

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Refund of excess 1989 earnings)	DOCKET NO. 900178-TL
by QUINCY TELEPHONE COMPANY)	ORDER NO. 24011
)	ISSUED: 1/22/91

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION

ORDER SETTling 1989 EXCESS EARNINGS
BY REQUIRING REFUND, BY REQUIRING COMPANY TO RECORD
ADDITIONAL DEPRECIATION EXPENSE, AND BY LOWERING LOCAL RATES

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

By Order No. 21043, issued April 13, 1989, in Docket No. 890178-TL, this Commission accepted Quincy Telephone Company's (Quincy's or the Company's) proposal concerning its 1989 level of earnings. The proposal called for reducing Quincy's 1989 earnings by eliminating zone charges and refunding any additional earnings for 1989 in excess of a 14.3% return on equity (ROE).

I. Quincy Shall Refund \$135,726.31 As
Credits to Customers' Bills

On March 15, 1990, the Company submitted its preliminary 1989 surveillance report which indicated earnings in excess of a 14.3% ROE. By Order No. 23145, issued on July 3, 1990, we ordered the Company to make a preliminary refund of \$183,192 which included excess earnings of \$168,002 and interest of \$15,190.

The Company submitted two versions of its final 1989 surveillance report using two different methods for separating billing and collection costs between the interstate and intrastate jurisdictions. Both of these versions indicate additional earnings

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in excess of a 14.3% ROE after the preliminary refund. One version reflects excess earnings of \$50,069 plus \$6,761 of interest and the other version reflects \$116,665 plus \$15,749 of interest. No decision has been made by the Federal Communications Commission (FCC) regarding which method for separating billing and collection costs between the interstate and intrastate jurisdictions is appropriate. Quincy has indicated that, until the FCC makes such a decision, it is willing to utilize the method which results in a larger amount of costs for the interstate jurisdiction which also results in a larger amount of excess earnings for the Company. If, however, the FCC's decision results in Quincy over-refunding for 1989, the Company requests that such over-refunded amount be treated as part of the Company's 1990 earnings. Since we find this reasonable and consistent with our past decisions regarding overearnings, we hereby approve this request.

Based on the foregoing, we find it appropriate to require that the Company make a second refund to residential and business customers in the same proportion as the various local exchange rates bear to each other. The refund shall be made to customers of record during the December 1990 billing cycle. When we issued Order No. 23145, we required Quincy to issue refund checks rather than crediting each customer's bill. As of September 30, 1990, 149 checks in the amount of \$3,312.31 had not yet cleared the bank. We find it appropriate to require the Company to add this amount to the \$132,414 final settlement amount. The Company is hereby authorized to offset any of the outstanding checks in the year in which they are cashed. In light of this problem of outstanding checks, we find it appropriate to require that this second refund be made as a credit to each customer's bill. If the final refund amount for 1989, based on the FCC's decision on billing and collection costs, is less than \$15,000 or if the Company has over-refunded, the final amount shall be considered in determining the level of Quincy's earnings for 1990.

Once the total refund amount has been finally determined, any person who was a customer of Quincy during the time period in which the overearnings occurred, but who is not now a Quincy customer, may come forward and claim a share of the refund if Company records substantiate the validity of his or her claim. Such claims shall be presented to the Utility not later than 30 days following the effective date of this Order. All such claims shall be factored into the projected basis for the refund to determine the refund

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factor applicable to all customers. Quincy shall file a report reflecting the refunds made pursuant to this Order in accord with the provisions of Rule 25-4.114, Florida Administrative Code.

II. Quincy Shall Record Additional Depreciation Expense for 1990 of \$175,000

By Order No. 22367, issued January 3, 1990, in Dockets Nos. 890292-TL and 891237-TL, we reduced Quincy's authorized ROE, reduced its local residential rates, ordered county-wide extended area service (EAS) in Gadsden County and implemented a local calling plan between Leon and Gadsden Counties. In those dockets, earnings were estimated and targeted for a 12.9% ROE, based on the assumption that county-wide EAS would be implemented on July 1, 1990, and that the local calling plan between Gadsden and Leon Counties would also be implemented on July 1, 1990. The actual implementation dates were October 1, 1990, and August 1, 1990, respectively.

Implementation of these plans reduced Quincy's earnings significantly. However, the delay in implementation will result in approximately \$92,000 less in reduced revenue for Quincy than was originally estimated. Quincy's achieved ROE will be approximately 1.8% higher than planned. Also, Quincy's 1990 earnings have improved an additional \$16,000 due to increased assignment of expenses and rate base to the interstate jurisdiction. The combined effect of these two items is to increase Quincy's intrastate earnings by \$108,000, which will result in excess earnings for 1990.

At the time of Quincy's last depreciation represcription in Docket No. 890225-TL, the Company had no fiber in its network and had no plans for any in the near term. Since the time of that study, Quincy has gained experience in fiber optics by putting in fiber to connect to Central Telephone Company of Florida in order to implement the calling plan between Leon and Gadsden Counties. Quincy now has plans to place more fiber in the interoffice and feeder part of its network. This plan to modernize will most likely result in deficits in the reserves of its metallic cable facilities. By Order No. 22585, we have required Quincy to file its next depreciation study no later than June 7, 1991. Due to the probable deficit in the reserve for cable and wire facilities, Quincy's depreciation expense is likely to increase in 1991.

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To avoid a situation in which Quincy is likely to overearn in 1990 and then have a large increase in expenses in 1991, we find it appropriate to require Quincy to record \$175,000 of additional depreciation expense to its reserve for cable and wire facilities in 1990. This amount will be made account specific during the course of the 1991 review.

III. Quincy Shall Reduce Local Rates By
Approximately \$90,000 Effective January 1, 1991

At the time of our decision in Dockets Nos. 890292-TL and 891237-TL, we assumed that the amount of Quincy's Universal Service Fund (USF) receipts would decline slightly from 1989 to 1990. Quincy received approximately \$144,000 and \$134,000 in USF revenue in 1989 and 1990 respectively. The USF is a mechanism by which companies that have local loop costs more than 15% above the national average local loop cost receive revenues in order to help hold down local rates. A company receives USF revenue based on costs incurred in the second previous year. For example, 1991's USF revenues are based on 1989's expenses. Quincy recorded non-recurring depreciation expense in 1989 which will cause a \$74,000 increase in its USF revenue for 1991. Based upon our foregoing decision, Quincy's 1992 USF revenue, which is based on 1990's costs, will remain at the increased level of 1991.

The increase of \$74,000 in USF revenue, in addition to the \$16,000 increase in earnings mentioned earlier, will lead to approximately \$90,000 in additional earnings annually, which was not contemplated in Dockets Nos. 890292-TL and 891237-TL. Therefore, we find it appropriate to require Quincy to reduce its local rates effective January 1, 1991, in order to retarget its earnings within its authorized range and to avoid potential overearnings. The rates shown on Attachment A to this Order are very close to, but not exactly the same as, the rates charged by Southern Bell in its Rate Group VI, which is where Quincy's calling scope would fall and is the same as the Havana exchange, also in Gadsden County. Therefore, we find it appropriate to approve these rates.

If the proposed agency action period expires without a protest being filed and after our Staff reviews the final refund report by the Company, this docket shall be closed administratively.

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Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Quincy Telephone Company shall refund \$135,726.31 in excess earnings for 1989 as a credit to its customers' bills as set forth in the body of this Order. It is further

ORDERED that Quincy Telephone Company shall record additional depreciation expense for 1990 of \$175,000 as set forth herein. It is further

ORDERED that Quincy Telephone Company shall reduce its local rates by approximately \$90,000 as set forth in the body of this Order. It is further

ORDERED that Quincy Telephone Company shall implement the local rates reflected on Attachment A hereto effective January 1, 1991. It is further

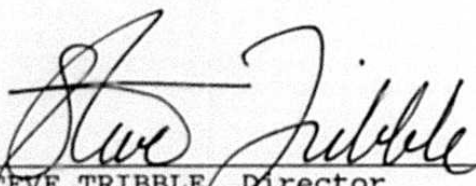
ORDERED that Quincy Telephone Company shall submit a refund report regarding the refunds made pursuant to the provisions of this Order in accord with the provisions of Rule 25-4.114, Florida Administrative Code. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final unless a petition in the form required by Rule 25-22.036, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set out in the Notice of Further Proceedings below. It is further

ORDERED that this docket shall be closed administratively if no protest is received within the protest period set forth below and once our Staff has reviewed and approved the refund report submitted by Quincy Telephone Company.

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By Order of the Florida Public Service Commission, this
22nd day of JANUARY, 1991.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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,

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Florida 32399-0870, by the close of business on
February 12, 1991.

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.

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 sewer 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.

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ATTACHMENT A

	CURRENT RATES	COMMISSION APPROVED RATES
R-1	9.50	9.25
B-1	27.69	25.50
Semi-Public	55.79	51.00
Rotary	41.72	38.25
PBX	55.79	51.00
Vacation	4.75	4.63
Central Office	20.00	16.00
Primary Service Order	20.00	16.00
Secondary Service Order	11.00	9.00