

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into the regulatory) DOCKET NO. 880149-TL
 assessment fee calculations for 1985 and)
 of 1986 of UNITED TELEPHONE COMPANY OF) ORDER NO. 21171
 FLORIDA)
 _____) ISSUED: 5-5-89

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 TO FILE REVISED REPORTS

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.

Section 364.037, Florida Statutes (1987), sets out the regulatory treatment of the gross profits derived by telephone companies from directory advertising. This statute is intended to secure most of the benefits of such profits for telephone companies' ratepayers while furnishing the companies with an incentive for profitable operation by removing the balance of these profits from the regulatory process for the stockholders' benefit.

In reporting the financial results of its operations for the years 1985 and 1986, United Telephone Company of Florida (United) showed a marked decrease in directory advertising revenues from 1985 to 1986. Our Staff inquired about this decrease and learned that United changed its reporting practice because it entered into a publishing agreement with DirectoriesAmerica (DA), a subsidiary of United's parent company. This agreement, which became effective on January 1, 1986, covers the production, publishing and distribution of United's telephone directories.

United is obligated by the agreement to bill its customers for directory advertising and remit the revenues that it collects to DA. In return for the exclusive right to handle United's telephone directories, DA is required to pay United a fee. Until the arrangement with DA went into effect, United reported the gross revenues collected from advertisers and the related expenses and costs in determining its gross profits from directory operations. Thereafter, the company reported as gross profit only the fees paid to it by DA. As a result, the level of gross profits decreased from 1985 to 1986.

DA participates in the publication of a directory for Central Florida on behalf of both United and Vista-United Telecommunications (Vista), a partnership owned by subsidiaries

DOCUMENT NUMBER-DATE

04544 MAY-5 1988

FPSC-RECORDS/REPORTING

ORDER NO. 21171
 DOCKET NO. 880149-TL
 PAGE 2

of United's parent company and Walt Disney Company. This directory is published by Uni-Don Partnership, which is owned in equal shares by United's parent company and Reuben H. Donnelley Corp., a publishing company that is not affiliated with United. Our Staff learned that Uni-Don comingles the revenues and expenses of publishing this directory.

Our Staff informed United of its belief that this reporting practice should be revised because the data being furnished thereby was insufficient for our use in enforcing Section 364.037. Our Staff also indicated to United that the 1986 gross profits from the Central Florida directory should be divided for reporting purposes between the two telephone companies based on their relative percentages of the total revenues received by each in 1985: 96.5% for United and 3.5% for Vista. United initially took the position that its gross profits from directory advertising were correct as originally reported because the fees paid to it by DA are the only revenues that are recorded on United's books. However, United has expressed its current willingness to adopt the reporting practice advocated by our Staff.

In light of our obligation to enforce Section 364.037, we find that United's reporting of gross profits from directory advertising is insufficient. We believe that United's reporting practice fails to furnish us with adequate data that will permit us to implement the mandate of Section 364.037, i.e., to allocate an increasing portion of these gross profits to ratepayers in setting rates. In order to assure that the statute can be applied on a consistent basis, we believe that United should report all gross profits from advertising in its directories whether retained by United, its parent company, DA or any affiliated company. Accordingly, United shall file revised reports of such gross profits, furnishing detailed information that will be adequate for our use when its rates are adjusted next pursuant to our statutory duties.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission, that United Telephone Company of Florida shall report all gross profits derived from directory advertising by United Telephone Company of Florida, its parent company, DirectoriesAmerica and any affiliated company and not merely those amounts retained by the company. It is further

ORDERED that this proposed agency action shall become final at the expiration of the protest period established below if a proper protest is not received within the time period.

By ORDER of the Florida Public Service Commission,
 this 5th day of MAY, 1989.


 STEVE TRIBBLE, Director
 Division of Records and Reporting

(S E A L)

DLC

ORDER NO. 21171
DOCKET NO. 880149-TL
PAGE 3

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 May 26, 1989. In the absence of such a petition, this order shall become effective May 29, 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 29, 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.