

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of CENTRAL TELEPHONE)	DOCKET NO. 881370-TL
COMPANY OF FLORIDA regarding disposition)	ORDER NO. 21823
of certain 1987 revenues)	ISSUED: 9-5-89
)	

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

ORDER APPROVING PRELIMINARY REFUND AND ESTABLISHING HEARING PROCEEDING

BY THE COMMISSION:

By Order No. 17783, issued June 30, 1987, we accepted as clarified the Stipulation entered into on June 8, 1987, by the Office of Public Counsel (OPC) and Central Telephone Company of Florida (Centel). Centel was ordered to refund \$7,478,000 to its customers, covering the period February 3, 1987, through July 31, 1987. The company was also directed to make a further refund of its 1987 earnings in excess of a 13.25% return on equity (ROE) subsequent to the filing of its surveillance report on March 15, 1988, for the year ended December 31, 1987.

On October 21, 1988, Centel filed a Petition which states that its 1987 overearnings were \$5,673,872 and seeks permission to apply the entire overearnings toward reserve deficiencies in its depreciation accounts. On November 10, 1988, OPC responded to the Petition, objecting to Centel's proposal and arguing that it violates the Stipulation.

On May 31, 1989, OPC filed a Motion to Strike a portion of the Petition. The Motion to Strike states that the parties have not been able to reach an agreement on the amount of the additional refund and suggests that we order Centel to make a preliminary refund of \$5,673,872 plus the appropriate amount of accrued interest. On June 26, 1989, Centel submitted a letter in which it agreed to dispose of 1987 excess earnings through cash refunds to its customers.

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We have reviewed the revised surveillance report filed by Centel for the year ended December 31, 1987, and determined that certain changes should be made to its earnings. The company erroneously omitted its Gross Receipts Tax and its PSC Assessment Fee in the revenue expansion factor. By adding these amounts to the company's calculation of 1987 earnings in excess of a 13.25% ROE, the amount that Centel proposed refund is increased to \$5,762,837. Moreover, we find that the company shall make the following five adjustments to this amount.

First, when the separation factors for the Equal Access Expense were derived, the intrastate expense was overstated by \$57,252. Second, interest of \$122,204 associated with the preliminary refund made in August of 1987, covering the period from February 3, 1987, through July 31, 1987, was inappropriately recorded. The company did not record the interest separately from the refund, thus causing the Local Revenue to be understated by \$122,204. Third, the number of access lines is one of the components of the calculation for the Nonregulated Directory Advertising Revenue Adjustment. In 1986, the method of counting Florida State University's Centrex Lines changed, thereby causing the total access lines to be 3,883 lines less than the method used for counting access lines in Rule 25-4.0405, Florida Administrative Code, for the 1982 base year. To reflect this change, the regulated revenue must be increased by \$122,766. Fourth, Gross Receipts Tax paid on the Subscriber Line Charge should be recorded as an interstate expense; however, the company recorded this portion of the expense as intrastate. As a result, the intrastate expense was overstated by \$109,354. Finally, we approve an adjustment proposed by OPC to disallow \$7,037 related to antitrust expense.

After giving effect to the change in the expansion factor and the above five adjustments, which total \$418,613, the amount proposed by Centel is increased to \$6,181,450. Upon review, we direct Centel to make a preliminary refund of this amount plus interest of \$1,170,375 for the period from January of 1987 through August of 1989. The refund shall be made as a credit or payment to residential and business customers of record as of June 29, 1988, in the same proportion as the various local exchange rates bear to each other.

In view of the inability of Centel and OPC to reach an agreement on the final 1987 refund, we establish a proceeding

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to determine the proper calculation of the final amount of 1987 earnings to be refunded pursuant to Order No. 17783. Additionally, we find it appropriate to limit the scope of this proceeding. Accordingly, the issues to be considered in this hearing shall be governed by the standards adopted in Docket No. 870453-TL, which concerned the amount of 1986 earnings to be refunded by Quincy Telephone Company in accordance with a stipulation. See Orders Nos. 19439 and 20065, issued June 6, 1988, and September 26, 1988, respectively.

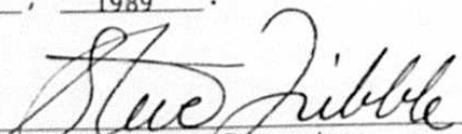
Now therefore it is

ORDERED by the Florida Public Service Commission that Central Telephone Company of Florida shall make a preliminary refund of \$6,181,450 in 1987 earnings plus \$1,170,375 in interest to residential and business customers of record as of June 29, 1988, in the same proportion as the various local exchange rates bear to each other. It is further

ORDERED that a hearing is hereby initiated in this docket for the purpose of determining the proper calculation of the amount of additional 1987 earnings to be refunded by Central Telephone Company of Florida in accordance with the terms and conditions of Order No. 17783, issued June 30, 1987. It is further

ORDERED that the scope of the proceeding initiated above shall be limited to those issues which are not excluded through the application of the standards adopted in Docket No. 870453-TL by Orders Nos. 19439 and 20065, issued June 6, 1988, and September 26, 1988, respectively.

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


 STEVE TRIBBLE, Director
 Division of Records and Reporting

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