

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: INVESTIGATION INTO FLORALA)	DOCKET NO. 891233-TL
TELEPHONE COMPANY'S AUTHORIZED)	ORDER NO. 22261
RETURN ON EQUITY.)	ISSUED: 12-4-89
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER ACCEPTING FLORALA TELEPHONE COMPANY'S
 PROPOSAL TO REDUCE ITS AUTHORIZED RETURN ON EQUITY

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

We informed Florala Telephone Company (Florala), by letter dated September 5, 1989, that the Company's last authorized return on equity (ROE) of a 15% midpoint of a range from a low of 14% to a high of 16% is substantially in excess of current indications of a reasonable required ROE falling in the low to mid 12% range. On November 8, 1989, the Company responded to our concern regarding its authorized ROE with a proposal to reduce its authorized ROE to a 12.9% midpoint of a range from a low of 11.9% to a high of 13.9% for all future purposes including application of our tax rule, for interim purposes and for calculation of its interest during construction (IDC) rate. The Company proposed, in addition, that we excuse it from any tax savings dockets initiated for 1990 related to the Tax Reform Act of 1986.

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By Order No. 19165, issued April 18, 1988, we accepted a proposal from Florala Telephone to reduce its authorized return on equity from a midpoint of 16.5% of a range from a low of 15% to a high of 18% to a midpoint of 15% of a range from a low of 14% to a high of 16% and to cap its earnings at 14.8% for the years 1988 and 1989. That proposal was intended by the Company to resolve tax savings for 1988 and 1989. Although by our acceptance of that proposal, we lowered the Company's authorized ROE slightly, the Company's ROE still remains significantly higher than current conditions indicate would be a reasonable and appropriate ROE for this Company.

The Company's proposed ROE is within a half a percentage point, or .4% which equates to \$5,200 in revenues annually, of our estimate of a currently reasonable and appropriate ROE for this Company. This finding is based on the most recent quarterly report on equity cost rates. Because we find that acceptance of this proposal would make a formal hearing unnecessary and would, therefore, save considerable expense, we find it appropriate to accept Florala's proposal of a new authorized ROE.

Regarding Florala's proposal to be excused from any tax savings dockets initiated for 1990 related to the Tax Reform Act of 1986, we note that Florala's estimated tax savings is \$4,500 annually from the reduction in tax rates from 46% to 34%. Florala reduced its access charges by \$9,900 annually. Since we believe that Florala's tax savings have been disposed of, we also find it appropriate to accept Florala's proposal to be excused from any tax savings docket related to the Tax Reform Act of 1986.

Florala's earnings for 1988 and 1989 have been well below its proposed ceiling of 13.9% ROE, with its most recent surveillance report indicating a 2.98% ROE. Therefore, we do not find any further action necessary at this time regarding Florala's achieved level of earnings. Through our normal surveillance procedures, we will monitor Florala's earnings. If Florala's earnings exceed its new authorized ROE, we will take the necessary action at that time. Since no further action is necessary, this docket shall be closed at the expiration of the proposed agency action period if no protest is received.

Based on the foregoing, it is, therefore,

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ORDERED by the Florida Public Service Commission that Florala Telephone Company's proposal to reduce its authorized return on equity to a 12.9% midpoint of a range from a low of 11.9% to a high of 13.9% is hereby accepted as set forth in the body of this Order. It is further

ORDERED that Florala Telephone Company is hereby excused from any further tax savings dockets related to the Tax Reform Act of 1986. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review below. It is further

ORDERED that, in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission,
this 4th day of DECEMBER, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SFS

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that

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apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on December 26, 1989.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.