

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Intrastate access charges)
) DOCKET NO. 820537-TP
) ORDER NO: 21954
) ISSUED: 9-27-89

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION

ORDER ELIMINATING INTERLATA
ACCESS SUBSIDY FOR INDIANTOWN
AND
MODIFYING INTERLATA ACCESS SUBSIDY MECHANISM
AND
MODIFYING DISPOSITION OF CERTAIN
INTERLATA BILL AND KEEP SURPLUSES

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. Removal of Indiantown's InterLATA Access Subsidy

Pursuant to Order No. 14452, the inter LATA access charge subsidy mechanism was established in July, 1988, as part of our implementation of a bill and keep system for interLATA access charges. The subsidy mechanism was designed to maintain revenue neutrality for each LEC experiencing a loss from access bill and keep. Each LEC was kept in the same relative earnings position before and after implementation of bill and keep for access charges. Having just embarked on the unknown regulatory trail of bill and keep, we created the interLATA subsidy mechanism as a cushion against the then unknown effects of our access charge decisions.

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An audit of Indiantown's 1988 surveillance report has recently been completed and indicates that the company has approximately \$500,000 in earnings above its authorized cap of 14.5% ROE. Indiantown's 1989 interLATA subsidy is \$115,000 annually. Its intraLATA subsidy is \$232,000. Eliminating both subsidies would leave Indiantown with excess earnings of approximately \$153,000 annually. We are not aware of any known changes that will have a negative impact on Indiantown's earnings and tend to reduce its excess earnings situation. It also appears that the Company's overearnings will continue.

By Order No. 21474 issued June 28, 1989, in Docket No. 890179-TL, we accepted a proposal from Indiantown to cap its 1988 and 1989 earnings at a level that will produce a 14.5% return on equity (ROE). The earnings cap will protect Indiantown's ratepayers until a final resolution can be reached on the remaining prospective overearnings.

In light of Indiantown's current and anticipated earnings situation, we find it inappropriate that Indiantown should continue to receive an interLATA access charge subsidy. Accordingly, effective September 1, 1989, Indiantown shall no longer receive a subsidy from the interLATA access subsidy mechanism. All access subsidy payments received by Indiantown for the period January 1, 1989, through August 31, 1989, shall be treated as part of Indiantown's 1989 earnings.

Our decision to eliminate Indiantown's access subsidy is consistent with our previous decision to eliminate Gulf Telephone Company's interLATA access subsidy. In that case we eliminated Gulf's subsidy after we had determined that Gulf was overearning. See Order No. 21678. We recognized from the beginning of the inter- and intraLATA subsidy mechanisms that it would not be logical to provide a subsidy to a LEC that is in an overearnings position. As was the case with Gulf, Indiantown no longer appears to need an interLATA access subsidy.

II. Modification of InterLATA Subsidy Mechanism

As discussed above, the interLATA subsidy mechanism was established as a transition mechanism to keep LECs whole in going from a pooling to access bill and keep. Under the mechanics of the subsidy mechanism, the amounts of the subsidy receipts and contributions do not change unless changed by the Commission.

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Our decision above eliminating Indiantown's access subsidy has reduced the total amount of subsidy requirements by \$115,000 annually. In addition, we have reviewed the current status of the subsidy mechanism. Florala, Gulf, Quincy, Southland, United and Vista each make net contributions to the access subsidy of \$3,000, \$0, \$16,000, \$2,000, \$100,000 and \$18,000, respectively. The combined net contribution is \$139,000 annually. Eliminating Indiantown and these six LECs from participation in the subsidy mechanism and redistributing the remaining required contributions would result in Centel, GTEFL and Southern Bell contributing \$2,000, \$6,000 and \$16,000 more into the subsidy fund. These are relatively small amounts and these companies have indicated a willingness to assume the additional contributions in order to place Florala, Gulf, Quincy, Southland, United and Vista on a pure bill and keep basis. Accordingly, effective September 1, 1989, we find it appropriate that Florala, Gulf, Quincy, Southland, United and Vista be relieved from any further participation in the access subsidy mechanism.

We note that twelve of the LEC's currently participating in the interLATA access subsidy mechanism have indicated agreement to our proposal to narrow the number of participants. Southland is the only LEC which did not agree. We also note that our decision here is consistent with our recent decision to eliminate certain LECs from the intraLATA LEC toll subsidy mechanism. See Order No. 21579. As a result of our actions here, Florala, Gulf, Indiantown, Quincy, United and Vista will be on a pure bill and keep basis for both interLATA access and intraLATA LEC toll. This is an important step in our goal of bill and keep for the LECs.

In accordance with our decision to eliminate Florala, Gulf, Quincy, Southland, United and Vista from the interLATA access bill and keep subsidy mechanism, we find it appropriate to revise the access subsidy participant list as well as the subsidy amounts. Attached to this Order as Appendix I are the revisions to the interLATA access subsidy mechanism that reflect our actions above.

III. Modification of Disposition of InterLATA Bill and Keep Surpluses

By Order No. 14452 we required Companies experiencing a surplus from the implementation of access bill and keep to book the amount of the surplus to additional intrastate depreciation

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expense. In light of our modification of the subsidy mechanism above, we also find it appropriate to make certain adjustments with respect to the disposition of interLATA bill and keep surpluses.

By Order No. 20534 in Docket No. 881478-TL, Florala was allowed to use its surplus from access bill and keep as an offset to the increased revenue requirement from upgrading customers from four-party to one-party service. Having relieved Florala of its \$3,000 net contribution obligation as discussed above, Florala's surplus increases from \$57,000 to \$60,000 annually. The reduction in revenues and the increase in revenue requirements stemming from the elimination of mileage charges and the service upgrades exceeds the the \$60,000 surplus. Accordingly, we find it appropriate to allow Florala to retain this amount to offset the revenue requirements outlined in Order No. 20534 and to release the Company from further requirements of Order No. 14452 governing disposition of its interLATA access surplus.

Vista experienced a surplus from access bill and keep of \$54,000. This surplus stem entirely from the directory assistance revenues and the increases to coinphone rates to twenty-five cents. Vista also experienced a loss from intraLATA bill and keep of \$57,000. Since Vista's loss from intraLATA bill and keep exceeds its interLATA access surplus, effective September 1, 1989, we find it appropriate that Vista retain its interLATA surplus as an offset to it intraLATA loss and to release the Company from further requirements of Order No. 14452 governing disposition of its interLATA access surplus.

Quincy is currently recording depreciation expense and placing a credit on its customers bills to offset its winnings. Our action removing Quincy from further participation in the interLATA access subsidy mechanism will increase its surplus by \$16,000 to \$407,000 annually. We find it appropriate to require Quincy to continue to credit customers' bills pursuant to Order No. 21043. Effective September 1, 1989, the \$16,000 increase in Quincy's surplus shall be recorded as additional depreciation until otherwise ordered by this Commission.

Southland was allowed to use its 1985 surplus to finance the separation of its accounting records between Alabama and Florida. The Company's 1986, 1987 and 1988 winnings offset increased depreciation expense in its last depreciation

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represcription. Based on the Company's last depreciation study, the Company currently has depreciation reserve deficits which should be recovered. We find it appropriate that Southland shall continue to record \$95,000 annually in intrastate depreciation expense for its bill and keep surplus until otherwise ordered by this Commission.

Gulf and United each experienced a loss in going to an access charge bill and keep environment and therefore, have no obligations to record additional depreciation in accordance with Order No. 14452.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the existing interLATA access bill and keep subsidy received by Indiantown Telephone System shall be eliminated as set forth in the body of this Order. It is further

ORDERED that Florala, Gulf, Southland, Quincy, United and Vista be relieved from any further participation in the interLATA access subsidy mechanism as set forth in the body of this Order. It is further

ORDERED that the interLATA access charge subsidy mechanism is revised as set forth in the body of this Order and as shown in Appendix I of this Order. It is further

ORDERED that Florala and Vista are released from any further requirements of Order No. 14452 regarding disposition of the interLATA bill and keep surpluses as set forth in the body of this Order.

By ORDER of the Florida Public Service Commission,
this 27th day of SEPTEMBER, 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 October 18, 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.

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APPENDIX I

INTERLATA TOLL BILL AND KEEP
CALCULATION OF SUBSIDY PAYMENTS **
SEPTEMBER 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	296		7,537 *
GTE	(1,271)	18,136	0	16,865	940		15,925
NORTHEAST	(176)	42	0	(134)	3	(137)	
ST. JOSEPH	(1,674)	151	0	(1,523)	17	(1,540)	
SOUTHERN BELL	12,456	19,949	(27,481)	4,924	2,267		2,657 *
TOTAL	\$11,660	\$41,941	(\$27,481)	\$26,119	\$3,576	(\$3,576)	\$26,119

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

** EXCLUDING FLORALA , GULF , INDIANTOWN , QUINCY , SOUTHLAND , UNITED , AND VISTA-UNITED