BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into UNITED TELEPHONE COMPANY OF FLORIDA'S authorized return on equity and earnings.	DOCKET NO. 891239-TL ORDER NO. 23539 ISSUED: 9/28/90

Pursuant to Notice, a Prehearing Conference was held on August 27, 1990, with a continuation on September 21, 1990, in Tallahassee, Florida, before Commissioner Easley, as Prehearing Officer.

APPEARANCES: ALAN BERG, Esquire, JERRY JOHNS, Esquire, and KAY WOLF, Esquire, United Telephone Company of Florida, Box 5000, Altamonte Springs, Florida 32716-5000
On behalf of United Telephone Company of Florida.

CHARLES J. REHWINKEL, Associate Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, FL 32399-1400
On behalf of the Citizens of the State of Florida.

FLOYD R. SELF, Esquire, Messer, Vickers, Caparello, French, Madsen & Lewis, First Florida Bank Building, 215 N. Monroe Street, Suite 701, P. O. Box 1876, Tallahassee, FL 32301
On behalf of the Florida Pay Telephone Association, Inc.

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On behalf of AT&T Communications.

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On behalf of the Commission Staff.

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On behalf of the Commissioners.

PREHEARING ORDER

I. BACKGROUND

It has been over seven years since this Commission has thoroughly investigated United Telephone Company of Florida's (United or the Company's) earnings and set its authorized return on equity. Many changes have occurred in the last seven years in the communications industry, as well as the merger of four companies into the present United Telephone Company of Florida. Some of the changes that have occurred include a phase down of the intrastate subscriber plant factor (SPF), the implementation of bill and keep of intraLATA toll for local exchange companies (LECs), the rewrite of the Uniform System of Accounts (USOA) and central office equipment category 3 (CAT 3) separations changes. In the future, at least through 1993, additional changes are expected yearly. In each of the years 1987, 1988 and 1989, significant negative impacts to United's earnings have occurred. Yet for each of the years 1987, 1988 and 1989, the Company's achieved return on equity has been 14.59%, 14.28% and in excess of 14.0%, respectively. Various factors, such as access line growth, increased toll volumes and gains in Company efficiency, appear to have contributed to the level of the Company's earnings over these past few years. There is every reason to expect that United will continue to earn in excess of 14.0%.

Therefore, pursuant to our authority set forth in Section 364.14, Florida Statutes, and by Order No. 22205, issued November 21, 1989, we held a public hearing on Thursday, December 14, 1989, limited to the issues of what is an appropriate allowed return on common equity for United Telephone Company of Florida for the purposes of this limited proceeding and how should the revenue to be placed subject to refund, if any, be calculated.

Based upon our consideration of the testimony and the evidence presented at the hearing, we have determined that an allowed return on common equity of 12.8% with a range of 50 basis points, or a low of 12.3% to a high of 13.3%, is appropriate for United Telephone Company of Florida for the purposes of this limited proceeding.

Pursuant to the Company's August 31, 1989, surveillance report which reflects an achieved return on equity of 13.66%

and the four appropriate adjustments set out in Order No. 22377, issued January 8, 1990, we find United's achieved return on equity to be 14.53%. Based upon our determination that the appropriate allowed return on equity for United Telephone Company of Florida for purposes of this limited proceeding is 12.8% with a range from a low of 12.3% to a high of 13.3%, and our determination that United's achieved return on equity is 14.53%, we find it appropriate to place a revenue amount subject to refund that will bring United's achieved return on equity down to the ceiling of 13.3%. Placing a revenue amount subject to refund that will bring the Company's achieved return on equity down to the ceiling of the authorized range of returns on equity for the Company is in accordance with the provisions of the interim statute. Therefore, we find it appropriate to place $7,605,000 annually of United's revenues subject to refund with interest effective January 1, 1990.

United filed its minimum filing requirements (MFRs) May 15, 1990, requesting an increase in its rates. We have set this matter for hearing on our own motion for October 1, 3-5, and 8-12, 1990, in Room 106, Duncan Fletcher Building, Tallahassee, Florida.

II. TESTIMONY AND EXHIBITS

Upon insertion of a witness's testimony, exhibits appended thereto may be marked for identification. After opportunity for opposing parties to object and cross-examine, the document may be moved into the record. All other exhibits will be similarly identified and entered at the appropriate time during hearing. Exhibits shall be moved into the record by exhibit number at the conclusion of a witness's testimony.

Witnesses are reminded that on cross-examination, responses to questions calling for a yes or no answer shall be answered yes or no first, after which the witness may explain the answer.

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III. ORDER OF WITNESSES

Witness	Appearing For	Issues	Day
I. Policy Issues			
1. B. H. Reynolds	United	39, 41, 43, 55	10/1
II. Service Issues			
2. F. R. McPherson	United	1	10/1
3. J.A. Taylor	Staff	1	10/1
4. K. D. Brown	Staff	1	10/1
III. Accounting Issues			
5. R. D. McRae	United	2-11, 14-19, 22, 23, 25-28, 32-38, 41-54, 59, 61-64, 103	10/1,3
6. T. C. DeWard	OPC	2-5, 7-9, 11, 14, 16-19, 24-26, 28, 32, 41-43, 44b, 45, 46, 49-51, 61, 62, 64	10/4
7. R. D. McRae	United	Rebuttal	10/4

IV. Cost of Capital Issues

8. C. M. Linke	United	21	10/5
9. J.A. Rothschild	OPC	21, 22, 23	10/5
10. C. M. Linke	United	Rebuttal	10/5
11. B. Waldman	United	22	10/5
12. R. D. McRae	United	Rebuttal	10/5

V. Affiliated Transactions Issues

13. R. E. Baker	United	40, 58, 59, 60	10/8,9,10
14. M. L. Brosch	OPC	33, 56-60	10/8,9,10
15. R. E. Baker	United	Rebuttal	10/8,9,10
16. G. L. Mann	United	56, 57	10/8,9,10

VI. Rate Issues

17. F. B. Poag	United	24, 65-102, 104-114	10/11,12
18. M. Guedel	AT&T	66, 100, 101	10/11,12

IV. BASIC POSITIONS

UNITED'S POSITION: United's basic position is that its current rates and charges are inadequate to afford it the opportunity to earn a fair rate of return. If United is to have an opportunity to earn its fair rate of return on equity of 14.0%, the company's intrastate rates and charges must be increased by $26,290,000. A restructuring of rates is required to eliminate rate level anomalies which may impair the company's ability to compete effectively in markets for telecommunications services.

United has not had a general rate proceeding since 1982. In the intervening eight years, many changes have occurred that need to be reflected in customer rates.

The predominant change has been the emergence of competition in the interexchange market. In 1982 there was no intrastate toll competition; by 1990, the Commission had issued well over 100 certificates for long distance service providers in Florida. The entire access charge rate structure was created in that interval. That structure was built not only on what access costs, but on what was required to provide the support to local rates that toll rates had theretofore provided.

It is United's position that access charges to interexchange carriers are too high and specifically that the busy hour minutes of capacity charge should be reduced by \$2.86. This will reduce the incentive for by-pass.

United also proposes to reduce intraLATA toll rates. The recently approved elimination of the toll transmission monopoly at the end of 1991 makes it essential that United reduce intraLATA toll rates to remain a viable competitor in this business. For similar reasons, United also desires to offer an optional calling plan that provides savings to high volume intraLATA toll users, thereby keeping them on United's network. For a flat charge per month of \$2.00 per residential customer and \$6.00 per business customer, a 40% discount is applicable on United's customer dialed 1+ long distance rates.

United also proposes to increase basic local residence and business service rates so that they more nearly cover cost. Depending on the calling scope, residence basic one-party service currently varies between \$4.47 and \$9.97 per month, with an average of \$7.55. United proposes to change this to a range of \$7.50 to \$12.50, with an average of \$10.23. Business one-party service currently ranges from \$10.58 to \$23.22 per month, with an average of \$18.21. United proposes to increase this range to \$17.65 to \$29.40 per month with an average rate of \$24.24.

United proposes to eliminate the existing exception rate area for the Winter Park exchange. After United's 1982 merger, customers in that exchange kept their existing rates rather than being regrouped under the newly consolidated rate schedule. Since that time, Winter Park residential customers have paid $7.67 per month for R-1 service, while in United exchanges of comparable local calling areas, customers were paying $9.97 per month. A transition plan is proposed by United that would equalize rates for the Winter Park exchange customers by the end of 1992.

For residence customers who would benefit from alternatives to a flat rate charge plan, United is proposing a rate plan based on local usage charging. A monthly rate of 70% of the equivalent flat rate charge applies along with a usage charge of 10 cents per call for calls lasting up to ten minutes with a 5 cent charge for additional ten minute increments. A $3.00 usage allowance is included in the basic rate. It is intended that this plan assist customers who want or need a lower priced alternative and, as such, is in keeping with the Commission's Model Program for Senior Citizens.

Finally, upon the important issue of service, the Company's basic position is that United's service results consistently meet or exceed substantially all of the Commission's requirements as shown by the Company's and the Commission's measurements. The Commission's own published service evaluations show that since the last rate proceeding in 1982, United has consistently had the fewest number of customer complaints per thousand access lines of any major Florida telephone company. United's quarterly service evaluation reports on compliance with Commission service rules show that a high level of service is being provided. United's own surveys of customers' perception of our installation service as being satisfied or very satisfied has risen from 86.7% in 1982 to 94.8% in 1989. Similarly, satisfied and very satisfied ratings from maintenance have grown from 79.1% in 1982 to 92.6% in 1992. To place these results in context, it should be noted that during that period, United's access lines grew by nearly 80%, with a compound annual growth rate that is more than double the national average.

<u>FPTA'S POSITION</u>: At this time, FPTA is taking a limited role in this case on those issues relating to competitive pay telephone service providers. Specifically, services must be cost based and priced in a manner that does not create a price squeeze or result in anticompetitive or unfairly discriminatory pricing; banded rates are inappropriate for nonLEC pay telephone providers, as this is not a discretionary service for

competitive pay telephone providers; and billing and collection services offered to nonLEC pay telephone providers should not be detariffed as United continues to enjoy an effective monopoly for this service.

AT&T'S POSITION: AT&T supports United Telephone's initiative to reduce the busy hour minute of capacity (BHMOC) rate charged to interexchange carriers in the State of Florida. AT&T is encouraged by United's efforts to adjust prices (both with respect to access and other services) to levels representative of the underlying cost incurred in providing particular services. While AT&T continues to advocate the elimination of all charges associated with the BHMOC, we recognize United's proposal as a significant step toward that goal. AT&T encourages the Commission to approve the BHMOC reduction as filed.

CITIZEN'S POSITION: The Citizens' basic position in this proceeding is that the company's revenue requirements as submitted in the minimum filing requirements are substantially overstated. The company has not provided sufficient justification for the test year revenue requirements or substantial increase in local rates.

STAFF'S POSITION: By Order No. 22377, the Commission initiated this investigation into United Telephone Company's authorized return on equity and earnings by placing a portion of the Company's revenues subject to refund. The Commission took this action because it believed the Company's return on equity was too high and it had been over seven years since the Commission had thoroughly investigated United's earnings and set its authorized return on equity. United has requested an increase in its rates. Until all the evidence and testimony has been received into the record and fully evaluated, it is not possible to determine whether United's rates should be decreased or increased.

V. ISSUES AND POSITIONS:

QUALITY OF SERVICE

1. ISSUE: Is the quality of service adequate?

UNITED: The quality of service of United Telephone Company of Florida is in substantial compliance with prescribed standards and is reasonably adequate as provided by law, as discussed in Mr. McPherson's testimony and as reflected on Exhibits FRM-1, FRM-2 and MFR Schedule F-1b. (McPherson)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens have received correspondence which indicate blockage problems at the Cape Haze and Umatilla exchanges and have notified United of these problems. The Company has indicated a willingness to correct the specific problems, pending scheduled change out of analog equipment. At this time, these are the only quality of service issues that the Citizens are aware of.

STAFF: No position at this time pending further discovery.

RATE BASE

2. ISSUE: What is the appropriate amount of test year plant in service?

UNITED: The appropriate amount of intrastate test year plant in service is $1,469,011,946 as shown on updated MFR Schedule A-2d and as reflected on revised Exhibit RDM-4, Schedule No. 2, of Mr. McRae's direct testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: This number is basically a fallout number. Currently Citizens' accounting expert, Tom DeWard testifies to a test year plant in service amount of $1,466,007,830. (Mr. DeWard)

STAFF: At this time, the Staff's position is that test year plant-in-service is $1,469,011,946 pending further discovery.

3. ISSUE: What adjustments should be made to test year depreciation reserve?

UNITED: No adjustments should be made to the intrastate test year depreciation reserve as reflected in the updated MFRs. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: This is a fallout issue. (Mr. DeWard)

STAFF: No position at this time.

4. ISSUE: What is the appropriate amount of depreciation reserve for the test year?

UNITED: The appropriate amount of intrastate test year depreciation reserve is $554,191,119 as shown on updated MFR Schedule A-2d and as reflected on revised Exhibit RDM-4, Schedule No. 2, of Mr. McRae's direct testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Fallout number. See Citizens' position on Issue No. 3. (Mr. DeWard)

STAFF: The intrastate amount of depreciation reserve for the test year is $554,191,119.

5. ISSUE: What is the appropriate amount of test year net plant in service?

UNITED: The appropriate amount of intrastate test year net plant in service is $914,820,827 as shown on updated MFR Schedule A-2d and as reflected on revised Exhibit RDM-4, Schedule No. 2, of Mr. McRae's direct testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: This is a fallout number. (Mr. DeWard)

STAFF: Based on Isues 2 and 4, the test year net plant-in-service is $914,820,827.

6. The following issue has been stipulated to: What is the appropriate amount of test year telephone plant under construction (TPUC)?

7. ISSUE: Should unearned revenues be allocated 100% to intrastate working capital?

UNITED: No. Unearned revenues should not be allocated 100% to intrastate working capital. The working capital component of the advanced billings includes not only billings for intrastate service but also billings for interstate end user access charges, switched busy hour minutes, IXC special access, and WATS access line billings. The direct assignment of all advanced billings totally to the intrastate jurisdiction would understate intrastate working capital. It would also contradict the Commission directive in United's last rate proceeding whereby under the Commission prescribed balance sheet approach, the working capital allowance was computed on a total company basis and apportioned to the respective jurisdictions on the basis of net plant. It is not proper to take selective assets and liabilities out of working capital before applying the net plant factor. To start this process could easily result in a burdensome examination of each and every item making up assets and liabilities for jurisdictional characteristics and totally defeat the use of the net plant factor. The balance sheet approach to determine working capital and the use of the net plant factor to separate it is appropriate in this proceeding. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes. Unearned revenues are advanced billed revenue relating to either local or intrastate services. This component of working capital should not receive an interstate separation. (Mr. DeWard)

STAFF: No, unearned revenues should not be allocated 100% to intrastate working capital.

8. ISSUE: Should the prepaid pension component of "other non-current assets" be removed from cash working capital?

UNITED: No. Prepaid pensions should be included in the working capital allowance. The asset reflected on the books was created largely as the result of returns earned on pension plan assets and plan amendments made in 1989 rather than on high funding levels in prior years. The current surplus creating the asset has also resulted in negative pension expense to the benefit of ratepayers which makes it only proper that the asset be included as an element of the working capital allowance.

The principle of including non-current assets (when prepaid pension costs are recorded) and non-current liabilities in working capital was established as a result of an audit by the Florida Public Service Commission in Docket No. 890486-TL, 1988 Surveillance Audit. In Audit Disclosure No. 1, the Commission stated that non-current assets and liabilities should be included in the working capital allowance computation under the balance sheet approach. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes. The recording of the prepaid pension costs does not create a need for working capital requirements. Since it is an artificial asset which does not require any outlay of funds, United does not have a cash working capital requirement associated with this book entry. (Mr. DeWard)

STAFF: No position at this time pending further discovery.

9. ISSUE: What is the appropriate adjustment to working capital related to deferred taxes due to intercompany profits? (Mr. McRae)

UNITED: The appropriate adjustment to intrastate working capital related to deferred taxes due to intercompany profits is $3,787,577 as shown on updated MFR Schedule B-2b and as reflected on revised Exhbit RDM-4, Schedule No. 2, of Mr. McRae's testimony. For intrastate ratemaking purposes, deferred taxes on intercompany profits are treated as zero cost capital per Commission requirements established in FPSC Docket No. 820376-TP. As these deferred taxes are not reflected on the books of the Company (due to U.S. Treasury Department regulations the Parent Company is precluded from passing back such deferred taxes to its subsidiaries) an off-book entry is made for earnings surveillance purposes to increase the cost free component of the capital structure and recognize an offsetting rate base transaction in the form of an affiliated accounts receivable. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: See Citizens' position on Issue 19.

STAFF: There is no working capital effect of the adjustment related to deferred taxes due to intercompany profits and UTF Adjustment 9, which increases intrastate working capital by $3,787,577 should be reversed.

10. ISSUE: What is the appropriate adjustment to working capital related to United's NOI Adjustments 1, 2, 3, 5, 6, 7, and 9 set forth on MFR Schedule B-2b? (Mr. McRae)

UNITED: The appropriate adjustment to intrastate working capital related to UTF NOI Adjustments Nos. 1, 2, 3, 5, 6, 7, and 9 as set forth in MFR Schedule B-2b is $(1,220,619).

This amount represents the effect of those NOI adjustments as a result of recognizing the associated balance sheet impacts. Adjustments are made to the capital structure through retained earnings to recognize the twelve month average NOI impacts. In addition, offsetting rate base adjustments are made to recognize the working capital impact of increased or decreased net income. These adjustments have the effect of adjusting the achieved rate base to match the adjusted achieved capital structure. Only then can the achieved rate of return represent the return that would have been reported had these adjustments been recorded on the books of the company. (Mr. McRae)

AT&T: No position at this time.

FPTA: No position.

CITIZENS: No position.

STAFF: There is no working capital effect of UTF NOI Adjustments 1, 2, 3, 5, 6, and 9 and the $609,585 reduction in intrastate working capital should be reversed.

11. ISSUE: What is the appropriate amount of the working capital allowance?

UNITED: The appropriate twelve month average intrastate test year working capital allowance is ($2,997,895) as shown on updated MFR Schedule A-2d and as reflected on revised Exhibit RDM-4, Schedule No. 2, of Mr. McRae's prefiled direct testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Working capital should be reduced by $17,874,932 as reflected in Witness DeWard's Schedules 8 through 10 and 17. Adjusted working capital is $(22,401,795). (Mr. DeWard)

STAFF: The appropriate amount of the test year intrastate allowance for working capital is $(6,175,874) after the adjustments in Issues 9 and 10 above.

12. The following issue has been dropped: Should all costs of the cancelled Gateway fiber to the home project (including charges to depreciation reserve for early retirements) be excluded from test year costs and/or treated as nonrecurring?

13. The following issue has been dropped: Is UTF's method of recording the costs of capitalized leases appropriate?

14. ISSUE: What is the appropriate test year rate base?

UNITED: The appropriate intrastate test year rate base is $925,965,705 as shown on updated MFR Schedule A-2d and as reflected on revised Exhibit RDM-4, Schedule No. 2, of Mr. McRae's prefiled direct testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Fallout issue. At this time, the Citizens' position is that test year rate base is $910,548,898. (Mr. DeWard)

STAFF: At this time, the Staff's position is that test year rate base is $922,787,726 pending further discovery.

COST OF CAPITAL

15. ISSUE: What is the appropriate balance of accumulated deferred investment tax credits?

UNITED: The appropriate 12-month average balance of intrastate test year accumulated deferred investment tax credits is $22,457,042. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Agree with Staff.

STAFF: The appropriate 12-month average balance of intrastate test year accumulated deferred investment tax credits is $22,621,083.

16. ISSUE: What is the appropriate balance of accumulated deferred income taxes?

UNITED: The appropriate 12-month average balance of intrastate test year accumulated deferred income tax credits is $131,688,173. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Accumulated deferred income taxes for the test year should be $139,176,232. (Mr. DeWard)

STAFF: No position at this time.

17. ISSUE: Should customer deposits be allocated 100% to intrastate?

UNITED: No. Customer deposits result from interstate operations as well as intrastate operations and, therefore, should not be allocated 100% to intrastate. United's customer deposit policies are consistent with Commission Rule 25-4.109, F.A.C., and are summarized on MFR Schedule D-5.

An analysis of the criteria to collect customer deposits from our residential and business customers (i.e., to cover one month local service and two months of etimated toll charges) and the method used to apply the deposits to active customer accounts once good credit patterns are established or when they go final (first applied to local service and then prorated over the remaining unpaid categories, including interstate toll charges billed on behalf of the interexchange carriers) supports an even greater apportionment to the interstate jurisdiction than is reflected on the MFRs. Using current ESR methodology and the procedures prescribed in United's last rate case, 30.9% of customer deposits is allocated to the interstate jurisdiction. A study of customer deposits held as of June 30, 1990, indicated than an even greater 39.7% of the total deposits results from interstate business.

The information is clear that the amount of customer deposits would be substantially lower if interstate services were not included. It is, therefore, inappropriate to allocate 100% of customer depoosits to intrastate. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Customer deposits should be separated in the capital structure consistent with United's separation of bad debt or uncollectible expense. Since United only allocates 5% of bad debt expense to the interstate jurisdiction, at most only 5% of customer deposits should be allocated to the interstate jurisdiction, at most. (Mr. DeWard)

STAFF: Yes, customer deposits should be allocated 100% to intrastate for ratemaking purposes.

18. ISSUE: Should United's investment in UTLD be removed pro rata from investor supplied capital, i.e., short term debt, long term debt, preferred stock and common equity?

UNITED: Yes, for several reasons the investment in UTLD should be removed pro rata from all elements of investor provided capital. First and foremost, Commission Order No. 18939, which granted UTLD a Certificate of Public Convenience and Necessity, authorized United to finance UTLD with both debt and equity capital. Second, with the exception of capital leases, none of the Company's assets is financed or otherwise aligned with specific sources of capital. They are financed in a manner consistent with overall capital structure objectives. It is unrealistic from a practical standpoint to think that the Company's financing objectives are affected by the need to finance UTLD 100% with equity when all other assets are supported by all types of investor supplied capital. Finally, it is a well established fact that funds cannot be traced from specific sources to specific uses. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: No. It has been a long standing policy of the Florida Public Service Commission to remove such investments in nonutility property and nonutility operations directly from equity. This policy should be followed in this case. (Mr. DeWard)

STAFF: No. United's investment in UTLD should be removed from the capital structure directly from equity unless the Company can show, through competent evidence, that to do otherwise would result in a more equitable determination of the cost of capital for regulatory purposes.

19. ISSUE: What is the appropriate ratemaking treatment for deferred taxes due to intercompany profits?

UNITED: For intrastate ratemaking purposes, deferred taxes are treated as zero cost capital in accordance with Commission rules. While deferred taxes on intercompany profits are not reflected on the books of the Company (due to U.S. Treasury Department regulations the parent company is precluded from passing back such deferred taxes to its subsidiaries) an off-book entry is made for ratemaking purposes. This adjusting entry increases the cost free component of the capital structure and increases affiliated accounts receivable. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Deferred taxes applicable to intercompany profits should be treated in a manner consistent with the Public Service Commission's intention to flow the benefits of these affiliated transactions to ratepayers. UTF has, for this rate case, reversed a long standing system-wide policy which would provide approximately $1 million greater benefits to ratepayers than the company's proposed treatment of these deferred taxes consistent with Rule 25-14.010. Test year revenue requirements should be reduced by an additional $1,037,390. (Mr. DeWard)

STAFF: No position at this time.

20. The following issue has been dropped: Should UTF be allowed a return on the long term portion of capitalized leases?

21. ISSUE: What is the cost of common equity capital?

UNITED: The cost of common equity is 14.0% as established in the prefiled direct testimony of Dr. Linke. (Dr. Linke)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: UTF's cost of common equity capital is 11.4% if the high equity (60.90%), subsidiary capital equity ratio is used, or 12.9% only if the consolidated UTI equity ratio of 32.80% is used. (Rothschild)

STAFF: The cost of common equity capital is 12.80%.

22. ISSUE: Is UTF's proposed test year equity ratio prudent and reasonable?

UNITED: Yes. The Company's test year common equity ratio is reasonable for a rapidly growing company in a capital intensive industry with an obligation to serve the public. It is also consistent with comparable companies in the telephone industry. (Mr. Waldman)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: UTF's proposed test year equity ratio of 60.90% is not prudent and reasonable in light of the consolidated system-wide UTI equity ratio of 32.80%. Because affiliated transactions greatly influence the subsidiary, regulated equity ratio and because of certain system-wide transactions, UTF's equity ratio contains far too much equity, commensurate with the risk faced by UTF. (Mr. Rothschild)

STAFF: No position at this time.

23. ISSUE: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 1991?

UNITED: The weighted average cost of capital is 10.36% as shown on updated MFR Schedule D-1 and as reflected on revised Exhibit RDM-4, Schedule 3, of the testimony of Mr. McRae. The proper components, amounts and cost rates are as follows:

	Intrastate Adjusted ("000" omitted)	Percent of Total	Cost Rate	Weighted Cost Rate
Short Term Debt	$ 15,168	1.64%	9.50%	0.16%
Long Term Debt	276,258	29.83%	9.37%	2.80%
Common Equity	463,778	50.09%	14.00%	7.01%
Preferred Stock	6,838	0.74%	7.61%	0.06%
Customer Deposits	4,057	0.44%	8.20%	0.04%
Job Development Investment Credit	22,147	2.39%	12.23%	0.29%
Cost Free Capital	137,720	14.87%	xxx	xxx
Total Capital	925,966	100.00%		10.36%

(Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Using the 11.4% ROE recommended by James Rothschild, and UTF's proposed subsidiary equity ratio (as adjusted by Thomas DeWard), the weighted aveage cost of capital for UTF for the test year is 8.94%. (Mr. Rothschild)

STAFF: The weighted average cost of capital is 9.68%.

NET OPERATING INCOME

24. ISSUE: Are all the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

UNITED: Yes. All tariff revisions are reflected in the test year forecast and incorporated in updated MFR Schedule E-1a for the 1991 test year. This includes planned tariff filings shown on page 272 of the updated 1991 E-1a schedule. (Mr. Poag)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens do not believe that all revenues have been reflected in UTI's budget forecast for 1991. The Citizens have not finished discovery on this issue or finalized our position. At this time, the Citizens have identified $1,233,500 of new product revenues, as reflected in the testimony of Thomas C. DeWard. (Mr. DeWard)

STAFF: No position at this time pending further discovery.

25. ISSUE: What is the appropriate level of test year universal service fund revenues?

UNITED: The appropriate level of universal service fund revenues in the test year is $2,254,143. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Apparently, UTF has failed to include the going forward level of Universal Service Fund (USF) revenues in the test year filing. At least $2,640,000 of USF revenues should be recognized for ratemaking purposes. (Mr. DeWard)

STAFF: No position at this time pending further discovery.

26. ISSUE: Has UTF properly treated unlisted/nonpublished revenues in calculating directory advertising gross profit?

UNITED: Yes, UTF has properly treated unlisted/nonpublished revenues in calculating directory advertising gross profit. This treatment is in accordance with Rule 25-4.0405, F.A.C., as amended with the adoption by the FPSC of Part 32, Uniform System of Accounts. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: No, United has inappropriately included unlisted/nonpublished revenue dollars in the calculation of the directory advertising gross profit exclusion to nonregulated. Prior to FCC Part 32 adoption, these revenues were included in local service. Part 32 reclassified them to directory advertising revenue accounts. However, these revenues have nothing whatsoever to do with directory advertising, and it was not the intention of the Florida Public Service Commission to include these revenues in the gross profit calculation. The UTF gross profit exclusion calculation should be reduced by $2,935,158. (Mr. DeWard)

STAFF: No, United has inappropriately included unlisted/nonpublished revenue dollars in the calculation of the directory advertising gross profit exclusion to nonregulated. Prior to FCC Part 32 adoption, these revenues were included in local service. Part 32 reclassified them to directory advertising revenue accounts. However, these revenues have nothing whatsoever to do with directory advertising, and it was not the intention of the Florida Public Service Commission to include these revenues in the gross profit calculation. The UTF gross profit exclusion calculation should be reduced by $2,935,158.

27. The following issue has been dropped: For the test year, has UTF correctly allocated uncollectible expenses to the interstate jurisdiction?

28. ISSUE: What are the appropriate test year revenues?

UNITED: The appropriate test year intrastate revenues are $470,119,000 as shown on updated MFR Schedule A-2e and as reflected on revised Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Test year revenues should be $478,187,979. (Mr. DeWard)

STAFF: At this time, Staff's position is that test year revenues are $473,312,049 pending further discovery.

29. The following issue has been dropped: Are equal access software costs properly allocated between intrastate and interstate jurisdictions?

30. The following issue has been dropped: Are equal access software costs included in the budget of a recurring nature and/or level? Are any included?

31. The following issue has been dropped: Should the 20% meal and entertainment exclusion for IRS purposes be disallowed for ratemaking?

32. ISSUE: Should nonrecurring asbestos removal expenses, if any, be removed from the test year?

UNITED: No, asbestos removal expenses should not be removed from the test year. The expenses and any cost of removal have been reflected appropriately and are in compliance with Part 32, Uniform System of Accounts. As a result of United's analysis of Part 32, Uniform System of Accounts, it was determined that either cost of removal or expense is appropriate depending on the work being performed.

Cost of removal for buildings is charged when the cost involves the removal of a building retirement unit, i.e., the removal of an entire ceiling. The cost of removing asbestos coatings from the structure itself, i.e., scraping it from walls, pillars and overhead surfaces and removing it from the building, should be charged as current operating expense in the appropriate rearrangement and change expense subaccount for Buildings.

Expensing of asbestos removal falls under the category of Plant Specific Operations Expense, FCC Rules and Regulations, Part 32, Uniform System of Accounts, Section 32.5999(b)(3) which states in part: "The Plant Specific Operations Expense accounts shall include the cost of inspecting, testing...and reporting on the condition of telecommunications plant to determine the need for repairs, replacements, rearrangements and changes...replacing items of plant other than retirement units; rearranging and changing the location of plant not retired; repairing material for reuse..." Based on the preceding definition, asbestos removal should be accounted for no different than any other plant specific maintenance expense item. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes. Test year expense should be reduced by $176,000 (total company) for nonrecurring asbestos removal expenses. (Mr. DeWard)

STAFF: No position at this time pending further discovery.

33. ISSUE: Have all legislative lobbying and political action committee related expenses been removed from regulated costs of service? If not, should an adjustment be made?

UNITED: Yes, all legislative lobbying and political action committee related expenses have been removed from test year regulated costs of service as reflected on MFR Schedule C-8. No adjustment is required to the test year. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Certain of these costs have not been removed from allocated costs and should be. Other locally incurred costs may include legislative lobbying and political action committee related expenses. At this time Citizens have not determined the amount of any adjustment which might be appropriate. (Mr. Brosch)

STAFF: No position at this time pending further discovery.

34. ISSUE: Should all costs associated with the Florida Telephone Association dues, memberships and Florida Night expenses be disallowed for ratemaking purposes?

UNITED: No, the costs associated with the Florida Telephone Association dues, memberships and Florida night expenses should not be disallowed for ratemaking purposes. These are appropriate and necessary business expenses in view of the ongoing support the organization provides on state regulatory and industry issues. On many occasions the Florida Telephone Association has been requested by the Staff of the FPSC to assist in industry issues and participate/represent telephone utilities. These are legitimate expenses and should be allowed for ratemaking purposes. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, to the extent these costs are included as above the line expenses an adjustment should be made.

STAFF: No position at this time pending further discovery.

35. ISSUE: Should all meals and entertainment expenses related to public relations and image building efforts be removed from the test year budget?

UNITED: No, meals and entertainment expenses related to public relations and image building efforts should not be removed from the test year budget. These are expenses incurred in the normal course of business by employees in performing their duties and responsibilities in the Public Relations Department. (Mr. McRae).

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Normally, all such costs--if correctly classified--would be removed through any image advertising adjustment ordered by the Commission. However, to the extent such meals and entertainment expenses are not classified as image advertising or image building costs, they should be eliminated. The Citizens have not identified a dollar amount adjustment at this time.

STAFF: No position at this time pending further discovery.

36. ISSUE: Should all meals, entertainment and travel expenses of spouses of company officers and spouses of executives be removed from the test year budget?

UNITED: No. Meals, entertainment and travel expenses of spouses of company officers and spouses of executives should not be removed from the test year budget. In the normal course of business, spouses are occasionally expected to attend functions. The functions and expenses are of an ordinary and necessary nature as they relate to conducting business. Such expenses are not recognized on the books unless the business purpose is established. In the course of IRS audits of United these expenses have been reflected as bona fide business expenses. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, such costs would not be allowed for deductions on the company's income tax return absent a showing of a business purpose. The Public Service Commission should not allow any costs for travel, lodging, or entertainment of spouses and non-company employees absent a showing that the person(s) is acting in an official capacity.

STAFF: No position at this time pending further discovery.

37. ISSUE: Should expenses such as Orlando Magic Season Basketball tickets, Citrus Bowl tickets and other sporting event related expenses be removed from the test year budget?

UNITED: No. Expenses such as Orlando Magic season basketball tickets, Citrus Bowl tickets and other sporting event related expenses should not be removed from the test year. These expenses are appropriate business expenses incurred for the purpose of entertaining prospective customers whose business will contribute both regulated and nonregulated revenues (such costs are appropriately accounted for as either regulated or nonregulated). Some of the events are held within United's operating area and therefore generate revenues through the use of telecommunication products and services. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes.

STAFF: No position at this time pending further discovery.

38. The following issue has been dropped: Should all expenses for leasing of alternative routes for the UTF fiber backbone interim diversity plan, if any, be eliminated from the test year?

39. ISSUE: In light of company plans, has UTF correctly projected the level of operator services revenues and expenses in the test year?

UNITED: Yes. (Mr. Reynolds)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: United has recently filed an update to its budgeting process which contains a projection assumption that UTF will transfer its operator services (including toll and assit and directory assistance) to an affiliate, Sprint Services, beginning in late 1991. In addition, UTF plans, and has assumed in the budget, to install AABS software which will substantially reduce operator services costs. This installation is also assumed to occur late in 1991. While UTF has included in the test year all of the costs of the transfer of toll and assist functions, including $2.8 million of severance pay and approximately $2 million of amortization expense for stranded investment write off and installation of AABS software, the Company has included only a small fraction of the anticipated savings from these projects. Discovery to date indicates that UTF will not state publicly whether the operator services transfer will actually occur. Despite this, all of the up front costs and very little of the savings have been included in the budget. Due to the lateness of this significant development, the Citizens have not developed a final position on this issue, except to state that United's proposed treatment is entirely unacceptable. (Brosch, DeWard)

STAFF: No position at this time pending further discovery.

40. ISSUE: Has UTI properly accounted for Signaling System 7 (SS7) technology developed for and charged to the OTCs including UTF?

UNITED: Yes. The Signaling System 7 (SS7) will access the Line Information Data Base (LIDB) used in the provision of billing and collection (B&C) services by United. The company records monies from the performance of the B&C function to the regulated intrastate operations and it is appropriate to charge the expenses related to it to the regulated expense accounts. The SS7 will also access the 800 data base, a source of regulated revenues to the company. (Mr. Baker)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens have developed no dollar adjustment for this issue. However, the Citizens are concerned that certain SS7 costs may have been centrally incurred and allocated to UTF for technology which was subsequently transferred to a nonregulated subsidiary.

STAFF: No position at this time pending further discovery.

41. ISSUE: Should costs associated with contributions and civic membership fees be included in regulated operating expenses?

UNITED: Yes. Contributions and civic membership fees benefit the ratepayer by contributing to the quality of the areas United serves and by relieving the local taxing agencies of certain social responsibilities which are met through charitable organizations and civic clubs. These expenditures are necessary and appropriate for United to maintain its needed position as a socially responsible member of the communities in the areas it serves.

United is a major business and a major employer in all of the communities that it serves. As such it has a responsibility to participate in civic improvement and economic development activities in those communities. In addition, participation in civic organizations provides the Company with the contacts and exposure necessary in the communities it serves to be aware of and take advantage of new business opportunities. Revenues are enhanced by the participation of United employees in civic organizations. The Company feels so strongly about such participation that in a number of cases membership in one or more civic organizations is required for some employees.

Contributions are made to various types of organizations all of which in one way or another benefit the Company, customers or communities. These contributions assist educational institutions in developing well trained employees; they assist community service organizations in solving problems affecting the communities United serves; and they assist organizations in improving the quality of life in United's service territory.

These expenses are appropriate regulated operating expenses. (Mr. McRae and Mr. Reynolds)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Such costs should not be included as regulated operating expenses, because they are either charitable contributions or image building costs which have traditionally been disallowed by the PSC. (Mr. DeWard)

STAFF: Costs associated with contributions and civic membership fees should not be included in regulated operating expense. Staff's recommended adjustment is included in Issue 51.

42. ISSUE: What is the appropriate adjustment to operating and maintenance expense for miscellaneous income charges?

UNITED: The appropriate adjustment to operating and maintenance expense for miscellaneous income charges is an increase of $781,000 in intrastate expenses as shown on updated MFR Schedule C-2b and as reflected on revised Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Agree with Staff as to charitable contributions and memberships. In addition, UTF has not provided any information that would demonstrate that cancellation or abandonment of the projects was prudent and reasonable. Therefore, the entire $781,000 of miscellaneous income charges should be kept below the line.

STAFF: $439,000 of intrastate miscellaneous income charges associated with contributions and membership should be removed from regulated operating expense.

43. ISSUE: Should institutional or image advertising be included in regulated operating expenses?

UNITED: Yes, institutional or image advertising should be included in regulated operating expenses for several reasons. All advertisements of the Company are designed to generate revenues or reduce costs. This is the case whether directly promoting an individual product or service or simply promoting the image and reputation of the Company. Customers today have more choices in communications services than ever before. Institutional advertising allows the Company to maintain and enhance its reputation in the marketplace and thereby promote the sale of products and services.

The Commission, in the UTLD certification docket, determined that the image of the Company had a value and required UTLD to pay a royalty fee, to be recorded 'above the line' by United, for use of United's name and reputation. The Company's name and reputation are in part a result of the institutional advertising. Fairness dictates that if United's customers are to benefit from United's name and reputation then the rates they pay should cover the expenses incurred to maintain that name and reputation. (Mr. McRae and Mr. Reynolds).

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The company's basis for including these above the line in the proposed test year is flawed and based on a misunderstanding of the UTLD docket. (Mr. DeWard)

STAFF: Institutional and image advertising costs should be removed from test year expense.

44. ISSUE: Has UTF properly accounted for the following advertising expenditures in accordance with Commission policy?

a) Has UTF properly allocated advertising expenses between regulated and nonregulated operations?

UNITED: Yes, UTF has properly accounted for advertising expenses between regulated and nonregulated operations. UTF has made a deliberate and conscientious effort to analyze the intent and content of each advertising campaign to ensure the proper procedures were established and followed for the recording of the advertising expenses between regulated and nonregulated operations in accordance with Commission policy and the Cost Allocation Manual (CAM) filed with the FCC. United has accomplished this objective and the expenses are properly recorded. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens believe that UTF's advertising campaigns improperly utilize the name recognition and reputation of monopoly regulated services for the benefit of nonregulated operations. Any allocation should appropriately apportion costs to the benefited operations.

STAFF: No position at this time pending further discovery.

b) Should all costs of the "One Phone Company" advertising campaign be allocated as image building or nonregulated advertising?

UNITED: No. The "One Phone Company" advertising campaign is targeted at selling products and services to business customers. To the extent that these products and services promote nonregulated business, the proper portion of the cost of this campaign has already been charged to non-regulated operations. A number of "One Phone Company" advertisements promote regulated services such as Advanced Business Connection ("ABC") services which provide a contribution to local service. While, in the past, a portion of the cost of this advertising campaign has been classified as institutional advertising, Mr. McRae's and Mr. Reynolds' testimonies address why these costs should be retained above the line for ratemaking purposes.

Regardless of how these costs are assigned, it is necessary to review these advertisements on an individual basis because the "One Phone Company" tag line appears in a wide range of advertisements--most of which are indisputably product and service promotional. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The "One Phone Company" advertising campaign improperly causes the regulated operations to subsidize nonregulated operations. In addition, it is essentially an image building campaign for the phone company. All costs associated with this ad campaign should be disallowed. (Mr. DeWard)

STAFF: No position at this time pending further discovery.

c) Should UTF's customers be charged for "Election Coverage" advertising?

UNITED: The expense incurred for "Election Coverage" was accounted for in accordance with Commission policy. Historically, United has accounted for this expense as Community Affairs Advertising. As reflected in Mr. McRae's prefiled direct testimony beginning at line 20 on page 33, the adjustment removing this type of advertising expense has not been made in the test year. United feels it is inappropriate to remove this expense for ratemaking purposes as supported by Mr. Reynolds' prefiled direct testimony. Since the "Election Coverage" expense referenced above was incurred in 1988 only and 1989 was used as a basis for forecasting test year (1991) advertising expenditures, no such expense is properly excludible from the test year. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens believe that an "Election Coverage" advertising campaign was charged above the line in 1989. Any such costs projected for 1991 should be disallowed.

STAFF: No position at this time pending further discovery.

d) Should the "Public Relations" campaign be included as regulated advertising expenses?

UNITED: The expense incurred for the "Public Relations" campaign was accounted for in accordance with Commission policy. Historically, United has accounted for this expense as Institutional Advertising. As reflected in Mr. McRae's prefiled direct testimony beginning at line 20 on page 33, the adjustment removing this type of advertising expense has not been made in the test year. United feels it is inappropriate to remove this expense for ratemaking purposes.

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens believe that a "Public Relations" advertising campaign was included in 1990 above the line expenses. Any such campaign in 1991 should be disallowed.

STAFF: No position at this time pending further discovery.

e) Are "Business Testimonial" advertisements which refer to the "One Phone Company" and "Call On the Strength of United" ad campaigns and refer to equipment sales, the rental, maintenance and repair of CPE and nonregulated sales pitches be allocated to nonregulated operations?

UNITED: Yes, UTF has properly charged such advertising expenses to nonregulated operations. UTF has made a deliberate, conscientious effort to analyze the intent and content of each advertising campaign to ensure that the proper procedures for recording the advertising expenses between regulated and nonregulated operations were established and adhered to in accordance with Commission policy and the Cost Allocation Manual (CAM) filed with the FCC. United has accomplished this objective and the expenses are properly recorded. (McRae and Mr. Reynolds)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: See position on 44b.

STAFF: No position at this time pending further discovery.

f) Should all costs related to the Florida Public Relations Association Golden Image Awards be disallowed for ratemaking purposes?

UNITED: No. Costs related to the Florida Public Relations Association Golden Image Awards should not be disallowed for ratemaking purposes. They are legitimate business expenses incurred in the normal course of business. Participation in such programs benefits the company by fostering professional development of its public relations staff, and, as such this Association is similar to professional organizations in which accountants, engineers, attorneys and other professionals are members. (McRae and Mr. Reynolds)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Such costs are purely public relations or image building and should be disallowed for ratemaking purposes.

STAFF: No position at this time pending further discovery.

g) Do United's community support ads constitute charitable contributions in the guise of advertising expense?

UNITED: No. In today's competitive telephone environment all advertisements made by the company are designed to generate revenues whether they are product specific or intended to simply remind customers that United is available to meet their communications needs. Community support ads are viewed by customers who share a concern for their communities, many of whom own and/or operate businesses that are served by the Company. The ads are promotional in that they reach individuals that have and make choices concerning the purchase of products and services provided by United and its competitors.

The Company has properly categorized community support ads, in the past and in the MFRs. These ads are not charitable contributions, they are intended to enhance revenues by attracting new or additional business from customers that attend and support the activities or organizations involved. They are proper expenses for ratemaking purposes. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: To the extent not already removed through any image advertising adjustment, community support ads for high schools, charitable organizations, etc. should be disallowed.

STAFF: No position at this time pending further discovery.

h) Do community support advertisements for the Nestle Pro Am Golf tournament and the Prudential-Bache Tennis Classic and other sport events constitute contributions to sporting events in the guise of advertising expense?

UNITED: No. Community support advertisements for the Nestle Pro Am Golf tournament and the Prudential-Bache Tennis Classic and other such events do not constitute contributions to sporting events in the guise of advertising expense. United received valuable advertising from these placements in the events' promotional documents. In most all cases these events are held in United's territory and therefore the event sponsors are United's customers. Hence, these events enhance United's revenues. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Any such sport events advertising is image advertising and should be disallowed if included in the test year.

STAFF: No position at this time pending further discovery.

45. ISSUE: What is the appropriate adjustment to operations and maintenance expense for advertising, if any?

UNITED: None. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: $823,550 of image and institutional advertising and $1,314,291 of the one phone company image campaign should be removed from operating expense. In addition, any associated pool-determined revenues should be removed. (Mr. DeWard)

STAFF: $848,000 of intrastate operating expense associated with institutional or image advertising should be removed from regulated operations.

46. ISSUE: What is the appropriate amount of test year operating and maintenance expense?

UNITED: The appropriate amount of intrastate test year operating and maintenance expense is $251,521,498 as shown on updated MFR Schedule A-2e (total operating expenses less depreciation expense) and as reflected on Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: $237,689,640. (Mr. DeWard)

STAFF: At this time, the Staff's position is that $250,234,498 is the appropriate amount of test year operating expense pending further discovery.

47. ISSUE: What is the appropriate amount of depreciation expense for the test year?

UNITED: The appropriate amount of intrastate test year depreciation expense is $99,436,490 as shown on updated MFR Schedule A-2e and as reflected on revised Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: This is a fall out issue that will be determined by final rate base and amortization related to Issue 39.

STAFF: The appropriate amount of test year intrastate depreciation and amortization expense is $99,436,490.

48. ISSUE: What is the appropriate amount of taxes other than income for the test year?

UNITED: The appropriate amount of intrastate test year "Other Taxes" is $16,737,722 as shown on updated MFR Schedule A-2e and as reflected on revised Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

49. ISSUE: Should a parent debt adjustment be made in this case?

UNITED: No. The adjustment for parent debt is a reduction in federal income tax expense for ratemaking purposes which is attributable to imputed interest expense on parent debt supposedly incurred to support the parent's ownership of United's common stock. If United's common stock were owned by the general public rather than by United Telecommunications this adjustment would not be made even though individuals purchasing the stock may have borrowed funds to make the purchase.

An adjustment for parent debt discriminates against operating utilities which are part of a holding company relative to those that are owned directly by the public. It is, therefore, inappropriate. In addition, it is inconsistent regulatory policy to recognize that a parent's ownership in a regulated utility comes from various sources of capital while refusing to recognize this same principle when the same regulated utility owns a nonregulated subsidiary. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Consistent with Commission rule, a parent debt adjustment must be made in this case. (Mr. DeWard)

STAFF: Yes, a parent debt adjustment should be made in accordance with Rule 25-14.004, Florida Administrative Code.

50. ISSUE: What is the proper amount of income tax expense?

UNITED: The appropriate amount of intrastate income tax expense is $22,734,183 as shown on updated MFR Schedule A-2e and as reflected on revised Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony, (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: $29,852,491. (Mr. DeWard)

STAFF: This is a fall-out number dependent on the outcome of other issues.

51. ISSUE: What is the appropriate ratemaking treatment for sales of nondepreciable property?

UNITED: All gains and losses on the sale of non-depreciable property should accrue to the benefit or detriment of the investor rather than the ratepayer. Ratepayers provide a return on the original cost of the Company's investment in non-depreciable property. They do not provide for the recovery of capital, however, as would be the case if the property were depreciated and the depreciation expense were recovered through rates charged by the Company.

There is no provision in the USOA or Generally Accepted Accounting Principles (GAAP) to reflect this type of gain other than to fully recognize it on the books of the Company as of the date of the transaction. The Commission has endorsed the new USOA and in doing so endorsed the standards of GAAP for telephone companies under its jurisdiction. (Mr. McRae).

FPTA: No position.

AT&T: No position at this time.

CITIZENS: One fifth of the after tax gain and allowance on sales of land should be included as a credit in the income statement of the test year. The Citizens have no objection to a four year amortization period. (Mr. DeWard)

STAFF: One fourth of the after tax gain or loss on sales of non-depreciable property identified on revised MFR Schedule C-15 should be included in test year income.

52. ISSUE: Is UTF's method of time reporting appropriate with respect to regulated and nonregulated operations?

UNITED: Yes, UTF's method of time reporting is appropriate with respect to regulated and nonregulated operations. UTF's methods of positive, fixed and survey time reporting are provided for in the Cost Allocation Manual (CAM) as filed with the FCC in compliance with Docket CC 86-111. The methods and application have been audited by the Company's external auditors and the results were reported to the FCC. UTF has received unqualified opinions for both of the years 1988 and 1989.

United routinely performs reviews of all work functions and time reporting to ensure accuracy and the appropriateness of the job function to the time reporting. In connection with this, changes to time reporting, effective January 1, 1990, were made with respect to the sales force which took them from exception to positive time reporting on a going forward basis. This change is not expected to have a material impact on either regulated or nonregulated operations. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: In early 1990 UTF made an adjustment to increase regulated expense and decrease nonregulated expense (sales) based on a change to positive time reporting for employees who were primarily nonregulated. Because of this adjustment, the Citizens question whether the exception reporting by employees who are primarily charged to regulated time is overstated.

STAFF: No position at this time pending further discovery.

53. ISSUE: Is UTF's cost allocation procedure appropriate?

UNITED: Yes. United's cost allocation procedures are appropriate. The cost allocation procedures, as incorporated by the FCC within CC Docket 86-111, requires the company to directly or indirectly assign costs (fully distribute all costs) to regulated and nonregulated operations as described in Mr. McRae's prefiled direct testimony on Pages 15 through 18.

United is required to maintain on file with the FCC a quarterly updated version of its Cost Allocation Manual (CAM) which addresses the methods used by the Company to ensure compliance with the requirements established in CC Docket 86-111. To further ensure compliance the CAM identifies audit requirements and enforcement mechanisms. The FCC requires an annual attestation audit be performed by the Company's external auditors with the results provided to the FCC and that monitoring reports (ARMIS) be filed on a quarterly and annual basis. United has received unqualified opinions for both of the years (1988 and 1989) for which United was subject to these audit requirements. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Citizens do not believe that UTF's cost allocation procedure is appropriate or has been substantiated.

STAFF: No position at this time pending further discovery.

54. ISSUE: Has UTF adequately disclosed the nature and the extent of all related party transactions including transactions which may not be given accounting recognition on UTF's books?

UNITED: Yes. The Company attempts to disclose all related party transactions in accordance with appropriate legal and financial requirements. The Company is aware that in 1988 related party transactions with UTLD were inadvertently not disclosed in the annual report. The 1989 Form M correctly discloses the related party transactions between the Company and UTLD in accordance with Rule 25-4.018, F.A.C. (Mr. McRae).

FPTA: No position.

AT&T: No position at this time.

CITIZENS: The Citizens do not believe that UTF has. For example, the company has not adequately disclosed the dollar amount of its purchase of long distance telephone service from its affiliated UTLD.

STAFF: No position at this time pending further discovery.

55. ISSUE: In light of the affiliated nature of the transaction, is UTF's utilization of UTLD for MTS type services prudent and reasonable?

UNITED: Yes. Irrespective of the fact that UTLD is an affiliate, it is reasonable and prudent for UTF to utilize UTLD. While UTLD is the primary provider of service to UTF, UTF relies on other IXCs as well, including a non-affiliate. UTLD provides high quality service at competitive prices. Moreover, UTF has a strong economic motivation to utilize UTLD because UTLD in turn utilizes UTF's operator services, trouble reporting and billing and collection services to a substantially greater degree than any other IXC. At the UTLD certification proceedings, UTF stated that one of the primary rationales for forming UTLD was to utilize UTF resources that had previously served IXCs who were beginning to provide those services themselves. Moreover, as the owner of UTLD, UTF has a vital interest in assuring that UTLD provides only the highest quality service. By utilizing UTLD, UTF maintains a continuous quality check of the level of service UTLD offers. (Mr. Reynolds)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: UTF utilizes its affiliate United Telephone Long Distance (UTLD) for company official long distance telephone service. Previously UTF used U.S. Sprint and prior to that AT&T for all of its one plus dialing. UTF should be able to show that its change from U.S. Sprint (which is also an affiliate to UTLD) was prudent and reasonable and the least cost method of meeting its communications needs. UTF should be able to show that its calling needs could not be more cost effectively met through a service provided with lower MTS rates and/or discounted pricing schemes (such as WATS) which would suit UTF's large volume calling needs.

STAFF: No position at this time pending further discovery.

56. ISSUE: Should GS&L costs allocated to UTF by UTI be adjusted to exclude those costs associated with UTI's role as owner/investor, such as intangibles taxes on dividend income, mergers and acquisitions analysis and certain other administrative functions?

UNITED: No. These costs are normal business expenses and are recoverable as such. The costs represent functions that United would have to provide for itself if it were publicly held, and that the companies which comprise United did incur before affiliation with United Telecommunications, Inc. Costs which United avoids incurring directly due solely to that affiliation should not be disallowed. (Mr. Mann)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, as reflected in the testimony of Citizens' witness Michael Brosch. (Mr. Brosch)

STAFF: No position at this time pending further discovery.

57. ISSUE: Should GS&L costs allocated to UTF by UTI be adjusted to exclude these costs: charitable contributions, image advertising, corporate jet aircraft expenses, incentive compensation and any expenses which would be disallowed if incurred directly by UTF?

UNITED: No. The issue as stated assumes, without basis, that the FPSC would disallow these expenses if incurred directly by UTF. Such costs represent normal business expenses and should be recoverable. (Mr. Mann)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, as reflected in the testimony of Citizens' witness Michael Brosch. (Mr. Brosch)

STAFF: No position at this time pending further discovery.

58. ISSUE: Should GS&L costs allocated to UTF by UTI be adjusted to exclude those costs associated with the recovery of a rate of return on parent company investment which exceeds UTF's allowed rate of return?

UNITED: No. The rate of return on parent company investment allocated to UTF and the other United Telephone operating subsidiaries is calculated and charged in a manner that equitably distributes to each affiliate the capital costs associated with the parent's investment. The rate of return utilized is the weighted average pretax cost of capital of all of the telephone subsidiaries combined using the weighted average authorized returns on common equity of each. This allows UTI to recover the same rate of return from each subsidiary using a return on equity which reflects decisions made in the various regulatory jurisdictions the companies operate in. Although the rate will undoubtedly not exactly match the overall allowed returns of most of the companies it has provided a fair, consistent means for UTI to recover a return on its investment supporting the regulated telephone subsidiaries. (Mr. Baker)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, as reflected in the testimony of Citizens' witness Michael Brosch. (Mr. Brosch)

STAFF: No position at this time pending further discovery.

59. ISSUE: Should costs allocated to UTF by an affiliate be adjusted to exclude those costs associated with unusually large and nonrecurring costs to design and program complex customer billing systems?

UNITED: No. These are costs associated with designing and building a new billing system for UTF and all other UTI operating telephone companies. The present billing system is becoming increasingly incapable of handling today's more complex environment and must be replaced to meet requirements, as recognized by the FPSC, of new services demanded by our customers. If a new system were not being designed, significant costs would be required to modify the existing system and this expense would be an allowable cost in ratemaking. It is a normal recurring expense to develop new or expand upon existing systems to meet increased customer and business needs. (Mr. McRae and Mr. Baker)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, as reflected in the testimony of Citizens' witness Michael Brosch. Test year expenses should be reduced $3,406,793 (total company). (Mr. Brosch)

STAFF: No position at this time pending further discovery.

60. ISSUE: Should data processing costs allocated to UTF by its affiliate, UDSI, be adjusted to exclude those costs associated with return on investment and other expense increases projected for the test period?

UNITED: No. Expenses projected for the test year by United are intended to reflect the expected normal business costs of 1991. The projections were based on actual expenses of prior periods and adjusted by the budgets department based on known and forecasted data. The return on investment and other expenses are also normal costs of doing business and should be included and recognized by the FPSC. (Mr. Baker)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Yes, as reflected in the testimony of Citizens' witness Michael Brosch. (Mr. Brosch)

STAFF: No position at this time pending further discovery.

61. ISSUE: What is the proper ratemaking treatment to match test year expenses with savings or revenues generated by the expenses?

UNITED: United is continually undertaking special projects to enhance service, increase productivity or both. Because such projects are continually undertaken, there is a constant mismatch of costs and savings. To the extent that these projects will incur expenditures in 1991, it is likely that the full impact of anticipated savings will not occur until 1992 or beyond. Conversely, for projects implemented prior to 1991 the full impact of the savings is included in the test year with none of the associated implementation costs. Because these types of projects are continually in process, it is not appropriate to attempt to match all costs and savings from these projects in this proceeding. However, fairness requires that if an adjustment for savings realized after the test year is to be made then to the extent that savings were realized in the test year resulting from costs incurred in prior years an adjustment should also be made to include those costs in the test year.

FPTA: No position.

AT&T: No position at this time.

CITIZENS: UTF's test year of 1991 includes the costs of implementing projects which are designed to increase productivity at UTF. In some instances projects required implementation costs or other nonrecurring costs in the test year while the productivity benefits or costs savings were not included in the test year or were only included in a partial amount. The Citizens have attempted to match the costs with the expected benefits of the costs so that ratepayers do not pay rates based on a test year with nonrecurring or expiring cost and no cost savings. The Citizens proposed accounting treatment would increase benefits/decrease expenses by $3,240,924 (intrastate). (Mr. DeWard)

STAFF: No position at this time pending further discovery.

62. ISSUE: What is the test year net operating income?

UNITED: Intrastate test year net operating income is $79,689,107 as shown on updated MFR Schedule A-2e and as reflected on revised Exhibit RDM-4, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: $96,047,849. (Mr. DeWard)

STAFF: At this time, the Staff's position is that the test year net operating income is $84,783,159, pending further discovery.

REVENUE REQUIREMENT

63. ISSUE: What is the amount and appropriate disposition of the revenue held subject to corporate undertaking?

UNITED: The appropriate disposition of revenue held subject to corporate undertaking cannot be determined until 1990 results are known. (Mr. McRae)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

64. ISSUE: What is the appropriate amount of the revenue increase/decrease for the test year?

UNITED: The appropriate amount of revenue increase for the test year is $26,290,000 as shown on updated MFR Schedule A-3 and as reflected on revised Exhibit RDM-4, Schedule No. 1, of Mr. McRae's testimony.

FPTA: No position.

AT&T: No position at this time.

CITIZENS: Revenue requirements should be decreased by $23,670,925. (Mr. DeWard)

STAFF: At this time, the Staff's position is that test year revenue should be increased by $7,350,000, pending further discovery.

RATE DESIGN AND TARIFF CHANGES

65. ISSUE: United's proposed revenues are based on projected units. Is the method United used to develop the projected units appropriate?

UNITED: Yes. Test year units for 1991 were forecasted based on historical trends, planned implementation timelines for services to be tariffed (e.g., ExpressTouch, MessageLine, etc.), and economic trends and forecasts. Historical data was developed from analysis of monthly customer billing records (e.g., the Service Connection Analysis Report, the Station Data Report, the Service and Equipment Statistical Report, the Toll Processing Control Analysis Report, etc.) and special customer billing study reports. (Mr. Poag)

FPTA: No position.

AT&T: No position at this time.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

66. ISSUE: What general approach, considering accuracy and methodology of cost studies, value of service, competition, universal service goals, etc., should be used in changing rates to produce the approved revenue requirement?

UNITED: Rate development was based on the traditional value of service concepts for rate variations between rate groups and between the various classes of service for all basic exchange services. A market-value approach was taken with regard to the overall level of basic services. The market-value approach is used to develop appropriate rate levels for basic services and to shift more of the burden of the cost of providing the service to the cost causer while maintaining the overall universal service objective. The result of this approach is to shift a greater portion of United's total revenue requirement from the more competitive toll and access services to the basic services. By establishing rates which will allow United to maintain a competitive position in the toll services market, United will be better able to maintain contributions from these markets to the long term benefit of the general body of ratepayers. In developing rates and rate structures for services that are proposed to change, analysis of the rates of other companies, cost, customer impact, and overall customer acceptance and understanding were considered. (Mr. Poag)

FPTA: In making pricing decisions in this docket, the Commission should be guided by the policies embodied in the revised Chapter 364, Florida Statutes, that takes effect on October 1, 1990. Although the new legislation does not expressly govern these proceedings, the rate decisions rendered in this case will govern the company and its ratepayers for approximately the next four years, and there is no bar under the current law to consideration and evaluation of the United proposals in light of the requirements set forth in the law that will govern at the conclusion of this rate case. In particular, it is critical that all competitive services be identified and be priced in a manner that is cost-based, without subsidization from monopoly ratepayers, and without any opportunity for anticompetitive or predatory behavior by United.

AT&T: As we move into an environment where elements of long time monopoly provided services are becoming competitive and where monopoly items are being offered in conjunction with competitive items by the local exchange companies, elemental cost will become an increasingly important ratemaking criteria. In other words, rates charged for a particular service should reflect the underlying costs incurred in providing the service. Further, when monopoly provided elements are offered in conjunction with competitive elements, the Commission must insure that those monopoly items are offered to customers free of discrimination with respect to price, terms and/or availability. It would be inappropriate for a service provider to distort or influence a competitive market through discriminatory pricing of monopoly provided services. (Mr. Guedel)

CITIZENS: No position.

STAFF: Staff's preliminary position is that rates and charges for basic local service should be set after rates and charges for all other services have been set. Thus, staff recommends that the Commission continue its policy of residually pricing basic local service. Cost studies, where available and determined reasonable, should be used as one input in pricing decisions. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. Specific rates for basic local service should then be set based on costs, if available and reasonably determined, relative usage, value of service, and social goals such as universal service.

67. This issue has been dropped: Is the Company able to reconcile billing units revenue to booked revenue for 1989? If not, should any adjustment be made to recognize the inability to reconcile billed and booked revenue?

68. This issue has been dropped: In the Commission's recent investigation into Toll Monopoly Areas (TMAs) in DN 880812, it ruled that TMAs would be eliminated on December 31, 1991. In that docket, United testified that it would require pricing flexibility in order to be able to compete effectively after TMAs are eliminated. Are United's proposals for pricing flexibility in this docket consistent with its own stated requirements in DN 880812? If not, should the Commission take any action?

69. ISSUE: Have the billing units for employee concessions been accounted for properly?

UNITED: Based on customer billing records which carry an employee indicator, employee concession billing units have been accounted for properly in this filing. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

70. ISSUE: Should United's proposed increase in Local Directory Assistance from $.25 to $.35 be approved?

UNITED: Yes. The proposed increase will put the rate more in line with the cost of providing the service as well as placing the cost on the cost causer. The FPSC recently approved the $.35 rate for AT&T's directory assistance service. The cost per billable call for United is approximately $.29. Additional revenue from this discretionary service permits additional decreases to toll and access services. By establishing rates which will allow United to maintain a competitive position in the toll services market, United will be better able to maintain contributions from these markets to the long term benefit of the general body of ratepayers. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

71. ISSUE: United has proposed to increase the rates for Local Operator Assistance as shown below. Should these rates for Local Operator Assistance be approved?

	Present	Proposed
Paystation Person to Person	$1.70	$2.50
Paystation Credit Card	.70	$ .75
Paystation All Other	.70	1.00
Busy Verification	.15	.95
Emergency Interrupt	.15	.45

UNITED: Yes. The proposed rates for local operator services are equal to the existing rates for intraLATA toll operator services. Local and intraLATA operator services are functionally the same and the above proposed changes will establish rate uniformity for United's operator assistance services. Additional revenue from these discretionary services permits additional decreases to toll and access services. By establishing rates which will allow United to maintain a competitive position in the toll services market, United will be able to maintain contributions from these markets to the long term benefit of the general body of ratepayers.

The proposed rates for Operator Assisted Local Calls have already been approved for Southern Bell and GTE local operator services and for United, Southern Bell, and GTE's intraLATA toll operator services.

The current rates for busy verification and emergency interrupt services are below incremental cost. Many of these calls are discretionary and the cost should be recovered from the cost causers. The proposed rates have already been approved for GTE local and intraLATA toll operator services as well as Southern Bell and United intraLATA toll operator services. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

72. ISSUE: United has proposed changes in the rates for directory listings as shown below. Should these rates for directory listings be approved?

	Present	Proposed
Additional Listings	$ 1.00	$ 1.25
Listing Alternate	1.00	1.25
Listing Extra Line	1.00	1.25
Non-listed service	.65	1.00
Non-published service	1.50	2.00
Listing Cross Reference	1.00	1.25
Listing Secondary	1.00	1.25
Listing Foreign	1.00	1.25

UNITED: Yes. The proposed rates are in line with those currently charged by other telephone companies in Florida. Additional revenue from these discretionary services permits additional decreases to toll and access services. By establishing rates which will allow United to maintain a competitive position in the toll services market, United will be able to maintain contributions from these markets to the long term benefit of the general body of ratepayers. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

73. ISSUE: United has proposed no changes to the following offerings contained in its Miscellaneous Service arrangements tariff. Is this appropriate?

1. Automatic Time/Temperature/Weather
2. Break in Rotary Group
3. Custom Calling Features
4. Directory Number Transfer
6. Fire Alarm Conference System
7. List Service
8. Special Billing Service
9. Time and Charges Reporting
10. Special Identity Number Arrangement
11. Magnetic Tape Billing
12. Single Party Access Line Features
13. Billed Number Screening
14. Remote Call Forwarding
15. Dial-it Service
16. Duplicate Bill
17. 976/900 Blocking
18. Custom Code Restriction
19. Watch Alert

UNITED: Yes, it is appropriate not to change the rates for these services as discussed below.

Automatic Time/Temperature/Weather

Demand is limited for this competitive service and no rate change has been proposed.

Break In Rotary Group

This service is only available in step-by-step switching equipment and will be phased out by 1993 based on United's current plan to convert to digital switching.

Custom Calling Features (CCF)

Two new features, Cancel Call Waiting and Call Forwarding Busy, and flexible pricing in the form of minimum and maximum rates were just recently approved by the Commission, Authority Number T-90-107. These changes became effective May 18, 1990, three days after the filing of the MFRs. United is currently in the process of developing a tariff filing for ExpressTouch, a set of enhanced custom calling features that utilize the forwarding of the calling telephone number. Time is needed to evaluate customer demand of the two new CCF features, those of ExpressTouch, and any cross-elastic impacts that may occur between the two services. For these reasons, United has not proposed any rate changes at this time.

Directory Number Transfer

This service, currently offered in non-digital offices, is similar to the custom calling feature of Call Forwarding offered in digital central offices. Directory Number Transfer service will be discontinued when all central offices are converted to digital switching.

Fire Alarm Conference System

This community fire reporting service is primarily used by volunteer fire departments. To the extent that there is only limited demand and because of the public safety value, no rate changes are proposed.

List Service

Given the limited demand for this service at the current rates, an increase is not proposed.

Special Billing Service

This service allows customers to associate originating toll calls to specific stations, departments, projects, etc. The rates for some Winter Park customers have been grandfathered since 1983. No rate changes are proposed.

Time and Charges Reporting

There are no separate rate elements for this service. The operator service charges in Section A18 of the General Exchange Tariff are applicable for this service. No changes are proposed for the long distance operator service charges.

Special Identity Number Arrangement (SINA)

SINA is a feature that allows a single line to have two telephone numbers and two distinctive rings. It is only offered in NX-1D, NX-1E,and DSS-1210 offices. As these offices are replaced, the service is being discontinued.

Magnetic Tape Billing

There is no demand for this service and no rate changes are proposed.

Single Party Access Line Features

This feature reverses disconnect control from the called to the calling party. There is limited demand for this service as it is primarily requested by owners of answering machines that were manufactured prior to 1982.

Billed Number Screening

The current rate for this service is appropriate.

Remote Call Forwarding (RCF)

The current rates are appropriate and provide sufficient contribution.

Dial-It Service

Changes to rates and regulations for Dial-It Service were filed with the Commission on February 28, 1990, prior to the rate case filing. The pending changes are under review in Docket No. 900183-TL.

Duplicate Bill

There is limited demand for this service. The rates defray bill copying and processing costs and are comparable to those charged by Southern Bell and GTE.

976/900 Blocking

United established 976/900 Blocking Service in compliance with Order No. 19107 in Docket No. 880200-TL. The Order required LECs to offer the blocking for a one time nonrecurring Company-specific charge not to exceed $10. Additionally, existing customers were given a 90-day opportunity to subscribe to the service without the nonrecurring charge. Per the Order, new service subscribers continue to be offered a 90-day waiver of the nonrecurring charge when establishing new exchange service. A 1988 cost study showed that costs for the Blocking Service were being recovered by the nonrecurring charge.

Custom Code Restriction

Custom Code Restriction provides customers with greater control over their telephone bill by preventing access to calls which result in a charge. The rates were developed to cover the cost of providing the service, to provide a contribution to local exchange service and to be affordable for those subscribers who need the service. United's recurring monthly rates for Custom Code Restriction are comparable to Southern Bell and GTE's.

WatchAlert

Customer demand for this service has been less than originally anticipated. This is a highly competitive service; an increase in rates is not justified based on current demand levels. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

74. ISSUE: United has proposed a 50% increase to the Extension Line Mileage rates contained in its Miscellaneous Service Arrangements tariff. Should this proposal be approved?

UNITED: Yes. Extension line mileage service utilizes dedicated facilities, and is identical to local private line service from a technical perspective. Extension line mileage rates should be increased by 50% for consistency with the increase proposed for local private line service rates. United intends to restructure extension line mileage rates at the same time that it restructures local private line service, as outlined in United's position on Issue 85a. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

75. ISSUE: United has proposed increases to various items provided under the Special Service Arrangements subsection of its Miscellaneous Service Arrangements tariff. Is this appropriate?

UNITED: Yes. The Special Arrangements that are not covered by contractual payment plans have proposed increases of 15%. The rates for many of these services have not increased in many years. This across the board increase is appropriate to recover a portion of inflation related cost increases over time. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

76. ISSUE: United has proposed no changes to its Touch-Tone rates. However, it has proposed banded rates on Touch-Tone. Specifically, it has proposed a lower band at $.50 and an upper band at $2.00. Is this appropriate?

UNITED: Yes. Touch-Tone is a discretionary and competitive service. The functional signalling capability of Touch-Tone service is available from customer premises equipment. While United has not proposed a rate change at this time, it does propose pricing flexibility in the form of banded rates, a minimum of $0.50 and a maximum of $2.00. This will allow United the ability to change prices in response to market conditions and to determine, over time, the effect of price changes on levels of demand.

The minimum and maximum rates were developed based on the current rate level, a review of the rates of other companies and perceived willingness to pay. The criteria for the minimum rate is incremental cost plus contribution. The maximum rate is judgmental based on the maximum perceived market rate within the next three to seven years. (Mr. Poag)

FPTA: For competitive pay telephone providers, subscription to Touch-Tone service is not discretionary. In order to provide any pay telephone service, competitive pay telephone providers must subscribe to this service since United, like all of the LECs, does not make available under any terms and conditions central office functionalities or coin like services utilized by United's own payphones. The Commission has limited the use of such banded rates to discretionary services, and it should not now deviate from that policy.

Accordingly, to eliminate the potential for anticompetitive pricing practices for this bottleneck monopoly input, nonLEC payphone providers will pay cost-based rates but they must not be subjected to banded rates. The FPTA proposes that nonLEC payphone providers continue to pay a nonbanded rate and that the rate be set at $1.00 or any lesser amount approved by the Commission.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

77. This issue has been stipulated: United proposed no change in its tariff for Charges Applicable Under Special Conditions. In light of the recent changes in other Local Exchange Companies' similar tariffs, is this appropriate?

78. ISSUE: Semi-public telephone rates are proposed to be increased. Are the proposed semi-public telephone rates appropriate?

UNITED: Yes. Existing revenues from semi-public coin service do not recover its cost. Because the additional costs of the coin telephone station equipment is not recovered from coin revenues, a rate higher than the current B1 rate is appropriate to recover a portion of the semi-public station equipment cost. The average 1988 embedded cost of combined public and semi-public coin telephone service is approximately $90.00. Average revenues for semi-public service are approximately $32.00 in local coin calls and $18.00 in recurring access line revenues. Increasing the rate to 125% of the business one-party line will increase revenues by an average of

$12.04 per station, bringing total revenues for the service more in line with the cost of providing the service. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

79a. ISSUE: United has proposed no changes to the following offerings contained in its Auxiliary Equipment Tariff. Is this appropriate?

a. Indoor Booths
b. Shelfette
c. Acoustical Wall Booth
d. Floor Mounted Wall Booth
e. "The Pearl" (wall only)
f. Outdoor Booth Standard
g. Outdoor Booth Delux
h. Boothette
i. Boothette Stand

UNITED: Yes. With proposed increases in semi-public basic service rates, increases for this equipment are not appropriate at this time. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

79b. ISSUE: United has proposed no changes to the following offerings contained in its Long Line Equipment subsection of its Auxiliary Equipment Tariff. Is this appropriate?

a. VP Repeater
b. Signaling Package

UNITED: Yes. With a proposed 50% increase in local private line services, an increase on auxiliary private line services is not appropriate at this time. United proposes to restructure and reprice all local private line services subsequent to a final decision and implementation of the Private Line/Special Access Restructure in Docket No. 890505-TL. At that time, all private line services will be reviewed and revised rates proposed accordingly. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

79c. ISSUE: United has proposed no changes to the following offerings contained in its Auxiliary Equipment for the Hearing Impaired subsection of its Auxiliary Equipment tariff. Is this appropriate?

a. TDDs
b. Handsets for Hearing Impaired
c. Signaling Equipment for Hearing Impaired
d. Accessories

UNITED: Yes. The rates for telecommunications devices for the hearing and speech impaired were not designed to provide a contribution above their costs. In Docket No. 830202-TP, Order No. 13906, the Commission directed that this specialized customer premises equipment be priced to cover fully allocated costs without including a rate of return on the investment component. The limited demand for these services suggests that increases would not be appropriate from a market-value perspective. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: By Order No. 13906 issued in Docket No. 830202, these rates should be priced at cost.

80. ISSUE: The only changes United proposed for Interconnection of Mobile Services is to reduce mobile usage charges to reflect proposed reductions in access rates. Should this be approved?

UNITED: Yes. To the extent that United's proposed reductions in access rates are approved and in keeping with the Commission's Order No. 20475 in Docket No. 870675-TL, the proposed mobile usage reductions should also be approved. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: Yes, United's proposed reduction in mobile usage charges for Interconnection of Mobile Services should be approved. Staff's preliminary position is that this should be the only change for the Interconnection of Mobile Services tariff.

81. ISSUE: United has proposed to increase the rates for its own mobile service by 15%. Is this appropriate?

UNITED: Yes. Customer demand is declining due to cellular competition. Due to the declining demand and ongoing cost of continuing to maintain the facilities associated with providing this service, United plans to phase out the offering of this service over time. The proposed rate increase will contribute toward ongoing maintenance costs. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

82. ISSUE: Has United complied with Commission policy set forth in Orders Nos. 21815 and 23183 in Docket No. 880423, the Commission's Information Services Investigation? If not, what should United be required to do to implement that policy?

UNITED: Yes. United has complied with the recent Commission order regarding regulation of its voice messaging service, MessageLine, by including the revenues and expenses in regulated operations. The appropriate level of regulation is still to be determined. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

83a. ISSUE: United has proposed to restructure and establish banded rates for Direct In Dialing as follows:

	Monthly Rate		
	Min.	Max.	Current
Block of 20 numbers	$1.00	$25.00	$25.00
Block of 100 numbers	4.00	100.00	100.00
DID Trunk Termination per Trunk	20.00	40.00	20.00

Is this appropriate?

UNITED: Yes. DID rates are proposed to be restructured with the same rate elements as the DID rates approved by the Commission in the Cellular Docket No. 870675-TL. However, due to the magnitude of the potential impact on customers, it is proposed to restructure the current PBX DID charge of $157 into a number charge and a DID trunk charge, similar to the cellular tariff except at different rates. The rates, $100 for 100 numbers and $20 for DID trunk equipment, are proposed as a first step toward the Commission-approved cellular rates. Various analyses were developed to identify customer impacts. The proposed rates were developed as a result of a review of the customer impacts.

Establishment of the 20 DID number block will help mitigate the impact of the proposed changes on some customers by allowing them to subscribe to fewer than 100 numbers and reducing their charges. This structure will also benefit other customers with DID number requirements less than 100. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

83b. ISSUE: United proposed changes in the application of installation charges as shown below. Should these be approved?

Current	
Installation charge	$ 175.00
Proposed	
Installation charge	
per block of 20 numbers	$40.00
per block of 100 numbers	$175.00

UNITED: Yes, the proposed installation charge for a block of 20 numbers should be approved as it encourages conservation of DID numbers and benefits smaller DID customers. The installation charge for the block of 100 numbers is proposed to remain unchanged as it is comparable to the NRC rates charged for cellular DID. Reference Issue 83a.

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

84. ISSUE: For its Telephone Answering Service, United has proposed to increase mileage charges for off-premises extension line and change the application of the charge for Directory Listing. Is the proposal appropriate?

UNITED: Yes. TAS off-premises extension line service utilizes dedicated facilities and is identical to local private line service from a technical perspective. Its rates should be increased by 50% for consistency with the increase proposed for local private line service rates. United intends to restructure TAS extension line mileage rates at the same time that it restructures local private line service, as outlined in United's position on Issue 85a.

Given the small demand for in-dialing arrangement directory listings for answering service clients, United believes a separate rate not tied to the PBX trunk rate is appropriate (as opposed to 50% of the applicable PBX trunk rate). This service essentially provides a listing for an access line terminated to a telephone answering service. The additional increase resulting from continuation of a rate of 50% of the PBX trunk rate is inappropriate. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time.

85a. ISSUE: What changes are appropriate for local private line rates considering costs, value of service, effect of competition, etc.?

UNITED: A 50% across-the-board increase is appropriate for local private line rates. United estimates that an approximate overall 200% increase in rates would be necessary to bring rates up to costs. However, United does not propose to go to full cost recovery plus contribution all at one time. Similar to the rate transition plan recently approved by the Commission for special access service in Docket No. 890505-TL, United's intention is to increase local private line rates over approximately three years. The 50% increase proposed now represents the first of possibly three phases of a transitional period. United anticipates that its tariff filing for a second phase will include a restructure for local private line services that will mirror the rate structure recently approved by the Commission in Docket No. 890505-TL. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position at this time.

STAFF: No position at this time pending further discovery.

85b. ISSUE: Did United appropriately apply the Private Line/Special Access Cost Manual in the development of intraexchange private line costs, as mandated by the Commission?

UNITED: Yes.

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position pending furthr discovery.

86. ISSUE: What will be the revenue impact to United of the restructure of interexchange private line and special access and how should that impact be addressed in this docket?

UNITED: Regarding the revenue impact to United of the restructure of interexchange private line and special access, in Docket No. 890505-TL, the Commission requested that all companies provide revenue impact analyses by September 28, 1990. The Commission has approved the concept of offsetting any increase in revenues anticipated from the private line/special access restructure with reductions in rates for other services. Since the restructure will be revenue neutral to United, its impact should not be addressed in this docket. However, it may be necessary to adjust some of the rates proposed for some services in this docket if the current rates for those same services are reduced due to the offset procedure adopted in Docket No. 890505-TL. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

87. This issue has been stipulated: Should United submit its own rates and tariffs for interexchange private line, or is it appropriate for the company to continue in its concurrence with Southern Bell rates and tariffs?

88. ISSUE: United proposed to increase its mileage rates for cross-boundary Foreign Exchange and Foreign Central Office Services by 50%. Should this be approved?

UNITED: Yes. Cross boundary foreign exchange service and foreign central office service utilize dedicated facilities, and are identical to local private line service from a technical perspective. The rates should be increased by 50% for consistency with the increase proposed for local private line service rates. United intends to restructure cross boundary foreign exchange mileage rates and foreign central office mileage rates at the same time that it restructures local private line service, as outlined in United's position on Issue 85a. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

89. ISSUE: United has proposed to increase the Trouble Location charge to end users from $30.00 to $40.00. Should this be approved?

UNITED: Yes. The proposed increase more closely aligns the rate with its cost. This service is discretionary in that it is applicable only to customers who have a network interface device and the problem is determined to be in their inside wire or customer premises equipment. Customers that do not have a network interface device, and are thus unable to separately test their access lines, are not charged the Trouble Location Charge even if United dispatches a service man and finds the trouble on the customer side of the network demarcation point. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

90. ISSUE: United has proposed no increases to the Trouble Location Charge in the Access Tariff. Is this appropriate?

UNITED: Yes. United's current charge for Trouble Location, as stated in its Access Tariff, is appropriate. The existing rate level at $44.12 for the first one-half hour is above the proposed $40.00 rate for the Trouble Location Charge in Section A15 of the General Exchange Tariff. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

91. ISSUE: United and the Staff agreed upon a proposed stipulation that the charge for returned checks should be increased from $10.00 to $15.00, to which Public Counsel, AT&T and FPTA had no objection. What is the revenue effect of this change?

UNITED: The revenue effect of this change is an increase in test year revenues of $101,428 based upon United's latest budget. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: Effective July 1, 1989, Sections 68.065 and 832.07, Florida Statutes, increased the maximum allowable returned check charge to $15.00 or 5% of the face amount of the check, whichever is greater. The Commission has ruled in Dockets Nos. 900540 and 900610 that it would allow tariff filings implementing this change to go into effect administratively. The revenue effect of this increase should be recognized for the test year.

92. ISSUE: The Company has proposed the following changes to the rates for service connection charges:

	RESIDENCE	
	PRESENT	PROPOSED
Primary Service Order	$20.00	$20.00
Secondary Service Order	$11.00	$ 9.50
Record Change Charge	$ 0.00	$ 5.00
Access Line Charge	$20.00	$30.00
Premises Visit Charge	$ 6.25	$10.00
Premises Work Charge, per/hour	$ 8.25	$12.00
Telephone Number Change	$11.00	$ 9.50

	BUSINESS	
	PRESENT	PROPOSED
Primary Service Order	$21.00	$20.00
Secondary Service Order	$11.50	$11.50
Record Change Charge	$ 0.00	$ 5.00
Access Line Charge	$20.00	$35.00
Premises Visit Charge	$ 6.25	$10.00
Premises Work Charge, per/hour	$ 8.25	$12.00
Telephone Number Change	$11.00	$11.50

Should the Company's proposed changes be approved?

UNITED: Yes. The proposed changes will more properly reflect the cost of providing the various services. With the proposed changes, the premises visit charge will not be applicable for new service requests. At the proposed rates a residence new service connection charge where a premises visit is required would be $50.00 versus $46.25 under the current charges. Businesses would be $55.00 versus the current $47.25 with a premises visit. Customers will continue to have the option of installment billing of service connection charges as is currently offered under tariff. The Record Change Charge is a new service charge applicable to changing directory listings at the customer's request. It does not apply for corrections of name or address. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification.

93. ISSUE: United has proposed no changes to its central office non-transport service offerings, (Basic Advanced Business Connection (ABC), Suncom, and Enhanced ABC), except for those rate elements which are tied to the B-1 or PBX trunk rate. Is this appropriate?

UNITED: Yes. Basic and Enhanced ABC subscribers will see increases for network access and for some features due to proposed increases in B-1 and PBX access line rates. Due to the competitive nature of these services with key and PBX systems, additional rate increases at this time could curtail demand and reduce overall contribution. Continued contribution from regulated competitive services benefits the general body of ratepayers by reducing the revenue burden of other services. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: To the extent cost studies are available and determined reasonable, cost should be used as one input in setting rates. Other considerations should include appropriate contribution levels, historic revenue/cost relationships, the existence and extent of competitive alternatives, customer impact, established Commission policy, etc. In general, no item should be exempt from rate changes without proper cost justification. Absent cost justification, rates for this service should not be increased less than the overall percentage increase granted in this case.

94. ISSUE: Should stimulation and/or repression due to rate changes be considered in determining revenue requirements, and, if so, what are the appropriate adjustments?

UNITED: Data for isolating and evaluating historical demand elasticities is not currently available due both to the lack of rate changes from which such information can be gathered and to the fact that any information which could be developed is diluted by other variables that contribute to fluctuations in demand, particularly the rapid growth experienced in United's service territory. Therefore, as set forth by the Commission in Orders Nos. 20162 and 20503, which were upheld by the Florida Supreme Court in Citizens v. Nichols, 556 So.2d 1109 (Fla. 1990), in cases where the degree of stimulation or repression cannot be determined with any reliability, explicit inclusion of a stimulation or repression coefficient is inappropriate.

Further, any demand distortion that may be attributable to excluding stimulation and repression adjustments is minimized by the nature of the overall United proposal. Since the proposed rate changes include both increases and decreases, stimulation and repression effects would be offsetting to some degree.

FPTA: No position.

AT&T: No position.

CITIZENS: Yes, stimulation associated with toll/access reductions should be recognized. At this time the Citizens have not identified the amount.

STAFF: No position at this time pending further discovery.

95. ISSUE: The Company has proposed lowering intrastate MTS toll rates and expanding the number of mileage bands from 5 to 6. Are the proposed rates and mileage bands for MTS appropriate?

PRESENT			PROPOSED		
Mileage Band	First Minute	Additional Minute	Mileage Band	First Minute	Additional Minute
			0-8	$0.11	$0.05
0-10	$0.19	$0.09	9-16	0.17	0.09
11-22	0.28	0.16	17-22	0.26	0.15
23-55	0.40	0.28	23-55	0.35	0.25
56-124	0.51	0.37	56-124	0.45	0.32
125-292	0.58	0.39	125-292	0.51	0.34

UNITED: Yes. The proposed rates and mileage bands for MTS are appropriate to help United maintain its position as a competitive carrier within its service area. The proposed mileage bands and the substantially lower rates in the first two bands will help alleviate current and potential future pressures for flat-rate extended area service. With increasing competition and the elimination of toll monopoly areas on December 31, 1991, United needs to begin moving toll rates more in line with cost. The proposed MTS rates were determined by residually pricing toll and access services. Once the proposed rates for local service and other services had been determined, toll and access rates were reduced to bring United's revenues back to the requested overall increase. Toll and access rates were reduced by comparable amounts to maintain the approximate existing toll/access price differential. (Reference Issue 66) (Mr. Poag)

AT&T: No position.

FPTA: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

96. ISSUE: The Company has proposed an optional intraLATA toll calling plan named TeleSaver which would offer subscribers a 40 percent discount on all intraLATA toll calls with a monthly fixed charge of $2.00 for residence and $6.00 for business. Should the proposed optional toll calling plan be approved?

UNITED: Yes. The plan will serve to further reduce EAS pressure on both shorter haul toll routes and longer haul routes (over 16 miles). It will also help United maintain a portion of its intraLATA toll customer base, i.e., higher-volume intraLATA toll users. (Reference Issue 66) (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

97. ISSUE: Toll Pac, Valu Pak, and OEAS rates are tied to MTS rates. Under the Company's proposal to decrease MTS rates, these rates would also be reduced. Is this appropriate?

UNITED: Yes. Rates for optional calling plans have traditionally been established as a percent discount from MTS service. The proposed rates maintain appropriate price differentials between these services and MTS rates. (Reference Issue 66) (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

98a. ISSUE: WATS rates are proposed to be reduced as shown below. Are the proposed WATS rates appropriate?

PRESENT				PROPOSED			
HOURS	DAY	EVENING	NIGHTS & WEEKEND	HOURS	DAY	EVENING	NIGHTS & WEEKEND
0-10	$16.50	$11.38	$6.60	0-10	$14.34	$9.89	$5.74
10.1-25	15.00	10.25	6.60	10.1-25	13.04	9.00	5.74
25.1-50	13.50	9.31	6.60	25.1-50	11.74	8.09	5.74
50.1-80	12.00	8.28	6.60	50.1-80	10.43	7.20	5.74
Over 80	10.50	7.24	6.60	Over 80	9.13	6.29	5.74

UNITED: Yes. The proposed reduction in OutWATS usage rates are appropriate to maintain the existing price differential between intraLATA OutWATS and MTS rates. The reduction will help United maintain its position as a competitive carrier within its service area. (Reference Issue 66) (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

98b. ISSUE: United has proposed no changes to its WATS nonrecurring charges. Are the current WATS nonrecurring charges appropriate?

UNITED: Yes. Current WATS nonrecurring charges are appropriate. As shown following, most current OutWATS and 800 Service nonrecurring charges are above the proposed basic service nonrecurring charges.

	Service Connection Charges		
	Current	Proposed	WATS
Service Order-Primary	$ 21.00	$ 20.00	$ 35.00
Secondary	11.50	11.50	12.50
Access Line Charge (New Line Connection Charge)	20.00	35.00	31.50
Premises Visit Charge	6.25	10.00	19.00
Premises Work Charge	8.25*	12.00*	44.12**

* Quarter Hour
** Half Hour

(Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position at this time.

STAFF: No position at this time.

99a. ISSUE: 800 service rates are proposed to be reduced as shown below. Are the proposed 800 service rates appropriate?

PRESENT				PROPOSED			
HOURS	DAY	EVENING	NIGHTS & WEEKEND	HOURS	DAY	EVENING	NIGHTS & WEEKEND
0-10	$16.60	$11.75	$6.80	0-10	$15.75	$11.15	$6.45
10.1-25	14.60	10.25	6.80	10.1-25	13.86	9.73	6.45
25.1-50	12.45	8.71	6.80	25.1-50	11.81	8.27	6.45
50.1-80	11.50	8.05	6.80	50.1-80	10.91	7.64	6.45
Over 80	10.50	7.45	6.80	Over 80	9.96	7.07	6.45

UNITED: Yes. The proposed reduction in 800 Service usage rates will help United maintain its position as a competitive carrier within its service area. The percent reduction proposed is less than that proposed for OutWATS usage, because the cross-elastic relationship between 800 Service usage and MTS usage is less sensitive than that between OutWATS usage and MTS usage. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position at this time.

STAFF: No position at this time pending further discovery.

99b. ISSUE: United has proposed no changes to its 800 Service nonrecurring charges. Are the current 800 Service nonrecurring charges appropriate?

UNITED: See response to Issue 98a. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position at this time.

STAFF: No position at this time.

100. ISSUE: The BHMOC charge is proposed to be reduced from $6.60 to $3.74. Is the proposed BHMOC rate appropriate?

UNITED: Yes. The proposed reduction will mitigate uneconomic bypass potential, reduce interstate and intrastate toll rate disparity, and price switched access service more in line with its cost. In Order No. 19677 in Docket No. 860984-TP, the Commission ordered that the BHMOC shall be the rate element to be reduced to implement any switched access revenue reduction. The proposed BHMOC rate level was determined by residually pricing toll and access services. Once the proposed rates for local service and other services had been determined, toll and access rates were reduced to bring United's revenues back to the requested overall increase. (Reference Issue 66). It will be necessary to adjust the proposed BHMOC rate if the current BHMOC rate is reduced in any other docket. (Reference Issue 86) (Mr. Poag)

FPTA: No position.

AT&T: Yes. While AT&T continues to advocate the elimination of all charges associated with the BHMOC, AT&T recognizes United's proposal as a significant step toward that end. AT&T is encouraged by United's recognition of the fact that some access charges are too high and that these should be reduced to more closely reflect the cost of providing access. With these considerations and the understanding of United's efforts to balance rate adjustments for numerous services in this proceeding, AT&T recommends that the Commission approve the BHMOC reduction as filed. (Mr. Guedel)

CITIZENS: No position.

STAFF: The concept of reducing the BHMOC charge is appropriate. No position at this time on United's specific proposal.

101. ISSUE: United has proposed to detariff Billing and Collection service. Is the proposal appropriate?

UNITED: Yes. United's proposal to detariff Billing and Collection (B&C) service is appropriate. B&C is a competitive service; only 36% of the IXCs operating in United's service area subscribe to United's B&C services. Further, B&C is a financial and administrative arrangement which does not require any of the physical facilities associated with telecommunications or the transmittal of messages and/or data. Additionally, B&C services are currently available from an array of providers. Increasing competition necessitates pricing flexibility, as well as the ability to customize B&C service offerings to meet the needs of individual customers. This is especially beneficial in negotiating and executing contracts with major carriers. (Mr. Poag)

FPTA: No. In effect, billing and collection services continue to be a LEC monopoly. In Docket No. 880465-TL (In re: Investigation into Detariffing Intrastate Billing and Collection Service Charges for Local Exchange Companies), the FPSC permitted LEC-specific rates for billing and collection services, but declined to allow these services to be detariffed. See Order No. 21688, issued August 4, 1989. After investigation, the Commission determined that the LECs remain the dominant providers of billing and collection services, and to detariff services so essential to competitors would be inappropriate. Id. at p. 3. Nothing has occurred in the short period since the FPSC issued this order which would justify a change in policy. Indeed, the only way to bill LEC calling cards is through the LECs, and such calls continue to constitute the preferred means of handling most non-sent-paid calls at pay telephones. LEC billing and collection services should continue to be offered subject to tariff.

AT&T: AT&T does not oppose the detariffing of billing and collection. (Mr. Guedel)

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

102. This issue has been dropped: Should United's proposal to separately state gross receipts tax on the customer's bill as permitted by Section 203.10(5), Florida Statutes, be approved?

103. This issue has been stipulated to: Does United's current bill format meet the Commission bill format requirements and guidelines?

104. ISSUE: United has proposed to reduce the number of rate groups from 9 to 7 as shown below. Should this proposal be approved?

PRESENT		PROPOSED	
Group	Upper Limit	Group	Upper Limit
1	2,000	1	20,000
2	4,000	2	50,000
3	8,000	3	100,000
4	16,000	4	200,000
5	32,000	5	400,000
6	64,000	6	600,000
7	128,000	7	Unlimited
8	256,000		
9	Unlimited		

UNITED: Yes, value of service is still a valid basis for establishing rate differentials; however, in view of the overall relatively low local service rates compared to other services, the value of many rate groups is declining. Further, reducing the number of rate groups reduces the frequency of exchange regroupings due to access line growth and also eases administration. The proposed rate group plan provides lower local service rates for customers in exchanges with smaller local calling areas. On a flat-rate basis, rate groups provide the most equitable method for associating price with the functional use of the service. On average, customers with larger (more access lines) local calling areas place more calls than customers with smaller local calling areas. Additionally, there is generally a higher level of subscription to residential local service in exchanges with a larger number of access lines in the local calling area.

While some of the difference in subscription levels (rural versus urban) may be attributable to economic and cultural (lifestyle) differences, clearly, value of service is greater in exchanges with larger numbers of access lines in the local calling areas. The proposed rate grouping plan appropriately recognizes the difference in value resulting from the difference in local calling areas and provides an equitable transition from the lowest to the highest rate group. The proposed rate grouping plan is equitable to the extent that customers with local calling areas of relative equal size pay the same rates. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: Staff agrees with the concept of reducing the number of rate groups in United's territory. No position at this time on United's specific proposal.

105. ISSUE: Currently, United's Winter Park customers have lower local rates than other customers with similar calling scopes. United has proposed to phase in its Winter Park customers to regular rate groups in two steps over a 22 month period. Should United's proposal be approved?

UNITED: Yes, a two-step phased elimination of the Winter Park exception area is appropriate to mitigate customer impact. The Winter Park exchange residential one-party customers are paying $2.30 less than other customers with comparable local calling scopes. Based on their local calling scope, Winter Park would be assigned the proposed rate group 6 rates. However, to mitigate the impact to Winter Park customers, United proposes to continue the Winter Park exception area treatment until the next normal regrouping date. Under the proposed new rate group schedule, this would occur when the number of access lines in the local calling area exceeds 600,000 and a new directory is published. Based on the current forecast of access lines and directory schedule the regrouping would occur in December 1992. In summary, residential one-party rates would go from $7.67 to $11.00 upon approval of the tariffs. Effective with the December 1992 regrouping, they would increase to $12.50. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: Staff agrees with the concept of aligning the Winter Park exchange rates with the appropriate rate group. No position at this time on United's specific proposal.

106. This issue has been stipulated to: United has proposed to eliminate four-party service and concurrently, to eliminate zone charges on 2-party service. Should United's proposal be approved?

107. ISSUE: United has proposed to reduce the number of zone rate areas from 24 to 4, and to reduce the zone charges for most single party services (with the exception of zone A subscribers). Is this appropriate?

UNITED: Yes. The reduction of the number of zones will reduce administration costs. The reduction in zone charges is a step toward eventual total elimination consistent with FPSC decisions to reduce and/or eliminate zone charges and multi-party services. United proposes a reduction in zone charges rather than complete elimination due to its widely dispersed rural subscriber base with longer local loops. There is a higher than average cost associated with these longer loops. With one-third of the state's land area in its service territory but only 14% of the total access lines, total elimination of zone charges is not appropriate. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: Staff agrees with the concept of reducing the number of zone rate areas and the level of zone charges. No position at this time on United's specific proposal.

108. ISSUE: United currently charges PBX rates for all hybrid key systems. Is this appropriate?

UNITED: The PBX trunk rate is appropriate for hybrid key systems with FCC registration numbers ending in MFE, indicating multifunctional systems.

The application of the PBX trunk rate is supported by an FCC Public Notice issued January 7, 1987, which states:

"We are adopting the registration procedures that were presented at the 25th Part 68 Implementation Meeting held on December 4, 1986, for the hybrid/key telephone systems. Key telephone systems are those that permit manual selection of outgoing lines; hybrid systems provide the user with the choice of manual or automatic selection of outgoing lines -- a merging of key system and PBX functions. Applications should indicate how these options are accomplished -- by strapping options, software, etc. Reregistration of key systems as hybrids (or vice versa) is possible if it can be shown that the installed system conforms with the indicated registration classifications."

Since a hybrid key telephone system incorporates PBX features, the application of PBX trunk rates is appropriate. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

109. ISSUE: United has proposed to increase the usage rate on message rate PBX trunks from $.03 to $.07 per message for area B subscribers. Is this appropriate?

UNITED: Yes. The proposed rate for customers in the Orange City exchange (Area B) is the same rate currently paid by customers in the Winter Park exchange. These are the only two exchanges where this service is offered to hotels and motels. This rate increase, as well as the proposed increases in the monthly recurring rates, will bring message rate PBX trunk service more in line with flat-rate PBX service. It is appropriate to price message rate PBX service comparable to flat-rate PBX when it is used for resale by hotels and motels. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time pending further discovery.

110. ISSUE: The Company has proposed an optional local measured service plan named SmallTalk for residential subscribers. Customers who subscribe to SmallTalk would be provided an access line and a $3.00 usage allowance at seventy percent of the one-party flat-rate service. In addition, usage rates at 10¢ for the first ten minutes and 5¢ for each additional 10 minutes are proposed. Are the rates, terms and conditions of the proposed SmallTalk service appropriate?

UNITED: Yes, United considers the rates, terms, and conditions of the proposed SmallTalk service to be appropriate. SmallTalk provides an alternative for low use customers who desire a lower-priced alternative. As such it is responsive to the Commission's Model Senior Program. The SmallTalk usage rate elements are straightforward, covering frequency and duration, and they are directly controllable by the subscriber. The initial and additional ten minute usage periods are relatively inexpensive. Pricing for the initial and additional periods provide appropriate cost recovery while sending correct price signals. (Mr. Poag)

AT&T: No position.

FPTA: No position.

CITIZENS: Agree with Staff.

STAFF: The specific rates, terms and conditions as stated in United's SmallTalk proposal should be denied. Staff's preliminary position is that an optional LMS plan should be based on a message rate rather than a measured usage rate.

111. ISSUE: United has proposed changes in the relationship between basic local service access line rates as a proportion of the R1 rate, in the following classes of service:

Residential PBXs
Semi-public Service
Message rate trunks
Most Winter Park access line rates

The other rate relationships have not been proposed to change substantially. Should this be approved?

UNITED: Yes.

Residential PBXs: The rate relationship of this service to R-1 is proposed to be the same as that proposed for Business PBX to B-1.

Semi-Public Service: The proposed increase is necessary to help align semi-public revenues with cost. (Reference Issue 78)

Message Rate Trunks: The proposed standardization of rates for both the initial and additional trunks will bring message rate PBX trunk service more in line with business flat-rate PBX service. It is inappropriate to price message rate PBX service substantially below flat-rate PBX service when it is used for resale by hotels and motels.

Most Winter Park access line rates: The Winter Park rate relationships to R-1 are proposed to change to the same rate relationships currently in existence for all the other exchanges. This establishes the same rate relationships for all exchanges.

Other rate relationships: The current rate relationships properly reflect the value of the services and should be retained. (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: No position at this time.

112. ISSUE: United has proposed to increase basic local exchange access line rates by $45,667,708, or 32.6% over current rates at proposed test year units. What changes, if any, should be made to basic local exchange access line rates?

UNITED: Local exchange access line rates should be increased as proposed by United. United's local service rates are among the lowest in the industry. As a result, a disproportionate amount of United's total intrastate revenues are generated from its toll and access services. Based on 1988 data, 61% of United's intrastate revenues were generated from toll and access services compared to 51% and 52% for Southern Bell and General Telephone, respectively. The market-value analysis and data presented in Mr. Poag's testimony supports higher local service rates and demonstrates that universal service will be maintained. The additional revenue generated by this increase will help provide for the approved revenue requirement and allow for the rate reductions in toll and access services that are necessary due to competition.

The proposed increases to residential one-party service range from $1.75 to $3.33 with a weighted average of $2.68 based on test year units. The proposed changes by rate group are illustrated in the following table.

RESIDENTIAL ONE-PARTY RATES PER RATE GROUP

Proposed Rate Group	Present Rate Group	Proposed Rate	Present Rate	Increase
1	1	$ 7.50	$ 4.47	$ 3.03
	2	7.50	4.62	2.88
	3	7.50	4.92	2.58
	4	7.50	5.39	2.11
2	5	9.00	6.00	3.00
	6A	9.00	6.76	2.24
3	6B	10.00	6.76	3.24
	7A	10.00	7.67	2.33
4	7B	10.50	7.67	2.83
	8A	10.50	8.75	1.75
5	8B	11.50	8.75	2.75
WNPK	WNPK	11.00	7.67	3.33
6	9	12.00	9.97	2.03
7	--	12.50	--	--

The additional changes proposed by United for local exchange rates should also be approved. They include:

* Reducing the number of rate groups from 9 to 7 (Reference Issue 104)

* Phasing out the Winter Park exception area (Reference Issue 105)

* Eliminating four-party service (Reference Issue 106)

* Standardizing the rate relationship between classes of services across all rate groups (Reference Issue 111)

* Changing the rate relationships for various items (Reference Issues 78 and 111)

* Introducing SmallTalk, an optional measured service for residential one-party customers (Reference Issue 110) (Mr. Poag)

FPTA: No position.

AT&T: No position.

CITIZENS: United has not justified its test year revenue requirements or its proposal to substantially shift cost recovery to local ratepayers.

STAFF: No position at this time.

113. ISSUE: What should be contained in the bill stuffer to United customers announcing any rate changes?

UNITED: The bill insert should contain the approved new rates for services included in the customer notification mailed with customer bills in June and July. No comparison to current rates is proposed. The application of gross receipts tax will be explained and the new monthly basic service rates will be shown without gross receipts tax. (Mr. Poag)

FPTA: No position.

AT&T: No position.

STAFF & CITIZENS: Staff and Citizen's preliminary position is that the bill stuffer should contain the following:

1) An overview of the case and a summary of the final order;

2) Effective date of the rates and explanation of proration of local service charges;

3) Explanation of new service offerings and any other changes such as rate regroupings;

4) Summary of services for which rates have been adjusted (Current rates and approved rates listed side by side); and

5) A statement that information on new rates is available from each of the Company's business offices and service centers.

114. ISSUE: What should be the effective date of any rate changes?

UNITED: New rates should become effective within five days after correct tariffs have been filed. (Mr. Poag)

FPTA: No position.

STAFF & CITIZENS: Revised tariffs should be filed five days after the final vote (or the vote on reconsideration if applicable). The effective date should be five days after a complete set of correct tariffs has been filed. Billing should apply to all service received on or after the effective date even if it is not actually billed until the following month. Any customer requesting discontinuance of all or a portion of service prior to the due date of the first bill reflecting the increased rates should receive a credit back to the effective date of the rate increase for the increased amount.

115. ISSUE: The following services have not been addressed in other issues and no changes have been proposed.

a) Tariffed items:

- $.25 Local Message Charge for Public and Semi-Public Coin
- Coin-Operator and Billed Number Screening
- Emergency Reporting Services (E-911)
- Late Payment Charges to IXCs
- IntraEAEA Compensation
- Carrier Common Line Charge
- Switched Access Charges
- Ordering Options - Access Tariff
- Engineering, Labor, Miscellaneous Charges-Access Tariff
- InterLEC IntraLATA Access Service
- Shared Tenant Service

b) Nontariffed items:

- Directory Advertising
- Rent Revenues (Pole attachments, IXC floor space, etc.)
- Miscellaneous Other Operating Revenues (UTLD royalty, COBRA, etc.)
- Non-Access Revenues (IXC contracts for Operator Services)
- E-911 Contracts with Southern Bell, GTE, Vista-United
- InterLATA P.L. Terminal Equipment
- Marine-TPC Usage

Is this appropriate?

UNITED: No position at this time.

FPTA: No position.

AT&T: No position.

CITIZENS: No position.

STAFF: Staff has no objection to the tariffed items. However, on September 24, 1990, United refiled its MFR Schedule E-1a. Because the revenue amounts in the non-tariffed items changed dramatically, Staff requires further review before it will be prepared to take a position on these items.

VI. EXHIBIT LIST

Witness	Proffering Party	Exh. No.	Title
B. H. Reynolds	United	BHR-1	Minimum Filing Requirements
	United	BHR-2	Map of United's service area
	United	BHR-3	Compilation of several cost savings programs
F. R. McPherson	United	FRM-1	United's Quarterly Periodic Service Report for the Fourth Quarter of 1989
	United	FRM-2	United's Quality and Efficiency Results for 1989
	United	FRM-3	United's Response to Staff's Service Evaluation Report
J. A. Taylor	Staff	JAT-1	Service Evaluation of United's Operations in the Winter Park Area for April 23, through June 8, 1990, Performed by PSC Staff
		JAT-2	Weighted Service Evaluation Scores for Specific LECs From 1985 to 1990
K. D. Brown	Staff	KDB-1	United's Complaint Activity for the Past 10 Years

Witness	Proffering Party	Exh. No.	Title
	Staff	KDB-2	Major Types of Complaints Against United in 1989
	Staff	KDB-3	Number and Type of Complaints Logged and the Percentage of Increase for the Four Major LECs for Years 1983 through June, 1990
	Staff	KDB-4	Analysis of Complaints Logged Against the Four Major LECs for Years 1983 through June, 1990
R. D. McRae	United	RDM-1	Budget Cycle Events
	United	RDM-2	Compares Actual Result to Budget for 1987-1989
	United	RDM-3	Project Test Year Statement of Income and Balance Sheets
	United	RDM-4	Calculation of Revenue Deficiency for the Test Year
	United	RDM-4a	Revised Calculation of Revenue Deficiency for the Test Year
	United	RDM-5	"One Phone Company" Promotional Advertisements

Witness	Proffering Party	Exh. No.	Title
	Staff	RDM-6	June 30, 1990, Earnings Surveillance Report
	Staff	RDM-7	Response to Staff Interrogatory No. 87
C. M. Linke	United	CML-1	Six Schedules - Examination of the Underlying Logic of the DCF Approach to Estimating Equity Capital Costs
	United	CML-2	Expected DCF Returns of Comparable Firms Used in Dr. Linke's Analysis
	United	CML-3	An Application of the Need for an Equity Flotation Cost Adjustment
	United	CML-4	An Analysis of the Estimation Bias in DCF Analyses of Multi-division Utilities
	United	CML-5	An Analysis of the Use of an Arithmetic Mean Versus a Geometric Mean to Estimate the Expected Market Risk Premium
	United	CML-6	An Analysis of the Spanning Approach to Estimating Divisional Cost of Equity Capital

Witness	Proffering Party	Exh. No.	Title
	United	CML-7	DCF Cost Estimates of April, 1990 and August, 1990
R. A. Waldman	United	RAM-1	Credit Ratings Processes and Criteria
R. E. Baker	United	REB-1	United Telecom and Affiliated Companies
	United	REB-2	Calculation of Budget Expenses that are Allocable to United
F. B. Poag	United	FBP-1	Proposed rate structure and level changes, pricing philosophy and supporting data
	Staff	FBP-2	Responses to Staff's 1st, and 3rd Sets of Interrogatories - Nos. 1, 2, 4-13, 24, 25, 31-34, 36, 39, 41-45, 48-66, 68, 69, 72-76, 79, 80, 82, 83, 84, 97-117, 199-126, 128-133, 135-137, 139, 142, 147, 148, 149, 152, 154, 155
	Staff	FBP-3	Responses to Staff's Interrogatories - 6th, 7th and 8th Sets, Nos. 399-614 **Specific interrogatories will be determined after the responses have been received and reviewed

Witness	Proffering Party	Exh. No.	Title
	Staff	FBP-4	Deposition Transcripts of Ben Poag 6/15/90 Deposition 9/10/90 Deposition 9/12/90 Deposition 9/17/90 Deposition 9/18/90 Deposition 9/21/90 Deposition **Specific transcript pages will be determined after they have been received and reviewed
	Staff	FBP-5	9/12/90 Deposition of James Wolbert
	Staff	FPB-6	Ben Poag Deposition Exhibits **Specific late filed deposition exhibits will be determined after they have been received and reviewed
	Staff	FBP-7	<u>Telephone Utility Comparative Statistics - 1988</u> - Florida PSC, Division of Research, Sept. 1989

VII. PROPOSED STIPULATIONS

United Telephone Company of Florida, the Public Counsel, and Staff have agreed to the following proposed stipulations, to which AT&T and FPTA have no objection:

1. Post-Retirement Benefits

United's method of handling non-pension post-retirement benefits for ratemaking purposes in this proceeding on a pay-as-you-go basis is appropriate and since the test year forecast does not implement the FASB exposure draft on other post-employment benefits, no adjustment for post-retirement benefits is warranted.

2. Gross Receipts Tax

Gross receipts tax should not be treated as an expense for ratemaking purposes in this proceeding, but rather may be billed directly to customers as permitted by Section 203.01(5), Florida Statutes.

3. Test Year Intrastate Telephone Plant Under Construction

The appropriate amount of test year intrastate TPUC to be included in the test year rate base (i.e., short term TPUC) is $13,757,680 as shown on updated MFR Schedule A-2d.

4. PIC Change Charge

United's intrastate PIC change charge has been eliminated, therefore, no revenues associated with that charge are appropriate for the test period.

5. Charges Applicable Under Special Conditions Tariff

A review and modifications of the Company's tariff is appropriate but should be pursued following the rate case. This will allow the Company 120 days from the issue date of the final order to determine the feasibility and potential revenue impact of implementing a tariff similar to the tariff jointly developed by Staff and Southern Bell.

6. Bill Format

United's current bill format is in compliance with Commission bill format rules and guidelines.

7. Docket No. 891231-TL

The final order in this proceeding shall be dispositive of Citizen's Petition in Docket No. 892131-TL and that Docket should be closed in the final order entered herein.

United has proposed the following stipulations, to which Staff, Public Counsel, AT&T and FPTA have no objection:

8. Data Transport Services

United's Data Transport Service (Switchlink) was tariffed on September 1, 1989, and has been offered for a relatively short period of time, therefore, no change in the rate for this service is appropriate.

9. Return Check Charge

United's returned check charge should increase from $10 to $15.

10. United-specific Interexchange Private Line Tariff

Given the time constraints of this proceeding, it is not feasible to establish United-specific interexchange Private Line rates at this time. United currently concurs with Southern Bell's interexchange Private Line tariff.

United Telephone Company of Florida, the Public Counsel, AT&T, FPTA, and the Staff have agreed to the following proposed stipulation:

11. The following issues will be determined in Docket No. 860723-TP: the rate structure and rate levels (except United's B-1 rates which will be set in Docket 891239-TL) governing the nonLEC pay telephoine lines provided by United; the regulations governing local and HNPA directory assistance for calls originating at nonLEC pay telephones within United's service territory; the availability, regulations and charges governing screening and blocking services provided by United for nonLEC pay telephone lines; and the availability governing access by nonLEC pay telephone providers to United's toll discount plans.

United has proposed the following stipulation, to which Staff, AT&T and FPTA have no objection. However, Public Counsel has elected not to participate.

12. Elimination of Four-Party Service and Two-Party Zone Charges

It is appropriate to eliminate four-party service and two-party zone charges consistent with previous Commission actions and Rule 25-4.068(2)(b), Florida Administrative Code.

VIII. PENDING MATTERS

The only pending matter at this time is the Petition to Intervene filed by the Communications Workers of America tc which a Response in Opposition was filed by United. An Order granting intervention has been issued. However, United may wish an opportunity to argue for reconsideration of that Order at the outset of the hearing. In that event, the CWA will request the opportunity to respond.

IX. RULINGS

There have been no rulings at this time.

X. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

In the event it becomes necessary to handle confidential information, the following procedure will be followed:

1. The Party utilizing the confidential material during cross examination shall provide copies to the Commissioners and the Court Reporter in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material shall be provided a copy in the same fashion as provided to the Commissioners subject to execution of any appropriate protective agreement with the owner of the material.

2. Counsel and witnesses should state when a question or answer contains confidential information.

3. Counsel and witnesses should make a reasonable attempt to avoid verbalizing confidential information and, if possible, should make only indirect reference to the confidential information.

4. Confidential information should be presented by written exhibit when reasonably convenient to do so.

5. At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the owner of the information. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

If it is necessary to discuss confidential information during the hearing the following procedure shall be utilized.

After a ruling has been made assigning confidential status to material to be used or admitted into evidence, it is suggested that the presiding Commissioner read into the record a statement such as the following:

> The testimony and evidence we are about to receive is proprietary confidential business information and shall be kept confidential pursuant to Section 364.093, Florida Statutes. The testimony and evidence shall be received by the Commissioners in executive session with only the following persons present:
>
> a) The Commissioners
> b) The Counsel for the Commissioners
> c) The Public Service Commission staff and staff counsel
> d) Representatives from the office of public counsel and the court reporter
> e) Counsel for the parties
> f) The necessary witnesses for the parties
> g) Counsel for all intervenors and all necessary witnesses for the intervenors.
>
> All other persons must leave the hearing room at this time. I will be cutting off the telephone ties to the testimony presented in this room. The doors to this chamber are to be locked to the outside. No one is to enter or leave this room without the consent of the chairman.

The transcript of this portion of the hearing and the discussion related thereto shall be prepared and filed under seal, to be opened only by order of this Commission. The transcript is and shall be non-public record exempt from Section 119.07(1), Florida Statutes. Only the attorneys for the participating parties, Public Counsel, the Commission staff and the Commissioners shall receive a copy of the sealed transcript.

(AFTER THE ROOM HAS BEEN CLOSED)

Everyone remaining in this room is instructed that the testimony and evidence that is about to be received is proprietary confidential business information, which shall be kept confidential. No one is to reveal the contents or substance of this testimony or evidence to anyone not present in this room at this time. The court reporter shall now record the names and affiliations of all persons present in the hearing room at this time.

It is therefore,

ORDERED by Commissioner Betty Easley, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Betty Easley, as Prehearing Officer, this 28th day of SEPTEMBER, 1990.

for BETTY EASLEY, Commissioner
and Prehearing Officer

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