

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the) DOCKET NO. 940198-TL
authorized return on equity and) ORDER NO. PSC-94-0549-FOF-TL
earnings of GULF TELEPHONE) ISSUED: May 11, 1994
COMPANY)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING ROE

BY THE COMMISSION:

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

Gulf Telephone Company's (Gulf's) return on equity (ROE) was last considered in the Modified Minimum Filing Requirements (MMFR) proceeding in Docket No. 910730-TL. By Order No. 25606 the Commission approved an allowed ROE for Gulf of 12.9% +/- 1%. Since the time of that decision, the cost of equity for Gulf has declined.

Typically, we respond to declining cost of equity by lowering the authorized range of returns. For water and wastewater utilities, we lowered authorized returns through the water and wastewater leverage formula to a range from 9.7% to 10.97%. See Order No. PSC-93-1107-FOF-WS. We reduced the range of returns for the natural gas distribution companies to 11.0% to 11.25%. See Orders Nos. 93-1772 through 93-1777. We also reduced the returns granted FPUC-Marianna to 10.85% (Order No. 94-0249) and Tampa Electric Company to 11.35% (Order No. 94-0337).

Upon review of the current cost of equity, it appears that Gulf's ROE should be reduced. We note that Gulf has proposed a

DOCUMENT NUMBER-DATE

04563 MAY 11 1994

FPSC-RECORDS/REPORTING

ORDER NO. PSC-94-0549-FOF-TL
DOCKET NO. 940198-TL
PAGE 2

reduced ROE of 11.8%. Within the context of Gulf's total offer and the fact that approval of the offer will save litigation costs if the order is not protested, the 11.8% ROE appears reasonable.

Eliminating Gulf's BHMOC rate of \$1.96 will bring Gulf's intrastate access charge rates very close to its interstate access rates. Gulf uses the NECA tariff for interstate, and at last assessment, the NECA rate for originating and terminating access was \$.1397 per minute. Removing Gulf's BHMOC brings its intrastate access rates to \$.136 per minute. The estimated annual dollar value of reducing revenues by eliminating the BHMOC rate is \$130,000. Implementing this change on July 1, 1994, concurrent with the reductions in Southern Bell's access rates, yields a 1994 impact of \$65,000.

Although Gulf has offered to reduce its ROE to 11.8%, in the letter detailing its proposal the company made this return contingent upon the allowed return granted to other small telephone companies with comparable equity ratios. It shall be Gulf's responsibility to protect its interests if the Commission approves an ROE other than 11.8% for telephone companies of comparable size and risk.

Therefore, it is

ORDERED by the Florida Public Service Commission that effective January 1, 1994, the Gulf Telephone Company's authorized return on equity is 11.8% +/- 1.0%. It is further

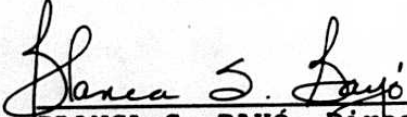
ORDERED that, effective July 1, 1994, the BHMOC rate for Gulf Telephone is eliminated. It is further

ORDERED that this Order shall become final and effective unless an appropriate petition is filed in accordance with the "Notice of Further Proceedings or Judicial Review" as set forth below. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

ORDER NO. PSC-94-0549-FOF-TL
DOCKET NO. 940198-TL
PAGE 3

By ORDER of the Florida Public Service Commission, this 11th
day of May, 1994.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

WEW

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.

The action proposed herein 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 June 1, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

ORDER NO. PSC-94-0549-FOF-TL
DOCKET NO. 940198-TL
PAGE 4

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 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 wastewater 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.