

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of SOUTHERN BELL	)	DOCKET NO. 880069-TL
TELEPHONE AND TELEGRAPH COMPANY for	)	
rate stabilization and implementation	)	ORDER NO. 23193
orders and other relief	)	
	)	ISSUED: 7-16-90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
 BETTY EASLEY  
 GERALD L. GUNTER  
 FRANK S. MESSERSMITH

ORDER SETTING CERTAIN ISSUES FOR HEARING RELEVANT  
 TO EXTENDING SOUTHERN BELL'S RATE STABILIZATION PLAN

By the Commission:

By Order No. 20162, issued October 13, 1988, this Commission approved a regulatory incentive plan (the plan) for Southern Bell Telephone and Telegraph Company (Southern Bell). Pursuant to that Order the plan is in effect from January 1, 1988 to December 31, 1990.

Our approval of the plan was a departure from more traditional regulatory ratemaking practices. In order to evaluate the results of the plan we determined that we would periodically examine the Company's performance in the new regulatory environment. Because of the current number of proceedings pending before the Commission, the full review contemplated by Order No. 20162 cannot be completed before mid-to-late 1991. It is likely that any hearings stemming from our review will not be concluded before late 1991. However, the plan is scheduled to expire at the end of December 1990. If the plan expires, the authorized range for Southern Bell's return on equity (ROE) will be 16% with no sharing of earnings. In order to avoid this situation and to provide ratepayers with adequate protection during our pending review we find it appropriate to conduct a limited hearing to determine whether the plan should be extended.

In contemplating whether to extend the plan we do not envision the same type of proceeding in which we initially adopted the plan. The extension hearing will have a more

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narrow focus. Consistent with Order 20162, we will examine certain exogenous factors, those that are beyond the Company's control but that affect the Company's earnings, to determine whether any permanent rate changes should be made in conjunction with a decision to extend the plan. We will examine external factors specifically excluded from the sharing plan such as the refinancing of debt. We will also examine the Company's current cost of equity and related items such as the authorized earnings range, the appropriate rate setting point and the earnings sharing threshold. Once the effects of these factors have been evaluated we will determine if any rate changes are appropriate.

We note that we do not intend to conduct a complete revenue requirements review of Southern Bell's current rate base, net operating income and capital structure. The plan has been in effect for less than two years. It may be premature to conduct a full revenue requirements review with our limited experience with the plan. Further, a later review is consistent with our initial adoption of the plan for a two-year period in Order No. 20162. Moreover, in view of the new revisions to Chapter 364, Florida Statutes, it appears that a full review will be conducted sometime before the end 1991.

Upon consideration of the above, we set the following issues for hearing:

1. Should the regulatory incentive plan for Southern Bell be extended until the earlier of eighteen months or the conclusion of the periodic earnings review required by the new revisions to Chapter 364, Florida Statutes?
2. If Southern Bell's regulatory incentive plan is extended, what should be the authorized floor and ceiling for the return on equity?
3. If Southern Bell's regulatory incentive plan is extended, at what return on equity should rates be set?
4. If Southern Bell's regulatory incentive plan is extended, at what return on equity should sharing begin?

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5. If Southern Bell's regulatory incentive plan is extended, should any adjustment be made to rates to reflect the annual impact of rate changes, exogenous factors and debt refinancings which have occurred since January 1, 1988?
6. What is the amount of revenue change for 1991, necessary to implement the Commission's decisions in Issues 1 through 5?
7. In what services and to what extent should rate changes be made?

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that a limited hearing shall be held to determine whether to extend Southern Bell Telephone and Telegraph Company's incentive regulation plan should be as set forth in the body of this Order. It is further

ORDERED that the issues addressed at the hearing shall be limited as set forth in the body of this Order. It is further

ORDERED that this docket shall remain open.

By Order of the Florida Public Service Commission,  
this 16th day of July, 1990.

  
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.

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.