



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M- RECEIVED

DATE: MAY 7, 1998 MAY 7 1998
12:50
FPSC - Records/Reporting

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

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (WRIGHT) *RJ*
 DIVISION OF COMMUNICATIONS (AUDU) *Wright*
 DIVISION OF LEGAL SERVICES (B. KEATING) *Wright* *MB* *lgt*

RE: DOCKET NO. 970808-TL - PETITION OF BELL SOUTH TELECOMMUNICATIONS, INC. TO REMOVE INTERLATA ACCESS SUBSIDY RECEIVED BY ST. JOSEPH TELEPHONE & TELEGRAPH COMPANY

AGENDA: 05/19/98 - REGULAR AGENDA - ~~PROPOSED AGENCY ACTION~~ - INTERESTED PERSONS MAY PARTICIPATE ↑
Not PAA per
LEG/B. Keating

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE -KF 5/8/98

FILE NAME AND LOCATION: S:\PSC\AFA\WP\970808.RCM

CASE BACKGROUND

On July 1, 1997, BellSouth Telecommunications, Inc. (BellSouth) filed a petition to remove the interLATA access subsidy received by St. Joseph Telephone (GTC). On July 22, 1997, BellSouth filed a revised Petition. On August 11, 1997, GTC filed an answer in opposition to BellSouth's revised petition. This matter has been set for hearing on May 20, 1998.

On March 23, 1998, BellSouth filed a motion to hold subsidy payments in escrow or, in the alternative, make subsidy payments subject to refund. On April 2, 1998 GTC filed the Reply to BellSouth's Motion.

This is staff's recommendation on BellSouth's motion to hold subsidy payments in escrow.

DOCUMENT NUMBER-DATE

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DISCUSSION OF ISSUES

ISSUE 1: Should BellSouth's motion to hold subsidy payments in escrow or, in the alternative, require GTC to hold the subsidy payments subject to refund be granted?

RECOMMENDATION: No. The Commission should not grant BellSouth's motion to hold subsidy payments in escrow or, in the alternative, require GTC to hold the subsidy payments subject to refund. (Wright, B. Keating)

STAFF ANALYSIS: On March 23, 1998 BellSouth filed a motion to hold subsidy payments in escrow, or in the alternative, make subsidy payments subject to refund. BellSouth is requesting that the Commission allow BellSouth to pay the approximately \$102,000 a month subsidy amounts into an interest bearing escrow account until the Commission reaches a decision in this docket. BellSouth believes that this action is appropriate because it eliminates the incentive for GTC to delay this proceeding. In the alternative, BellSouth moves the Commission to require GTC to hold the subsidy payments subject to refund and to post a bond to guarantee the potential refund amount. BellSouth states that Order No. 14452 indicates that all subsidy pool contributions and receipts are subject to refund.

In GTC's reply to BellSouth's motion, GTC states that BellSouth has cited no statutory authority or order for its proposition. GTC states that BellSouth has only referred to Order No. 14452. GTC also states that BellSouth has inaccurately and inappropriately suggested that GTC has delayed this proceeding.

Staff notes that the reference in Order No. 14452 to subsidy pool contributions and receipts being held subject to refund appears not to be directly applicable to BellSouth's request in this case. The discussion in Order No. 14452 related to United Telephone Company's (United) subsidy payments, which were held in abeyance until its overearnings investigation was concluded. The order stated that if the investigation resulted in United needing a lesser subsidy or no subsidy at all, then the amount contributed to the subsidy pool would be adjusted for the effect of the overearnings investigation and the difference would be refunded.

Staff does not believe that GTC has delayed the hearing process in this case. This matter is, in fact, scheduled to go to hearing on the originally scheduled date, May 20, 1998. Staff does

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not, therefore, believe that preventing delay of this matter is a basis for granting BellSouth's motion.

Staff recommends not putting the subsidy payments in escrow or subject to refund. GTC is currently receiving the subsidy payments in accordance with Order No. 14452 and subsequent Commission orders. Any change to GTC's receipt of these monies should only be made following a final Commission decision in this docket.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open pending the outcome of the hearing. (B. Keating)

STAFF ANALYSIS: This docket should remain open pending the outcome of the hearing.