

950261-TL

FLORIDA PUBLIC SERVICE COMMISSION

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

M E M O R A N D U M

March 9, 1995

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MAILHOT)
DIVISION OF LEGAL SERVICES (HATCH)

*DM
WMM
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RE : DOCKET NO. 950261-TL - ALLTEL FLORIDA, INC. -
INVESTIGATION INTO THE INTERLATA BILL AND KEEP
SUBSIDY OF ALLTEL FLORIDA, INC.

DOCKET NO. 920260-TL - SOUTHERN BELL TELEPHONE AND
TELEGRAPH COMPANY - COMPREHENSIVE REVIEW OF THE REVENUE
REQUIREMENTS AND RATE STABILIZATION PLAN OF SOUTHERN BELL
TELEPHONE AND TELEGRAPH COMPANY

AGENDA: 03/21/95 - REGULAR AGENDA - PROPOSED AGENCY ACTION
ISSUE 1 ONLY - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\950261.RCM
ISSUE 1 IS PAA

DISCUSSION OF ISSUES

PAA

ISSUE 1: Did ALLTEL earn more than \$100,000 in excess of 12.5%
return on equity for 1994?

RECOMMENDATION: Yes. [MAILHOT]

STAFF ANALYSIS: By Order No. PSC-94-0383-FOF-TL in Docket No.
940196-TL, the Commission approved a proposal by ALLTEL which
included reducing ALLTEL's authorized return on equity (ROE),
capping 1994 earnings, reducing certain rates and reducing ALLTEL's
interLATA access charge subsidy. The order also required ALLTEL to
defer \$450,000 of its interLATA subsidy revenue from 1994 to 1995
and that the remaining \$100,000 of subsidy be reduced or
eliminated, effective July 1, 1995, to the extent that the company
earned in excess of 12.5% ROE for 1994.

DOCUMENT NUMBER-DATE

02610 MAR-95

FPSC-RECORDS/REPORTING

DOCKET NO. 950261-TL & 920260-TL
DATE: MARCH 9, 1995

Based on the earnings surveillance report filed by ALLTEL, the company's 1994 earnings are approximately \$450,000 in excess of 12.5% ROE.

ISSUE 2: Should the Commission eliminate ALLTEL's interLATA bill and keep subsidy?

RECOMMENDATION: Yes. The Commission should eliminate ALLTEL's interLATA subsidy and remove ALLTEL from the subsidy pool, effective July 1, 1995. The interLATA subsidy pool receipts and payments shown on Attachment B should be approved, effective July 1, 1995. [MAILHOT]

STAFF ANALYSIS: The interLATA access charge bill and keep subsidy pool was established on July 1, 1985 by Order No. 14452. The subsidy pool was established as a temporary mechanism to ease the transition from a pooling environment to a bill and keep environment. Originally, all 13 LECs participated in this pool. By Order No. 21678, Gulf's subsidy was eliminated, effective July 1, 1989. By Order No. 21954, Indiantown's subsidy was eliminated and Florala, Gulf, Indiantown, Quincy, Southland, United, and Vista-United were removed from the subsidy pool, effective September 1, 1989. By Order No. 22421, St. Joseph's subsidy was reduced and Centel was removed from the pool, effective January 1, 1990. By Order No. PSC-92-0337-AS-TL, Northeast's subsidy was reduced to \$23,000, effective July 1, 1992. By Order No. PSC-93-0228-FOF-TL, Northeast was removed from the interLATA subsidy pool, effective January 1, 1993. By Order No. PSC-93-0562-FOF-TL, ALLTEL's subsidy was reduced by \$690,000 and GTE was removed from the pool, effective April 1, 1993. By Order No. PSC-94-1176-FOF-TL, ALLTEL's subsidy was further reduced by \$140,000, effective October 1, 1993. By Order No. PSC-94-0383-FOF-TL, ALLTEL's subsidy was reduced by \$443,000, effective January 1, 1995. The current status of the interLATA subsidy pool is shown in Attachment A. The subsidy receipts and payments do not change each year except by specific action of the Commission.

Staff recommends that ALLTEL's interLATA subsidy receipts be eliminated, effective July 1, 1995, and that ALLTEL be removed from the subsidy pool. The interLATA subsidy pool receipts and payments shown on Attachment B should be approved, effective July 1, 1995.

DOCKET NO. 950261-TL & 920260-TL
DATE: MARCH 9, 1995

ISSUE 3: How should the Commission dispose of Southern Bell's reduced subsidy payment?

RECOMMENDATION: The Commission should hold Southern Bell's reduced subsidy payment subject to disposition by the Commission in Docket No. 920260-TL. [MAILHOT]

STAFF ANALYSIS: If the Commission approves Issue 1, then the amount paid into the interLATA subsidy pool by Southern Bell will decrease by \$100,000. In the past, when a company's payments into the subsidy pool have decreased, the Commission has disposed of the money by applying it to some specific purpose. Staff is not prepared to make a final recommendation on the disposition of the reduction in subsidy payments by Southern Bell. Therefore, staff recommends that the reduction in subsidy payments be held subject to disposition by the Commission in Docket No. 920260-TL.

ISSUE 4: Should Docket No. 950261-TL be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected files a timely protest to the Commission's notice of proposed agency action, Docket No. 950261-TL should be closed. [MAILHOT]

STAFF ANALYSIS: If the staff's recommendations in Issues 1 and 2 are approved, and no person whose substantial interests are affected files a timely request for a hearing within twenty-one days from the date of the proposed agency action order regarding Issue 1, no further action will be required and Docket No. 950261-TL should be closed at the expiration of the PAA period.

ISSUE 5: Should Docket No. 920260-TL be closed?

RECOMMENDATION: No. [MAILHOT]

STAFF ANALYSIS: Many issues in Docket No. 920260-TL remain to be resolved; therefore, this docket should not be closed.

DOCKET NO. 950261-TL & 920260-TL
 DATE: MARCH 9, 1995

ATTACHMENT A

INTERLATA TOLL BILL AND KEEP
 CALCULATION OF SUBSIDY PAYMENTS
 January 1, 1995
 (\$000)

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
<u>COMPANY</u>	<u>INTERLATA BILL/KEEP IMPACT</u>	<u>DA & COIN REVENUE</u>	<u>REVENUE EFFECT OF PREVIOUS COMM ACTION</u>	<u>TOTAL IMPACT (1+2+3)</u>	<u>SUBSIDY CONTRIB</u>	<u>SUBSIDY RECEIPT</u>
ALLTEL	(2,110)	265	1,745 *	(100)		(100)
ST. JOSEPH	(1,674)	151	300 **	(1,223)		(1,223)
SO. BELL	12,456	19,949	(27,481)	4,924	<u>1,323</u>	
TOTAL					<u>\$1,323</u>	<u>(\$1,323)</u>

* ALLTEL INCLUDES \$472,000 REDUCTION APPROVED IN DOCKET NO. 911108-TL, \$830,000 REDUCTION APPROVED IN DOCKET NO. 920193-TL, AND \$443,000 REDUCTION APPROVED IN DOCKET NO. 940196-TL.

** ST. JOSEPH INCLUDES \$300,000 REDUCTION APPROVED IN DOCKET NO. 891238-TL.

DOCKET NO. 950261-TL & 920260-TL
 DATE: MARCH 9, 1995

ATTACHMENT B

**INTERLATA TOLL BILL AND KEEP
 CALCULATION OF SUBSIDY PAYMENTS
 July 1, 1995
 (\$000)**

<u>COMPANY</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
	INTERLATA BILL/KEEP IMPACT	DA & COIN REVENUE	REVENUE EFFECT OF PREVIOUS COMM ACTION	TOTAL IMPACT (1+2+3)	SUBSIDY CONTRIB	SUBSIDY RECEIPT
ST. JOSEPH	(1,674)	151	300 *	(1,223)		(1,223)
SO. BELL	12,456	19,949	(27,481)	4,924	<u>1,223</u>	
TOTAL					<u>\$1,223</u>	<u>(\$1,223)</u>

* ST. JOSEPH INCLUDES \$300,000 REDUCTION APPROVED IN DOCKET NO. 891238-TL.