

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

M E M O R A N D U M

June 20, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [SHELPER, WRIGHT] *ARB*
DIVISION OF LEGAL SERVICES [SUMMERLIN] *AW* *SSP/PT* *JH*

RE : DOCKET NO. 910545-TL - PROPOSED TARIFF FILING TO CHANGE BILLING LOCAL SERVICE IN ARREARS TO BILLING IN ADVANCE BY FLORALA TELEPHONE COMPANY (T-91-135)

AGENDA: JULY 2, 1991 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: COMPANY WAIVED 60 DAY STATUTORY LIMITATION

SPECIAL INSTRUCTIONS: NONE

DISCUSSION OF ISSUES

ISSUE 1: Should Florala Telephone Company's proposed tariff filing to change its current practice of billing local service in arrears to one of billing in advance be approved?

RECOMMENDATION: No, Florala Telephone Company's proposed tariff to change its current practice of billing local service in arrears to one of billing advance should not be approved.

ALTERNATIVE RECOMMENDATION: Yes, Florala Telephone Company's proposed tariff to change its current practice of billing local service in arrears to one of billing in advance should be approved, effective September 2, 1991.

STAFF ANALYSIS: On March 20, 1991, Florala Telephone Company (the Company) filed a tariff requesting that its current practice of billing local service in arrears be changed to one of billing in advance.

DOCUMENT NUMBER-DATE

06181 JUN 20 1991

FPSC-RECORDS/REPORTING

Docket No. 910545-TL
May 9, 1991

Even though the Company would phase in the \$7.60 monthly charge over a three month period, the Company did not provide any support for the proposed change, other than the fact that all other LECs bill local service in advance. The Company has not shown how it is being harmed by its current practice. Its uncollectibles are not particularly high, and the proposed change would have a (temporary) negative impact on the customers. Therefore, staff recommends that Florala's request to bill local service in advance be denied.

ALTERNATIVE STAFF ANALYSIS: Currently, Florala Telephone Company is the only local exchange company (LEC) in Florida that bills local service in arrears; the other LECs bill in advance.

Florala requests that the proposed change be phased in over a three month period, adding one-third (\$2.53 per month for residential customers) of one month's basic local service charge to each subscriber's bill each month until the change is accomplished. The Company believes the phase-in will be less burdensome to the customer than if the customer were required to remit the entire month's charge in one lump sum.

As of December 31, 1990, the Company was earning 8.64 on its Return on Equity (ROE), which is well below the authorized floor of 11.90%. If billing in advance was approved, it would provide the Company with a temporary increase in revenues of \$11,940 increasing the ROE to 9.21%. This still places the Company approximately 2.69% below the authorized ROE floor of 11.97%

The conversion to billing local in advance is consistent with the practices of the other LECs in Florida. In addition, staff believes this will reduce uncollectibles. Based on calendar year ending December 31, 1990, Florala's uncollectible experience appears to fall in the middle compared to the experience of the other small LECs. Therefore, staff recommends that Florala's tariff proposal to bill local service in advance be approved effective September 2, 1991.

Docket No. 910545-TL
May 9, 1991

ISSUE 2: If the alternative recommendation for Issue 1 is approved, should Florala Telephone Company be required to notice customers one month in advance of the change in billing from arrears to billing in advance?

RECOMMENDATION: Yes, the customers should be provided notice in the form of a line item on the telephone bill and in a bill stuffer. The line item should inform the customer of the pending increase and refer them to the bill stuffer for details. The bill stuffer should inform the customers that Florala has requested to collect the advance payment for local service, that it will be phased in over three months, how much the customer will pay per month and when the payments will begin. The notice should be provided one month in advance prior to implementation of the change.

STAFF ANALYSIS: Staff believes the subscribers should be provided notice one month in advance of the pending change from billing in arrears to billing in advance. The line item on the bill should inform the customer of the pending increase and refer them to the bill stuffer for further information regarding rates per month and implementation.

This will afford the customers, if needed, an opportunity to make prior arrangements with the Company if they are unable to comply with the requirements. It will also provide the customer with notice of the temporary increase in their telephone bill.

Docket No. 910545-TL
May 9, 1991

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, if Issue 1 and 2 are approved, this tariff should become effective on September 2, 1991. If a timely protest is filed, this tariff shall remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed this docket should be closed.

910545.AHS

T-91-135
RECEIVED

MAR 20 1991

MASON, ERWIN & HORTON, P.A.
ATTORNEYS AT LAW
1311-A PAUL RUSSELL ROAD, SUITE 101
TALLAHASSEE, FLORIDA 32301

DIVISION OF COMMUNICATIONS

Edwin L. Mason
David B. Erwin
Norman H. Horton, Jr.

March 20, 1991

(904) 878-7138

Mr. Walter D'Haeseleer
Florida Public Service Commission
Director, Division of Communications
101 East Gaines Street
Tallahassee, FL 32399-0850

In re: The Florala Telephone Company, Inc. (Florala)
Revised tariff sheets to reflect billing in advance.

Dear Mr. D'Haeseleer:

Enclosed please find the original and three copies of the following tariff sheets:

Schedule Number B - Fifth Revised Sheet 1
Schedule 3 - First Revised Sheet 3
Schedule 19 - Second Revised Sheet 1

In addition, there is one copy of each sheet in legislative format.

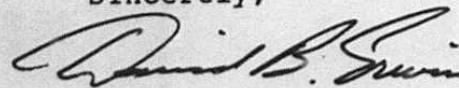
The purpose of this filing by Florala is to reflect that billing for basic local service will henceforth be in advance. Right now billing is in arrears. Such billing method is verified by two attachments. The first is an affidavit from the president, John Vaughan, and the second is a letter from the company's auditors, KPMG Peat Marwick.

Florala would like to phase in the change over a three month period, adding one-third of one month's basic local service charge to each subscriber's bill each month until change is accomplished.

Florala would like to target the implementation of the increased billing to begin with the bills sent out at the beginning of June, 1991.

I look forward to hearing from you as soon as possible.

Sincerely,



David B. Erwin

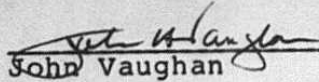
cc: Ferrin Seay
John Vaughn
Julia Russo, FSPC, Division of Communications.

5

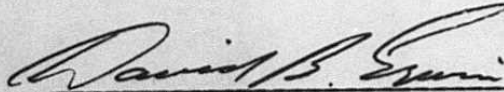
AFFIDAVIT

I, John Vaughan, am currently the President of The Florala Telephone Company, Inc. (Florala). Before the company was acquired by St. Joe Paper Company, I had an ownership interest in Florala and managed the company.

Florala has always billed local service in arrears and continues to do so at this time, although it is the desire of Florala to move to a billing scheme wherein local service is billed in advance, as is common practice in the telephone industry.


John Vaughan

Subscribed and sworn to before me this 1st day of March, 1991.



David B. Erwin
Notary Public

Notary Public, State of Florida
My Commission Expires April 14, 1994
Bonded Thru Troy Fain Insurance Inc.

Certified Public Accountants

Peat Marwick Main & Co.
Suite 2700, Independent Square
One Independent Drive
P.O. Box 190
Jacksonville, FL 32201-0190

Telephone 904 354 5671

Telecopier 904 355 3823

March 11, 1991

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MAR 20 1991

DIVISION OF COMMUNICATIONS

Mr. David B. Erwin, Esquire
Mason, Erwin & Horton, P. A.
1311-A Paul Russell Road, Suite 101
Tallahassee, Florida 32301


Dear Mr. Erwin:

I am writing to you per the request of Mr. Ferrin Seay, General Manager, Florida Telephone Company, Inc., in regard to their method of accounting for the billing of local access revenues.

During our audit of this Company, which is still in process, we found that the Company's accounting records reflect a policy of billing local access revenues in arrears. If you should have any questions, please call me or Steve Perez, engagement senior manager.

Very truly yours,

KPMG PEAT MARWICK



Daniel R. Curran, Partner

DRC/mw

cc: Ferrin Seay
James Faison



LEGISLATIVE COPY

SUBSCRIBER SERVICES TARIFF

The Florida Telephone Company, Inc.

Public Service Commission
Schedule 19

This Schedule applies to Florida.

~~First~~ ^{Second} Revised Sheet 1
Replaces ~~Original~~ ^{First} Sheet 1

DEPOSITS

A. ~~In addition to the advance payments specified in Schedule 3,~~ ^(T) the Telephone Company may, subject to an applicant's establishment of credit and in order to safeguard its interest, require the applicant or subscriber to make a suitable deposit to be held by the Telephone Company as security for payments due for service rendered.

The fact that a deposit has been made in no way relieves the applicant or subscriber from complying with the Telephone Company's regulations as to advance payments and the prompt payment of bills on presentation. Neither does it constitute a waiver or modification of the regular practice of the Telephone Company providing for discontinuance of service for nonpayment of any sums due the Telephone Company.

Customer credit will be deemed established if:

1. The applicant for service has been a customer of any telephone utility within the last two years, and during the last twelve consecutive months of service did not have more than one occasion in which a bill was paid after becoming delinquent and never had service disconnected for nonpayment.
2. The applicant for service furnishes a satisfactory guarantor to secure payment of bills for the service requested. A guarantor's liability shall be terminated when a residential customer whose payment of bills is secured by the guarantor meets the requirements of Subsection D. of this tariff. Guarantors providing security for payment of residential customers' bills shall only be liable for bills contracted at the service address contained in the contract for guaranty.
3. The applicant pays a cash deposit.
4. The applicant demonstrates a satisfactory credit rating by appropriate means including, but not limited to, the production of acceptable credit cards, letters of credit reference, surety bond, or the names of credit references which may be quickly or inexpensively contacted by the Telephone Company.

Continued on Next Sheet

Issued: _____

Effective: JUN 19 1984

By: John H. Vaughan, General Manager

8

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SUBSCRIBER SERVICES TARIFF

The Florida Telephone Company, Inc.

Public Service Commission
Schedule Number 3

First Revised Sheet 3
Replaces Original Sheet 3

This Schedule applies to Entire Company.

EXCHANGE SERVICE (Continued)

2. Rates for Local Exchange service are quoted in Schedule 101-1 of this Tariff.

3. All rates for telephone service, unless otherwise specified, are monthly rates and the minimum charge, unless otherwise specified, for any item of service provided is an amount equal to one month's charges at the regular authorized rate. The rates are billed in advance on the first day of each month.

(T)
(T)

F. RESERVED FOR FUTURE USE

F. ADVANCE PAYMENTS:

~~1. Applicants for telephone service may be required to make, prior to the installation of the service, an advance payment equal to the Service Charges applicable plus one month's exchange service charges for the service applied for. In its discretion, the Telephone Company may provide the service applied for prior to receipt of the advance payment. Such action shall not be construed as a waiver of any rights to require such advance payments for other service for the applicant or other applicants.~~

(D)

~~2. In any case where special, unusual or temporary construction is required, the provisions of Schedule 14 will apply.~~

~~3. In addition to the advance payment specified in the preceding paragraph, an applicant for telephone service, the furnishing of which involves an unusual installation and construction expense, may, if it is deemed necessary by the Telephone Company in safeguarding its interests, be required to make an advance payment of the installation and construction cost as is to be borne by the applicant in addition to such service connection charges as are applicable. The Telephone Company may, at its option, require in lieu of advance payment of construction costs a deposit in amount equal to six months charges at applicable monthly rates and providing that, as termination charges, if the service is discontinued during the first year after service is established, the Company retains the amount of the advance payment. If service is discontinued during the second year the Company, after deducting any amount due it, will return a portion of the advance payment determined by the ratio of whole months of service to the second year contract period and retain the balance as termination charges and that upon performance of two years contract the Company will return the advance payment, or deposit, plus 6% interest or, if considered necessary by the Company, apply the deposit and interest under the provisions of Schedule 19.~~

(D)

Final Sheet

DEC 1 1978

Issued: _____

Effective: _____

By: John H. Vaughan, President

9

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SUBSCRIBER SERVICES TARIFF

The Florida Telephone Company, Inc.

Public Service Commission
Schedule Number B

This Schedule applies to the Entire Company

^{Fifth}
~~Fourth~~ Revised Sheet 1
Replaces ~~Third~~^{Fourth} Revised Sheet 1

INDEX

<u>SUBJECT</u>	<u>SCHEDULE</u>	<u>SHEET</u>
Abandonment of Service	2	3
Access Charge	2	9
Additional Listing Charge	4	6
Advance Payments	3	3
Allowance for Interruptions of Service	2	4
Application for Service	3	1
Application of Rates for Business Service	3	1
Application of Rates for Residence Service	3	2
Attachments (Pole Attachment Rental)	14	1
Availability of Facilities	2	2
Basic Local Exchange Service	3	1
Buried and Underground Plant	23	1
New Subdivision	23	2
Trailers	23	3
Business Listings	4	3
Business Rate Application	3	1
Cancellation of Service for Cause	2	3
Caption Listings	4	5
Central Office Line Connection Charge	13	1
Change	13	4
Change Charge	13	4
Change of Name	13	5
Change of Number	13	4
Change of Number	4	6
Charges Applicable Under Special Conditions	14	2
Charges for Unusual Installation	14	2
Coin Telephone Service	7	1
Connections:		
Business	3	1
Residence	3	2
Construction Charges	14	1
Construction		
On Private Property	14	1
On Public Highways or Other Easements	14	1
Special Types	14	2

Continued on next sheet

Issued: ~~January 1, 1987~~

By: John H. Vaughan
General Manager
Florida, Alabama

Effective:

JAN 0 1 1987

10