

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: General investigation into)	DOCKET NO. 890181-TL
what return on equity cap should be)	
applied for CENTRAL TELEPHONE COMPANY)	ORDER NO. 21057
for 1989)	
<hr/>		ISSUED: 4-17-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION
AND
ORDER ESTABLISHING EARNINGS CAP

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

At our Agenda Conference on March 21, 1989, we considered a commitment submitted by Central Telephone Company of Florida (Centel) on March 6, 1989, for the purpose of resolving the issues in the above-referenced docket. Specifically, Centel indicated that it would not object to our imposition of an earnings cap on 1989 revenues of a 13.75% return on equity.

In lieu of our ordering Centel to collect 1989 revenues subject to refund, we shall propose to establish this earnings cap as a proper resolution of the issues in this docket. Centel's 1989 earnings will be capped at a 13.75% return on equity subject to our later disposition of excess earnings, if any, in a manner to be determined. No final determination is made herein with respect to 1989 earnings that exceed a 13.75% return on equity. If a proper protest is not timely filed, then this action will become final.

We will comment on an additional matter raised by Centel in its March 6, 1989 letter. Centel believes that an appropriate incentive is not provided to telephone companies by the Commission for the purposes of encouraging efficient operations and maintaining low rates. The company complains that our action taken here is inappropriate because it offers no reward for efficient management that has produced Centel customer rates which are "among the lowest in the state and in the nation." For companies that aggressively reduce expenses while maintaining a high quality of customer service, Centel argues that we should adopt an earnings sharing program that would reward such achievements.

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We are concerned that Centel's allegations regarding possible disincentives in our current regulatory methodology may have some validity. It is possible that current regulatory methods which emphasize returns on equity may not provide an adequate incentive for efficient performance.

It is therefore,

ORDERED by the Florida Public Service Commission that the commitment submitted on March 6, 1989, by Central Telephone Company of Florida is hereby accepted. It is further

ORDERED that an earnings cap on the 1989 earnings of Central Telephone Company of Florida of a 13.75% return on equity is hereby authorized. It is further

ORDERED that, in the event Central Telephone Company of Florida's 1989 earnings exceed a 13.75% return on equity, then the Florida Public Service Commission shall dispose of such overearnings through final action taken later and all action with regard to such excess earnings is hereby expressly reserved. It is further

ORDERED that this docket shall be closed if the period for filing protests to this Proposed Agency Action expires without a proper protest being filed and this action becomes final.

By ORDER of the Florida Public Service Commission,
this 17th day of APRIL, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

DLC

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.

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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 May 8, 1989. In the absence of such a petition, this order shall become effective May 9, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent 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.

If this order becomes final and effective on May 9, 1989, 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 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 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.