

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into UNITED)	DOCKET NO. 891239-TL
TELEPHONE COMPANY OF FLORIDA'S)	ORDER NO. 24942
authorized ROE and earnings.)	ISSUED: 8/20/91
_____)		

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 BETTY EASLEY
 MICHAEL McK. WILSON

ORDER IMPLEMENTING PARENT DEBT ADJUSTMENT

BY THE COMMISSION:

The U.S. Treasury Department issued proposed regulations sections 1.167(l)-1(h)(7) and 1.168(i)-1 on November 27, 1990. As a result of the issuance of these proposed regulations, our Order No. 24029 did not reflect a parent debt adjustment. These proposed regulations have subsequently been withdrawn and the regulation project has been closed until Congress provides further guidance. However, we required United to hold, subject to refund with interest, the portion of revenues that would not have been authorized if there had been a parent debt adjustment. We also required United to request a ruling from the Internal Revenue Service (IRS) as to whether or not the parent debt adjustment was a violation of the normalization requirements under the proposed regulations. Since the proposed regulations have been withdrawn and the project has been closed, the required ruling is moot.

On May 7, 1991, the Office of Public Counsel (OPC) filed a petition requesting that United be ordered to refund, immediately, approximately \$2,600,000 related to the parent debt adjustment. The petition also requests a rate reduction of \$3,750,000 on a going forward basis. The Company responded on May 20, 1991. The Company asserts that any refund or rate reduction should wait until a response is received from the ruling request of Peoples Gas System, Inc., or the Company's own request. United further states that if no ruling requests are to be filed, the refunds and rate reductions should be handled through additional depreciation expense rather than through a reduction in local rates.

By Order No. 22377, this Commission had earlier placed \$7,605,000 annually in revenues subject to refund or other disposition beginning January 1, 1990. By Order No. 24049, we determined that United had earned \$6,151,700 in excess of its final authorized return on equity (ROE) midpoint of 13.0%. This determination was made on the basis that no parent debt adjustment would be made for 1990. However, we now find it appropriate to

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make a parent debt adjustment for determining 1990's earnings. Applying a parent debt adjustment to 1990's earnings results in earnings over the midpoint in excess of the \$7,605,000 held subject to our disposition. Therefore, we find the remaining \$1,453,300, is subject to our disposition.

Consistent with our decision on the disposition of the \$6,151,700, we hereby order that the remaining \$1,453,300, plus interest of \$60,081 as of December 31, 1990, shall be placed into a deferred credit, earning interest, until it can be applied to a specific plant account at the time of the Company's next depreciation rescription.

We find it appropriate to reduce rates on a going forward basis effective September 1, 1991. From January 19, 1991, through August 31, 1991, United will have collected \$2,321,142, plus accrued interest of \$44,132, related to the parent company debt adjustment. In its motion, filed May 7, 1991, the OPC states that this Commission should order the monies held subject to refund by Order No. 24049 to be refunded to United's customers. However, we disagree with OPC. We find it appropriate that these revenues be utilized to reduce rate base, as opposed to being refunded.

We believe that a long term benefit will be provided to the ratepayers through a reduction in rate base and an ongoing reduction in rates. We believe a rate reduction is more beneficial to the ratepayers than a one-time refund of \$2,365,274 which is approximately \$1.86 per access line for residential customers. Therefore, we find it appropriate to order United to place \$2,365,274 into an unclassified intrastate depreciation reserve account, effective September 1, 1991.

By Order No. 24049, this Commission also ordered United to place \$3,750,731 of its annual revenues subject to refund or other Commission disposition. OPC asserts in its motion filed May 7, 1991, that this Commission should order United to lower its rates prospectively by the amount of revenues represented by the parent debt adjustment. We agree. We find it appropriate that rates be reduced by \$3,750,731 prospectively. Rates should be reduced by an additional \$307,486 annually to reflect the reduction in revenue requirements which results from placing money in the depreciation reserve and thereby decreasing rate base. The total prospective rate reduction for these two items is \$4,057,616.

We reduced United's MTS rates effective January 19, 1991, by Order No. 24049. We find a further reduction of \$2,162,816 appropriate to make United's MTS rates more competitive with the rates charged by the other local exchange companies and

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interexchange companies on intrastate traffic. The discounts shall be changed to 25% and 50% in lieu of the 35% and 60% for evenings and night/weekends, respectively.

The remaining monies shall be applied to reduce United's BHMOC from its present \$4.33 to \$3.95, a reduction of \$0.38. Using 1991 projected units, a \$0.01 reduction in the BHMOC yields a revenue impact of \$49,936. Therefore, this reduction is \$1,897,568.

In summary, we find it appropriate to reduce United's annual revenues by reducing the Company's MTS rates by \$2,162,816 and its BHMOC rate by \$1,897,568. These reductions shall become effective September 1, 1991. Appropriate tariff revisions shall be filed no later than August 23, 1991.

By these actions, we have addressed the substance of OPC's motion for both reducing rates and refunding money. By ordering United to record additional depreciation rather than refund money and to reduce rates on a prospective basis, we have effectively denied in part and granted in part OPC's motion.

On June 21, 1991, United appealed to the Florida Supreme Court Orders Nos. 24049 and 24595, to the extent that these Orders deal with the determination of United's 1990 earnings. Until that appeal is finally resolved, this docket shall remain open.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that United Telephone Company of Florida shall dispose of the monies held subject to refund related to the parent debt adjustment pursuant to Order No. 24049, with interest calculated according to Rule 25-4.114, Florida Administrative Code, as set forth herein. It is further

ORDERED that United Telephone Company of Florida shall place the \$1,453,300 remaining plus interest of \$60,081 into a deferred credit effective December 31, 1990, earning interest until it can be applied to a specific plant reserve at the time of the Company's next depreciation rescription. It is further

ORDERED that United shall place \$2,365,274 for the period of January 19, 1991, through August 31, 1991, which includes \$44,132 of interest, into an unclassified intrastate depreciation reserve account, effective September 1, 1991, to be made account specific at the time of United's next depreciation rescription. It is further

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ORDERED that United shall reduce its MTS rates with changes in discounts as set forth herein. It is further

ORDERED that United shall reduce its BHMOC rate from \$4.33 to \$3.95. It is further

ORDERED that these rate reductions shall become effective September 1, 1991. Appropriate tariff revisions shall be filed no later than August 23, 1991. It is further

ORDERED that this Docket shall remain open until the final resolution of United's appeal of Orders Nos. 24049 and 24595 to the Florida Supreme Court.

By ORDER of the Florida Public Service Commission, this 20th day of AUGUST, 1991.


STEVE TRIBBLE Director
Division of Records and Reporting

(S E A L)

SFS

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

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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.