

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

MAY 7, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (PELLEGRINI) *PELLEGRINI*
DIVISION OF COMMUNICATIONS (SIRIANNI) *SIRIANNI*
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (LEE) *LEE*

RE: DOCKET NO. 960794-TL - REQUEST FOR APPROVAL OF REMAINING LIFE RATES BY QUINCY TELEPHONE COMPANY

AGENDA: MAY 19, 1997 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\LEG\WP\960794.BCM

CASE BACKGROUND

On January 31, 1997, the Commission issued PAA Order No. PSC-97-0118-FOF-TL, in which it approved Quincy Telephone Company, Inc.'s (Quincy's) request for revision of its remaining life rates. That order was amended by Amendatory Order No. PSC-97-0118A-FOF-TL, issued February 13, 1997, to provide for the attachment of the Commission approved life, salvage, and reserve components and resulting depreciation rates. On February 19, 1997, the Office of Public Counsel (OPC) filed a protest of the Commission's proposed agency action and petitioned for a hearing pursuant to Section 120.57(1), Florida Statutes. OPC disputed the average remaining life rate, the depreciation expense, and the curve shape for each of the accounts for cable and wire facilities, digital switching equipment, and circuit equipment. A hearing was set for September 19, 1997.

At an issue identification workshop on April 7, 1997, OPC and Quincy reached an agreement to open discussion of a settlement. On April 15, 1997, OPC and Quincy filed a Joint Motion to Accept Settlement and Close Docket (motion). This recommendation addresses that motion.

DOCUMENT NUMBER-DATE

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept the settlement agreement reached by the Office of Public Counsel and Quincy Telephone Company, Inc., and reinstate Order No. PSC-97-0118-FOF-TL as a final order, effective May 19, 1997?

RECOMMENDATION: Yes. The Commission should accept the settlement agreement reached by the Office of Public Counsel and Quincy Telephone Company, Inc., and reinstate Order No. PSC-97-0118-FOF-TL as a final order, effective May 19, 1997. (Lee, Pellegrini)

STAFF ANALYSIS: As noted in the case background, on February 19, 1997, OPC filed a protest of PAA Order No. 97-0118-FOF-TL, and petitioned for a hearing pursuant to Section 120.57(1), Florida Statutes. In that Order, the Commission approved Quincy's request for revision of its remaining life depreciation rates. OPC disputed the average remaining life depreciation rate, the depreciation expense, and the curve shape for each of the accounts for cable and wire facilities, digital switching equipment, and circuit equipment. Following an issue identification workshop on April 7, 1997, in which the possibility of settlement was first raised, OPC and Quincy arrived at a settlement agreement. On April 15, 1997, OPC and Quincy filed a joint motion with this Commission to accept their agreement. (Attachment 1)

Under the agreement, OPC states that it withdraws its protest and petition, contingent upon this Commission's acceptance of the agreement. Quincy states that it agrees that OPC may contest the appropriateness of the revised depreciation rates should Quincy ever seek revenue rates based on them. OPC acknowledges that it is not in the public interest to litigate the revised depreciation rates at this time since they have not caused Quincy to seek increased consumer prices. Staff recommends that the Commission find that the settlement agreement between OPC and Quincy is reasonable and in the public interest. Staff agrees with the parties that a challenge of the revised depreciation rates approved in Order No. PSC-97-0118-FOF-TP is inappropriate unless and until the company seeks increased consumer prices based on those rates. Accordingly, staff recommends that the Commission accept the agreement, as OPC and Quincy urge, and reinstate Order No. PSC-97-0118-FOF-TL as a final order, effective May 19, 1997.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed. (Pellegrini)

STAFF ANALYSIS: If the Commission adopts staff's recommendation in Issue 1, this docket should be closed.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for Approval of)
Remaining Life Rate by Quincy)
Telephone Company.)
_____ /

Docket No. 960794-TL

SETTLEMENT AGREEMENT

This agreement is entered into between Quincy Telephone Company ("Quincy") and the Citizens of the State of Florida ("Citizens").

WHEREAS, on July 1, 1996, Quincy filed a request with the Florida Public Service Commission seeking authorization to change its depreciation rates, and

WHEREAS, the Florida Public Service Commission issued a proposed agency action order ("order") on January 31, 1997, approving new depreciation rates for Quincy, and

WHEREAS, on February 19, 1997, the Citizens filed a protest of the proposed agency action order and requested the Commission to hold an evidentiary hearing pursuant to section 120.57(1), Florida Statutes, on Quincy's request to change its depreciation rates, and


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WHEREAS, the parties wish to avoid the expense and uncertainty at this time of engaging in such a proceeding.

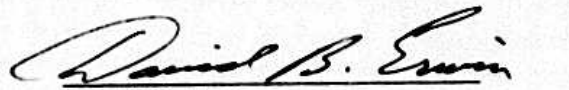
NOW, THEREFORE, the parties agree as follows:

1. The Citizens agree to withdraw their protest of proposed agency action and petition for a section 120.57(1) hearing on the condition that the Florida Public Service Commission accepts this agreement.
2. Quincy agrees that the Citizens may litigate or otherwise contest the appropriateness of any or all of the depreciation rates contained in the proposed agency action order at any time that Quincy seeks rates based in whole or in part on those depreciation rates.

Dated this 15th day of April 1997.


Jack Shreve, Public Counsel
Office of the Public Counsel
111 West Madison St., #812
Tallahassee, FL 32399-1400

Attorney for the Citizens
of the State of Florida


David B. Erwin
Young, van Assenderp & Benton, P.A.
P.O. Box 1833
Tallahassee, FL 32302-1833

Attorney for Quincy Telephone
Company

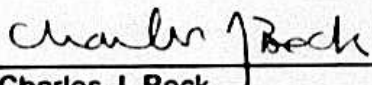
**CERTIFICATE OF SERVICE
DOCKET NO. 960794-TL**

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U.S. Mail or *hand delivery to the following party representatives on this 15th day of April, 1997.

David B. Erwin, Esq.
Young, van Assenderp &
Benton, P.A.
P.O. Box 1833
Tallahassee, FL

Charles S. Pelligrini, Esq.
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0862

Mr. Tomas M. McCabe
Quincy Telephone Co.
P.O. Box 189
Quincy, FL 32351



Charles J. Beck
Deputy Public Counsel