FLORIDA PUBLIC SERVICE COMMISSION

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**M E M O R A N D U M**

SEPTEMBER 17, 1992

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS (BROWN, BUTLER, SHELFER, REITH)
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (JOHE, DAVIS, MAUREY, SALAK)
DIVISION OF LEGAL SERVICES (KURLIN)

RE : DOCKET NO. 910980-TL - APPLICATION FOR A RATE INCREASE BY UNITED TELEPHONE COMPANY OF FLORIDA. (T-91-692 FILED 11/15/91)

**DOCKET NO. 910529-TL - REQUEST BY PASCO COUNTY BOARD OF COUNTY COMMISSIONERS FOR EXTENDED AREA SERVICE BETWEEN ALL PASCO COUNTY EXCHANGES.**

AGENDA: SEPTEMBER 29, 1992 - REGULAR AGENDA- PARTIES MAY NOT PARTICIPATE -

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## CASE BACKGROUND

On November 15, 1991, United Telephone Company of Florida (United or the Company) filed its MFRs in this rate case. United's proposal would have produced an increase in revenues of approximately $54,308,000 annually.

By Order No. 24049 issued January 31, 1991, in United's last rate case the Commission granted it an overall revenue increase of $4,540,000. Most of United's rates were changed in the last rate case. The most significant changes included a reduction in BHMOC from $6.39 to $4.33, a reduction in MTS rates including the rating of the first mileage band at $.25 per message, an increase in Directory Assistance charges, and an increase in local rates of $15.98 million. United stated, in its November 1991 petition, that after the last rate case decision, subsequent actions taken by the Florida Commission reduced its revenues by $2,883,245 annually through reductions in operator services rates, parent debt adjustment and zone charges.

Intervenors in this case include the Office of Public Counsel (OPC), the Florida Pay Telephone Association (FPTA), Inc., AT&T Communications of the Southern States, Inc. (AT&T), the Florida Cable Television Association (FCTA), and the Florida Ad Hoc Telecommunications User's Committee (Ad Hoc).

Customer hearings were held in this matter on March 11, 1992, in Fort Myers, and on March 16, 1992 in Altamonte Springs. An informal prehearing conference was held on March 20, 1992. The final prehearing conference was held on April 6, 1992. The main rate case hearing was held April 15, 17 and 20, 1992, in Tallahassee.

Issues in this case were decided at two separate agenda conferences the first being a Special Agenda on June 12, 1992. At this agenda, the Commission determined that United's earnings should be reset and revenues should be reduced by $1.065 million. The second agenda held on June 30, 1992, determined how the Commission should reduce United's revenues through rate design reductions.

The Commission made no changes in basic rates. However, the Commission did approve both increases and decreases in custom calling features, and restructured Direct-Inward-Dial (DID) rates. The Commission also approved several Extended Area Service (EAS) arrangements and changes to switched access time-of-day discounts and BHMOC rates. After these changes were approved, the Company was found to have excess revenues of $972,000 intrastate for the test year. The Commission ordered that these monies be recorded in an unclassified intrastate depreciation reserve account, until the next depreciation study.

On August 10, 1992, both OPC and United requested reconsideration of the Commission's decisions in this case. United and Southern Bell also filed petitions on the Proposed Agency Action portion of the order dealing with implementation of the $.25 EAS plan. This recommendation will address these petitions and request for reconsideration.

Staff is recommending that the Commission reconsider some its previous decisions. The revised revenue requirement is an increase in revenue of $431,000, for a net revenue increase of $1.496 million (see Attachment A). Issue 10 will address how any revenue change should be recovered.

## DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission grant UTF's request to reconsider its decision in Order No. PSC-92-0708-FOF-TL to adjust UTF's equity ratio to 57.5% of investor-supplied capital for ratemaking purposes?

**RECOMMENDATION:** No. The Commission's decision to adjust UTF's equity ratio for ratemaking purposes to 57.5% of investor-supplied capital is appropriate and is supported by the record. [MAUREY]

**STAFF ANALYSIS:** UTF requests that the Commission reconsider its decision to adjust UTF's equity ratio to 57.5% of investor-supplied capital for ratemaking purposes. UTF argues that its equity ratio is reasonable, that the Commission overlooked or failed to consider that no testimony or other evidence in the record supports a hypothetical capital structure or an equity ratio of 57.5%, and that the Commission's decision was based on inaccurate information provided by staff. For these reasons, UTF recommends that the Commission reconsider the portion of the Order which establishes a 57.5% equity ratio.

Staff does not believe the Commission's decision was "based upon a mistake, oversight, or misapprehension of law or fact." As discussed below, staff made a factual error, but staff does not believe it was used as the sole basis for the Commission's decision. Despite the Company's arguments to the contrary, testimony was presented in this case that refuted the Company's position that its equity ratio is reasonable. (TR 113-117) Furthermore, staff believes the evidence supports OPC's position that the Company's equity ratio is excessive. Witness Parcell, testifying on behalf of the OPC, stated that if a Company has too much equity in its capital structure relative to the risk it faces, and if this relationship is not recognized by regulators through some form of adjustment, then ratepayers will incur the cost of an inefficient capital structure. Based on his analysis of the Regional Bell Holding Companies (RBHCs) and the independent telephone companies (ITCs), he concluded that an equity ratio of 50% to 55% appears appropriate for them. (EXH 7, Depo. pp. 23-31) As a result, staff recommended that the Commission adjust UTF's equity ratio from 60.4% to 55% of investor-supplied capital.

As just discussed, the Company is incorrect in its belief that the Commission overlooked or failed to consider that no testimony or other evidence in the record supports a hypothetical capital structure or an equity ratio of 57.5%. Although witness Parcell recommended the Commission recognize the excessive level of equity in UTF's capital structure through an adjustment to the cost of equity, he did agree that using a lower equity ratio would achieve the same result. He stated that using either a lower equity ratio or a reduced return on equity (ROE) would protect the ratepayers from incurring the additional cost associated with an equity-rich capital structure. (EXH 7, Depo. pp. 23-31) Both Company witness Linke and OPC witness Parcell estimated the cost of equity capital for UTF by applying market pricing models to a group of companies assumed to have risk-return profiles that embody investors' perceptions of the relative riskiness of UTF. The Commission relied on this testimony to determine that the ROE for UTF is 12.5%. Rather than make an adjustment to the ROE as recommended by the OPC, the Commission set the ROE based on the range indicated by the witnesses' models and adjusted the Company's equity ratio to a more reasonable level for ratemaking purposes.

The Commission has the authority to use a hypothetical capital structure for ratemaking purposes if it believes the actual capital structure is not reasonable and prudent for a regulated utility. Such a situation could exist if the Commission believes the level of equity capital maintained by the Company is above a level the Commission deems is reasonable for the provision of utility service. Just as the Commission has the discretion to choose an allowed ROE within the range indicated by the witnesses' models, it also has the discretion to choose an equity ratio within the range maintained by the comparable-risk companies in the indices upon which the models are applied if it believes this range is reasonable for a regulated utility. The equity ratios of the RBHCs, provided in Company witness Linke's testimony, range from 52.2% to 61.9% with an average of 57.9%. (TR 42) The equity ratios of the A-rated ITCs, provided in Company witness Coyle's testimony, range from 54% to 61% with an average of 57.6%. (EXH 8, Sch. 5) The equity ratios of the independent telephone groups, provided in OPC witness Parcell's testimony, range from 33.8% to 51.2% with an average of 44.7%. (EXH 6, Sch. 6) Despite the Company's argument to the contrary, it is clear that the Commission's decision to use a 57.5% equity ratio is reasonable and is fully supported by the record.

The Company further argues that the Commission's decision was "based on a mistake, oversight, or misapprehension of law or fact" due to an error on the part of staff. The Company is correct that staff made an error in its recommendation and misspoke at the June 12, 1992 Special Agenda conference concerning the range of equity ratios for A-rated utilities. Staff stated that 55% represented the top of the range for A-rated utilities when in fact the range is from 48% to 60% and therefore 55% represents a percentage point above the midpoint of the range. However, even if staff had become aware of this oversight prior to the filing date or the Agenda conference, it would not have changed staff's recommendation to adjust the Company's equity ratio. This was only one of several factors staff considered in arriving at its recommendation and that staff expressed at the Agenda conference. Whether 55% is the top of the range or above the midpoint of the range, staff would have maintained its recommendation because of the testimony of witness Parcell discussed earlier and the significant difference between the equity ratios the parent company maintains at its regulated subsidiaries (from 52.5% to 78.2%) compared to the level of equity it believes is necessary for its much riskier consolidated operations (33.8%). (EXH 6, Sch. 7)

In addition, a review of the transcript from the Special Agenda conference indicates that the Commission considered several factors before arriving at its decision on this Issue. A more thorough review of the Agenda transcript than that offered in the Company's petition for reconsideration shows that the Commission's decision was based on several factors in the record and that it was not, at least as far as the Commissioners' comments revealed, based on inaccurate information provided by staff.

The Company raises several additional issues in support of its request for reconsideration of this adjustment. The majority of these arguments are outside the record. The Company contends that this adjustment is inconsistent with previous decisions in other rate cases. Previous Commission Orders reflect decisions based on records built on a case-by-case basis. The decision in this case was based on the evidence in this record.

The Company also argues that the comparison of UTF's equity ratio to that of its parent is inappropriate because they are in different stages of the business life cycle. In addition, the Company contends that the currently large amounts of debt and negatively impacted retained earnings are not representative of how Sprint was financed in the past or is expected to be financed in the future given the business risk of the long distance venture.

Although this argument may sound compelling, it is clearly contradicted by the evidence in the record. First, how can Sprint's heavy debt burden not be representative of how the Company was financed in the past? The Company had full discretion over how it would finance its long distance venture. The Company's argument about different stages of the business life cycle is merely a thinly veiled attempt to mask the fact that it freely elected to finance its more risky business ventures with lower cost debt than with higher cost equity. Company witness Coyle testified that "generally speaking, a company facing significant business risk can reduce its overall investment risk by employing conservative financial practices." He also stated that "on the other hand, a company facing low business risk can adopt riskier financial practices." (TR 164) Witness Coyle admitted that UTF faces less business risk than the consolidated operations of the parent and that despite this lower level of business risk UTF employs a more conservative financial structure than its parent. (EXH 9, Depo. pp. 20-21) Given that these companies are two units of the same organization, it is inconsistent with generally accepted financial theory for the equity level of the more risky business to decrease while the equity level for the less risky business increases. Although not in the record, in its petition for reconsideration the Company points out that since 1984 the percentage of revenues from long distance service has increased from 8.0% to 61.4% at the parent level. Despite this shift from relying on the less risky revenues from the regulated operations to the more risky revenues from the unregulated operations, the parent company continues to finance its unregulated operations largely with debt which has decreased its equity level from 44.7% to 33.8%. (TR 114) However, over the same period of time that its consolidated level of equity declined, the parent nonetheless was able to steadily increase the equity level of its regulated subsidiary from less than 50% to 60.4%. (TR 341)

Also contradicting the Company's argument is the information presented on Schedule 1 of Exhibit 18 provided by Company witness McRae. This schedule, which is a list of interexchange carriers that the Company believes are representative of companies in the long distance business and therefore comparable to US Sprint, indicates that the average equity ratio is 54.4% for the 11 long distance companies with positive equity ratios. (EXH 18, Sch. 1) This exhibit also shows that AT&T and MCI, Sprint's primary competitors in this line of business, have equity ratios of 52.2% and 44.0%, respectively. In contrast to the Company's words, it appears from it's actions that maintaining an equity ratio at the top of the industry norm is a priority only for its regulated subsidiaries but not for its non-regulated operations.

The Company also argues that the 57.5% equity ratio will create a disincentive to invest in UTF and that this ratio will prevent UTF from ever achieving a AA-rating. However, the facts do not support the Company's claims. First, the argument totally ignores the fact that no one can directly invest in any of the regulated telephone subsidiaries of Sprint. The only way one can invest in UTF is by purchasing Sprint stock. This raises an interesting point that appears to have escaped the Company. That is, if a very conservative equity ratio of 57.5% for the regulated subsidiary is a disincentive for investment, what type of incentive does the parent's consolidated equity ratio of 33.8% provide? Clearly there is inconsistency in the Company's argument.

Staff disagrees with the Company's belief that the 57.5% equity ratio will prevent UTF from achieving a AA-rating. The credit rating agencies have expressed concern that the parent company's significant debt exposure was putting its regulated operations at credit risk. (EXH 6, Sch. 16; EXH 26) Both S&P and Moody's have downgraded UTF's bond rating from AA to A despite UTF's equity ratio. (TR 138-139, 189, 341) A 60% equity ratio was not sufficient to insulate the regulated subsidiary from the heightened risk exposure of the parent. In contrast, C&P Telephone of Virginia supports a AAA-rating with an equity ratio of 58%. (EXH 8, Sch. 5) Clearly, the bond rating agencies are taking other factors into consideration in the determination of UTF's bond rating.

To support its position, the Company uses a comment by witness Parcell that UTF is "probably a little bit more risky" than the RBHCs. However, because the RBHCs earn most of their income from their AA and AAA rated Bell operating companies (on average the RBHCs only derive 14.8% of their revenues from non-regulated operations), this is not the same as concluding that UTF is risky. (TR 42) Although Company witness Coyle concluded that UTF has more business risk than the average LEC, he did admit that UTF serves an attractive service territory and has an above average percentage of residential customer lines (77%) relative to the industry statistics prepared by the FCC (68%). He also admitted that the Company is considered less risky in regard to these factors. (TR 169) The relative riskiness of UTF is also addressed by S&P and Moody's.

> Credit risk stemming from United Telecommunications Inc.'s commitment to its US Sprint long distance unit is partially offset by the <u>strong and stable operating and financial performance of United Telecom's local telephone companies. These local telephone units have not yet attracted the competition and are expected to continue to enjoy strong growth and remain conservatively financed.</u> (EXH 7) [Emphasis added]

> United Telephone Co. of Florida's credit quality is limited by parent United Telecommunication Inc.'s substantial debt service requirements and United's relatively high business risk stemming from its ownership of long distance carrier US Sprint. <u>United Telephone of Florida's credit quality reflects manageable business risk, strong growth, modern network, good service</u>

> quality, and strong financials. United of Florida serves central Florida, and growth has benefited considerably from proximity to Orlando. Despite strong access line growth, internal cash generation is nearly sufficient to fund capital expenditures. (EXH 6, Sch. 16) [Emphasis added]

> Moody's Investors Service lowered the long-term debt ratings on selected Sprint Corporation's (formerly UTI) telephone operating companies. This action was taken to reflect the potential increase in financial risk resulting from the holding company's need to service the debt taken on to fund its unregulated investments and the burden this requirement could place on the telephone operations. ... In support of the new ratings, the rating agency said that telephone company performance continues to be very strong. Solid growth and cost control efforts have combined to sustain return levels. Pay-out ratios are being managed to provide for increased equity support for outstanding debt and to fund a large construction program almost exclusively through internal funds generation. (EXH 26) [Emphasis added]

The Company is incorrect that the conclusion of witness Coyle that UTF is a risky LEC was refuted on the record. Objective, independent assessments by S&P and Moody's do not support witness Coyle's belief that UTF is more risky than the average LEC.

Staff believes that UTF has failed to substantiate its request for the Commission to reconsider its decision to adjust the Company's equity ratio to 57.5%. The facts of the case indicate that the Commission's decision was appropriate and is supported by the record. Therefore, staff recommends that the Commission deny UTF's motion for reconsideration of its decision to adjust UTF's equity ratio to 57.5% of investor-supplied capital for ratemaking purposes.

**ISSUE 2:** Should the Commission reconsider its decision which allows the recovery of the implementation of FAS 106 after the test period?

**RECOMMENDATION:** No, the Commission's decision was not based on any mistake, oversight or misapprehension of law or fact. [SALAK]

**STAFF ANALYSIS:** In Order No. PSC-92-0708-FOF-TL, the Commission did not include the expense of $7.8 million associated with the implementation of FAS 106 when setting rates. Rather, the Commission decided to defer the amount until after the test period. Beginning July 1, 1993, the Company will begin booking its FAS 106 expense and the amount deferred will be amortized over 18 months. The Commission decided that earnings growth and the discontinuation of depreciation amortization schedules in the second half of 1993 and in 1994 would be sufficient to offset the implementation of FAS 106 and the amortization of the FAS 106 expense from the first half of 1993.

The Company contends that "the Commission overlooked or failed to consider that its decision to defer recognition of FAS 106 costs places the burden of postretirement benefits on United's stockholders even though the ratepayer is receiving the benefit of the labor this cost supports." United argues that the FAS 106 expense will be incurred, but was not considered in setting rates; so it will have to be recovered from United stockholders rather than its ratepayers. United further argues that the Commission presumed that the Company will overearn in 1993 and 1994. United further argues that embedded in the Commission's action is that United will continue to overearn in 1995 and beyond. The Company argues that the Commission has no way of knowing what it will earn in 1994 since a budget three years out was used to review future earnings. The Company points out that Commission made adjustments to the test year budget to reduce revenue requirements, but accepted United's 1994 budget. To the Company, this "demonstrates a barrenness of the Commission's reasoning."

Staff believes that United's stockholders will not be harmed by the Commission's decision. The OPEB deferral and expense amounts for future period are offset by the decline in depreciation amortization schedules and earnings growth. Rates were set based upon a depreciation amortization expense that was higher than that which will occur in 1993. Intrastate amortization expense will decline by approximately $5.6 million from the test year 1993, and will decline $8.4 million from the test year for the calendar year 1994. The decrease in the amortization schedules is more than sufficient to offset the additional FAS 106 expense and deferral amortization.

In 1994, the depreciation amortization decreases further and the FAS 106 expense is easily offset. The deferral amount of approximately $2.6 million is offset by United's growth in earnings. According to the Company's budget, earnings will increase by $8.5 million, regardless of rate changes.

Whether the FAS 106 amounts are offset by the growth in earnings or the decline in depreciation amortization expense, the stockholders are not harmed. Rather they are made whole. If nothing were to happen, the stockholders would enjoy a windfall by changes that are projected to occur.

The Company has presented no evidence of a mistake, oversight or misapprehension of law or fact. Therefore, staff recommends that the Commission should not reconsider its decision on this issue.

**ISSUE 3:** Should the Commission reconsider its decision to disallow the costs of UTI departments 110 and 136 allocated to UTF through the GS&L?

**RECOMMENDATION:** Yes, intrastate GS&L allocations should be increased by $213,000 (rounded) to allow the GS&L allocations of the costs of departments 110 and 136. [DAVIS]

**STAFF ANALYSIS:** The Company requests reconsideration of that portion of the Order which disallows one-half of department 110, which is the President-Local Telecom Division (LTD), and the disallowance of the entire cost of department 136, which is that portion of the planning department known as the Corporate Research Center. The Company asserts that the Commission overlooked or failed to consider that no testimony or other evidence in the case supports such disallowance. The Commission's decision is thus based on a mistake, oversight or misapprehension of law or fact.

At issue here are one half of the costs associated with S/UMC departments 110, LTD, $136,712 and all of the costs of department 136, Corporate Research Center, $138,505. The total costs at issue are $275,217, of which the intrastate amount is $212,915.

In its motion for reconsideration, the Company pointed out that the only evidence of record on the allocation of these two departments was presented by witness Wareham, Sprint/United Management Company, who supported the allocations, and witness Brosch, Office of Public Counsel's witness, did not recommend an adjustment to either department. (EXH 68, MLB-1, p. 2 of 4)

Witness Brosch did advocate disallowance of one-half of the President, LTD (Department 110) and full disallowance of the Corporate Research Center (Department 136) in Docket No. 891239-TL. (See, FPSC Order No. 24049, p. 27) He examined those Departments again in this case and did not recommend their disallowance. The staff recommendation, upon which the Commission's decision was based, followed the presentations made in Order No. 24049 and did include those departments in error.

No evidence in the current record supports the two disallowances cited above, and the Commission relied on staff's presentation of the issue which, in these two instances, was based in error.

Staff, therefore recommends restoring the disputed amount to expense by increasing intrastate test year expense by $212,915 as calculated above.

**ISSUE 4:** Should United's motion for reconsideration on the cost of the Sprint/United Information Services (SUIS) CPU lease be granted?

**RECOMMENDATION:** No. The motion for reconsideration on the cost of the SUIS CPU lease should not be granted. [JOHE]

**STAFF ANALYSIS:** The Company asserts in its motion for reconsideration that the Commission overlooked or failed to consider that United presented testimony on the cost of the CPU lease after the testimony of witness Brosch was filed. The Commission neither overlooked nor failed to consider that the Company presented the rebuttal testimony subsequent to the testimony of witness Brosch. At the Special Agenda Conference, this issue was discussed in great length as to the amounts of the adjustment proposed by the Company and the OPC.

The Company asserts that United updated the information that witness Brosch based his adjustment on, in the rebuttal testimonies of witness McRae and witness Wareham. Therefore, the Company believes that the statement made in the staff recommendation that the Company did not refute witness Brosch's adjustment is an incorrect statement. Staff reviewed once again the rebuttal testimonies of the Company witnesses McRae and Wareham. Nowhere in their testimonies, do they discuss that the Company's amount for the adjustment is based on more current and accurate information. Nowhere in their testimonies, do they discuss how the adjustment was derived or why the Company's adjustment amount is more appropriate than the adjustment amount proposed by the OPC witness. witness McRae's rebuttal testimony simply gives a half page description of the new favorable contract with IBM and as a result United's intrastate operation will benefit to the extent of $1,446,725 in reduced operating expenses during the test year. The Company offered a number with no explanation or support to refute the position that was taken by the OPC. Staff continues to believe that the Company did not refute witness Brosch's adjustment.

The Company asserts that the Commission accepted witness Brosch's adjustment without discussion or analysis and overlooked or failed to consider the Company's more recent and accurate information. This is an erroneous statement. The staff recommendation as well as the transcript from the Special Agenda Conference state that the staff reviewed the calculation of the adjustment shown in witness Brosch's exhibit to his testimony, Exhibit 68, and found it to be reasonable. Numerous transcript pages from the Special Agenda Conference include the discussions on the merits of both witnesses Brosch and McRae's adjustments.

Finally, the Company asserts that it can not find a specific adjustment in the amount of $1,906,236 in either witness Brosch's testimony or his exhibit. Witness Brosch calculated the adjustment for SUIS in the amount of $2,141,762, intrastate, as shown in Exhibit 68, MLB-2, p. 1 of 1. As indicated in that schedule, that adjustment amount is comprised of both the CPU and the 1993 SUIS budget adjustments. Staff merely separated the total adjustment amount of $2,141,762 into two components since Issue 22i addressed two subject matters, as indicated in the staff recommendation. Staff simply calculated the intrastate amount of the total reduction of SUIS cost relating to the CPU found on Line No. 13 of Exhibit 68 less the non-regulated portion. Staff used the same non-regulated percentage and the intrastate factor as witness Brosch used in his calculation.

Staff recommends that the Commission deny United's motion for reconsideration on SUIS cost. As discussed earlier, staff believes that the Company's assertions have no basis.

**ISSUE 5:** Should the Commission reconsider it's decision to reduce total Company working capital by $4,440,000, $3,269,000 intrastate relating to plug-in-cards?

**RECOMMENDATION:** No, the Commission should not reconsider its decision to reduce total Company working capital by $4,440,000, $3,269,000 intrastate. [REITH, DAVIS]

**STAFF ANALYSIS:** This adjustment was made for ratemaking purposes because the Commission determined that the Company had an excess amount of plug-in units associated with its material and supplies account. United believes that the Commission "failed to consider that the $10,440,000 balance in materials and supplies for plug-in cards, which is the basis for the working capital reduction, consisted of primarily used cards and that rate base is unaffected by restocking or junking assets that are removed from service". The Company goes on to state that "the Commission misapprehends the evidence and incorrectly concludes that only Alcatel plug-in cards are reused. The Commission's decision is thus based on a mistake, oversight or misapprehension of law or fact."

The Company also believes that it "could not make an accounting entry to recognize this adjustment and be in compliance with the Uniform System of Accounts or Generally Accepted Accounting Principles. The Commission's order is not in keeping with any accepted accounting or regulatory practices of which United is aware."

Staff believes that the Company has missed the point of the adjustment. The Commission is not ordering the Company to junk the excess cards, nor stating that the reusing of cards is not prudent. What staff believes the Commission has accomplished with this adjustment is to set rates on a reasonable rate base, similar to the Commission's treatment of software expense, in which the Commission found that the level of software purchases during the test year was not at the normal level of such purchases and does not reflect the utility's revenue requirement for this operation in the future. The Commission did not declare the purchases to be imprudent nor did it order the utility to remove this software from service. Exhibit 70, page 12 indicates that the utility will reduce its purchases of plug-in-units in the future while the reused cards are available and thus will not be carrying this level of inventory in the future and will have no need for the revenue requirement to support it. In this light, there is no accounting entry necessary to comply with the Commission's order. Therefore the utility's concern is moot.

The Commission's order stated that it had an even greater concern for the plug-in cards that were not within the Alcatel product line. Approximately 45% of the total 1991 inventory dollars, which constitutes 72% of the total number of plug-in units, are made up of mostly Northern Telecom and AT&T plug-in units (EXH 70, p. 3). Staff believes that the Company has an excessive level of these plug-in cards in inventory and can find no support in the record to justify this amount. The average lead time that the Company needs for ordering plug-in units ranges anywhere 3 to 10 days, depending on the type of card required. The Company has stated that they reuse and do not purchase any new Alcatel plug-in units, therefore staff believes that these lead times for ordering are mainly associated with Northern Telecom (NTI) and AT&T plug-in units.

The Company states in its motion that "the Commission misapprehends the evidence and incorrectly concludes that only Alcatel plug-in cards are reused". Staff does not believe that the Commission misapprehended the evidence but would agree that staff could have been clearer in its analysis. United goes on to state that the greatest part of the plug-in card stock is made up of restocked cards and that the staff witness' own exhibit shows that more than $10 million of cards were salvaged over the 1989-1992 time frame (EXH 70, p. 12). This same exhibit also shows that the Company purchased over $17 million in plug-in units over the same time period. The point is that the Company is not only reusing Northern Telecom and AT&T plug-in units but is continuing to purchase them. As additional support to the Commission's prior decision, Exhibit 70, p. 16, is an interoffice memorandum showing that the Company recognizes that there is an excess of NTI plug-in cards and recommends LaBelle, Clewiston and Moore Haven projects "be supplied via PIC inventory rather than being purchased from NTI."

Staff believes that the Company has an excess amount of plug-in units in inventory and that an adjustment should be made. The Company has misinterpreted the Commission's decision to make an adjustment to working capital for ratemaking purposes by stating it should junk excess plug-in cards. The Order reduces the working capital portion of rate base by $3,269,000 on an intrastate basis. The Commission concluded that United had overstated its test year requirements for plug-in cards by this amount. The basis for the Commission's conclusion was that usage levels for plug-in cards in 1990 and 1991 were lower than the Company projected for the test year. Staff is recommending that the Commission should not reconsider its decision to reduce total Company working capital by $4,440,000, $3,269,000 intrastate, based on the information presented above.

**ISSUE 6:** Should the Commission reconsider or clarify its decision regarding the implementation of the $.25 plan on the Cape Haze to Port Charlotte, Moore Haven to Clewiston, Everglades to Naples, Immokalee to Naples and Immokalee to Fort Myers routes?

**RECOMMENDATION:** Yes, the Commission should clarify its decision regarding the implementation of the $.25 plan on the routes above. The Commission failed to mention an implementation date for the $.25 plan on these routes. Staff recommends that the Company be allowed until November 14, 1992 to implement the $.25 plan on these routes. [SHELFER]

**STAFF ANALYSIS:** The Commission should clarify its decision regarding the implementation of the $.25 plan on the routes above. In its recommendation the staff failed to propose an implementation date for the $.25 plan on these routes. Historically, the Commission has ordered the $.25 plan to be implemented within six months of the date the order becomes final.

United contends that without the reconsideration, the Order would require these routes to be implemented instantaneously upon the Order becoming final. United states that it must determine if existing facilities are adequate, add facilities if necessary, devise a method of recording such calls which will assure proper rating, change the rating for calls in its billing system, change its treatment of such calls from privately owned pay telephones from toll to local and test the changes for accuracy and reliability. United estimates that it can make these changes on all of the routes listed above on or before November 14, 1992.

Staff believes the portion of the Order which requires implementation of the $.25 plan on the routes listed above should be clarified. Staff recommends that the requested implementation date of November 14, 1992, be approved. This date is well within the six month period historically provided for implementation of the $.25 plan.

**ISSUE 7a:** Should United's motion for reconsideration on the disallowance of GS&L expenses, be granted?

**RECOMMENDATION:** No. The motion for reconsideration on the disallowance of GS&L expenses, should not be granted. [JOHE]

**STAFF ANALYSIS:** The Company made two assertions in its motion for reconsideration regarding the disallowance of GS&L expenses. First, the Company states that the amounts of the GS&L disallowance in Issues 22d and 22e included the non-regulated amounts. Second, the Company states that because of the updated Sprint United Management Company (S/UMC) allocation factors approved by the Commission in Issue 22g, the amounts of the GS&L disallowance in Issues 22d and 22e were overstated. United asserts that the Commission overstated the GS&L disallowance by $266,929, total company.

Staff reviewed the documents in the record on which the staff based its adjustments in Issues 22d and 22e, pages 66 and 67 of Exhibit 22, and staff believes that those adjustments do not include the non-regulated amounts. Those pages in Exhibit 22, which were provided by the Company, detail the amounts contested and conceded by the Company for each of the S/UMC departments that the Commission disallowed in its prior rate case, Docket 891239-TL. The amounts shown in these documents clearly indicate that these are regulated amounts only. Therefore, the Company's assertion that the Commission overstated its disallowance by the non-regulated portion has no basis.

Subsequent to the preparation of United's filing, the allocation factors used by S/UMC were updated to reflect more recent statistical inputs. The updated allocation factors indicate that less expense would be allocated to United from S/UMC than stated in its filing. Therefore, United's second assertion is that the Commission's GS&L disallowances in Issues 22d and 22e, which were based on its original filing, are overstated.

The total amount of allocation from S/UMC for the test year is $36.7 million, as shown in MFR Schedule C-26. Of that amount, the Company conceded to an adjustment of $1,651,947 and contested $1,796,966 for ownership and proprietary expenses, a total of $3,448,913. The Company asserts that the correct amount of additional GS&L disallowance is $1,530,037 rather than $1,796,966, thus overstating by $266,929, total company.

The impact of updating the allocation factor from S/UMC due to more recent statistical data was a reduction in total company operating expenses of $536,845, Exhibit 68, MLB-1. United agreed with the updated factors, see Exhibit 17, however, witness McRae pointed out in his rebuttal testimony that the Commission should recognize that as a result, the amount which the Company conceded to adjust was overstated by $249,190. The Commission reflected this overstatement in Issue 22g.

In its motion for reconsideration, the Company asserts that the additional GS&L disallowance of $1,796,966 which the Company contested, was overstated by $266,929. First, staff reviewed the record and cannot determine how the Company calculated $266,929. United did not indicate where in the record or how the evidence in the record supports that amount. Since no reference to the record was made in its motion for reconsideration, staff is unable to determine whether this adjustment is appropriate.

Second, assuming that the additional $266,929 amount is correct, this leads the staff to believe that out of the total $536,845 impact of updating the allocation factor from S/UMC, 96% of the total impact applies to those S/UMC departments that the Commission partially or fully disallowed. It is unreasonable to believe that 96% applies to those departments that the Commission is disallowing, although less than 10% ($3.4 million out of $36.7 million) of the total S/UMC allocation is being disallowed.

For the reasons discussed above, staff recommends that the Commission deny United's motion for reconsideration regarding overstating the GS&L disallowances. Staff believes that the Company's assertions have no basis.

**ISSUE 7b:** Should the Commission increase the average intrastate rate base for the OPEB liability effect of the entire test year in the amount of $2,650,000?

**RECOMMENDATION:** Yes, the Commission should increase the average intrastate rate base for the OPEB liability effect of the entire test year in the amount of $2,650,000. [DAVIS]

**STAFF ANALYSIS:** The Company's motion for reconsideration states that in deferring the incremental cost of FAS 106, the Commission removed two items from rate base relating to the implementation of FAS 106. The first item was $1,451,000 of test year OPEBs that were capitalized. The second was the reversal of the MFR adjustment which the Company made to reduce working capital by $2,704,000 to reflect the additional six months of OPEB liability which would accompany the adoption of FAS 106 at July 1, 1992, rather than at January 1, 1993 as contained in the budget. The above Commission actions resulted in a net increase in rate base of $1,253,000.

The Company asserts that the proper action attendant with the deferral would have been to increase the average rate base effect for the entire test year in the amount of $3,903,000. This represents the simple average of the OPEB liability, net of the amount capitalized, of $7,805,000. The intrastate portion of this adjustment is $2,650,000. There would be no additional rate base effect of the deferral entry itself inasmuch as the OPEB liability would be offset by a deferred regulatory asset.

Staff agrees with the Company's analysis and recommends removing the remaining OPEB liability by increasing intrastate rate base $2,650,000 and increasing intrastate achieved NOI by the interest synchronization effect of this adjustment, $35,000.

**ISSUE 7c:** Should United's motion for reconsideration on intraLATA private line revenue, be granted?

**RECOMMENDATION:** Yes. Staff believes that the Commission should properly reflect the impact on the intraLATA private line revenue due to the Commission's adjustments to the net plant and expense budgets. However, the appropriate amount of the reduction in intrastate revenues is $922,295 rather than the amount proposed by the Company of $1,115,000 in its motion for reconsideration. [JOHE]

**STAFF ANALYSIS:** The Company's budgeted amount of intraLATA private line revenue from the pool settlement was based on a certain level of net plant and operating expenses as indicated in its original filing. In the Company's motion for reconsideration, it states that the test year revenues should be decreased by $1,115,000 for the related loss of pool revenues resulting from lower expenses due to Commission's many expense adjustments. United only mentions that the Commission should adjust the pool revenue as a result of lower expenses. The Company fails to point out that any changes in the budgeted net plant would impact the pool revenue as well. The Commission increased its intrastate net plant by $13.8 million. The Company will receive a greater amount of private line revenue due to the increase in the net plant from its original filing.

In the rebuttal testimony of witness McRae, the Company proposed certain adjustments as well. Nowhere in the record does the Company provide any discussion of the impact on private line pool revenue due to those adjustments the Company proposes. Furthermore, in the motion for reconsideration, the Company provided no description of how the $1,115,000 was calculated. However, staff agrees with the Company in principle that the private line revenue should be adjusted due to the Commission's adjustments to the net plant and expense budgets. Using MFR Schedules A-6a and C-24f as a basis for staff's calculation, staff believes that the appropriate amount of intrastate private line revenue reduction is $922,295 rather than the amount proposed by the Company of $1,115,000 in its motion for reconsideration.

**ISSUE 8a:** Should the Commission reconsider its decision regarding the treatment of expenses, investment and revenues relating to inside wire, or, at a minimum, place subject to refund the amount of the revenue adjustment proposed by the Citizens until the Commission completes its rulemaking proceeding, as requested by the Office of Public Counsel?

**RECOMMENDATION:** No, regarding reconsideration, the Office of Public Counsel has not brought up any point that the Commission overlooked or failed to consider regarding the appropriate treatment of inside wire maintenance. Nor does staff recommend placing the monies related to inside wire maintenance subject to refund pending the outcome of the rulemaking proceeding. To do so for United, while not doing so for all other local exchange companies, although it might be to the advantage of United's ratepayers, would unfairly disadvantage United compared to other local exchange companies. [BUTLER]

**STAFF ANALYSIS:** The Office of Public Counsel, on behalf of the Citizens of the State of Florida, has asked that the Commission reconsider its decision regarding United's treatment of inside wire maintenance expenses, investment, and revenue. Primarily, OPC requests that the Commission simply go ahead and impute these dollars above the line. Secondarily, if the Commission decides not to impute these monies, OPC requests that those monies be held subject to refund, pending the outcome of the Commission's rulemaking docket on this subject. United, in its Response, argues that OPC has brought up no point that the Commission overlooked or failed to consider.

In support of its request for reconsideration, OPC cites numerous reasons supporting its position, all of which were discussed in the staff recommendation in the case. OPC did suggest that the Commission apparently believes (in error) that its rule on inside wire services prohibits the imputation of such revenues and expenses when setting the rates for other regulated services. OPC argues that this is an incorrect interpretation of the Commission's rule. However, in Order No. PSC-92-0708-FOF-TL, the Commission states that it has the authority to move revenues associated with inside wire above the line. Staff believes that OPC has clearly misread the Order.

OPC also contends that the Commission deregulated inside wire maintenance service for the telephone companies on a case-by-case basis, and should likewise do so for imputing the revenues and expenses, in a general rate case, such as this one. Regarding this point, staff would argue that although the Commission reviewed each LEC's deregulation plan, for both inside wire and CPE, on a case-by-case basis, the order and later amendment by staff letter for the filing of those plans was issued on a statewide basis (Order No. 14941, Docket No. 830490-TP). Given the legislature's mandate for rulemaking in Section 120.535, Florida Statutes, staff believes that a rulemaking proceeding is the only appropriate course of action in this case.

In the alternative, if the Commission decides not to reconsider its decision to address the issue in rulemaking, OPC argues that the monies (revenues, investment, and expenses) relating to inside wire services should be placed subject to refund so that United's customers will be held harmless during the rulemaking proceeding. This is an option for the Commission. We do not advise it, however. Placing monies subject to refund carries with it the notion that the Commission has decided that something is wrong and the ratepayers need to be protected while the Commission decides if this is so. In this case, the Commission made a previous decision on how inside wire would be treated, based on some expectations of how the marketplace would operate to give consumers the benefits of competition. Now, after some time has passed, the Commission may find that the market has not developed as expected, and it may change its prior decision. However, such a conclusion has not been reached in this case. Staff does not believe that this scenario warrants singling out United. Putting money subject to refund for United carries with it the implication that the issue is a greater problem for United than it is for other LECs. At this point, there is no evidence that this is so. Staff does not advise the Commission to take such an action.

**ISSUE 8b:** Should the Commission place revenues subject to refund while the Commission decides the appropriate regulatory treatment of initial placements of software?

**RECOMMENDATION:** The Commission should not place revenues subject to refund while the Commission decides the appropriate regulatory treatment of initial placements of software. [KURLIN, DAVIS]

**STAFF ANALYSIS:** In its Motion for Reconsideration OPC asks that the Commission place revenues subject to refund while the issue of the accounting treatment for software is examined in a generic proceeding. OPC believes that this action will hold the customers harmless while the Commission decides the appropriate treatment for software costs.

In Order No. PSC-92-0708-FOF-TL, the Commission determined that United's accounting treatment for software is appropriate in that it does not violate Part 32 of the FCC's rules (See p. 20 of the Order). However, the Commission did recognize that nothing in Part 32 precluded the Commission from setting an accounting policy for software costs for regulatory purposes. But, the Commission also acknowledged that the issue has far reaching implications for the industry, even though there was not enough evidence on the record to make a determination in this proceeding. Thus, the Commission decided that the issue should be pursued in a generic proceeding.

The Commission had the authority to hold money subject to refund at the time the decision was made to address the matter in a generic proceeding. In asking for monies to be held subject to refund at this time; OPC is, in effect, requesting that the Commission reconsider its original determination. Yet, OPC has put forth no point which the Commission overlooked or failed to consider in its Order.

It must be noted that two issues in this docket involve the accounting treatment of software. Issue 21b dealt with the initial placement of software, and Issue 21c dealt with generic upgrades, replacements, and enhancements of software. In the portion of its brief addressing Issue 21b, OPC merely stated that United and the staff auditor agreed that initial operating software should be capitalized, and that the staff auditor further testified that the entire operating system should be capitalized. This is OPC's entire statement of its position on the accounting treatment regarding initial placements of software. In effect, OPC has not presented a position on this issue. Rule 25-22.056(1), Florida Administrative Code, asserts that if a party fails to state or reaffirm a position in its brief, then that issue or position is deemed waived. OPC did not state a position, and as a matter of law, its request may be denied.

Regarding Issue 21c, OPC stated in its brief that the Commission should apply some regulatory treatment for the software expense because of the abnormal level of expense during the test year. The Commission made an adjustment in issue 21c to Account 6212 to reflect the appropriate level of expense for generic upgrades, replacements and enhancements of software during the test year. United maintains, and staff agrees, that this adjustment was made for the benefit of the ratepayers. Thus, staff believes that the ratepayers have been sufficiently protected through this adjustment.

OPC cites no legal basis for its request to hold monies subject to refund. The Commission made an adjustment to Account 6212 to account for specific expenses incurred during the test year period. OPC does not identify any revenue amount in its brief. OPC did recommend that the Commission make an adjustment, which is exactly what the Commission did. OPC never attempted to address the appropriate accounting treatment for the initial placement of software.

Staff also believes that it would be inherently unfair to make United the only company in this State with monies held subject to refund pending the generic investigation in this matter. It appears that OPC is attempting to obtain a revenue adjustment through the vehicle of holding monies subject to refund, even though the Commission's original determination provides adequate relief and protection for the ratepayers. The Commission has ordered a generic proceeding, as well as an expense adjustment in this docket. No further action is necessary or warranted.

**ISSUE 9:** How should the Commission address United Telephone Company of Florida and Southern Bell's petitions protesting the Proposed Agency Action (PAA) portion of Order No. PSC-92-0708-FOF-TL implementing the $.25 plan on the intercompany routes from Williston to Gainesville and Trillachoochee to Brooksville?

**RECOMMENDATION:** The Commission should adopt United Telephone Company of Florida and Southern Bell's proposal to implement the Williston/Gainesville route on September 12, 1992 (both companies have filed its appropriate tariffs) and the Trillachoochee/Brooksville route on or before October 17, 1992. The companies have stated they will withdraw their petitions if an adequate time for implementation can be provided. [SHELFER]

**STAFF ANALYSIS:** United and Southern Bell filed petitions to protest the lack of provision of time for implementation of the $.25 plan on the intercompany routes of Williston/Gainesville and Trillachoochee/Brooksville as required in the PAA portion of Order No. PSC-92-0708-FOF-TL. The companies are unable to implement the changes required in the PAA instantaneously, and will be in violation of the Order unless it implements the changes required at the time the Order becomes final.

United contends that the Order fails to provide time for implementation of the actions required by the PAA portions of the Order. The Company must determine if existing facilities are adequate, add facilities if necessary, devise a method of recording such calls which will assure proper rating, change the rating for calls in its billing system, change its treatment of such calls from privately owned pay telephones from toll to local and test the changes for accuracy and reliability. United and Southern Bell filed tariff revisions to implement the Williston/Gainesville route on September 12, 1992. United has stated it estimates it can make changes on or before October 17, 1992, on the Trillachoochee/Brooksville route. United also states in its Petition that it will withdraw this Petition if an adequate time for implementation can be provided.

United has begun the process of implementing such changes in anticipation that no other affected party (with exception to Southern Bell) will protest the PAA, but cannot expend substantial funds for reprogramming and other implementation steps until the PAA is final.

Southern Bell's Petition reflects the same concerns that were listed in United's Petition. As noted Southern Bell has already implemented the Williston/Gainesville on September 12, 1992, and intends to implement the Trillachoochee/Brooksville route on October 17, 1992,. Southern Bell also agrees to withdraw its Petition if this matter can be resolved in reconsideration.

Staff does not object to the implementation dates of September 12, 1992, for the Williston/Gainesville route or October 17, 1992, for the Trillachoochee/Brooksville route. Historically, the Commission has ordered the $.25 plan to be implemented within six months of the date the order becomes final. Staff does not disagree with the companies' argument that they cannot implement the $.25 plan on these routes in adequate time and therefore will be in violation of the Order. Therefore staff recommends that the Commission adopt the proposed implementation date of October 17, 1992, for the Trillachoochee/Brooksville route. The staff has already processed tariffs implementing the Williston/Gainesville route effective September 12, 1992. The implementation dates are both within the six month period historically provided for implementation of the $.25 plan. The companies have also agreed to withdraw their petitions if an adequate implementation date can be approved.

**ISSUE 10:** How should the Commission recover the net revenue change of $1.496 million?

**RECOMMENDATION:** If the Commission approves staff's recommendation and adjusts United's revenues so that there is a net revenue increase of $431,000 instead of a decrease of $1.065 million, the Commission should first order that the Company not record the identified $972,000 to an unspecified intrastate depreciation reserve account. This will leave a balance of $524,000 to be addressed. The Commission should order increases to basic local rates to account for the balance. An increase in basic local rates would amount to approximately $.02 to residential rates and $..05 to business rates for rate group one (1) and $.03 to residential rates and $.05 to business rate for rate group six (6). [BROWN]

**STAFF ANALYSIS:** The Commission initially ordered a reduction in revenues of $1.065 million. If the Commission approves the staff's recommendation in the prior issues, United's revenues will need to be adjusted so that there is a net revenue increase of $431,000, for a total change in revenues of $1.496 million. In its initial decision, the Commission changed some rates and set aside $972,000 to be applied to an unspecified intrastate depreciation reserve account. These changes totaled the $1.065 million reduction ordered.

The prior decision included the following:

- Implementation of the $.25 plan on several routes needing toll relief.

- Continued restructure/repricing of DID rates.

- Changes to Custom Calling Features including rate increases and decreases.

- Rate increases/decreases to United's Advanced Business Connection (ABC) service.

- Reduction in the BHMOC rate with corresponding changes in United's time-of-day discounts for access services.

The Commission has several options on how to recover the $1.497 million increase recommended in reconsideration. The Commission could order local rate changes to recover the total amount. Staff believes this could be seen as inconsistent since customers have been noticed that there will be minimal rate changes. However, if basic local rates were adjusted to recover this amount the increase would be approximately $.06 to residential rates and $.14 to business rates for rate group one (1) and $.10 to residential and $.22 to business rates for rate group six (6).

A second option could be to reverse the Commission's decision to set aside $972,000 to an unspecified intrastate depreciation reserve account and order rate changes to account for the balance. If this direction was taken, there would be a balance of $524,000 to be disposed of in some form. We would consider rate increases in certain discretionary services to account for the balance. Because rate changes in call waiting and call forwarding services were made in the rate case and these services have the highest penetration rates.

With the restructure of custom calling to eliminate the first feature access charge, call waiting was increased from $1.65 to $3.50 residential and from $2.75 to $4.00 business previously. Staff would recommend that the residential rate be increased to $3.65 and the business rate to $4.50. These changes would increase revenues by $479,142. We would also propose an increase to the call forwarding residential. This rate was increased from $1.65 to $2.50 in the original decision. We would recommend an additional increase to $2.60. This would increase revenues by $117,294. Together the overall impact of these proposed changes is $528,386. This would dispose of the $527,000 balance.

The Commission might consider these services due to their discretionary nature and since they were adjusted previously in a restructure that included the removal of the first feature access rate element. The first feature access element was specific to United and was charged in addition to the rate for the service requested. The first feature rate for residential was $1.40 and business $1.65. Therefore, if a customer only had call waiting prior to the rate case, he would have paid $3.05 residential and $4.40 business for these services (the rate for call waiting plus the first feature access charge). The customer would have also paid $3.05 if he only had residential call forwarding. The staff does not recommend this action since an increase in these rates would place United's custom calling rates slightly higher than the other major LECs.

Finally, as discussed above the Commission could reverse the previous decision regarding the depreciation reserve set aside of $972,000. However, instead of rate changes to custom calling services to recover the balance of $524,000, the Commission could increase basic local rates. If basic local rates were adjusted to recover this amount, the increase would be approximately $.02 to residential rates and $.05 to business rates for rate group one (1) and $.03 to residential and $.08 to business rates for rate group six (6). We believe this is more appropriate than increasing custom calling rates because with the Commission's reconsideration, the Company will have an additional revenue requirement and pennies added to each customer's bill will have minimal impact, yet will still keep United's basic rates consistent with other LECs.

**Conclusion**

With the Commission's decision to set aside $972,000 for depreciation reserve, the decision to adjust rates becomes less difficult, in that the Commission can reverse this decision without affecting rates. With this decision the balance of $524,000 is left to be addressed. The Commission should order increases to basic local rates to account for the balance. An increase in basic local rates would amount to approximately $.02 to residential rates and $..05 to business rates for rate group one (1) and $.03 to residential rates and $.05 to business rate for rate group six (6).

**ISSUE 11:** Should these dockets be closed?

**RECOMMENDATION:** Yes. There are no other issues that need to be addressed in these proceedings, therefore these dockets should be closed.

**STAFF ANALYSIS:** With the Commission's actions on reconsideration, the Commission should close these dockets. The Commission has ordered a true-up of EAS with the implementation of the $.25 plan in this docket, staff believes that a new docket can be opened at such time as United files revenue statements on the routes implemented (these should be filed six months following the implementation of the last route ordered). Therefore, staff recommends these dockets be closed.

910980.STB

Attachment A

# UNITED TELEPHONE COMPANY OF FLORIDA
## RECONSIDERATION OF THE REVENUE REQUIREMENT
## FOR THE TEST YEAR ENDED JUNE 30, 1993

| | | |
|---|---|---|
| Intrastate Rate Base: | | |
| Order No. PSC-92-0708-FOF-TL | $1,008,534 | |
| Staff Recommended Adjustments: | | |
| Issue 7b | 2,650 | |
| | ------------- | |
| Adjusted Intrastate Rate Base | | $1,011,184 |
| Required Rate of Return | | 9.48% |
| | | ------------- |
| Required Net Operating Income | | $95,860 |
| Achieved Net Operating Income: | | |
| Order No. PSC-92-0708-FOF-TL | $96,267 | |
| Staff Recommended Adjustments: | | |
| Issue 3 | (133) | |
| Issue 7b, Interest Synch | 35 | |
| Issue 7c | (574) | |
| | ------------- | |
| Adjusted Achieved Net Operating Income | | 95,594 |
| | | ------------- |
| Intrastate NOI Deficiency | | $266 |
| Revenue Expansion Factor | | 1.618462 |
| | | ------------- |
| New Revenue Increase Upon Reconsideration | | $431 |
| | | ============= |
| Revenue Decrease in Order No. PSC-92-0708-FOF-TL | | (1,065) |
| | | ============= |
| Additional Revenue Increase Recommended Due to Reconsideration | | $1,496 |
| | | ============= |