms. Nancy Sims
BellSouth Telecommunications
150 S. Monroe Street, Suite 400
Tallahassee, Florida 32301

David B. Erwin
127 Riversink Road
Crawfordville, FL 32327

Beth Keating
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Charles J. Beck
Deputy Public Counsel
c/o The Florida Legislature
111 W. Madison St.
Suite 812
Tallahassee, FL 32399-1400


Tracy Hatch