BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Modified Minimum Filing Requirements Report of SOUTHLAND TELEPHONE COMPANY.

DOCKET NO. 920196-TL
ORDER NO. PSC-93-1637-FOF-TL
ISSUED: November 8, 1993

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING MODIFIED MINIMUM FILING REQUIREMENTS AS AMENDED

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.

I. BACKGROUND

On March 31, 1992, Southland Telephone Company (Southland or the Company) filed Modified Minimum Filing Requirements (MMFRs) for the 12 months ended December 31, 1991. An audit was subsequently performed for the twelve months ended December 31, 1992.

II. INTRASTATE RATE BASE

In the Earning Surveillance Report (ESR) for the twelve months ended December 31, 1992, Southland filed an intrastate rate base of $3,974,560. Based on an analysis of the ESR, we find it appropriate to reduce intrastate rate base by $103,017 to $3,871,543. This reduction results from adjustments to General Support Asset and Reserve Allocation, Working Capital, separation factor and an update to non-regulated allocation.

Southland has telephone operations in Florida and Alabama. General support assets, such as buildings, furniture, and vehicles are commonly used between the states. Southland is currently allocating 100% of these general support assets to Alabama operations. Total company rate base should be increased by $855,451 of general support assets and <$285,412> of associated depreciation reserve. We find that the Florida operations should

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include a certain portion of the general support assets that are commonly used between the states. The company should allocate rate base items which are common based on percentage of usage. Since the percentage of usage for these items is not readily attainable, the most reasonable method of allocation is by the percentage of access lines. The increase to rate base, as stated above, was computed by using the percentage of access lines. The following general support asset accounts and associated reserve accounts, which are presently included in Alabama's rate base, should be allocated between Florida and Alabama based on access lines.

ACCOUNT	DESCRIPTION	AVERAGE INVESTMENT	AVERAGE RESERVE
2110 001	Land AL	$ 180,613	$ 0
2112 000	Motor Vehicles Total Co.	122,705	67,116
2116 000	Other Work Equip. Total Co.	269,043	174,136
2121 001	Buildings AL	1,950,831	539,771
2112 001	Furniture AL	284,866	60,329
2123 001	Office Equip. AL	103,438	21,324
2123 101	Communication Equip. AL	61,181	67,274
2124 000	General Purpose Computers	233,491	60,664
2124 100	Initial Oper. Sys Software	118,685	118,685
		$3,324,853	$1,109,299
FL percent of access lines		25.7290%	25.7290%
FL amount of common plant		$ 855,451	$ 285,412

Total company rate base should be decreased by $666,025 to exclude Florida's portion of the following accounts: Account 1130-200, United Bank Money Fund ($49,008), Account 1160-600, Rochester Investments ($613,829) and Account 1190-170, Accounts Receivable Rochester Tel ($3,188), which are all included in the Company's calculation of the working capital allowance. In response to FPSC Audit Document/Record Request No. 9, the Company reported that Account 1130-200 is an interest bearing account. Account 1160-600, Rochester Investments, represents excess cash transferred from Southland to Rochester Telephone Company. These funds are pooled with excess funds from other affiliates and invested by Rochester Telephone Company. The return on this investment is recorded in Account 1190-170 Accounts Receivable Rochester Telephone. These interest bearing and related receivable accounts should be excluded when calculating the working capital allowance. The inclusion of these accounts in the working capital allowance allows a return from both the investment and from the Company's ratepayers. It is

our general practice to exclude interest bearing accounts from the working capital allowance. The intrastate amount of this reduction is $447,468.

The adjustment to intrastate working capital includes three components. First is the adjustment for temporary cash investments and accounts receivable - affiliate companies as stated above. Second is the working capital allowance adjustment for use of 1992 separation factors. The separation of working capital is dependent upon the separation of net plant. Net plant separation is discussed below. Third, the adjustment to net plant for common assets has been incorporated in determining the working capital allowance separation factor.

Intrastate rate base should be decreased by $21,770 to account for the difference in separations factors used by the Company for the 12 months ended December 31, 1992 and the separations factors used in calculating intrastate rate base. The Company used the separation factors contained in the 1991 Cost Study, filed on July 2, 1992. Our calculations used the separation factors contained in the 1992 Cost Study, filed on July 1, 1993.

Intrastate rate base should be decreased by $16,797. This reduction is to account for the difference between the total regulated rate base presented in the 1992 ESR and the total regulated rate base presented in the 1992 Separations Cost Study. The revised ESR, filed on May 18, 1993, presents total regulated rate base which was computed using the 1991 non-regulated rate base allocation factors. The revised separations cost study, filed on July 26, 1993, presents total regulated rate base which was computed using the 1992 non-regulated rate base allocation factors. At the time the ESR was filed, the 1992 non-regulated separation factors were not yet available. The non-regulated separations factors are updated annually as a part of the separations cost study this reduction is necessary to adjust the rate base as presented in the 1992 ESR to the amount which would have been presented if the Company had used the 1992 non-regulated rate base allocation factors when it filed its 1992 ESR.

III. <u>INTRASTATE REVENUES AND EXPENSES</u>

Southland filed revenues and expenses of $1,245,591 and $1,038,506 respectively in the Earnings Surveillance Report for the period ended December 31, 1992. We find the appropriate amounts for intrastate revenues and expenses to be $1,333,134 and

$1,000,001, respectively. These amounts reflect adjustments for Misstatement of Intrastate Miscellaneous Revenues, Allocation of Directory Advertising Revenues, Rent Revenue Allocation, Charges for Contributions, Access Expense, Depreciation Expense associated with general support assets, differences in separations factor and updated non-regulated allocation factors.

We find that intrastate revenue should be reduced by $55,729. In the Company's ESR, for the 12 Miscellaneous Revenue was reported at $144,470. Miscellaneous Revenues according to the books of the Company are $91,741. The Company has erroneously double counted interstate billing and collection revenue as both interstate and intrastate revenues. Therefore, intrastate and total company revenue are both overstated by $55,729.

Intrastate revenues should be increased by $31,834. This increase is to allocate directory revenues to Florida in a manner consistent with the percent of access lines located in Florida, as established at the time of adopting Rule 24-4.0405, Telephone Directory Advertising Revenues. Based on the 1992 Separations Cost Study, total directory advertising expense was allocated to Florida at 24.64 percent. We believe the expense allocated to Florida is reasonable when compared to the percent of access lines in Florida. Total directory advertising revenues were allocated to Florida at 7.97 percent. The percent of revenue allocated to Florida does not reasonably reflect the percentage of access lines in Florida, nor does it match the percentage of expense allocated to Florida. In response to a request for an explanation of the difference in revenue and expense allocation to Florida, the Company stated that revenues are based on actual billing for the directory advertisement. In addition the Company stated that monthly directory settlement for foreign and yellow page advertising was not being properly allocated to Florida and that the Directory Revenue allocated to Florida should be increased by $11,792. This increase makes the amount of revenues allocated to Florida equal $26,083 or 14.55 percent of the total directory advertising revenue. The difference between the percent of access lines located in Florida is (25.729 - 14.55) 11.179 percent. This difference of 11.179%, times the total directory advertising revenue for 1992 of $179,281, yields $20,042 plus the $11,792 increase in allocation by the Company equals $31,834, which is the amount that Florida directory advertising revenue should be increased.

Intrastate revenues should be increased by $11,438. The Southern Region Operation Group (SRO) of Rochester Telephone Company, is located in Alabama and it shares facilities with Southland Telephone Company. Revenue received from the use of shared facilities is recorded in Account 5240-001, Rent Revenue - Alabama. As noted above common plant is to be allocated on the basis of access lines. Accordingly, the rent received from the sharing of common plant should be allocated to Florida in the same manner as common plant.

Total company operating expense should be reduced by $8,607 for charges to above-the-line expense accounts for contributions to charitable, social and community welfare organizations. The Company acknowledges that these charges should have been recorded in Account 7370, below-the-line, and is in the process of correcting its procedures. The intrastate amount of this reduction is $5,793.

The company recorded a $61,000 payment to Southern Bell for private line leased facility in Account 6540-002. The Company classified 100% of this expense as intrastate expense in its Separations Cost Study. Title 47 CFR 36.145, subcategory 1.2, requires private lines which carry interstate traffic in excess of 10% of the total traffic to be classified as 100% interstate. The Company reported that 80%of the traffic carried through this facility is related to interstate traffic. Accordingly, intrastate expense should be reduced by $61,000.

Operating expenses should be increased by $21,443 for depreciation expense associated with the portion of the general support assets which staff proposes allocating to Florida. The proposed rate base adjustment is addressed, in detail above. The Florida portion of the depreciation expense has been calculated in a manner with the method used to calculate the Florida portion of Common Plant. The intrastate amount of this adjustment is $14,434.

Intrastate operating expense should be increased by $40,363 to account for the difference in separations factors used by the Company in the Earning Surveillance Report for the 12 months ended December 31, 1992 and the separations factors used to calculate intrastate expenses. The Company used the separations factors contained in the 1991 Cost Study, filed with the Commission on July 2, 1992, rather than factors contained in the 1992 Cost Study, filed on July 26, 1993.

Intrastate operating expense should be decreased by $38,710. This reduction is to account for the difference between the total regulated operating expenses presented in the 1992 ESR and the total regulated operating expenses presented in the 1992 Separations Cost Study. The revised ESR, filed with the Commission on May 18, 1993, presents total regulated expenses which were computed using the 1991 non-regulated allocation factors for expenses which were computed using the 1992 non-regulated allocation factors for expenses. This reduction is necessary to adjust 1992 operating expense as presented in the 1992 ESR to the amount which would have been presented if the Company had used the 1992 non-regulated allocation factors for expenses when it filed its 1992 ESR.

IV. INTRASTATE OPERATING TAXES

Operating taxes as reflected on Southland's Earnings Surveillance Report are $139,193 and contain Other Taxes, Federal Income Taxes and State Income Taxes. Other Taxes include Property Taxes, Gross Receipts Taxes, Regulatory Assessment Fees and "Other Taxes."

Southland's ESR and additional detail provided by Southland, report Other Taxes as follows:

OTHER TAXES

	TOTAL COMPANY	INTRASTATE FACTOR (1991)	INTRASTATE AMOUNT
Property Taxes	$ 98,449	100.00%	$ 98,449
GRT/PSC Taxes	14,927	37.73%	5,632
Other Taxes	2,842	100.00%	2,842
TOTAL	$116,218		$106,923

Comparison of the surveillance report detail to the utility's general ledger revealed small discrepancies in the Other Taxes subaccount balances, even through in total there was no difference. Per the surveillance report detail provided, property taxes are $98,449, gross receipts taxes and regulatory assessment fees (GRT/PSC taxes) are $14,927 and "other taxes" are $2,842 whereas the general ledger reports property taxes of $98,454, GRT/PSC taxes

of $15,749 and "other taxes" of $2,016. Therefore, adjustments have been made to restate the subaccount balances to the recorded general ledger amounts. To reflect this, property taxes have been increased by $5, GRT/PSC Taxes have been increased by $822 and "Other Taxes" have been decreased by $826.

Per Audit Disclosure No. 1, during 1992 Southland forfeited discounts on property taxes in the amount of $1,014.99. Where a company postpones paying property taxes and loses the early payment discount, operating expense is reduced by the amount of the discount that was lost. Consequently, total company property taxes should be decreased by $1,015.

In its ESR, Southland allocated 100% of Florida property taxes to intrastate operations. Based on its 1992 "Separations and Access Cost Studies" only 67.32% should be allocated to intrastate operations. Consistent with other proposed separation adjustments previously addressed, the 1992 allocation factor of 67.32% should be applied to the total Florida amount developed above for a result of $97,439. The result is Florida intrastate property taxes of $65,596 ($97,439 x .6732), a reduction of $31,843.

Examination of the general ledger, along with supplemental documentation, disclosed that during 1992 Southland recorded a $7,475 credit to its GRT/PSC Tax expense account. Further inquiry revealed that the credit was recorded as a result of a Gross Receipts Tax refund for which the company applied in July 1992 and that of the $7,475, $4,792 is attributable to 1991, and is therefore out-of-period. Staff recalculated both Gross Receipts Taxes and Regulatory Assessment Fees using the general ledger revenues as a basis, the embedded rate for Gross Receipts Tax which is 1.5% and the Regulatory Assessment Fee rate which is .15%. In its ESR the Company allocated only 37.73% of the combined Gross Receipts Taxes and Regulatory Assessment Fees to intrastate operations. The fees should have been allocated 100% to intrastate operations, with the exception of $2,048 of interstate Gross Receipts Taxes. Revenue adjustments A, B and C in Issue 2 were considered. However, because the revenue adjustments do not impact Gross Receipts Taxes and the impact on Regulatory Assessment Fees is immaterial, no adjustment is recommended.

Therefore, total Florida Gross Receipts Tax and Regulatory Assessment Fees have been increased by $822 (as discussed in 1) above) and by $534 (the net of the $4,792 out-of-period refund applied for and the $4,258 adjustment which was made to reflect

staff's recalculation). The result increases total Florida GRT/RAF by $1,356, from $14,927 to $16,283 and increases intrastate GRT/RAF by $8,603, from $5,632 to $14,235.

A summary of the adjustment to Other Taxes as described above follows.

OTHER TAXES

	Total Company	Intrastate Factor/Interstate Amount (1992)	Intrastate Amount
Property Taxes per ESR	$ 98,449		
-plus G/L adj.	5		
-less discounts forfeited	(1,015)		
Staff Adjusted Prop. Taxes	$ 97,439	67.32% (31,843)	$ 65,596
GRT/PSC Taxes per ESR	$ 14,927		
-plus G/L adj.	822		
-plus '91 refund	4,792		
-adjustments to reflect staff's recalculation	(4,258)		
Staff Adjusted GRT/PSC Taxes	$ 16,283	(2,048)	$ 14,235
Other Taxes per ESR	$ 2,842		
-less G/L adj.	(826)		
Staff Adjusted Other Taxes	$ 2,016	100.00%	$ 2,016
STAFF ADJUSTED TOTAL	$115,738		$ 81,847

Based on the above, total company Operating Taxes - Other Taxes have been reduced by $480, from $116,218 to $115,738 and Intrastate Operating Taxes - Other Taxes have been reduced by $25,076, from $106,923 to $81,847.

Intrastate Operating Taxes - Federal Income Tax (FIT) and State Income Tax and (SIT): In its ESR, Southland reports intrastate FIT expense of $27,553 and intrastate SIT expense of $4,717.

In its ESR, Southland neglected to make a parent-debt adjustment. Rule 25-14.004, Florida Administrative Code (FAC), "Effect of Parent Debt on Federal Corporate Income Tax," states that,

> In Commission proceedings to establish revenue requirements or address over-earnings...the income tax expense of a regulated company shall be adjusted to reflect the income tax expense of the parent debt that may be invested in the equity of the subsidiary where a parent-subsidiary relationship exists and the parties to the relationship join in the filing of a consolidated income tax return.

Furthermore, Rule 25-14.004, provides guidance in calculating the parent-debt adjustment for both single-parent/subsidiary relationships and tired-parent/subsidiary relationships. According to its organizational chart and discussions with the company, Southland has a tired-parent/subsidiary structure. First, Southland is a subsidiary of Rochester Tel Subsidiary Telco, Inc. (RTST) and RTST is a subsidiary of Rochester Telephone Corporation (RTC). Furthermore, the three entities (Southland, RTST and RTC), along with many other entities, join in the filing of a consolidated income tax return. However, Southland's immediate parent (RTST) has no debt. Consequently, the capital structure of RTC should only be used to calculate the effect of the parent-debt adjustment on Southland's FIT expense. The result is a reduction to intrastate FIT expense of $8,222.

In its ESR, Southland's interest reconciliation adjustment was incorrect. In error, the Company reduced the reconciled intrastate interest in tax expense by an additional $54,947, which appears to be the result of incorrectly applying an interstate factor to its reconciled intrastate interest. The interest reconciliation adjustment was recalculated, correcting for the foregoing error and

reflecting proposed adjustments to Southland's capital structure resulting from proposed changes to rate base and reconciliation between capital structure and rate base. The result is a net $52,388 increase to interest in tax expense, resulting in reductions to FIT of $16,832 and SIT of $2,881.

Finally, FIT and SIT were adjusted for the income tax effect of proposed adjustments above. The foregoing proposed adjustments increase the net operating income before taxes by $63,322, which results in increased FIT of $20,345 and increased SIT of $3,483.

Consequently, FIT should be decreased by $4,709, from $27,553 to $22,844 and SIT should be increased by $602, from $4,717 to $5,319. These adjustments reflect the FIT effect of the parent-debt adjustment, correct Southland's error which resulted in inadequate interest being considered in its calculation of income tax expense, reflect the alterations to Southland's capital structure and reflect the income tax effect of the adjustments throughout this Order. The calculation of the adjustment follows.

	NOI Effect	FIT Effect (.3213)	SIT Effect (.055)
Parent Debt Adjustment		$ (8,222) (a)	
Interest Reconciliation Adjustment			
Interest in Tax Expense			
-Per Southland	$ 114,406		
-Per Staff	166,794		
Interest Adj.	$ 52,388	$ (16,832)	$ (2,881)
Proposed Adjs. in Issue 2			
(A) Misc. Revenue	$ (55,729)	(17,905)	$ (3,065)
(B) Directory Rev.	31,834	10,228	1,752
(C) Rent Revenue	11,438	3,675	629
(D) Access Expense	(61,000)	19,600	3,355
(E) Charitable Contributions, etc.	(5,793)	1,861	319
(F) Depreciation	14,434	(4,638)	(794)
(G) 1991/1992 Cost Study Effects	40,363	(12,969)	(2,220)

	NOI Effect	FIT Effect	SIT Effect
(H) 1992 ESR/1992 Cost Study Effects	(38,710)	12,438	2,129
Proposed Adj. in Issue 3 (A) Other Taxes	(25,073)	8,056	1,379
NOI/FIT/SIT Adjustments in Issues 2 & 3	$ 63,322	$ 20,345	$ 3,483
TOTAL Adjustments to FIT/SIT		$(4,709)	$ 602

(a) 34%

In summary, the appropriate amount of intrastate operating taxes is $110,010, which represents Other Taxes of $81,847, Federal Income Taxes of $22,844 and State Income Taxes of $5,319, a decrease of $29,183 to the company's intrastate total of $139,193.

V. CAPITAL STRUCTURE

We find it appropriate to the Company to make the following adjustments to its capital structure for the twelve month ended December 31, 1992:

1. Specific Adjustments to common equity to remove nonregulated investments.

2. Pro-rata adjustment to long term debt and common equity to remove temporary cash and accounts receivable affiliate companies.

3. Pro-rata adjustment to all components of the capitol structure to remind the capital structure to the intra state rate base of $3,871,543.

4. Southland's prospective capital structure shall be adjusted if its adjusted equity ratio exceeds 48 percent of investor capital.

VI. AUTHORIZED RETURN OF EQUITY

Staff conducted an audit for the 12 months ended December 31, 1992. The audit report was issued on April 19, 1993 and it appears that the Company did not over earn in 1992. The calculated return on equity for the 12 months ended December 31, 1992, with the adjustments described above was 6.34%. The Company's authorized range of ROE is 11.4% to 14.4% with a midpoint of 12.9%. This was established in Docket No. 900018-TL, Order No. 22588, dated February 21, 1990. The Company's revised Earnings Surveillance Report, filed May 18, 1993, indicates that the Company's achieved ROE was -0.12% for the 12 months ended December 31, 1992. The difference between the Company's filing and the calculated ROE is attributable to the adjustments discussed above.

Employing a leverage formula modeled after the leverage formula used in determining the cost of equity capital for utilities in the water and wastewater industry, we have calculated a return on equity (ROE) for Southland Telephone of 12.0 percent at a 40 percent equity ratio.

Recognizing that the cost of equity will vary inversely with the amount of equity in the capital structure (equity ratio), we periodically approve a formula that formally expresses the cost of equity capital for an average water and wastewater utility at any given equity ratio above 40 percent. The ROE is capped at a rate for an equity ratio of 40 percent in order to discourage imprudent financial risk. After determining the equity ratio of a particular utility, the utility's cost of equity capital can be estimated by applying the leverage formula. The leverage formula provides the Commission with a methodology for determining the cost of equity capital, and consequently the allowed ROE, for water and wastewater utilities without the involved and time consuming analysis generally associated with determining the cost of equity capital in a formal rate proceeding.

The formula for Southland Telephone was developed based upon the same principles applied in the water and wastewater leverage formula. The telephone leverage formula is based on the application of generally accepted financial models to an index of publicly traded utility stocks. Discounted Cash Flow (DCF) analysis was performed on each of the seven Regional Bell Holding Companies (RBHCs), and a Risk Premium analysis on the same proxy group. The results of the models were then adjusted to compensate for the difference in risk between the companies in the index and

the small utilities to which the formula is applied. A bond yield differential analysis was conducted to determine the difference in yields between the index of utilities (AA average bond rating for the RBHC index) and BBB rated bonds (the assumed bond rating for small telephone utilities.) The difference in yields between these two bond ratings was then applied to the average results of the DCF and Risk Premium analysis to determine the appropriate cost of equity for an average small REA telephone utility such as Southland Telephone.

Although Southland Telephone's equity ratio is 32 percent after adjustments, we believe that a 40 percent ratio is the appropriate point to use for setting the authorized ROE. As described for the water and wastewater industry, the minimum equity ratio is capped at 40 percent to discourage imprudent financial risk. Also, Southland Telephone has been making favorable gains in its equity position, and we expect it to strengthen its financial structure. Since 1989, the Company has increased its per book equity ratio from 25.6 percent to a December 1992 ending per book equity ratio of 44.2 percent.

Finally, we find a 100 basis point range of returns on either side of the ROE midpoint for Southland Telephone to be appropriated. The Company's current range is plus or minus 150 basis points. As the Company increases the amount of equity in its capital structure, its earned return on equity will tend to fluctuate less, making a 100 basis point range more appropriate. Therefore, based on a leverage formula using the most currently available information and an equity ratio of 40 percent, we find an ROE for Southland Telephone of 12.0% plus or minus 100 basis points for all prospective regulatory purposes.

VII. PROJECTED EARNINGS FOR 1993

Based on the information before us at this time we do not believe that Southland will exceed the newly authorized ROE ruling of 13%. Accordingly, we find it appropriate to take no action with regard to the Company's projected 1993 earnings.

VII. GROSS RECEIPTS TAX

Historically, the 1.5% Gross Receipts Tax (GRT) was rolled into customers' base rates. Effective July 1, 1990 the Legislature increased the tax from 1.5% to 2.0%. The additional .5% was to be shown separately on the bill and not rolled into the base rate.

The GRT was increased to 2.25% effective July 1, 1991, and to 2.5% on July 1, 1992. The separate billing for part of the tax has apparently caused some customer confusion as well as billing problems for some LECs. This is because the 1.5% is embedded in some rates but not in others. For example, the federal subscriber line charge has no embedded GRT, whereas intraLATA MTS rates do. This creates the appearance of different GRT rates being charged for different services.

Rule 25-4.110(8)(b), F.A.C., provides "If the tariffed rates in effect have a provision for gross receipts tax, the rates must be reduced by an amount equal to the gross receipts tax liability imposed by Chapter 203, Florida Statutes, thereby rendering the customer's bill unaffected by the election to add the Gross Receipts Tax as a separately stated tax." Although it might be argued that this rule requires that unbundling the GRT means that each rate be reduced identically (by 1.5%), we do not believe that, this is possible as a practical matter. If every rate element were reduced by the amount of the gross receipts tax, it would result in some fractional rates. The intent of this rule is that no company benefits, at its customers' expense, from the unbundling of the GRT and that customers are held harmless.

Section 203.10, Florida Statutes, provides that utilities may separately state all the GRT on customers' bills. We have approved billing the entire GRT as a separate line item for Alltel, Centel, Florala, GTEFL, Gulf, Indiantown, Quincy, United and Vista-United. We find it appropriate to allow Southland to bill the entire GRT as a separate line item.

The revenue effect of rolling out the currently embedded 1.5% GRT from base rates is approximately $12,800 based on 1992 data. The decrease would be minimal, $.16 for residential and $.40 for B1, if local rates are reduced. Instead we shall reduce the monthly touchtone rate of $1.40 down to $.95 which results in a revenue wash (27,264 annual units times $.45 = $12,270). Residential and business customers with touchtone will receive a $.45 monthly reduction. The penetration rate for touchtone is 72.5 percent. 27.5 percent of the subscribers with rotary telephones will receive a slight increase ($.16 for residential and $.40 or $.41 for B1). Tariff revisions should be filed to become effective on October 1, 1993. Customers should be advised of the reduction in the touchtone rates through a bill staffer.

IX. CONCLUSION

This modified Minimum Filing Requirement proceeding shall be treated as the Company's most recent rate case for all future proceedings. Finally if no objections are timely filed, this docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that adjustments described in the body of this Order shall be implemented by Southland Telephone Company. It is further

ORDERED that any protest of this Order shall be filed pursuant to the requirements set forth below. It is further

ORDERED that if no protest is timely filed this docket shall be closed.

By ORDER of the Florida Public Service Commission this 8th day of November, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

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