

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

April 24, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (AUDU) *AS*
DIVISION OF AUDITING & FINANCIAL ANALYSIS (WRIGHT) *AS*
DIVISION OF LEGAL SERVICES (BROWN) *MB*

RE: DOCKET NO. 960776-TL - PETITION FOR LIMITED SCOPE
PROCEEDING TO CHANGE EXISTING RATE RELATIONSHIPS BY
FRONTIER COMMUNICATIONS OF THE SOUTH, INC.

AGENDA: MAY 6, 1997 - REGULAR AGENDA - PETITION WITHDRAWN -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\960776TL.RCM

CASE BACKGROUND

On January 1, 1988, the intraLATA LEC toll bill-and-keep subsidy mechanism was established in Docket No. 850310-TL, with all LECs participating except GTE Florida, Inc. (GTEFL) and Vista-United Telecommunications (Vista-United). GTEFL and Vista-United, which experienced net losses with the implementation of LEC toll bill-and-keep, elected not to receive subsidies and therefore do not participate in the subsidy mechanism.

The intraLATA LEC toll bill-and-keep subsidy mechanism was established as a temporary mechanism to ease the transition from a pooling environment to a total bill-and-keep environment. The subsidy amounts were phased down on January 1 of 1989, 1990, and 1991. Using the phase down, many of the recipient LECs were able to transition out of the intraLATA toll bill-and-keep subsidy mechanism, except Frontier Communications of the South, Inc. (Frontier or the Company) and Northeast Florida Telephone Company, Inc. Currently, Frontier receives a subsidy in the amount of \$128,000 annually.

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In the history of the intraLATA LEC toll bill-and-keep subsidy mechanism, withdrawal from the subsidy and/or reduction of subsidy receipts has generally been due to LEC's over earnings. Frontier's reasoning appears to be different. In its petition, Frontier states that the recent changes in the telecommunications industry, both at the state and federal levels, present a threat to its intraLATA toll bill-and-keep subsidy. Thus, Frontier wants to eliminate its reliance on the subsidy revenue, so it may opt for price regulation if it chooses.

On June 26, 1996, Frontier filed a petition with this Commission requesting a limited scope proceeding to modify its existing rate schedules. The Company proposed increases in basic local rates to offset the revenues to be lost from eliminating its intraLATA LEC toll bill-and-keep subsidy. On August 9, 1996, the Office of the Public Counsel (OPC) filed a motion in opposition to Frontier's proposal and requested a hearing. BellSouth is the sole contributor to the subsidy mechanism. On November 21, 1996, BellSouth was granted leave to intervene in this proceeding.

This petition was set for hearing based on the Motion of OPC. On March 26, 1997, Frontier filed for Voluntary Withdrawal of its Petition.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge Frontier Communications of the South, Inc.'s Voluntary Withdrawal of its petition for a limited scope proceeding in this case and close the docket?

RECOMMENDATION: Yes. The Commission should acknowledge Frontier Communications of the South, Inc.'s Voluntary Withdrawal of its petition in this case and close the docket.

STAFF ANALYSIS: With Frontier's petition for a Limited Scope Proceeding withdrawn, there are no remaining issues for the Commission to address in this proceeding. Staff recommends that the Commission acknowledge Frontier's Notice of Voluntary Withdrawal and close this docket. Staff notes that the Commission's action acknowledging Frontier's Voluntary Withdrawal of its petition in this case does not preclude any other action regarding intraLATA toll bill-and-keep subsidy in the future.