

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Intrastate access charges for)	DOCKET NO. 820537-TP
toll use of local exchange services)	ORDER NO. 21678
_____)	ISSUED: 8-3-89

The following Commissioners participated in the disposition of this matter:

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

ORDER ELIMINATING GULF TELEPHONE COMPANY'S
 INTERLATA ACCESS CHARGE SUBSIDY

BY THE COMMISSION:

I. Background

By Order No. 19692, issued July 19, 1988, we proposed to require Gulf Telephone Company (Gulf) to forego its net InterLATA subsidy of \$188,000 per year, effective August 1, 1988. On August 9, 1988, the Office of Public Counsel (Public Counsel) filed a petition protesting our proposed actions and requesting a hearing. On August 29, 1988, AT&T Communications of the Southern States, Inc. (ATT-C) filed an answer to OPC's Petition, supporting our proposal. On April 5, 1989, the Commission heard the arguments of Public Counsel and ATT-C. As discussed in detail below, based on the record in this proceeding, we find it appropriate to eliminate Gulf's access charge subsidy.

II. Discussion

The object of this proceeding was to determine whether Gulf's InterLATA access charge subsidy should be removed. We based our initial proposal to remove the subsidy on Gulf's apparent good financial health as reflected in its surveillance reports.

Public Counsel argued in opposition to the elimination of Gulf's access subsidy. Public Counsel basically argues that removal of Gulf's subsidy is inconsistent with our treatment of United Telephone Company of Florida in that we allowed that Company to receive a subsidy while it was overearning, that the

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removal is inconsistent with our previous generic industry-wide actions that created and retained the access charge subsidies, that it unfairly singles Gulf only because the Company agreed to a rate reduction and a refund in its overearnings investigation in Docket No. 870454-TL, and that, as a result, the removal is arbitrary and discriminatory.

A. Consistency With Our Treatment of United

Public Counsel argues that, pursuant to Order No. 15327, United was allowed to receive a subsidy even though it was under investigation for overearnings and that our removal of Gulf's subsidy is, therefore, inconsistent, arbitrary and discriminatory. Public Counsel is incorrect. Upon the conclusion of United's overearnings investigation we reduced its access subsidy receipts to account for its overearnings. Our treatment of Gulf is precisely the same as that accorded United. Gulf was allowed to receive its subsidy while its earnings were investigated in Docket No. 870454-TL; its subsidy was removed after its overearnings investigation was concluded.

The Citizens also fail to note the full context of our actions in Orders Nos. 14452 and 15327 and the events that occurred subsequent to those Orders and the outcome of United's earnings investigation. By Order No. 14452 we implemented our goal of placing the local exchange companies on a bill and keep basis for InterLATA access charges. To mitigate the potential adverse effects of interLATA bill and keep, we created and implemented an industry-wide access charge subsidy mechanism to keep the LECs whole during the transition. However, as ATT-C correctly points out, the Commission realized that an exception should be made because of the inequity in giving a subsidy to a company which was overearning. As we stated in Order No. 14452:

Presently, we have several separate dockets investigating possible overearnings of LECs. We find it appropriate to delay any receipt of subsidy by those companies involved in overearnings investigations until the investigations are completed. We believe it would not be logical to provide a subsidy to a LEC that is in an overearnings position; thus our decision to delay subsidy payments to the involved companies." (Emphasis Added)

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Public Counsel acknowledges that United's subsidy receipts declined but states that, "the access charge orders subsequent to Order No. 14452 do not clearly delineate the reasons for the decline in United's subsidy pool receipts." We disagree. We expressly reduced United's subsidy contributions pursuant to Order No. 15821 to account for our decisions regarding United's overearnings proceedings.

Public Counsel also states that United received a subsidy while overearning. This is also incorrect. The overearnings in question for United were for 1984. See Order No. 15192. These earnings preceded the establishment of the subsidy mechanism. United's subsidy was reduced based on a prior year's overearnings. There have been no findings of overearnings for United for any year subsequent to 1984.

Public Counsel also claims that United is currently receiving a \$724,000 access subsidy. This is true as far as it goes. The Citizens fail to mention that United is also contributing \$823,000. As a result, United is a net access subsidy contributor in the amount of: \$99,000. This results from the operational mechanics of the subsidy mechanism. Our treatment of Gulf has been more favorable than that of United. We are not restructuring the access subsidy mechanism to make Gulf a net contributor to the pool but simply to contribute and receive an equal amount for no net gain or loss from access charges.

B. Consistency With Generic Access Charge Proceedings

Public Counsel contends that Orders Nos. 14452, 15327 and 19677 dictate that Gulf's subsidy should not be addressed in anything less than an industry-wide proceeding that takes into consideration all the factors and earnings circumstances of all the LECs. In support of its argument Public Counsel cites to that portion of Order No. 19677 which states, "Upon consideration, we find it appropriate to retain the InterLATA access subsidy mechanism in its current form." From this language Public Counsel argues that the intent of the Commission was to leave the LEC access subsidies undisturbed even though the Commission had a clear opportunity to alter them. Public Counsel also notes that there is no mention of any connection between earnings and the subsidy mechanism. Because the Commission acted on Gulf's subsidy outside an

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industry-wide proceeding, Public Counsel further argues that Gulf was unfairly singled out. Public Counsel suggests that the reason for this was because the Company agreed to a rate reduction and refund. Public Counsel further claims that we should conduct a generic proceeding before removing Gulf's subsidy because "1986 earnings may no longer be relevant or indicative of Gulf's current or going forward earnings level."

We established the access subsidy mechanism in Order No. 14452. We refined the mechanism in Order No. 15327. We have modified the relative amounts of the subsidy receipts and contributions in Order No. 15821 to inter alia account for United's and Quincy's overearnings proceedings. In Order No. 16977 we determined that we would not abolish the subsidies on a generic wholesale basis. The proceedings leading to these orders were generic industry-wide proceedings. However, it is important to note that the basic purpose of going to bill and keep for access charges was to eliminate the subsidies inherent in the pooling system. The subsidy mechanism was designed to keep LEC's whole in the transition from pooling to access bill and keep. It was never envisioned that the access subsidy would be permanent. It was intended to last only until we were presented with an opportunity to address each company's particular circumstances either through a rate case or other proceeding. The removal of Gulf's access charge subsidy is entirely consistent with both our previous actions and our goal throughout the access proceedings of eliminating the subsidization of the ratepayers of one LEC by the ratepayers of another LEC.

When it became clear that Gulf was overearning it became apparent that Gulf no longer required an access charge subsidy to support its earnings. Gulf's earnings level at the time we made our initial proposal to end its subsidy was the determining factor in the decision in Order No. 19692. Gulf's agreement to refund overearnings and to reduce rates was and is irrelevant to the decision to remove its subsidy.

Public Counsel also argues that the Commission's failure to address the subsidy issue in a generic proceeding is arbitrary and discriminatory. We note that we may but are not required to act in an industry-wide fashion. As we noted in Order 19677 in the context of our decision to allow LEC specific access charge rates, "generic industry-wide solutions have not proven entirely satisfactory." As discussed

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previously, the access subsidy mechanism was a keep-whole mechanism that would apply until we were able to further address the individual subsidies. Gulf's overearnings situation was the sought-after opportunity to address its subsidy.

We find little merit in Public Counsel's argument that "1986 earnings may no longer be relevant or indicative of Gulf's current or going forward earnings level." Gulf refunded \$130,000 for overearnings in 1986. Gulf refunded \$334,000 of its overearnings for 1987. Gulf reduced rates by \$224,000 annually on May 1, 1988 and was still ordered to refund \$304,000 as a preliminary overearnings refund for 1988. Citizens are correct that "the year is now 1989 and circumstances have changed." Gulf's overearnings have almost tripled since 1986. The changed circumstances more strongly support removal of Gulf's access subsidy.

II. CONCLUSION

As discussed above, our proposal to remove Gulf's access subsidy is consistent with our prior access proceedings and with our treatment of United under similar circumstances and is neither arbitrary nor discriminatory. In light of Gulf's earnings, to allow it to continue to receive its subsidy would be inconsistent.

Therefore, Effective July 1, 1989, Gulf Telephone Company shall no longer receive the net subsidy which it receives from the InterLATA access subsidy pool for the loss it sustained from going to a bill and keep environment for access charges. To forego the net subsidy means that Gulf will contribute and receive equal amounts to and from the pool. Gulf's subsidy receipts for the period January 1, 1989 through June 30, 1989 shall be treated as part of Gulf's 1989 earnings.

In accordance with our decision to eliminate Gulf's access charge subsidy, we also find it appropriate to revise the access bill and keep subsidy amounts. Attached to this Order as Appendix I are the revised subsidy amounts which shall govern the access bill and keep subsidy mechanism.

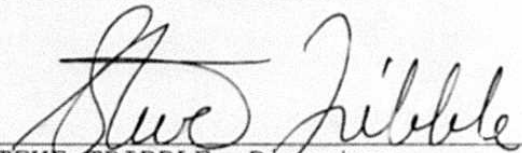
Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that the existing InterLATA access charge subsidy received by Gulf Telephone Company shall be eliminated as set forth in the body of this Order. It is further

ORDERED that the InterLATA access subsidy mechanism is revised as set forth in the body of this Order and as set forth in Appendix I of the Order.

By ORDER of the Florida Public Service Commission, this 3rd day of AUGUST, 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.

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Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or 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 after the issuance 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.

APPENDIX 1INTERLATA TOLL BILL AND KEEP
CALCULATION OF SUBSIDY PAYMENTS
JULY 1, 1989
(\$000)

	1	2	3	4	5	6	7
COMPANY	INTERLATA BILL/KEEP IMPACT	DA & COIN REVENUE	REVENUE EFFECT OF PREVIOUS COMM ACTION	TOTAL IMPACT (1+2+3)	SUBSIDY CONTRIB @\$.27	SHORTFALLS REQUIRING SUBSIDY (4-5)	TOTAL SURPLUSES (4-5)
ALLTEL	(2,110)	265	0	(1,846)	53	(1,899)	
CENTEL	4,435	3,398	0	7,833	294		7,539 *
FLORALA	58	3	0	60	3		57
GTE	(1,271)	18,136	0	16,865	934		15,931
GULF	(328)	140	188	0	7	(7)	
INDIANTOWN	(128)	13	0	(115)	2	(117)	
NORTHEAST	(176)	42	0	(134)	3	(137)	
QUINCY	260	146	0	407	16		391
ST. JOSEPH	(1,674)	151	0	(1,523)	17	(1,540)	
SOUTHERN BELL	12,456	19,949	(27,481)	4,924	2,251		2,673 *
SOUTHLAND	82	12	0	95	2		93
UNITED	(11,592)	6,793	4,899	100	775	(675)	
VISTA-UNITED	(65)	120	0	54	18		37
TOTAL	(\$53)	\$49,168	(\$22,394)	\$26,721	\$4,375	(\$4,375)	\$26,721

* CENTRAL AND SOUTHERN BELL SURPLUSES HAVE BEEN DISPOSED OF THROUGH PREVIOUS RATE REDUCTIONS