

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Citizens of the State of Florida for a limited proceeding to reduce General Telephone Company of Florida's authorized return on equity)	DOCKET NO. 870171-TL
)	
)	
In re: Investigation into the proper application of Rule 25-14.003, F.A.C., relating to tax savings refunds for 1988 and 1989 for GTE Florida Incorporated)	DOCKET NO. 890216-TL
)	ORDER NO. 22322
)	ISSUED: 12-20-89
)	

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 REDUCING RATES

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.

The federal corporate income tax reduction from 46% to 34% pursuant to the Tax Reform Act of 1986 went into final effect in 1988. According to the tax reports filed under Rule 25-14.003, Florida Administrative Code (the Tax Rule), seven utilities appeared liable for a refund of 1988 tax savings; GTE Florida Incorporated (GTEFL) is one of these seven companies.

We have recently conducted four days of hearings in the above-referenced dockets during which eleven witnesses testified. As a result of this experience, we have decided to propose that GTEFL's rates be reduced by the amount of its 1988

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tax savings which have not already been reflected in customer rates. This proceeding did not address the specific rates that should be reduced; therefore, such rate reductions may be considered in the context of this proceeding only through the issuance of this Proposed Agency Action.

Since GTEFL has already reduced its carrier common line charge, which is an access charge reduction, we deem it appropriate to consider specific rate reductions to basic local exchange customers. We believe that the remaining tax savings should be shared by local subscribers as well as access subscribers. As a result, we intend that some of the remaining tax savings should benefit local ratepayers with the balance of these savings being disposed of through a reduction in the busy hour minutes of capacity (BHMOC) access charge.

Our Staff has computed 1988 tax savings for GTEFL of \$41,281,000, of which \$19,894,000 has been found in this proceeding to have been offset through earlier access and zone charge reductions. Therefore, a permanent rate reduction of \$21,387,000 would eliminate the need for future proceedings to consider the Tax Rule's applicability to GTEFL's revenues received after 1989. We propose to approve permanent rate reductions to be implemented through reducing Touchtone Service rates to \$.50 for residential, \$1.00 for business and \$2.00 for Private Branch Exchange subscribers, eliminating all zone charges, eliminating two-party service by the end of 1990 and reducing the BHMOC rate to \$3.30. GTEFL shall provide a report showing the revenue impact of the rate changes proposed herein, using average 1988 units.

In Docket No. 891199-TL, GTEFL has filed a petition and tariff revisions proposing to reduce its BHMOC rate, implement time of day discounts (TOD) on terminating Feature Group D (FGD) access charges, and make corresponding adjustments to intraEAEA compensation and mobile interconnection usage rates. GTEFL also seeks a ruling that these permanent rate reductions of an estimated \$17,219,059 are appropriate offsets to any tax savings resulting from the Tax Reform Act of 1986 for 1990 and beyond. GTEFL proposes to reduce the existing BHMOC rate level from \$4.95 to \$3.30, thereby reducing revenues by approximately \$10,380,478. In addition, GTEFL proposes to implement TOD discounts for FGD terminating access, which would reduce revenues by \$7,426,638. The proposed reductions in the BHMOC and TOD discounts also require a reduction to GTEFL's cellular

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interconnection peak rate element from \$.0392 to \$.0382, reducing revenues by \$94,780. Finally, the foregoing reduced rates would cause a change in the existing level of intraEAEA compensation, which would lead to an increase in revenues of \$682,837. We conclude that GTEFL's proposals shall be held in abeyance until our Proposed Agency Action here has been resolved.

Now therefore, it is

ORDERED by the Florida Public Service Commission that GTE Florida Incorporated shall reduce its Touchtone rates in the manner described in the body of this Order. It is further

ORDERED that GTE Florida Incorporated shall eliminate its zone charges in the manner described in the body of this Order. It is further

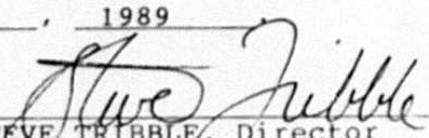
ORDERED that GTE Florida Incorporated shall eliminate its 2-party service in the manner described in the body of this Order. It is further

ORDERED that GTE Florida Incorporated shall reduce its charges for the busy hour minutes of capacity element of access as described in the body of this Order. It is further

ORDERED that GTE Florida Incorporated shall file with the Commission a report showing the revenue impact of the rate changes proposed in the body of this Order, using average 1988 units. It is further

ORDERED that this Order will become final and effective unless a proper protest to this Proposed Agency Action is filed within the time limit set forth below.

By ORDER of the Florida Public Service Commission,
this 20th day of DECEMBER, 1989


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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 January 10, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date 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 the date described above, 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.