

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Intrastate access charges for)	DOCKET NO. 820537-TP
toll use of local exchange services)	ORDER NO. 22421
)	ISSUED: 1-16-90

The following Commissioner participated in the disposition of this matter:

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

ORDER DISPOSING OF PENDING ISSUES
 AND CLOSING DOCKET

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER RELEASING GTEFL FROM DISPOSITION OF ACCESS SURPLUS
 AND REMOVING CENTEL FROM ACCESS SUBSIDY MECHANISM

Notice is hereby given by the Florida Public Service Commission that the actions discussed in Sections V and VII of this Order are 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. Background

This docket was initially opened to explore and implement an intrastate access charge structure that would compensate the local exchange companies (LECs) for the use of their local facilities to originate and terminate long distance (toll) traffic within Florida. An access charge system has now been put in place along with the concomitant structural changes to govern the relationship between LECs and interexchange carriers (IXCs). These changes were developed over time through the numerous extended proceedings in this docket. The majority of them are now embodied in the LECs' Access Services tariffs or our IXC rules in Chapter 25-24, Florida Administrative Code. Since the basic access charge system is now in place and is working reasonably smoothly, it appears that now may be the appropriate time to finally close this docket. In order to

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accomplish this, we must dispose of the few remaining miscellaneous issues. Our resolutions to these issues are set forth below. Any other structural issues which may arise will be addressed in other dockets. In addition, as described above, if any of the proposed agency action portions of this are protested, separate dockets will be established to address each protest.

II. Consummation of Certain Portions of Order No. 21954

On September 27, 1989, we issued Order No. 21954 as a Proposed Agency Action. The Order 1) removed Indiantown's interLATA subsidy, 2) removed Florala, Gulf, Quincy, Southland, United and Vista from the interLATA subsidy mechanism, 3) released Florala and Vista from any further requirements of Order No. 14452 regarding disposition of their surpluses and 4) required Quincy and Southland to continue recording depreciation expense as an offset to their respective access bill and keep surpluses. On October 18, 1989, Southland filed a protest of a portion of the Order that required it to continue its depreciation adjustment.

As discussed above, Order No. 21954 affects the subsidy receipts and payments of most of the LECs other than Southland. It also affects requirements of Order No. 14452 as applicable to Florala and Vista. The issue of Southland's access bill and keep surplus is severable from the remaining issues addressed in Order No. 21954. Due to the industrywide affect of Order No. 21954, the very limited protest filed by Southland and the absence of any other protests, we find that, with the exception of the portion of the Order dealing with Southland, the Order is hereby made final and effective as of October 18, 1989.

III. Southland's Protest of Order No. 21954

As discussed in Section II above, Southland protested its portion of Order No. 21954. In order to close this docket, we find it appropriate to address the issues raised by Southland's protest in a separate docket. Therefore, we direct our Staff to open a new docket for the purpose of resolving Southland's protest of Order No. 21954.

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IV. GTEFL's Contingent Withdrawal of Its Protest of Order No. 19707.

On June 2, 1988, GTEFL filed a Petition for Clarification or, in the Alternative, for Modification of Order No. 14452 (Petition). In the Petition, GTEFL requested that the Commission offset GTEFL's interLATA bill and keep winnings with its LEC toll bill and keep loss. GTEFL contends that its interLATA gain is approximately \$10,431,000 and its intraLATA loss is approximately \$19,000,000 and, therefore, netting the gain against the loss results in a net loss. In Order No. 19707, issued as a PAA, we found that the netting process was consistent with the Commission's intent to maintain revenue neutrality in going to bill and keep. However, we also reiterated our prior findings that GTEFL's interLATA surplus is \$15,873,000 and that GTEFL's LEC toll loss is \$7,329,000. These amounts are based on our findings in Orders Nos. 17321 and 18404, respectively, and are based on the record of those proceedings.

On August 15, 1988, GTE Florida, Inc. (GTEFL) filed a Protest of PAA Order No. 19707 (Protest) in which it contested the amounts used for its interLATA surplus and its LEC toll loss. The company requested a hearing to determine the amounts to be used in the netting process. Based on negotiations between our Staff and GTEFL subsequent to the filing of the Protest, GTEFL filed a withdrawal of the protest contingent on: 1) not having to book additional depreciation expense in 1988 beyond that already found to be proper and 2) allowing the company to reserve its rights to further litigate the appropriate numbers to be utilized in the netting process.

With respect to the first contingency, we note that the company has already committed \$9,653,000 on an intrastate basis to be applied to unrecovered investments of planned retirements of central office equipment and subscriber carrier. Therefore, it appears that GTEFL has recorded additional amortization expense to meet its obligation to dispose of its net bill and keep surplus of \$8,544,000 (\$15,873,000 - \$7,329,000). Further, we also find it appropriate that GTEFL not be required to book additional depreciation expense for 1988 beyond that already found to be proper.

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With respect to the second contingency, GTEFL seeks to reserve its rights to further litigate the appropriate numbers to be utilized in the netting process. As discussed above, the amounts of GTEFL's interLATA surplus and LEC toll loss were finally established in Orders Nos. 17321 and 18404. Using these amounts in Order No. 19707 does not affect GTEFL's rights to further litigate the appropriate numbers. GTEFL's rights to litigate these numbers are the same whether or not Order No. 19707 becomes final. Upon consideration, GTEFL's contingent withdrawal of its protest of Order No. 19707 is accepted and Order No. 19707 is hereby declared final and effective.

V. GTEFL's Access Charge Surplus

Order No. 14452 implemented access charge bill and keep on July 1, 1985. The Commission adopted a keep-whole approach for all LECs, both winners and losers. The purpose of the keep-whole approach was to attempt to minimize the financial impact of the implementation of access bill and keep and to keep each LEC in the same financial position it was in prior to bill and keep. Recognizing that some LECs would be net winners and some would be net losers from bill and keep, the Commission created a subsidy mechanism to keep-whole the losers. In accordance with our keep-whole policy for those LECs that were net winners, we required that they book their access bill and keep surplus to the costs of equal access or to depreciation. Once bill and keep was fully implemented, we would address each LEC's surplus or shortfall on a LEC specific basis either through a rate case or other proceeding.

The Commission has used this keep-whole approach for LECs experiencing a surplus for the last four and a half years. The surpluses were originally calculated based on 1984 data. Seven LECs were identified as experiencing a surplus. Of those seven LECs, Centel, Florala, Southern Bell and Vista have already been relieved of any further requirements for the disposition of their interLATA surpluses. Only GTEFL, Quincy and Southland currently have an ongoing requirement for the disposition of their interLATA surpluses. Southland's ongoing requirement will be dealt with as discussed in Section III above. Quincy's ongoing requirement is expected to be resolved in either its EAS docket or its earnings docket no. 891237-TL. Only GTEFL's requirement remains to be addressed.

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We recently established a new authorized return on equity (ROE) for GTEFL. See Order No. 22352. In view of GTEFL's new ROE, it appears that we can now eliminate the keep-whole requirements for GTEFL and return to a pure earnings approach. If GTEFL actually experiences any windfall as a result of relieving it of this ongoing depreciation requirement then it will appear as part of the company's earnings and be evaluated through the Commission's normal surveillance program.

Since the original bill and keep data is outdated and because GTEFL has a new authorized return on equity we find it appropriate that, effective January 1, 1990, GTEFL should have no further requirements regarding the disposition of its interLATA bill and keep surplus as required by Order No. 14452.

VI. Modifying Access Subsidy Mechanism to Reflect Reduction in St. Joe's Subsidy

In Docket No. 891238-TL, St. Joe proposed to reduce, inter alia, its interLATA access bill and keep subsidy by \$300,000. By Order No. 22284, we accepted St. Joe's proposal. In accordance with that decision, we also find it appropriate to adjust the subsidy receipts and payments to reflect the lower subsidy receipts by St. Joe, effective January 1, 1990.

VII. Removal of Centel From Access Subsidy Mechanism

We have reviewed the current status of the interLATA access subsidy mechanism. It appears that, at the current time, financial conditions for companies participating in the subsidy mechanism will allow Centel to withdraw from the mechanism without a significant financial impact on any of the other LECs. Centel is currently a net contributor of \$296,000 annually. As discussed above, St. Joe's subsidy has been reduced by \$300,000. Removing Centel at the same time St. Joe's subsidy is reduced still results in a total overall reduction of \$1,000 and \$3,000 in GTEFL's and Southern Bell's respective contributions. This action will place Centel on a pure access bill and keep basis. Removing Centel results in seven LECs on a pure bill and keep basis for both interLATA and intraLATA MTS/WATS and moves all the LECs closer to a full bill and keep basis. We note that the six LEC's currently participating in the interLATA access bill and keep subsidy mechanism have agreed to our proposal.

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Upon consideration, we find it appropriate that Centel be removed from the interLATA access bill and keep subsidy mechanism and that the payments and receipts for the other LEC's should be adjusted to the amounts shown in the chart attached to this Order as Attachment A.

As discussed above, Order No. 14452 required that companies experiencing a surplus from the implementation of access bill and keep record additional intrastate depreciation expense to offset the surplus. In Order No. 17783, dated June 30, 1987, Docket No. 861361-TL Centel reduced its local service rates by \$15,000,000 annually. In approving those reductions, we recognized Centel's interLATA surplus as a contribution towards Centel's earnings. Accordingly, we also find it appropriate that Centel should have no further requirements for the disposition of its interLATA surplus.

VIII. Closing the Access Docket

On September 7, 1988 a workshop was held with interested parties on the remaining issues in this docket. The consensus of that meeting was that the remaining issues would be best handled in Docket 880812-TP, Investigation of EAEAs and TMAs. At that time there was a request pending before the FPSC to close Docket No. 880812-TP. Thus, agreement among the parties to close Docket No. 820537-TP was held subject to the decision to close Docket No. 880812-TP.

By Order No. 20843, we rejected the request to close Docket No. 880812-TP. Additionally, the issues in Docket No. 880812-TP were framed broadly enough to subsume the remaining issues from this docket. Many of the issues raised in this docket are still relevant issues; however, some of the issues have been resolved by time and it is possible that no party will address the issue. By closing Docket No. 820537-TP no party is precluded from petitioning the Commission for further investigation into any particular issue.

Since the remaining issues in this docket will be subsumed in Docket No. 880812-TP there is no reason to leave this docket open. Accordingly, we find it appropriate that Docket No. 820537-TP be closed.

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We currently receive two reports from the LECs pursuant to our previous action in this docket. One is an annual report on stranded investment resulting from conversion to equal access. Southern Bell and GTEFL were required to file this report. Southern Bell fully converted to equal access last year and filed its final report. GTEFL is scheduled to convert to equal access in December and should file its final report shortly thereafter. When GTEFL's final report is filed, there will be no further stranded investment reports needed.

The other report is the Quarterly Access Charge Billing units report. Our staff continues to use these reports in ongoing investigations and the companies should continue filing them.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Order No. 21954 is final and effect to the extent outlined in the body of this Order. It is further

ORDERED that Southland Telephone Company's limited protest of a portion of Order No. 21954 shall be addressed in a separate docket. It is further

ORDERED that GTE Florida, Inc.'s withdrawal of its protest of Order No. 19707 is accepted as set forth in the body of this Order. It is further

ORDERED that Order No. 19707 is final and effective as set forth in the body of this Order. It is further

ORDERED that GTE Florida, Inc. is relieved of any further requirements for disposition of its interLATA access charge bill and keep surplus as set forth in the body of this Order. It is further

ORDERED that the Access Subsidy Mechanism is modified to reflect a reduction in St. Joe's subsidy receipts as set forth in the body of this Order. It is further

ORDERED that Central Telephone Company of Florida is removed from participation in the access subsidy mechanism as set forth in the body of this Order. It is further

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ORDERED that Central Telephone Company of Florida is relieved of any further requirements for disposition of its interLATA access charge bill and keep subsidy as set forth in the body of this Order. It is further

ORDERED that any protests filed to the proposed agency action portions of this Order shall be addressed in other dockets. It is further

ORDERED that this docket be closed.

By ORDER of the Florida Public Service Commission,
this 16th day of JANUARY, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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.

As identified in the body of this order, our actions in Sections V and VII of this Order are 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 actions 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

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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 February 6, 1990. In the absence of such a petition, Sections V and VII of this order shall become effective on the date 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 the actions in Sections V and VII of this order become 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.

Any party adversely affected by the Commission's final action in Sections I-IV, VI and VIII 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.

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INTERLATA TOLL BILL AND KEEP
CALCULATION OF SUBSIDY PAYMENTS **
JANUARY 1, 1990
(\$000)

ATTACHMENT A

	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)	
GTE	(1,271)	18,136	0	16,865	939		15,926
NORTHEAST	(176)	42	0	(134)	3	(137)	
ST. JOSEPH	(1,674)	151	300 ***	(1,223)	17	(1,240)	
SOUTHERN BELL	12,456	19,949	(27,481)	4,924	2,264		2,660 *
TOTAL	\$7,225	\$38,543	(\$27,181)	\$18,586	\$3,276	(\$3,276)	\$18,586

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

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

*** ST. JOSEPH INCLUDES \$300,000 REDUCTION APPROVED IN DOCKET NO. 891238-TL.