

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Adoption of) DOCKET NO. 940863-TL
Rule 25-4.046, F.A.C.,) ORDER NO. PSC-94-1353-NOR-TL
Incremental Cost Studies) ISSUED: November 7, 1994
Submitted by Local Exchange)
Companies)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF RULEMAKING

NOTICE is hereby given that the Florida Public Commission, pursuant to Section 120.54, Florida Statutes, has initiated rulemaking to adopt new rule Rule No. 25-4.046, Florida Administrative Code, relating to Incremental Cost Studies Submitted by Local Exchange Companies.

The attached Notice of Rulemaking will appear in the November 14, 1994 edition of the Florida Administrative Code Weekly. If timely requested, a hearing will be held at the following time and place:

9:30 a.m., February 1, 1995
Room 122, Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

Written requests for hearing and written comments or suggestions on the rule must be received by the Director, Division of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, FL 32399-0870, no later than December 1, 1994.

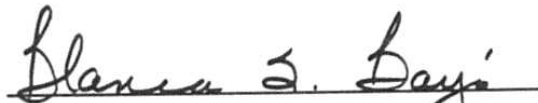
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By Direction of the Florida Public Service Commission, this
7th day of November, 1994.

A handwritten signature in cursive script, reading "Blanca S. Bayó", is written over a horizontal line.

BLANCA S. BAYÓ, Director
Division of Records & Reporting

(S E A L)

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 940863-TL

RULE TITLE:

RULE NO.:

Incremental Cost Studies Submitted

25-4.046

by Local Exchange Companies

PURPOSE AND EFFECT: The purpose of the proposed rule is to codify the Commission's policy of accepting incremental cost as an appropriate cost benchmark for pricing purposes, and to impose specific requirements on the content and form of incremental cost studies submitted by Local Exchange Companies (LEC).

SUMMARY: Proposed Rule 25-4.046 enumerates various formal requirements to be met by the incremental cost studies submitted to the Commission by LECs. The proposed rule specifies the necessary elements of a cost study and the supporting documentation which must accompany the study.

RULEMAKING AUTHORITY: 350.127(2), F.S.

LAW IMPLEMENTED: 364.3381, F.S.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE Florida Public Service Commission, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., February 1, 1995

PLACE: Room 122, 101 East Gaines Street, Tallahassee, Florida.
THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC
IMPACT STATEMENT IS: Director of Appeals, Florida Public Service
Commission, 101 East Gaines Street, Tallahassee, Florida 32399.
THE FULL TEXT OF THE RULE IS:

Rule 25-4.046 Incremental Cost Studies Submitted by Local Exchange
Companies.

(1) Incremental cost yields the appropriate price floor for
pricing of individual services. This rule sets forth requirements
for incremental cost data submitted by local exchange companies
(LECs) to the Commission.

(2) For each service for which incremental cost data is
submitted by a local exchange company, the LEC shall provide:

(a) An executive summary that includes at a minimum:

1. An overview of the incremental cost study(ies)
performed, a description of all cost models used and a summary of
the cost study results;

2. A discussion which demonstrates that the cost study
methodology employed comports with accepted economic theory
regarding incremental cost;

3. A discussion demonstrating the reasonableness of the
assumptions made regarding the conditions projected to be in effect
during the study's planning horizon; and

4. A discussion demonstrating the manner in which the service will be provisioned during the planning horizon.

(b) A listing of all factors and their values used in the study including, but not limited to, utilization factors, annual charge factors, expense factors and supporting structures factors. At Commission staff's request, supporting work papers showing the derivation of all factors used in the study shall be provided on 5 days' notice.

(c) Where identifiable, the amount of any group-specific costs shall be identified but not added into the results for an individual service. Group-specific costs are those costs related to the provision of a group of services but not causally attributable to any specific service; and

(d) The amount and types of costs that are causally apportioned (as opposed to directly assigned) to individual services shall be identified and the LEC shall describe and provide support for the method of apportionment used.

(3) For new services which may have a significant revenue impact or where a rate restructure of an existing service is being proposed that may have either significant customer or revenue impact, a narrative or flowchart indicating the sequence of analyses performed leading to the cost results shall be provided. At Commission staff's request, all relevant work papers supporting the cost study shall be provided on 5 days' notice.

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Specific Authority: 350.127(2), F.S.

Law Implemented: 364.3381, F.S.

History:New, _____.

NAME OF PERSON ORIGINATING PROPOSED RULE: David Dowds, Division of Communications.

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: October 18, 1994

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 488-8371 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).