

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of local exchange) DOCKET NO. 850310-TL
 company toll bill and keep) ORDER NO. 21955
) 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 INTRALATA
LEC TOLL SUBSIDY FOR INDIANTOWN

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.

By Order No. 17743, we implemented a system of bill and keep for local exchange company (LEC) intraLATA toll revenues. Bill and keep for LEC toll began 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 by each LEC is being phased down annually by 25¢/Access Line/Month. The phase down occurs on January 1st of each year. Both GTE Florida, Inc. and Vista-United Telecommunications were expected to experience losses from the transition to intraLATA bill and keep; however, each elected to not receive an intraLATA subsidy and have not participated in the subsidy mechanism.

The basic purpose of implementing LEC toll bill and keep was to eliminate the subsidies inherent in the old pooling system. The LEC toll subsidy mechanism was designed to keep

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LECs whole in the transition from pooling to bill and keep and to avoid any immediate rate impacts. The mechanism was intended to last only until the Commission was presented with an opportunity to address each company's particular circumstances either through a rate case or other proceeding. By Order 21579 we determined to allow Alltel, Centel, Florala, Gulf, Quincy and United to withdraw from the intraLATA subsidy pool.

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 intraLATA subsidy is \$232,000. Its interLATA subsidy is \$115,000 annually. 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 intraLATA LEC toll subsidy. Accordingly, effective September 1, 1989, Indiantown shall no longer receive a subsidy from the intraLATA LEC toll subsidy pool. All 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 subsidy is consistent with our previous decision to eliminate Gulf Telephone Company's interLATA 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 IntraLATA subsidy.

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In accordance with our decision to eliminate Indiantown's intraLATA LEC toll subsidy we also find it appropriate to revise the LEC toll subsidy participant list amounts as well as the subsidy amounts. Attached to this Order as Appendix I are the revisions to the intraLATA LEC toll subsidy mechanism that reflect our actions above.

Based on the foregoing, it is

ORDERED by the Florida Public Service that the existing intraLATA LEC toll bill and keep subsidy received by Indiantown Telephone System shall be eliminated as set forth in the body of this Order. In is further

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

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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

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

	1	2	3	4	5	6	7
COMPANY	ACCESS LINES 12/31/85	INTRALATA BILL/KEEP IMPACT	PHASE OUT OF SUB @ \$0.25 /ACCESS LINE/MO	COMPANIES NEEDING SUBSIDY 2 + 3	SUBSIDY CONTRIB \$0.0242 /ACCESS LINE/MO	COMPANIES NEEDING SUBSIDY 4 + 5	COMPANIES WITH SURPLUS AFTER CONTRIB 2 + 5
NORTHEAST	4,461	(322)	13	(309)	(1)	(310)	
ST. JOE	18,255	(634)	55	(579)	(5)	(585)	
SOUTHERN BELL	3,549,016	10,099			(1,031)		9,068 *
SOUTHLAND	2,545	(151)	8	(143)	(1)	(144)	
TOTAL	3,574,277	8,992	76	(1,031)	(1,039)	(1,039)	9,068

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

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

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INTRALATA TOLL BILL AND KEEP
 CALCULATION OF SUBSIDIES AND SURPLUSES **
 EFFECTIVE JANUARY 1, 1990
 (\$000)

	1	2	3	4	5	6	7
COMPANY	ACCESS LINES 12/31/85	INTRALATA BILL/KEEP IMPACT	PHASE OUT OF SUB @ \$0.50 /ACCESS LINE/MO	COMPANIES NEEDING SUBSIDY 2 + 3	SUBSIDY CONTRIB \$0.0224 /ACCESS LINE/MO	COMPANIES NEEDING SUBSIDY 4 + 5	COMPANIES WITH SURPLUS AFTER CONTRIB 2 + 5
NORTHEAST	4,461	(322)	27	(295)	(1)	(296)	
ST. JOE	18,255	(634)	110	(524)	(5)	(529)	
SOUTHERN BELL	3,549,016	10,099			(955)		9,144 *
SOUTHLAND	2,545	(151)	15	(136)	(1)	(136)	
TOTAL	3,574,277	8,992	152	(955)	(962)	(962)	9,144

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

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INTRALATA TOLL BILL AND KEEP
 CALCULATION OF SUBSIDIES AND SURPLUSES **
 EFFECTIVE JANUARY 1, 1991
 (\$000)

	1	2	3	4	5	6	7
COMPANY	ACCESS LINES 12/31/85	INTRALATA BILL/KEEP IMPACT	PHASE OUT OF SUB @ \$0.75 /ACCESS LINE/MO	COMPANIES NEEDING SUBSIDY 2 + 3	SUBSIDY CONTRIB \$0.0207 /ACCESS LINE/MO	COMPANIES NEEDING SUBSIDY 4 + 5	COMPANIES WITH SURPLUS AFTER CONTRIB 2 + 5
NORTHEAST	4,461	(322)	40	(282)	(1)	(283)	
ST. JOE	18,255	(634)	164	(470)	(5)	(474)	
SOUTHERN BELL	3,549,016	10,099			(880)		9,219 *
SOUTHLAND	2,545	(151)	23	(128)	(1)	(129)	
TOTAL	3,574,277	8,992	227	(880)	(886)	(886)	9,219

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

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