

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of local)	DOCKET NO. 850310-TL
exchange company toll bill and keep)	ORDER NO. 21597
)	ISSUED: 7-21-89

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION

ORDER MODIFYING INTRALATA BILL AND KEEP SUBSIDY
MECHANISM AND MODIFYING DISPOSITION OF CERTAIN
INTRALATA BILL AND KEEP SURPLUSES

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.

I. Modification of IntraLATA Subsidy Mechanism

Pursuant to Order No. 17743, issued June 24, 1987, local exchange company (LEC) toll bill and keep was implemented on January 1, 1988. In order to mitigate the effects of transitioning the LECs to bill and keep, we created a subsidy mechanism. Each LEC was made whole during the first year of the subsidy plan. In years two through four, the amount of subsidy received is being phased down annually by 25¢/Access Line/Month. The phase down is scheduled to end in year 4 with four LECs to receive an ongoing subsidy at that level until the Commission addresses the particular company involved. GTE Florida, Inc. (GTEFL) and Vista-United Telecommunications (Vista) each suffered a shortfall from LEC toll bill and keep; however, each elected not to receive subsidies and do not participate in the subsidy mechanism.

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The basic purpose of the bill and keep subsidy mechanism was to keep the LECs whole in the transition from pooling to bill and keep, thereby avoiding any immediate negative revenue problems. The subsidy mechanism was intended to last only until we had the opportunity to address each company's particular circumstances either through a rate case or other proceeding. Upon review, it appears that the current financial conditions for the companies participating in the subsidy mechanism would allow six of the participants to withdraw from the pool without a significant financial impact on any of the local exchange telephone companies.

ALLTEL Florida, Inc. (ALLTEL) and United Telephone Company of Florida (United) have agreed to withdraw from the pool effective August 1, 1989. While ALLTEL and United are currently net recipients, they will be net contributors in 1990 and future years. In order to avoid having to become contributors, they are willing to forego their subsidies for the rest of 1989. ALLTEL and United currently receive subsidies of \$86,000 and \$1,317,000, respectively. Central Telephone Company of Florida (Centel), Florala Telephone Company, Inc. (Florala), and Gulf Telephone Company (Gulf) and Quincy Telephone Company (Quincy) are 1989 net contributors in the amount of \$141,000, \$1,000, \$4,000 and \$5,000, respectively and are currently scheduled to be contributors in the future. Eliminating ALLTEL's and United's subsidies allows us the opportunity to end the contributions of Centel, Florala, Gulf and Quincy without adversely affecting the remaining 5 LECs. The amounts these four companies contribute is small and will decline over time. Removing them totally from the subsidy mechanism substantially reduces the total number of companies participating in the pool and places more LECs in a pure bill and keep position. Removing ALLTEL, Centel, Florala, Gulf, Quincy and United as of August 1, 1989 will also reduce each of the remaining LEC's contributions below its current level.

Under the current subsidy mechanism, Southern Bell is currently scheduled to contribute \$1,263,000 in 1989 and \$920,000 in 1990. If we remove the companies discussed above, Southern Bell will assume the position as sole net contributor for the remaining LECs. As a result, Southern Bell will contribute \$522,000 $((\$2,515,000 - \$1,263,000) \times 5/12)$ less to the subsidy pool in 1989. In 1990 Southern Bell will contribute \$1,182,000 under this proposal if no further action is taken by this Commission. According to Southern Bell, it is

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willing to assume the additional contribution of \$262,000 (\$1,182,000-920,000) in 1990 because it will save \$522,000 in 1989. Under the proposed change, Southern Bell's maximum additional exposure is the \$262,000 in 1990 but this could be less if other companies receiving subsidies withdraw from the pool. If no other LECs are removed, Southern Bell's prospective annual contribution will decrease as the subsidy phase-down continues.

We note that ten of the eleven companies currently participating in the intraLATA subsidy pool have agreed to the actions discussed above. As a result of that fact and our discussion above, we find it appropriate to remove ALLTEL, United, Centel, Florala, Gulf and Quincy from further participation in the IntraLATA subsidy mechanism established by Order No. 17743. Accordingly, our intraLATA bill and keep subsidy mechanism is modified as shown in Appendix A, attached to this Order. The modifications shall be effective August 1, 1989.

II. Modification of Disposition of IntraLATA Bill and Keep Surpluses

In Order No. 17743, we stated that:

[A]ny company with a windfall from LEC toll bill-and-keep should apply its windfall to its depreciation reserve or place the windfall in an interest bearing account. These funds plus the accumulated interest should be used, subject to Commission approval to offset some future revenue requirement need.

The intraLATA surpluses for Centel, Florala and Gulf have been disposed of through on going rate reductions. In accordance with Order No. 17783, issued June 30, 1989 in Docket No. 861361-TL, Centel reduced its local service rates by \$15,000,000 annually. In addition, Centel also implemented EAS from Wakulla and Monticello to Tallahassee. Centel's IntraLATA surplus was included in the revenue calculations made in conjunction with the rate reductions and the EAS implementation and has been disposed of accordingly. Therefore, we find it appropriate to relieve Centel from any further requirements of Order No. 17743 for the disposition of its intraLATA surplus.

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By Order No. 20534, issued December 29, 1988 in Docket No. 881478, Florala was allowed to use its intraLATA surplus from LEC toll bill and keep as a permanent offset to a (Zone Charge) mileage charge reduction. As a result of our action above to release Florala from further LEC toll subsidy contributions, Florala's past annual net contribution of \$1,000 will constitute an addition to its surplus. Consistent with our decision in Order No. 20534 we find it appropriate to allow Florala to retain this amount to offset the revenue requirement effects outlined in Order No. 20534 and to release the company from further requirements of Order No. 17743 governing disposition of its intraLATA surplus.

By Order No. 21259, issued May 19, 1989 in Docket No. 881465, Gulf was allowed to use its intraLATA surplus to reduce its intraLATA rates, thereby eliminating the surplus. Removing Gulf from the subsidy mechanism eliminates its annual net contribution and increases its surplus by \$4,000. As with Florala, we find it appropriate to allow Gulf to retain this amount and to release it from any further surplus disposition requirements of Order No. 17743.

ALLTEL, Quincy and United did not experience a surplus in going to a bill and keep environment and therefore, have no obligations to record depreciation in accordance with Order No. 17743.

Based on the foregoing, it is

ORDERED by the Florida Public Service that ALLTEL Florida, Inc., United Telephone Company of Florida, Central Telephone Company of Florida, Florala Telephone Company, Inc., Gulf Telephone Company and Quincy Telephone Company are removed from participation in the intraLATA toll bill and keep subsidy mechanism established by Order No. 17743 as set forth in the body of this Order. It is further

ORDERED that the LEC toll bill and keep subsidy mechanism set forth in Order No. 17743 is modified as set forth in the body of this Order. It is further

ORDERED that Central Telephone Company of Florida, Florala Telephone Company, Inc., and Gulf Telephone Company are released from any further requirements of Order No. 17743 regarding disposition of this intraLATA bill and keep surpluses as set forth in the body of this Order. It is further

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ORDERED that the actions proposed in this Order shall be effective August 1, 1989 if no protest is filed within the time limits set forth below.

By ORDER of the Florida Public Service Commission,
this 21st day of JULY, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 11, 1989. In the absence of such a petition, this order shall become effective August 14, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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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 August 14, 1989, 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.

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INTRALATA TOLL BILL AND KEEP
 CALCULATION OF SUBSIDIES AND SURPLUSES **
 EFFECTIVE AUGUST 1, 1989
 (\$000)

COMPANY	1 ACCESS LINES 12/31/85	2 INTRALATA BILL/KEEP IMPACT	3 PHASE OUT OF SUB @ \$0.25 /ACCESS LINE/MO	4 COMPANIES NEEDING SUBSIDY 2 + 3	5 SUBSIDY CONTRIB \$0.03 /ACCESS LINE/MO	6 COMPANIES NEEDING SUBSIDY 4 + 5	7 COMPANIES WITH SURPLUS AFTER CONTRIB 2 + 5
INDIANTOWN	1,638	(237)	5	(232)	(1)	(233)	
NORTHEAST	4,461	(322)	13	(309)	(2)	(310)	
ST. JOE	18,255	(634)	55	(579)	(6)	(586)	
SOUTHERN BELL	3,549,016	10,099			(1,263)		8,836 *
SOUTHLAND	2,545	(151)	8	(143)	(1)	(144)	
TOTAL	3,575,915	\$8,755	\$81	(\$1,263)	(\$1,273)	(\$1,273)	\$8,836

* SOUTHERN BELL'S SURPLUS HAS BEEN DISPOSED OF THROUGH PREVIOUS RATE REDUCTIONS

** EXCLUDING: ALLTEL , CENTRAL , FLORALA , GTE , GULF , QUINCY , UNITED ,
 AND VISTA-UNITED