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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: 1/4/93

ATTORNEY GENERAL'S REVISED PREHEARING STATEMENT

The Attorney General of the State of Florida, Robert A. Butterworth ("Attorney General"), by and through his undersigned counsel, hereby files his Revised Prehearing Statement in the above-styled docket.

WITNESS

The Attorney General prefiled testimony by Mike Muloy, who addresses fraudulent schemes Southern Bell employees utilized to intentionally overstate compliance with PSC quality of service standards, the apparent widespread geographic scope of the fraudulent activities, a motive for such fraudulent schemes, and the scope of management awareness of the fraudulent schemes.

- ACK ✓
- AFA 3
- APP _____
- CFR _____
- CFM 1
- CTF _____
- EAG _____
- LEG 1
- LIN 6
- OPC _____
- RCH _____
- SEI 1
- W'S _____
- OTH _____

PREFILED EXHIBITS

The Attorney General prefiled the following exhibits with

Mr. Muloy's testimony:

- MRM-1 Resume of Michael R. Maloy
- MRM-2 Final Report of the Tenth Statewide Grand Jury
- MRM-3 Advisory Opinion of the Tenth Statewide Grand Jury
- MRM-4 Chronological Summary of Key Dates

DOCUMENT NUMBER-DATE
00038 JAN-48
FPSC-RECORDS/REPORTING

- MRM-5 Tifford letter to U.S. Attorney and F.B.I.
- MRM-6 Composite exhibit of Tifford/F.B.I. correspondence
- MRM-7 Tifford/Falsetti Complaint to F.C.C.
- MRM-8 F.C.C. letter to Tifford forwarding complaint to FPSC
- MRM-9 Alan Taylor letter to Tifford
- MRM-10 PSC Customer Trouble Reports Rules
- MRM-11 Calculation of Percentage of out-of-service timely repaired
- MRM-12 Sample Trouble Report

ISSUES AND POSITIONS

ATTORNEY GENERAL:

Except for those issues otherwise specifically responded to below, the Attorney General's position is "No position at this time" for all other issues.

BASIC POSITION

ATTORNEY GENERAL:

The Commission did not have the statutory authority to approve the incentive profit provisions of Southern Bell's current incentive rate scheme and it still lacks statutory authority to approve the similar excessive profit incentives requested in the pending petition. Operating efficiency is not an aspiration to be rewarded by excessive profits, it is statutorily mandated for all regulated utilities, Southern Bell included, and at the price of reasonable profits. Any "excess

profit sharing" scheme allowing equity returns in excess of one percentage point above a reasonable mid-point, irrespective of any so-called "sharing" of these profits with customers, is unlawful.


The 1990 revisions to Chapter 364, F.S., demand a finding that an alternative method of regulation include adequate safeguards to assure that the rates for monopoly services do not subsidize competitive services. Such a finding is a statutory, mandatory prerequisite, which has not been made here. Secondly, there is no showing, as required by Section 364.036(2)(c), F.S., that Southern Bell's alternative method will provide identifiable benefits to consumers not otherwise available under existing regulatory procedures. It is the Attorney General's position that any such benefits must be either new substantive monopoly telecommunications services not offered by the other companies, which are governed by traditional ratemaking, or operating efficiencies that substantially exceed the others'. Absent these two findings, alternative regulation (excessive profit or not) cannot be approved.

The alternative method of regulation sought here would result in reduced regulatory oversight by the Commission, when recent history insists on more. Southern Bell settlements with the Attorney General and the Office of the Statewide Prosecutor involved actions occurring during Southern Bell's incentive regulation. Under incentive regulation, neither event was either discovered or rectified by this Commission despite the facts of

one case being reported to the Commission by a so-called "whistleblower". Granting Southern Bell reduced regulatory flexibility would be irresponsible given its recent history. Instead, regulatory prudence would dictate Southern Bell's return to the same full rate base regulation governing every other utility in this state.

Allegations of sales fraud, customer misbilling and fraudulent repair reports have been raised in prefiled testimony. This testimony should be heard in this case and the allegations fully investigated. Appropriate penalties should be imposed, including an equity penalty, if the allegations are proven true.

Respectfully submitted this 4th day of January, 1993.


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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 4th day of January, 1993.

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