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March 21, 1990

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

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 Additional Posthearing Comments for filing in
the above-referenced matter.

ACK

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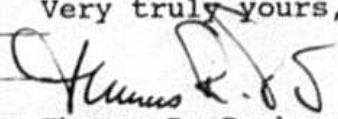
SEC

WAS

OTH

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

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PSC BUREAU OF RECORDS

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02555 MAR 21 1990

PSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Amendment of Rule 25-14.003,)
F.A.C., Corporate Income Tax Expense)
Adjustment: Midpoint and Additional)
Changes.)

Docket No. 891278-PU
Filed: 3/21/90

GTE FLORIDA INCORPORATED'S
ADDITIONAL POSTHEARING COMMENTS

On November 29, 1989, this Commission issued a Notice of Rulemaking in Order No. 22237 proposing a change to Commission Rule 25-14.003 to modify the existing definition of the term "midpoint". The rule amendment proposed to utilize a zero cost rate for investment tax credits in determining the overall weighted average cost of capital. A hearing was held on January 29, 1990, regarding this issue. In addition, on December 29, 1989, the Commission issued Order No. 22354 which detailed the procedures to be followed at the rulemaking hearing. Said order requires that comments regarding the proposed final version of the rule are due to be filed on or before March 21, 1990. GTEFL submits the following comments pursuant to that directive.

1. On or about February 23, 1990, the Staff issued its "Proposed Final Version" which contained three alternative recommendations to the Commission. With the exception of repeal option B, both Version A and Version C contain new matters which have not been properly noticed and set for hearing pursuant to rulemaking statutes and regulations. For example, Version C constitutes some sort of automatic tariff filing mechanism and formula designed to return or recoup tax rate changes. Such a proposal has never been subject to

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comment or hearing. GTEFL is confident that it will be afforded due process should the Commission be interested in either of the new amendments associated with Version A and Version C. However, Order No. 22354 gives the distinct indication that the remaining rulemaking process is to be completed without further hearings. If such is the case, GTEFL enters its objection to this procedure and requests that a further round of comments and hearings be initiated should the Commission desire to follow these new alternatives.

2. Version A of the tax rule includes the provision requiring an internal revenue service ruling determination before the zero cost rate would be utilized for all investment tax credits. GTEFL supports this approach for the reasons stated in its previous comments submitted on February 19, 1990.

GTEFL objects to the inclusion of the definition contained under the term "midpoint" wherein the Staff proposes that the cost of common equity to be utilized is that approved for the utility "annually" by the Commission. Such a procedure or suggestion has never been submitted to the Commission or included in the rulemaking process and is therefore inappropriate to be suggested at this time. Furthermore, GTEFL submits that this modification is not necessary, introduces needless complications into the tax rule and is beyond the jurisdiction of this Commission.

3. Version C of the tax rule proposes an automatic tariff filing mechanism and formula designed to return or

recoup tax rate changes. The rule contains a formula which appears to be incorrect. Subsection 4E of Version C shows a composite marginal income tax rate being subtracted from a composite marginal income tax rate. The mathematical output of such a calculation has to be zero under any instance. Furthermore, Section 4F of Version C incorporates by reference the formula set forth under Section 4E. Accordingly, this would also produce a zero answer in every instance.

Formula inaccuracies aside, GTEFL challenges the wisdom of utilizing a formula for tax rule purposes. It presents needless complications and potential inaccuracies into the process. If the Commission is interested in this alternative, GTEFL suggests that the matter be set for further hearing.

WHEREFORE, GTE Florida Incorporated moves the Florida Public Service Commission to consider its comments regarding the Staff's proposed final version submitted on or about February 23, 1990.

Respectfully submitted this 21st day of March, 1990.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of GTE Florida Incorporated's Additional Posthearing Comments in Docket No. 891278-PU has been furnished by United States mail this the 21st day of March, 1990, to:

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