

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: CENTRAL TELEPHONE COMPANY OF FLORIDA'S Petition for Rate Increase)	DOCKET NO. 891246-TL
)	
In re: Petitions of SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY for rate stabilization and implementation orders and other relief)	DOCKET NO. 880069-TL
)	
In re: Resolution by GADSDEN COUNTY BOARD OF COUNTY COMMISSIONERS for extended area service between Gadsden County and Tallahassee)	DOCKET NO. 890292-TL
)	ORDER NO. 24985
)	ISSUED: 8/28/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
MICHAEL MCK. WILSON

ORDER IMPLEMENTING PARENT DEBT ADJUSTMENT
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING PER MESSAGE RATE ON INTERCOMPANY ROUTES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that a portion of the action discussed in Section III-B 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

The U.S. Treasury Department issued proposed regulations sections 1.167(l)-1(h)(7) and 1.168(i)-1 on November 27, 1990. As a result of the issuance of these proposed regulations, our Order No. 24178 did not reflect a final parent debt adjustment. These proposed regulations have subsequently been withdrawn and the regulation project has been closed until Congress provides further guidance. However, we required Central Telephone Company of Florida (Centel or the Company) to hold, subject to refund with interest, the portion of its revenues that would not have been authorized if there had been a parent debt adjustment. We also

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required Centel to request a ruling from the Internal Revenue Service (IRS) as to whether or not the parent debt adjustment was a violation of the normalization requirements under the proposed regulations. Since the proposed regulations have been withdrawn and the project has been closed, the required ruling is moot.

On May 7, 1991, the Office of Public Counsel (OPC) filed a Motion requesting that Centel be ordered to refund, immediately, approximately \$225,000 related to the parent debt adjustment. The Motion also requests a rate reduction of \$1,017,731 on a going forward basis. The Company responded on May 17, 1991. The Company asserts that any refund or rate reduction should wait until a response is received from the ruling request of Peoples Gas System, Inc. Centel further states that all parties should be given an opportunity to address any disposition of these funds.

II. PARENT DEBT ADJUSTMENT

We believe that it is now appropriate to make the parent debt adjustment and to require Centel to dispose of the monies and interest associated with this adjustment. We find it appropriate to reduce rates on a going forward basis effective September 1, 1991. By Order No. 24178, this Commission allowed Centel to collect \$1,017,731 in annual revenues, subject to refund or other disposition, effective February 11, 1991. From February 11, 1991, through August 31, 1991, Centel will collect \$559,055, plus accrued interest of \$9,369, related to the parent debt adjustment. In its Motion filed May 7, 1991, OPC states that this Commission should order the monies held subject to refund by Order No. 24178 to be refunded to Centel's customers. However, we disagree with OPC. We find it appropriate that these revenues be utilized to reduce rate base, as opposed to being refunded.

By Order No. 24178, we approved a stipulation which increased Centel's overall depreciation expense by \$2,000,000 (\$1,509,356 intrastate) annually. This amount was to be recorded as a bottom-line, non-account specific expense. The primary reason for the stipulation between the parties was the recognition that Centel needed additional capital recovery even though its depreciation study did not adequately support a specific amount. In light of this recognized need for depreciation, we find it appropriate to offset the amount of revenue collected from the time rates were increased on February 11, 1991, until rates are decreased effective September 1, 1991, by ordering Centel to record additional

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depreciation expense. We believe that a long term benefit will be provided to the ratepayers through a reduction in rate base and an ongoing reduction in rates. We believe a rate reduction is more beneficial to the ratepayers than a one-time refund of approximately \$1.76 per access line for residential customers. Therefore, we find it appropriate to order Centel to place \$568,424 into an unclassified intrastate depreciation reserve account, effective September 1, 1991.

III. PROSPECTIVE RATE REDUCTIONS

OPC asserts in its Motion that this Commission should order Centel to lower its rates prospectively by the amount of revenues represented by the parent debt adjustment. We agree. We find it appropriate that rates be reduced by \$1,017,731 prospectively. Rates should be reduced by an additional \$73,895 annually to reflect the reduction in revenue requirements which results from placing money in the depreciation reserve and thereby decreasing rate base. The total prospective rate reduction for these two items is \$1,091,626.

A. MTS Rates

We reduced Centel's MTS rates effective February 11, 1991, by Order No. 24178. We find a further reduction of \$469,469 appropriate to make Centel's MTS rates more competitive with the rates charged by the other local exchange companies and interexchange companies on intrastate traffic. The discounts shall be changed to 25% and 50% in lieu of the 35% and 60% for evenings and night/weekends, respectively, as follows:

<u>Mileage</u>	<u>1st Min.</u>	<u>Add'l Min.</u>
0-10	\$ 0.17	\$ 0.07
11-22	0.18	0.14
23-55	0.24	0.20
56-124	0.24	0.20
125-292	0.24	0.20

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B. Local Calling Plan Rates

We also find it appropriate to revisit the \$.25 local calling plan approved in Order No. 24178 and reduce the rate on all of these routes to a \$.20 per message charge. Our action herein shall be in the form of a notice of proposed agency action for those local exchange companies (LECs) other than Centel. The routes that involve LECs other than Centel are: (1) between Sneads and Chattahoochee (St. Joseph Telephone and Telegraph Company (St. Joe)); (2) between Bonifay and Chipley (Southern Bell Telephone and Telegraph Company (Southern Bell)); (3) between Cottondale and Chipley (Southern Bell); and (4) between Graceville and Holmes and Jackson counties (Southern Bell). Our rate reduction shall be final as to Centel and proposed as to the companies other than Centel.

In addition, we propose that the \$.25 calling plan between Tallahassee and certain Gadsden County exchanges (Greensboro, Gretna, Quincy (Quincy Telephone Company) and Chattahoochee (St. Joe)) also be reduced to \$.20 per call, with the call allowance to remain in place. We propose this reduction to reflect the strong community of interest between Gadsden County and Tallahassee, and because of the unexpectedly high volume of calling from Quincy to Tallahassee. In all instances where we are reducing the price per call from homes and businesses to \$.20 per message, calls from pay telephones shall continue to be \$.25 per message (like any other local call). Our action reducing rates on these particular routes is proposed action as to all of the affected LECs, excluding Centel.

C. BHMOC Reduction

The remaining monies shall be applied to reduce Centel's BHMOC from its present \$4.15 to \$3.94, a reduction of \$0.21. Using 1991 projected units, a \$0.01 reduction in the BHMOC yields a revenue impact of \$19,751. Therefore, this reduction is \$414,771.

IV. SUMMARY

In summary, we find it appropriate to reduce Centel's annual revenues by reducing the Company's MTS rates, certain EAS rates, and its BHMOC rate. These reductions shall become effective September 1, 1991. Appropriate tariff revisions shall be filed no

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ORDERED that these rate reductions shall become effective September 1, 1991. Appropriate tariff revisions shall be filed no later than August 23, 1991. It is further

ORDERED that if no protest is filed within the time frame set forth below, Dockets Nos. 890292-TL and 891246-TL shall be closed after tariffs are filed and reviewed by our staff. It is further

ORDERED that Docket No. 880069-TL shall remain open.

By ORDER of the Florida Public Service Commission, this 28th day of AUGUST, 1991.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
ABG

by: Kay Deegan
Chief, Bureau of Records

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 Section III-B of this order, our action reducing certain per message rates on intercompany routes 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 9/18/91. In the absence of such a petition, this order shall become effective on the date

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subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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.