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GTE Florida
Incorporated

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January 19, 1990

Mr. Steve C. Tribble, Director
Division of Records & Reporting
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, FL 32399-0865

ACK ✓

AFA 3

APP 1

CAF _____

CMU _____

CTR _____

EAG (circled)

LEG 7

LIN 6

OPC _____

RCH 1

SEC _____

WAS _____

OTH _____

Re: Docket No. 891278-PU
Amendment of Rule 25-14.003, F.A.C.,
Corporate Income Tax Expense Adjustment:
Midpoint and Additional Changes

Dear Mr. Tribble:

Please find enclosed for filing the original and 15 copies
of GTEFL's Further Comments for filing in the above-
referenced matter.

Service has been made as indicated on the Certificate of
Service. If there are any questions with regard to this
matter, please contact the undersigned at 813-228-3087.

Very truly yours,

Thomas R. Parker
tp/fm

RECEIVED & FILED

FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

00593 JAN 19 1990

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Amendment of Rule 25-14.003,) Docket No. 891278-PU
F.A.C., Corporate Income Tax Expense) Filed: 1/19/90
Adjustment: Midpoint and Additional)
Changes.)

FURTHER COMMENTS OF GTE FLORIDA INCORPORATED

On December 22, 1989, GTE Florida Incorporated ("GTEFL") pursuant to the Notice of Rulemaking issued by the Commission in Order No. 22237 on November 29, 1989, filed its "Comments and Request for Hearing" in this docket. In its initial pleading, GTEFL stated that it was analyzing the proposed rule change and reserved its rights to address such. GTEFL now wishes to provide its substantive comments on the proposed rule. Accordingly, GTEFL states as follows:

1. GTEFL is a "telephone company" as that term is defined in Section 364.02(4) Fla. Stat. (1987). As such, its regulated intrastate operations are subject to the jurisdiction of this Commission.

2. Correspondence and contacts regarding this pleading should be directed to:

Thomas R. Parker, Esq.
Associate General Counsel
GTE Florida Incorporated
P. O. Box 110, MC 7
Tampa, FL 33601-0110

3. The proposed revision to Commission Rule 25-14.003 FAC would calculate the rate of return (ROR) of a utility,

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for the purposes of the income tax expense adjustment, by assigning a zero cost to the Company's investment tax credits. It is believed that if the proposed rule is amended in this fashion, it would violate the normalization provisions of Internal Revenue Code Section 46 and Internal Revenue Regulation Section 1.46-6, thereby subjecting the utility to the recapture of all non-amortized investment tax credits (ITC).

4. Stated simply, GTEFL is concerned that the proposed revision to Rule 25-14.003 may violate the normalization requirements of Regulation 1.46-6(b)(3)(ii)(A). This is so because the revision apparently requires ITC to be treated as having a zero cost in computing ROR, which seems inconsistent with the foregoing regulation.

5. In light of this apparent conflict, GTEFL encourages the Florida Public Service Commission ("Commission") to hold in abeyance any decision on the adoption of this proposed revision to its Rule 25-14.003, at least until such time as a private letter ruling is obtained from the Internal Revenue Service (IRS) that the new policy does not violate the normalization procedures of the IRS.

WHEREFORE, GTE Florida Incorporated hereby reiterates its desire to participate in the hearings in this matter on January 29, 1990, and further requests that the proposed

revision to Rule 25-14.003 FAC be modified to address the concerns raised in the foregoing comments.

Respectfully submitted this 19th day of January, 1990.

JAMES V. CARIDEO
THOMAS R. PARKER
WAYNE L. GOODRUM
JOSEPH W. FOSTER



THOMAS R. PARKER
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of GTE Florida Incorporated's Further Comments in Docket No. 891278-PU has been furnished by United States mail this the 19th day of January, 1990, to:

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