

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the) DOCKET NO. 940200-TL
authorized return on equity and) ORDER NO. PSC-94-0547-FOF-TL
earnings of St. JOSEPH TELEPHONE) ISSUED: May 11, 1994
& TELEGRAPH COMPANY)
_____)

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

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.

St. Joseph Telephone and Telegraph Company's (St. Joseph's) return on equity (ROE) was last considered in the Modified Minimum Filing Requirements (MMFR) proceedings in Docket No. 910927-TL. By Order No. PSC-92-1375-AS-TL the Commission determined that it was appropriate to accept the company's proposal which specified an allowed ROE of 12.5% +/- 1%. Since the time of that decision, the cost of equity for St. Joseph has declined.

Typically, we respond to declining cost of equity by lowering the authorized range of returns. For water and wastewater utilities, we lowered authorized returns granted 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 to 11.35% (Order No. 94-0337).

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Upon review of the current cost of equity, it appears that St. Joseph's ROE should be reduced. We note that St. Joseph has proposed a reduced ROE of 11.65%. Upon consideration, we accept St. Joseph's proposed ROE. Within the context of St. Joseph's total offer and the fact that approval of the offer will save litigation costs if the order is not protested, the 11.65% ROE is considered reasonable.

St. Joseph's current BHMOC rate is \$1.25. Removing it entirely will bring St. Joseph's intrastate access charge rates to \$.136 per minute - very close to its interstate access rates. BHMOC is a good place in which to reduce revenues. The estimated annual dollar value of this action is \$233,000. However, due to the scheduled reduction in access charges by Southern Bell on July 1, 1994, St. Joseph will save an estimated \$50,000 annually in access expense. Therefore, the net loss in earnings to St. Joseph is \$183,000 annually. Implementing this change on July 1, 1994, concurrent with the reductions in Southern Bell's access rates yields a 1994 impact of \$91,500.

St. Joseph proposes to separately state Gross Receipts Tax (GRT) from all service rates and bill the entire GRT as a separate line item. Historically, the 1.5% GRT was rolled in to customers' base rates. Effective July 1, 1990, the Legislature increased the tax from 1.5% to 2.0%. The additional .5% GRT was to be shown separately on the bill and not rolled into the base rate. The GRT was increased to 2.25% effective July 1, 1991, and to 2.5% on July 1, 1992. The separate billing for part of the tax has apparently caused some customer confusion as well as billing problems for some LECs. This is because the 1.5% is embedded in some rates but not in others. For example, the federal subscriber line charge has no embedded GRT, whereas intraLATA MTS rates do. This creates the appearance of different GRT rates being charged for different services.

In effect, Rule 25-4.110(8)(b), Florida Administrative Code, provides that no telephone company shall benefit at the expense of its customers from the unbundling of the GRT. However, Section 203.10, Florida Statutes, provides that utilities may, at the utilities' option, separately state all the GRT on customers' bills. The Commission has approved billing the entire GRT as a separate line item for Alltel, Centel, Florala, GTEFL, Gulf, Indiantown, Northeast, Quincy, Southland, United and Vista-United. We find that St. Joseph should also be allowed to bill the entire GRT as a separate line item.

The revenue effect of rolling out the currently embedded 1.5% GRT from base rates is approximately \$100,000. St. Joseph proposes

ORDER NO. PSC-94-0547-FOF-TL
DOCKET NO. 940200-TL
PAGE 3

to use the revenue from unbundling the GRT to reduce its intraLATA MTS rates. We find this proposal appropriate since St. Joseph's intraLATA MTS rates are among the highest of any LEC in Florida.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that, effective 1/1/94, the company's authorized return on equity (ROE) is 11.65% +/- 1.0%. It is further

ORDERED that St. Joseph's BHMOC charge is eliminated, effective July 1, 1994. It is further

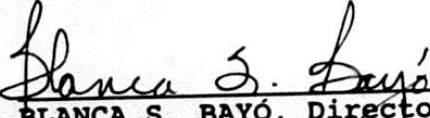
ORDERED that St. Joseph's may unbundle Gross Receipts Tax, effective July 1, 1994. It is further

ORDERED that St. Joseph's MTS rates be reduced pursuant to the revenue generated from unbundling the GRT, effective July 1, 1994. It is further

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

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

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

Chairman Deason dissented from the Commission decision because the Extended Area Service additive was not removed by this action.

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.

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.