

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the) DOCKET NO. 940199-TL
authorized return on equity and) ORDER NO. PSC-94-0545-FOF-TL
earnings of INDIANTOWN TELEPHONE) ISSUED: May 11, 1994
SYSTEM, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING ROE, CAPPING EARNINGS, AND REDUCING MTS RATES

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Indiantown Telephone System, Inc.'s (Indiantown or Company) authorized return on equity (ROE) was last considered in the Modified Minimum Filing Requirements (MMFR) proceeding in Docket No.900921-TL. By Order No. PSC-92-0036-FOF-TL, the Commission approved an allowed ROE for Indiantown of 12.7% +/- 1%. Since the time of that decision, the cost of equity for Indiantown apparently has declined. Typically, we respond to declining cost of equity by lowering the authorized range of returns. For water and wastewater utilities, we lowered the authorized returns through the water and wastewater leverage formula to a range from 9.7% to 10.97%. See Order No. PSC-93-1107-FOF-WS. We reduced the range of returns for the natural gas distribution companies to 11.0% to 11.25%. See Orders Nos. 93-1772 through 93-1777. We also reduced the returns granted to FPUC-Marianna to 10.85% (Order No. 94-0249) and Tampa Electric Company of 11.35% (Order No. 94-0337).

Upon review of the current cost of equity, it appears that Indiantown's ROE should be reduced. We note that the Company has proposed a reduced ROE of 11.8%. Indiantown has also offered to

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cap its 1994 earnings at 12.8% and reduce its MTS rates by \$110,000. Upon consideration, we accept the Company's proposed ROE. The 11.8% ROE appears reasonable within the context of Indiantown's total offer and the fact that approval of the offer will save litigation costs if the order is not protested.

Indiantown's intraLATA MTS rates were reduced to the current level in Docket No. 930910-TL, effective October 2, 1993. Indiantown is located in the Southeast LATA along with Southern Bell. Therefore, all intraLATA toll calling is to Southern Bell's territory. Southern Bell has significantly lower MTS rates than Indiantown. Although the company's proposed reduction of \$110,000 annually will not lower its MTS rates to Southern Bell's level, it will bring them much closer. Indiantown has no BHMOC charge, no touchtone charge, no Bill and Keep Subsidy and no outstanding requests for EAS. It is therefore appropriate for Indiantown to reduce its MTS rates closer to the level of Southern Bell's rates.

The Company will apparently earn in excess of 12.8% in 1994 primarily due to the increase in Universal Service Fund (USF) revenue. As this increase is non-recurring, any prospective rate reductions for this increase are inappropriate. However, to capture any excess earnings, Indiantown's earnings for 1994 are hereby capped at 12.8% ROE. Upon filing of Indiantown's 1994 cost study, the disposition of excess earnings, if any, will be determined by the Commission.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that, effective January 1, 1994, Indiantown Telephone System, Inc.'s authorized return on equity is 11.8% +/- 1.0%. It is further

ORDERED that, effective January 1, 1994, the cap on earnings for 1994 is 12.8% ROE, with the disposition of any excess earnings to be determined by the Commission. It is further

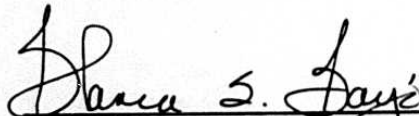
ORDERED that, effective July 7, 1994, MTS rates will be reduced by \$110,000 annually. It is further

ORDERED that this Order, shall become final and effective unless an appropriate petition is received in accordance with the "Notice of Further Proceedings or Judicial Review" set forth below. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 11th
day of May, 1994.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

WEW

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.

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 June 1, 1994.

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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.

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 wastewater 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.