BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Modified Minimum Filing) DOCKET NO. 910927-TL
Requirements Report of ST. JOSEPH) ORDER NO. PSC-92-1496-AS-TL
TELEPHONE AND TELEGRAPH COMPANY.) ISSUED: 12/28/92
_________________________________)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
BETTY EASLEY

<u>FINAL ORDER ACCEPTING PROPOSAL TO RESOLVE REMAINING ISSUES IN DOCKET</u>

BY THE COMMISSION:

<u>BACKGROUND</u>

St. Joseph Telephone and Telegraph Company (St. Joe or the Company) filed its Modified Minimum Filing Requirements (MMFRs) on September 30, 1991, using a test year ended June 30, 1991. In Docket No. 910462-TL, the Company's 1991 earnings were capped at its approved 13.9% return on equity (ROE) ceiling. The 1991 earnings were to be trued-up in Docket No. 910927-TL (this docket), using the 1991 Cost Study to be received in June, 1992.

By Order No. PSC-92-0284-FOF-TL, issued May 5, 1992, St. Joe was required to file its Minimum Filing Requirements (MFRs) for the test year ended December 31, 1991. Those schedules were filed on July 15, 1992. The matter was set for hearing by the same Order. The procedures to govern the hearing were established by Order No. PSC-92-1054-PCO-TL, issued September 23, 1992. That Order also sets forth the issues to be addressed in the hearing, as well as a schedule for key events.

On October 27, 1992, St. Joe filed a proposal to resolve certain issues related to its revenue requirement. On November 2, 1992, the Office of Public Counsel (OPC) filed a letter agreeing to St. Joe's proposal. At our November 3, 1992, Agenda Conference, we determined that it was appropriate to accept the Company's proposal. That action is reflected in Order No. PSC-92-1375-AS-TL, issued November 30, 1992. Following acceptance of the Company's proposal, the only issues remaining for hearing were those regarding rates, rate structure, and quality of service.

<u>DISCUSSION</u>

On November 19, 1992, St. Joe and OPC entered into and filed a joint Settlement Agreement (the Agreement) to resolve the remaining issues in this docket. The Agreement is set forth as Attachment A to this Order and provides for:

1. Disposition of 1992 overearnings.

2. Elimination of Touchtel (touchtone) rates.

3. Implementation of the $.25 message rate plan between the Blountstown and Wewahitchka exchanges.

4. Reduction in the basic monthly rates in the Chattahoochee exchange to the level of the Altha exchange.

5. Reduction of MTS (message toll service) intraLATA toll rates.

6. Refund of any residual amount created by failure to have all reductions in effect by January 1, 1993.

Additionally, at our December 15, 1992, Agenda Conference where we considered the Agreement, the Company and OPC made two clarifications to the Agreement. First, they clarified that they both agree that the Company's quality of service is satisfactory. Second, they both agree that the intent of the MTS reduction is to apply the reduction evenly across all rate bands in which there is actually toll calling occurring, not just the first three mileage bands.

We believe the Agreement is a reasonable and appropriate resolution of the issues remaining in this docket. Although we may have reached a different decision if we had proceeded to hearing on these issues, we recognize that the Agreement represents a compromise between the parties and provides benefits to the ratepayers. Accepting the Agreement will minimize rate case expense and allow the Company to immediately begin implementing the provisions of the Agreement. Accordingly, we shall accept the Agreement as a resolution of the issues remaining in this docket. We note that the effect of this action is to render moot OPC's Motion to Provide Notice of Staff Rate Proposal and Motion to Hold Public Hearings, filed October 30, 1992.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Settlement Agreement filed November 19, 1992, by St. Joseph Telephone and Telegraph Company and the Office of Public Counsel is hereby accepted as final resolution of the issues remaining in this docket. It is further

ORDERED that the Motion to Provide Notice of Staff Rate Proposal and Motion to Hold Public Hearings filed October 30, 1992, by the Office of Public Counsel, is hereby declared to be moot. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission this 28th day of December, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
ABG

by: Kay Flynn
Chief, Bureau of Records

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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or 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 after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

ATTACHMENT A

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Modified Minimum Filing Requirements Report of St. Joseph Telephone & Telegraph Company	Docket No: 910927-TL Filed: November 19, 1992

SETTLEMENT AGREEMENT

The citizens of the State of Florida, represented by the Office of Public Counsel ("OPC"), and St. Joseph Telephone and Telegraph Company ("St. Joseph" or "the Company"), sometimes referred to herein collectively as the parties, file their stipulation for settlement of the rate issues in this docket, in order to decrease revenue annually by $534,582, on a prospective basis, and to otherwise carry out the results of the Commission's vote at the Agenda Conference of November 3, 1992, which resolved the issues regarding rate base, cost of capital, net operating income and revenue requirements.

1. Background.

As directed by Order No. PSC-92-0284-FOF-TL, issued May 5, 1992, St. Joseph filed Minimum Filing Requirements (MFRs) on July 15, 1992, using a test year ended December 31, 1991; this was done by updating previously filed Modified Minimum Filing Requirements (MMFRs). Some of the MFR schedules were revised and resubmitted to the Commission on September 15, 1992. The resubmitted schedules were pro forma schedules that reflected, in part, the company's best estimate of changes that will result from St. Joseph's Board of Directors' dividend payment and approval of a capital budget to be financed by borrowings from St. Joseph's parent company. The Company, thereafter, on October 27, 1992, filed a proposal with the Commission in an attempt to resolve issues regarding rate base, cost of capital, net operating income and revenue requirements. On November 3, 1992, at Agenda Conference, with the knowledge of the written concurrence of OPC, the Commission accepted St. Joseph's proposal.

The previously designated issues regarding rates (Issues 14 through 24, as set forth in Order No. PSC-92-1054-PCO-TL, "Appendix A", pages 10-12) were not affected by the Commission acceptance of St. Joseph's proposal of October 27, 1992, and those issues are resolved by this Settlement Agreement between the parties.

2. <u>Disposition of 1992 overearnings</u>.

St. Joseph filed a corporate undertaking in the amount of $700,000 to secure any refunds that might be ordered to be made for the period beginning January 7, 1992, and ending with the establishment of final rates. Neither OPC nor St. Joseph knows the exact amount of refunds that will be calculated based upon a surveillance report for the 12-month period ending October 31, 1992, but St. Joseph filed the requisite surveillance report with the Commission on November 16, 1992.

Whatever refunds are appropriate, if any, will be made as a credit to residential and business customers in the usual fashion. Such refunds, if any, will be made to customers of record in the month that the amount of refund is ascertained and will be reflected in such customer's bills in the next month thereafter, but in no event later than March, 1993.

3. <u>Prospective Rate Changes</u>.

a. <u>Elimination of Touch-tel (touchtone) rates</u>. OPC and

St. Joseph agree that it would be in the best interests of St. Joseph's subscribers to completely eliminate this charge.

The revenue effect of this rate change is an annual revenue reduction of $250,400.

b. Expansion of calling scope for subscribers in the Blountstown and Wewahitchka exchanges. At the service hearing in this docket, held in Blountstown, on September 23, 1992, a group of residents from the Kinard area, located in the Wewahitchka exchange in a pocket in Calhoun County, expressed a need to call Blountstown on a local calling basis. OPC and St. Joseph agree that this situation can best be addressed by instituting a seven digit $.25 local calling plan between the entire Blountstown and Wewahitchka exchanges. St. Joseph agrees to implement such a plan as soon as possible, but in no event later than March 1, 1993. The annual lost revenue effect of this plan is $56,000.

c. Reduction of recurring monthly rate for subscribers in the Chattahoochee exchange. Chattahoochee subscribers pay a monthly recurring charge of $9.50 and have a local calling plan in effect for calls to Tallahassee. OPC and St. Joseph agree that the monthly recurring charge will be reduced to $7.80 per month. The revenue effect of this rate change is an annual revenue reduction of $69,526.

d. Reduction in MTS intraLATA toll rates. OPC and St. Joseph agree that the balance of the Commission approved rate reduction of $534,582 will be applied to reduce the first three rate bands, i.e., 0-10 miles, 11-22 miles and 23-55 miles. Such reduction shall be spread over the rate bands, based upon the proportion of revenue generated from each rate band, with the reduction distributed equally between the initial minute and additional minutes.

e. Disposition of any residual amount created by failure to have all reductions in place for the entire 1993 calendar year. OPC and St. Joseph agree that any residual amount of the $534,582 reduction created by failure to have all rate changes hereinabove described in place for all of calendar year 1993 will be refunded to customers of record on December 31, 1993, as a credit on their February, 1994, bills. The refund will be calculated by apportioning the revenue effect set forth herein over the period for which the old rates were effective For example, if Touch-tel charges are not eliminated until February 1, 1993, the amount of $20,866.67 will be refunded.

4. Basis for Settlement Agreement.

The intent of this settlement agreement is to provide reduced rates for virtually all subscribers while avoiding any rate increase for any subscriber, unless that subscriber receives additional service. OPC and St. Joseph agree that notice to customers of probable revenue reductions by St. Joseph should not result in any rate increases to any subscribers unless such subscribers have received extended and more valuable service, as in the case of the $.25 plan agreed to herein.

5. Effect of Settlement Agreement.

a. The parties agree that this Settlement Agreement, if approved in its entirety and without modification by the Commission, shall bind the parties to the degree set forth herein.

b. The parties further agree as follows:

(1) The Settlement Agreement reached in this docket is based on the unique factual circumstances of this case and shall have no precedential value in proceedings involving these parties or other utilities before this Commission. The agreement, as stated herein, represents a tentative acceptance by the parties of certain assumptions about St. Joseph's operations which is contingent upon this Commission's acceptance of the entire proposal. The parties reserve the right to assert a different position on any matter if this Settlement Agreement is not accepted by the Commission. The parties further agree that in entering into this Settlement Agreement neither party has relinquished or waived any position on any issue and may assert its interests as it sees fit in other proceedings in which these same or similar issues may arise.

(2) Neither of the parties hereto shall unilaterally recommend or support the modification of this Settlement Agreement or discourage its acceptance by the Commission.

(3) Neither of the parties hereto shall independently request reconsideration of, or appeal the order which approves this Settlement Agreement.

(4) The parties urge that the Commission take final agency action on the Settlement Agreement as soon as possible.

(5) In the event that the Commission rejects or modifies this Settlement Agreement, in whole or in part, the parties agree that this Settlement Agreement is void, unless ratified by the parties in its modified form, and that each party may pursue its interests as those interests appear.

Dated this 19th day of November, 1992.

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