

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of 1998 and
January 1 through February 28,
1999 earnings of ALLTEL Florida,
Inc.

DOCKET NO. 001650-TL
ORDER NO. PSC-00-2373-PAA-TL
ISSUED: December 11, 2000

The following Commissioners participated in the disposition of
this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ

NOTICE OF PROPOSED AGENCY ACTION ORDER
DETERMINING AMOUNT AND DISPOSITION OF OVER EARNINGS

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.

I. CASE BACKGROUND

On March 1, 1999, ALLTEL Florida, Inc. (ALLTEL) filed a notification of election to become subject to price cap regulation effective upon that date. By Order No. PSC-99-0759-FOF-TL issued on April 20, 1999, in Docket No. 990224-TL, the Commission acknowledged ALLTEL's notification. In that order, the Commission cited Section 364.052, Florida Statutes, which states that, "after July 1, 1996, a company subject to this section electing to be regulated pursuant to Section 364.051, Florida Statutes, will have any overearnings attributable to a period prior to the date which the company made the election subject to the refund or other disposition by the Commission." Based on this statute, the

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Commission noted that staff would be reviewing ALLTEL's earnings up through February 28, 1999, to determine the need for disposition of any overearnings.

ALLTEL filed its preliminary December 1998 Earnings Surveillance Report (ESR) on March 1, 1999. The ESR indicated that ALLTEL had earned 12.23% return on equity (ROE) for 1998. Staff conducted an audit of the ESR and issued a report on January 28, 2000. After accepting certain staff adjustments, on October 3, 2000, ALLTEL filed the final 1998 ESR, showing that the achieved ROE was above the maximum allowed ROE of 12.50%.

Staff also reviewed the earnings for January 1 through February 28, 1999. During this period, the Company was still under rate-of-return regulation. Staff's analysis indicates that the Company also had overearnings for this period.

This recommendation presents the proposed disposition of the January 1, 1998 through February 28, 1999 overearnings based on Staff's review of ALLTEL's 1998 Earnings Surveillance Report and January and February, 1999, financial statements.

II. OVER EARNINGS

According to the original 1998 ESR filed on March 1, 1999, ALLTEL had achieved ROE of 12.23%. An audit of ALLTEL's 1998 earnings was completed by Staff and a report was issued on January 28, 2000. The Company filed a final ESR on October 3, 2000, which included the final National Exchange Carriers Association (NECA) Cost Study factors which separate the costs between interstate and intrastate traffic. This final ESR reported an achieved ROE of 12.58%. Staff used 1998 earnings to estimate the Earnings for January and February, 1999.

Staff reviewed the proposed audit adjustments and made adjustments for a capitalization error, an amortization error, directory gross profits, and non-regulated expenses. In addition, based on its review, Staff made adjustments for income taxes, misclassified expenses, expense allocations, depreciation rates, and Universal Service Fund. Based on Staff's knowledge of the

issues and adjustments, we believe that the recommended overearnings and refund amount is reasonable.

The company has agreed to the refund amount of \$580,000, [plus \$68,000 in interest for a total of \$648,000.

III. DISPOSITION OF OVER EARNINGS

The over earnings shall be refunded during the February 2001 billing cycle. Refunds shall be made based on access lines, pro rata according to rate levels. Centrex and other Private Branch Exchange customers shall receive refunds based on applicable Network Access Register rates.

The refund to an average residential customer will be approximately \$6.42; for the average business customer, it will be approximately \$15.95.

In addition, Rule 25-4.114, Florida Administrative Code, requires the following:

- a. Refunds must be made within 90 days of the final order.
- b. Motions for reconsideration do not delay refunds unless a stay is requested and granted.
- c. The Company must file refund reports.

ALLTEL should submit a report giving the status of the refund by March 10, 2001. In the final report submitted to our staff after the refunds are made pursuant to Rule 25-4.114(7), Florida Administrative Code, ALLTEL shall include documentation showing how the actual amount of the refund was computed for each type of access line, the amount of money actually refunded, the amount of money that was unrefunded, and the status of the unrefunded amounts.

At the end of the refund period, any unrefunded amount should be remitted to the Commission and forwarded to the Comptroller for deposit in the General Revenue Fund, pursuant to Section 364.285 (1), Florida Statutes. If no timely protests to this proposed agency action is filed within 21 days of the date of issuance of this Order, the Order will become final upon issuance of a

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consummating order. The docket, however, shall remain open pending the completion of the refund and receipt of the final report on the refund. After completion of the refund and receipt of the final refund report, this docket shall be closed administratively.

Therefore, based on the foregoing, it is

ORDERED by the Florida Public Service Commission that ALLTEL Florida, Inc. shall refund \$580,000 for over earnings from January 1, 1998 through February 28, 1999 plus \$68,000 in interest for a total amount of \$648,000. It is further

ORDERED that over earnings shall be refunded during the February 2001 billing cycle. Refunds shall be made as set forth in the body of this Order. At the end of the refund period, any unrefunded amount, shall be remitted to the Commission and forwarded to the Comptroller for deposit in the General Revenue Fund, pursuant to Section 364.285(1), Florida Statutes. It is further

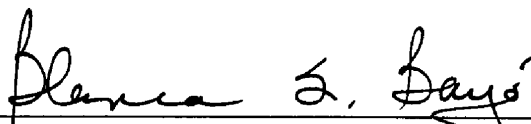
ORDERED that ALLTEL Florida, Inc. shall submit a report giving the status of the refund pursuant to Rule 25-4.114, Florida Administrative Code, by March 10, 2001. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open pending the completion of the refund and receipt of the final report on the refund. After completion of the refund and receipt of the final refund report, this docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission this 11th
day of December, 2000.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 1, 2001.

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In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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.