

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions of SOUTHERN BELL)	DOCKET NO. 880069-TL
TELEPHONE AND TELEGRAPH COMPANY for)	
rate stabilization and implementation)	ORDER NO. 25367
orders and other relief)	
_____)	ISSUED: 11/20/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL MCK. WILSON

ORDER REQUIRING REFUND OF ACCRUED EXCESS REVENUES

BY THE COMMISSION:

I. BACKGROUND

By Order No. 20162, the Commission ruled on Southern Bell Telephone and Telegraph Company's petitions for rate stabilization and other relief. As a result of implementing a rate stabilization plan, the Commission expanded the authorized range of return on equity to a minimum of 11.5% and a maximum of 16%. Within the expanded range the Commission also implemented an earnings sharing plan. Any earnings in excess of 14% are to be shared with 60% being given to Southern Bell's ratepayers and the other 40% retained by the company. All earnings in excess of 16% after sharing are returned to the ratepayers. In addition, earnings stemming from certain exogenous factors and the net of rate increases (except regrouping) and rate decreases, were excluded from the sharing process.

By Order 24066, we extended Southern Bell's rate stabilization plan until December 31, 1992. We also set aside for subsequent disposition \$18,420,620 for 1991 and an additional \$21,868,551 for 1992.

We initially considered the disposition of Southern Bell's excess revenues at our June 25, 1991, Agenda Conference. Various proposals were discussed at this time. By motion filed April 10, 1991, Public Counsel argued that all excess revenues that have accrued subject to disposition (the nonrecurring revenues) be refunded and that Southern Bell's rates be reduced to eliminate the prospective accrued of excess revenues (the recurring revenues). Southern Bell proposed generally that the nonrecurring revenues be expended on "special needs" projects related to expanded telecommunications services for as education, health care and law

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORDER NO. 25367
DOCKET NO. 880069-TL
PAGE 2

enforcement. Our Staff suggested directing the excess revenues to provide some form of toll rate relief.

By Order No. 24861, we determined the final amounts available for disposition. In partial disposition of the excess revenues we directed Southern Bell to implement an optional residential message rate service. The disposition of the remaining revenues was deferred to allow parties to present specific proposals.

On October 3, 1991, Southern Bell withdrew its proposed special needs projects from further consideration. By Order No. 25244 we acknowledged the withdrawal.

As discussed in greater detail below, we have evaluated the various options available for disposition and have determined to refund with interest, the revenues that will have accrued through December 31, 1991. We have deferred for further consideration, the disposition of the amounts that will accrue beginning January 1, 1992, absent any rate reductions.

II. DISPOSITION OF REVENUES

By Order No. 24861, we identified \$64,572,805 in excess revenues available for disposition as of December 31, 1990. Accrued interest on that amount through November 30, 1991 is approximately \$3,775,731. Accrued excess revenues from January 1, 1991 through September 30, 1991, are approximately \$20,378,571.

In addition to Public Counsel's proposal to refund the excess revenues that have accrued to date, two other options were suggested, network modernization and conversion to prospective rate reductions.

One option is to treat the accrued excess revenues as contributions-in-aid-of-construction (CIAC) that would be used for the purchase of new network plant. Under this option Southern Bell would submit to the Commission individual construction projects detailing specifically how the monies will be distributed giving dollar amount(s) and depreciable account(s) or sub-account(s) to which the plant amount(s) will be debited. The distribution of the CIAC and related plant additions would remain subject to Commission approval for prudence. The amortization for the CIAC would depend on the plant account(s) and sub-account(s) relating to the individual construction projects. The ideal goal would be to match the amortization of the CIAC to the depreciation expense so the net effect would be zero.

ORDER NO. 25367
DOCKET NO. 880069-TL
PAGE 3

The other option is to use the accrued excess revenues to fund prospective rate reductions. Under this plan the revenues would be placed into a deferred account. Equal or declining amounts would be withdrawn from the deferred account over a specified period of time, preferably over three years or less. The additional funds made available by this action could be used to make substantial rate reductions to any one or a combination of services.

Upon review of the options, it appears that a refund would be most appropriate. Network modernization is not as pressing a problem for Southern Bell in view of our decision in Docket No. 890256-TL authorizing depreciation rates which internally generate funds for Southern Bell's network modernization. With respect to conversion of the accrued revenues to fund rate reductions, this may provide a greater long term benefit to ratepayers than a refund. However, it may not create a permanent rate reduction. As a result, a direct refund is more appropriate in this case. A refund provides an immediate and direct benefit to ratepayers.

Accordingly, we find that the \$68.3 million in excess revenues identified for the period ending December 31, 1990 and including interest accrued through November 30, 1991, be refunded to customers of record as of December 31, 1990. We also find that customers receiving service during 1990 who were not customers of record on December 31, 1990, but who contact the Company, and whose claims can be substantiated, shall be granted refunds.

The refunds shall be made in accordance with Rule 25-4.114, Florida Administrative Code. The refunds should be based on access lines, pro rata according to rate level. Refunds shall be distributed with billing cycles beginning on or after November 15, 1991 through December 15, 1991. Interest shall be included through November 30, 1991. Reports on the status of the implementation of the refund should be filed in accordance with Rule 25-4.114 (7). Subscribers who pay usage rates plus some percentage of the equivalent flat rate, shall receive refunds based on either the flat rate surrogate, if applicable or, if no tariffed flat rate surrogate exists, the full equivalent flat rate. This is equitable since most usage rate subscribers pay more for local service than the flat rate subscribers to the same service. Thus, they should receive refunds that are at least equivalent to the those based on flat rates. Southern Bell shall provide documentation fully describing the Company's calculation of the specific refund amounts.

In addition to the nonrecurring amounts through year end 1990 identified in Order No. 24861, approximately \$32.5 million will

ORDER NO. 25367
DOCKET NO. 880069-TL
PAGE 4

have accumulated for the period January 1, 1991 through December 31, 1991. These funds are also available for refund or other disposition. This amount includes \$1.2 million in interest that will have accrued through February 29, 1992.

For the reasons discussed above, we find that all excess revenues accruing during 1991 shall also be refunded direct to customers. The refunds shall be given to customers of record as of December 31, 1991. The refunds shall be distributed with billing cycles beginning on or after February 15, 1992 through March 15, 1992, including interest accruing through February 29, 1992. All other conditions as specified above pertaining to refund procedures for the 1990 excess revenues shall be followed.

We note that the excess revenues will continue to accrue in 1992 absent any rate reductions. Our determination of the appropriate rate reductions will be made by subsequent Order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Southern Bell Telephone and Telegraph Company shall refund all excess revenues accrued through December 31, 1990 plus the associated interest as set forth in the body of this Order. It is further

ORDERED that Southern Bell Telephone and Telegraph Company shall refund all excess revenues accrued from January 1, 1991 through December 31, 1991 as set forth in the body of this Order. It is further

ORDERED that this docket remain open.

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


STEVE TRIBBLE, Director
Division of Records and Reporting

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ORDER NO. 25367
DOCKET NO. 880069-TL
PAGE 5

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.