

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into UNITED)	DOCKET NO. 891239-TL
TELEPHONE COMPANY OF FLORIDA's authorized))	ORDER NO. 24648
return on equity and earnings.)	ISSUED: 6/10/91
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The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER MODIFYING ORDER NO. 24049 TO REDUCE
 RATE AWARD AS A RESULT OF COMPANY'S DECISION NOT
 TO TRANSFER ITS OPERATOR SERVICES TO SPRINT SERVICES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed in Section II herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. Background

By Order No. 24049, issued January 31, 1991, this Commission granted United Telephone Company of Florida (United) an overall rate increase of \$4,540,000 annually. One of the primary issues in the case involved the cost of operator severance pay and additional depreciation related to the planned closings of certain operator facilities and the transfer of those operator functions to Sprint Services.

We authorized United to recover the \$5,278,000 of estimated severance pay over a five year period at \$1,055,600 per year, \$786,769 intrastate, and to record a deferred debit as part of working capital of \$1,724,000, \$1,113,276 intrastate. However, we did not allow any additional depreciation expense related to the closing of facilities. The total intrastate revenue requirement

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associated with our decision on severance pay and the deferred debit allowed in working capital is \$950,000 annually.

On February 25, 1991, United submitted a letter stating that the Company had changed its plans to transfer operator services to Sprint Services. However, the Company stated that it still planned to consolidate its operator service locations and would incur some additional expense. United also stated that it would provide an analysis of the effect on revenue requirements within 60 days.

On March 7, 1991, the Office of Public Counsel (OPC) filed a motion to place \$964,967 annually of revenues subject to refund based on United's change in plans. On March 19, 1991, United filed a motion to dismiss OPC's motion asserting that OPC had not cited any statutory authority for the request. On March 20, 1991, OPC responded to United's motion to dismiss. On April 24, 1991, United submitted another letter providing additional information on the consolidation of operator services and the effect on revenue requirements. On April 26, 1991, OPC filed a motion to strike United's April 24, 1991, letter. On May 1, 1991, United filed its response to OPC's motion to strike.

II. Modification of Order No. 24049

Our decision in Order No. 24049 was based in substantial part on United's statement that it would, in fact, transfer its operator services to its affiliate company, Sprint Services. In less than 30 days following our issuance of Order No. 24049, the Company informed us of its decision not to take that action, but instead to consolidate its operator services within United. The Company has subsequently supplied the revenue requirements impact of this alternative course of action. The impact of the consolidation of United's operator services is significantly less than the revenue requirements impact of the transfer of operator services that had been contemplated by the rate award in Order No. 24049.

It was an extremely short time following the issuance of Order No. 24049 when this new information was submitted. This new information results in a very significant revenue requirements change. It is clearly within this Commission's authority to correct the judgment we made in Order No. 24049 based on the new information submitted by United that indicates we granted the Company an inappropriate increase in rates that was higher than now appears appropriate. There is ample case law indicating that this

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Commission has the authority to correct a ratemaking order if new evidence or a mistake is discovered. (See Reedy Creek Utilities v. Florida Public Service Commission, 418 So.2d 249.) Therefore, we find it appropriate to decrease the rate award granted in Order No. 24049 to reflect these reduced revenue requirements. It is not appropriate that the ratepayers be required to support a revenue requirement that United will not experience.

United originally estimated severance pay of \$2,780,000 for 1991 and \$2,498,000 for 1992. We authorized the Company to amortize the combined amount over a five year period, which is \$950,000 annually, because it was a large, nonrecurring expense. United's current estimate of costs associated with consolidating its operator services functions is approximately \$105,000 in 1991 and an additional \$105,000 in 1992. An expense of \$105,000 total company, \$80,000 intrastate, is not large enough to warrant any special treatment other than allowing it as a test year expense.

We find the appropriate annual revenue requirement to be \$80,000, which is \$870,000 less than we originally authorized. Therefore, we find it appropriate to reduce United's rates prospectively by \$870,000 annually to reflect the reduced estimate of expenses and working capital related to the consolidation of United's operator services functions.

By Order No. 24049, this Commission reduced United's zone charges by approximately \$3 million, or 45%. Nevertheless this still leaves approximately \$3.7 million in 1991 test year revenues derived from zone charges. United remains the sole Florida local exchange company that assesses zone charges to its rural customers. Therefore, we find it appropriate to require United to utilize this \$870,000 revenue reduction to reduce its zone charges as follows:

Zone Charge Reductions

<u>Zones</u>	<u>Current</u>	<u>Approved Reduced Rates</u>
A-B	\$1.00	\$.75
C-D	\$2.00	\$1.55
E-I	\$3.00	\$2.30
J-X	\$5.00	\$3.85

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These rate reductions will produce an annual revenue reduction of \$889,861 based on 1991 test year units. United shall file a tariff revision effecting this reduction no later than 15 days of the effective date of this Order.

III. Contingent Refund Requirement

In light of the foregoing, we consider moot OPC's motions to place monies subject to refund, as well as the Company's motions to dismiss OPC's motions. Finally, we also deny Public Counsel's motion to strike the letters submitted by United because such letters were submitted to all parties and were necessary to permit this Commission to address this new information.

In the event of a protest to this proposed agency action Order, United shall hold \$870,000 subject to refund with interest pending the final disposition of this matter.

Because Order No. 24049 requires United hold \$3,750,130 of revenues related to the parent debt adjustment subject to refund or other disposition, this docket shall be held open to dispose of that outstanding issue.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Order No. 24049 is hereby modified as set forth herein as a result of United Telephone Company of Florida's decision not to transfer its operator services to Sprint Services. It is further

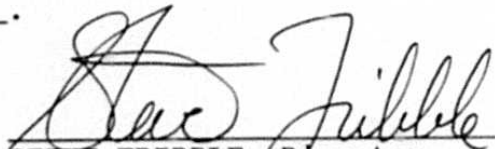
ORDERED that the provisions of Section II of this Order are issued as proposed agency action and shall become effective if no protest is received within the period set forth in the Notice of Further Proceedings below. It is further

ORDERED that in the event of a protest to this Order, United Telephone Company of Florida shall hold \$870,000 subject to refund with interest as set forth in Section III of this Order. It is further

ORDERED that this docket shall remain open to address the outstanding issue of monies held subject to refund for the parent debt adjustment as set forth in Order No. 24049.

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By ORDER of the Florida Public Service Commission, this 10th
day of JUNE, 1991.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SFS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action in Section II modifying Order No. 24049 is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 1, 1991. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.