

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review of
the revenue requirements and
rate stabilization plan of
Southern Bell Telephone and
Telegraph Company.

DOCKET NO. 920260-TL
ORDER NO. PSC-01-0091-PAA-TL
ISSUED: January 10, 2001

The following Commissioners participated in the disposition of
this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING STIPULATION

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.

By Order No. PSC-94-0172-FOF-TL, issued February 11, 1994, in Docket No. 920260-TL, the Commission approved a settlement whereby BellSouth Telecommunications Inc.'s (BellSouth) 1997 earnings in excess of 12.5% return on equity (ROE), adjusted for the difference between the 1993 and 1996 average AA Utility Bond Rates for September through November of each year, respectively, would be shared with subscribers. The resulting thresholds for 1997 are 13.11% ROE and 18.11% ROE before sharing. Amounts were to be shared as follows: 60% refunded to the customers with the balance retained by BellSouth between 13.11% ROE and 18.11% ROE. Any earnings above 18.11% ROE were to be refunded 100% to BellSouth customers. Order No. PSC-98-0693-FOR-TL, issued May 19, 1998, approved a preliminary refund for 1997 of \$126.675 million, including interest.

DOCUMENT NUMBER-DATE

00419 JAN 10 2001

FPSC-RECORDS/REPORTING

On November 9, 2000, BellSouth and the Office of Public Counsel (OPC) filed a Joint Motion seeking approval of the Stipulation and Agreement (Stipulation) that requires BellSouth refund an additional \$47.928 million for 1997, including interest, based on the results of the final surveillance report for 1997. The Stipulation is included in this Order as Attachment A, and is incorporated herein by reference. By this Order, we approve the Stipulation.

Commission staff completed an audit of BellSouth's 1997 surveillance report on March 11, 1999. BellSouth filed a revised surveillance report on March 10, 2000, which incorporated company and staff adjustments to its original filed surveillance report. The additional \$40.3 million appears to be reasonable as that refund amount is more than the resulting refund based on the revised surveillance report, including any previously unclaimed refunds. Interest on the \$40.3 million refund is \$7.628 million, for a total refund of \$47.928 million. Approval of the Stipulation results in total refunds for 1997 of approximately \$208 million, as shown in the table below:

BellSouth 1997 Refunds in Millions

	May 1998	Dec. 1998	Nov. 2000	Total Refunds
1997 refunds	\$123.5	\$32.0	\$40.3	\$195.8
Interest	\$ 3.175	\$ 2.033	\$ 7.628	\$ 12.836
Totals	\$126.675	\$34.033	\$47.928	\$208.636

BellSouth and OPC propose that these funds be returned to ratepayers using the same methodology approved by this Commission in Order No. PSC-98-0693-FOF-TL. We agree that this is appropriate. The parties further propose that the amount of \$47.928 million will be refunded to customers of record as of the end of October 2000. Refunds are to begin as soon as possible but be completed no later than February 2001. Refunds should be made, based on access lines, pro rata according to rate levels. ESSX and

ORDER NO. PSC-01-0091-PAA-TL
DOCKET NO. 920260-TL
PAGE 3

Multiserve customers should receive refunds based on applicable Network Access Register rates.

The refund to an R-1 customer is estimated to be between \$3.50 and \$5.00 for each line, while business customers will receive a refund estimated to be between \$10 and \$15 per line. These amounts reflect the assumption that subscribers who pay usage rates plus some percentage of the equivalent flat rate, will receive refunds based on either a) the flat rate surrogate, if applicable, or b) the full equivalent flat rate.

In addition, Rule 25-4.114, Florida Administrative Code, requires the following:

- a. Refunds must be made within 90 days of the final order.
- b. Motions for reconsideration do not delay refunds unless a stay is requested and granted.
- c. The Company must file refund reports.

In the final report submitted to staff after the refunds are made pursuant to Rule 25-4.114(7), Florida Administrative Code, BellSouth shall include documentation (in the form of a price out) showing the calculations for the actual refund amounts per type of access line. The stipulation states that due to the fact that the refund brings the implementation of Order No. PSC-94-0172-FOR-TL to a close, any unclaimed refunds resulting from this final refund should escheat to the state. We agree that this treatment of unclaimed refunds is appropriate.

Paragraph No. 6 of the stipulation states that BellSouth agrees to absorb the non-recurring cost for the operational support system upgrades necessary to implement rate center consolidation. It continues by stating that BellSouth also agrees to absorb the recurring cost of eliminating Extended Calling Service as a result of consolidating the seven Florida Keys rate centers into one. This appears to negate the requirement in Commission Order No. PSC-00-1937-PAA-TL, issued October 20, 2000, in Docket No. 990455-TL, to ballot customers of the Keys area because they would not experience a rate additive for the rate center consolidation. However, there is a possibility that customers in the Keys area may incur a cost should BellSouth seek to establish a new exchange due to rate center consolidation.

ORDER NO. PSC-01-0091-PAA-TL
DOCKET NO. 920260-TL
PAGE 4

On November 13, 2000, in Docket No. 990455-TL, BellSouth filed a "Petition for Withdrawal or Modification of Proposed Agency Action, or, in the Alternative, Formal Hearing." In this Petition, BellSouth states "BellSouth did not agree to waive and, indeed, does not waive seeking the establishment of a new exchange in the Keys as a result of rate center consolidation."

It is our understanding that the parties to the stipulation have agreed that any rate increase associated with establishing a new exchange in the Florida Keys will be addressed pursuant to Section 364.05(3), Florida Statutes.

Therefore, we find that the Joint Motion seeking Commission Approval of the Stipulation should be granted.

Based on the foregoing, it is

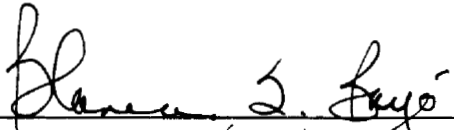
ORDERED by the Florida Public Service Commission that the Joint Motion seeking Commission Approval of the Stipulation shall be granted. The Stipulation is included in this Order as Attachment A, and is incorporated herein by reference. In the final report submitted after the refunds are made, pursuant to Rule 25-4.114(7), Florida Administrative Code, BellSouth shall include documentation (in the form of a price out) showing the calculations for the actual refund amounts per type of access line. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open pending the completion of the refund and receipt of the final report on the refund. After completion of the refund, the receipt of the final refund report, and receipt by the State of any unrefunded amount, this docket shall be closed administratively.

ORDER NO. PSC-01-0091-PAA-TL
DOCKET NO. 920260-TL
PAGE 5

By ORDER of the Florida Public Service Commission this 10th
day of January, 2001.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RVE

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 31, 2001.

ORDER NO. PSC-01-0091-PAA-TL

DOCKET NO. 920260-TL

PAGE 6

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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.

ATTACHMENT A

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review of) Docket No. 920260-TL
revenue requirements and rate)
stabilization plan of Southern)
Bell Telephone and Telegraph)
Company)
_____) Filed: November 9th 2000

**STIPULATION AND AGREEMENT BETWEEN THE OFFICE OF
PUBLIC COUNSEL AND BELL SOUTH TELECOMMUNICATIONS, INC.**

COMES NOW, the Office of Public Counsel ("Public Counsel") and BellSouth Telecommunications, Inc. ("BellSouth" or "Company") (sometimes hereinafter referred to as the "Parties") and hereby agree and covenant as follows:

WHEREAS, there is presently pending before the Florida Public Service Commission ("FPSC") the implementation of the provisions of the Stipulation and Agreement between the Office of Public Counsel and BellSouth filed on January 5, 1994 and approved by the Commission in Order No. PSC-94-0172-FOF-TL, issued on February 11, 1994; and

WHEREAS, the issue of BellSouth's return on equity (earnings) for calendar year 1997 and the sharing therefrom remains to be concluded; and

WHEREAS, Public Counsel and BellSouth believe that it is in the best interest of the customers of BellSouth and the Citizens of Florida to amicably resolve the issue of BellSouth's return on equity/earnings for calendar year 1997 without the expenditure of further time, money, and other resources in litigating these issues before the Commission and the courts;

Now therefore, the Parties do hereby agree and covenant as follows:

1. The Parties agree that this Stipulation and Agreement is intended to and shall settle all issues with regard to the determination of BellSouth's return on equity and earnings for calendar year 1997, as well as the appropriate amount of sharing therefrom.

2. The Parties agree that the preliminary Surveillance Report of calendar year 1997 resulted in a refund to BellSouth's Florida Subscribers of \$123.5 million, plus \$3.175 million interest which refund was processed during 1998. This refund was made pursuant to Order No. PSC-98-0693-FOF-TL, issued on May 19, 1998.

3. The Parties agree that an additional \$32 million, plus interest of \$2.033 million, for 1997 sharing was refunded to BellSouth's Florida subscribers in 1998 pursuant to Order No. PSC-98-1654-FOF-TL, issued on December 9, 1998.

4. The Parties agree that, after resolving the issues raised by the Commission Staff and Public Counsel, the final Surveillance Report for calendar year 1997 shows that BellSouth's earnings before sharing for that period exceeded 15.11% on equity. The issues settled include, but are not limited to unclaimed amounts from both the prior refunds and the current refund.

5. The Parties agree that an additional \$40.3 million, plus interest of \$7.628 million, for a total of \$47.928 million, be refunded to BellSouth's Florida customers. The Parties propose that these refunds be returned to customers using the same methodology approved by this Commission in Order No. PSC-98-0693-FOF-TL. The Parties further propose that the amount of \$47.928 million shall be refunded to customers of record as of the end of October, 2000. Refunds shall begin as soon as possible and shall be completed no later than the end of February, 2001. Due to the fact that this refund brings the implementation of Order No. PSC-94-0172-FOF-TL to a close, any unclaimed refunds resulting from this final refund should escheat to the state in accordance with Chapter 716, Florida Statutes.

6. In addition, as part of this Stipulation and Agreement, BellSouth agrees to absorb the nonrecurring cost for the operational support system upgrades necessary to implement rate center consolidation. BellSouth also agrees to absorb the recurring cost of eliminating Extended Calling Service as a result of consolidating the seven Florida Keys rate centers into one.

7. The Parties agree that they shall jointly petition the FPSC to approve this Stipulation and Agreement and close Docket No. 920260-TL upon the implementation of this Stipulation and Agreement.

8. The Parties agree that in the event the FPSC does not adopt this Stipulation and Agreement in its entirety, this Stipulation and Agreement shall become null and void and be of no effect.

9. The Stipulation and Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida without regard to its conflict of laws principles.

10. Public Counsel and BellSouth acknowledge that this Stipulation and Agreement is being entered into for the purposes of settlement only and that the Parties are entering into this Stipulation and Agreement to avoid the expense and length of further legal proceedings, taking into account the uncertainty and risk inherent in any litigation.

IN WITNESS WHEREOF, this Stipulation and Agreement has been executed as of November 9, 2000, by the undersigned counsel of record for the Parties hereto and/or by the Parties themselves in multiple counterparts, each of which shall be deemed an original.

OFFICE OF PUBLIC COUNSEL

By: Jack Shreve
Jack Shreve
Public Counsel

209804

BELLSOUTH
TELECOMMUNICATIONS, INC.

By: Joseph P. Lachner
for Joseph P. Lachner
President-Florida