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April 24, 1998

Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: 970808-TL (St. Joseph) InterLATA Access Subsidy

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Prehearing Statement, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

Nancy B. White (KR)
Nancy B. White

Enclosures

cc: All parties of record
A. M. Lombardo
R. G. Beatty
William J. Ellenberg II

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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 24th day of April, 1998 to the following:

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Nancy B. White (KR)
Nancy B. White

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of BellSouth Telecommunications, Inc., for removal of St. Joseph Telephone and Telegraph Company's interLATA access subsidy) Docket No.: 970808-TL) Filed: April 24, 1998

PREHEARING STATEMENT OF BELLSOUTH TELECOMMUNICATIONS, INC.

BellSouth Telecommunications, Inc. ("BellSouth"), in compliance with the Order Establishing Procedure (Order No. PSC-99-1584-PCO-TL), issued December 19, 1997, the Order on Disputed Issues and Discovery Dispute (Order No. PSC-98-0300-PCO-TL) issued February 18, 1998, and the Motion for Extension of Time and Request for Modifications to Procedural Schedule filed by Commission on March 20, 1998, hereby submits its Prehearing Statement for Docket No. 970808-TP.

A. Witnesses

BellSouth proposes to call the following witness to offer direct and rebuttal testimony on the issues in this docket:

<u>Witness</u>	<u>Issue(s)</u>
T. F. Lohman (Direct and Rebuttal)	All

BellSouth reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues not presently designated that may be designated by the Prehearing Officer at the prehearing conference to be held on May 4, 1998.

B. Exhibits

T. F. Lohman	TFL-1	History
T. F. Lohman	TFL-2	Florida Access Line Statistics

BellSouth reserves the right to file exhibits to any additional testimony that may be filed under the circumstances identified in Section "A" above. BellSouth also reserves the right to introduce exhibits for cross-examination, impeachment, or any other purpose authorized by the applicable Florida Rules of Evidence and Rules of this Commission.

C. Statement of Basic Position

The Commission established the interLATA Access subsidy payment to GTC (and others) in 1985 and described it as a temporary, transition related payment that would be eliminated as circumstances changed. The intent of the subsidy was to eliminate fluctuations in the rates companies charged customers, as the Commission worked its way through Bill and Keep for toll and access. The subsidy payments were never intended to be permanent nor extend beyond the transition to a full Bill and Keep system.

GTC is the only company currently receiving an interLATA subsidy payment, they have elected price regulation, and the transition to Bill and Keep for both toll and access has been completed. The Commission should eliminate the payment to GTC effective on the date it became price regulated (or earlier if they were overearning). This "temporary" subsidy has now run its course.

D. BellSouth's Position on the Issues

Issue 1: What is the interLATA access subsidy and why was the interLATA access subsidy established?

Position: The subsidy was established by Order No. 14452 issued on June 10, 1985 as a transition from the pooling of access revenues to bill and keep.

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?

Position: The Commission has been proactive in eliminating the subsidy payments.

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?

Position: No. The Commission has eliminated the subsidy payments when it appeared that the LEC receiving the payments no longer needed the payments.

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

Position: The Commission had the authority to impose the subsidy, it has the authority to eliminate the subsidy.

Issue 4: Considering that the rates of a small LEC electing price CPA 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 by discontinued during the period rates are frozen?

Position: Yes. Section 364.051(5), Florida Statutes is applicable to the situation.

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

Position: Yes.

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?

Position: BellSouth has completely eliminated any surplus by reducing access charges well over \$2.7 million since 1985.

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 period?

Position: The subsidy should be eliminated entirely at one time.

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

Position: June 25, 1996 when GTC's price regulation was effective or the date GTC first had overearnings, whichever is earlier.

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?

Position: Equally over 3 years starting from the earlier of when GTC first overearned or when GTC price regulation was effective.

E. Stipulations

There are no stipulations of which BellSouth is aware.

F. Pending Motions

There are no pending motions at this time.

G. Other Requirements

BellSouth knows of no requirement set forth in any prehearing order with which it cannot comply.

Respectfully submitted this 24th day of April, 1998.

BELLSOUTH TELECOMMUNICATIONS, INC.

Robert G. Beatty (kr)

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