

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: INVESTIGATION INTO GULF	)	DOCKET NO. 891234-TL
TELEPHONE COMPANY'S AUTHORIZED RETURN ON	)	ORDER NO. 22297
EQUITY AND EARNINGS	)	ISSUED: 12-11-89
	)	

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 ACTION

ORDER ACCEPTING GULF 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 Gulf Telephone Company (Gulf), by letter dated September 5, 1989, that the Company's last authorized return on equity (ROE) of a 13.8% midpoint of a range from a low of 12.8% to a high of 14.8% 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 the tax rule, for interim purposes and for calculation of its interest during construction (IDC) rate.

By Order No. 19169-A, issued May 2, 1988, in Docket No. 870454-TL, we accepted a stipulation submitted by the Company and the Office of Public Counsel by which the Company agreed to eliminate all zone charges, reduce basic residential and

DOCUMENT NUMBER-DATE  
 11879 DEC 11 1989  
 FPSC-RECORDS/REPORTING

ORDER NO. 22297  
DOCKET NO. 891234-TL  
PAGE 2

business service revenues and reduce its ROE to a midpoint of 13.8% of a range from a low of 12.8% to a high of 14.8%. Although by our acceptance of that stipulation, we lowered the Company's authorized ROE, the Company's ROE remains 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 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 Gulf's proposal of a new authorized ROE.

The latest Earnings Surveillance Report filed by Gulf for the 12 months ended June 30, 1989, indicates earnings above 13.9% ROE of \$268,444. There are two major changes that occurred in 1989 which have not been reflected on this Surveillance Report: the elimination of Gulf's interLATA subsidy and the change in LATA boundaries.

By Order No. 21678, issued August 3, 1989, in Docket No. 820537, we ordered that Gulf forego its net interLATA subsidy receipts of \$188,000 per year, effective July 1, 1989. The Company's Earnings Surveillance Report for June 30, 1989, includes \$188,000 in interLATA subsidy fund revenue. This amount will not be received by Gulf in 1990, therefore, Gulf's earnings will decline. The other major change came about in Docket No. 881465-TP, wherein we ordered a change in Gulf's LATA boundaries from the Jacksonville LATA to the Tallahassee Market Area, effective November 1, 1989. This change and a reduction in some of Gulf's long distance rates will decrease Gulf's revenue in 1990 by approximately \$60,000.

Taking these two major changes into account, Gulf's recalculated ROE is around 14.5%, which is still above the Company's proposed new ROE of 13.9%. To account for this, the Company proposes to reduce its touch tone charges for residential and business customers by \$1.00. This will result in a reduction of touch tone charges by \$59,748 annually, based on November 1, 1989 data. The \$59,748 is the net reduction resulting from a \$13,392 reduction for business and \$46,356 reduction for residential touch tone charges. Generally, we

ORDER NO. 22297  
DOCKET NO. 891234-TL  
PAGE 3

prefer to reduce zone charges or local rates, however, reductions in these areas have already been made for this Company in Docket No. 870454-TL. Currently, the touch tone charges for residential and business customers are \$2.00 and \$2.50, respectively. We find this proposal reasonable because it will bring the Company's touch tone charge in line with the rate charged by other local exchange companies.

The additional reduction in revenue will reduce Gulf's achieved ROE to 12.6% based on its June 30, 1989, Earnings Surveillance Report. This is within the Company's proposed new authorized range of 11.9% to 13.9% ROE. In addition, Gulf proposes to cap its 1990 earnings at 13.9%. If the Company achieves any earnings in excess of its 13.9% ROE, it proposes to refund these to its customers. We decline this aspect of the Company's proposal. When and if the Company achieves earnings in excess of its authorized range, we will take the appropriate action.

Since no further action is necessary, this docket shall be closed at the expiration of the proposed agency action period, if no protest is timely received, and if revised tariffs reflecting our decisions herein are filed and approved.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Gulf Telephone Company's proposal to reduce its authorized return on equity to a 12.9% midpoint in 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 Gulf Telephone Company's proposal to reduce its touch tone charges for residential and business customers by \$1.00 is hereby accepted as set forth in the body of this Order. It is further

ORDERED that Gulf Telephone Company shall file revised tariff sheets reflecting the rate reductions approved herein. 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,



ORDER NO. 22297  
DOCKET NO. 891234-TL  
PAGE 4

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, and revised tariff sheets are filed and approved, this docket shall be closed.

By ORDER of the Florida Public Service Commission,  
this 11th day of DECEMBER, 1989.

  
\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

SFS

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 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

204

ORDER NO. 22297  
DOCKET NO. 891234-TL  
PAGE 5

Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 2, 1990.

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.