

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the ) DOCKET NO. 940197-TL  
authorized return on equity of ) ORDER NO. PSC-94-0548-FOF-TL  
FLORALA TELEPHONE COMPANY ) ISSUED: May 11, 1994

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
DIANE K. KIESLING  
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER REDUCING ROE

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.

Floralata Telephone Company's (Floralata's) return on equity (ROE) was last considered in the Modified Minimum Filing Requirements (MMFR) proceeding in Docket No. 910729-TL. By Order No. 25693, the Commission approved an allowed ROE for Floralata of 12.8% +/- 1%. Since the time of that decision, the cost of equity for Floralata has declined.

Typically, we respond to declining cost of equity by lowering the authorized range of returns. For water and wastewater utilities, we lowered authorized return through the water and wastewater leverage formula to a range from 9.7% to 10.97%. See Order No. PSC-93-1107-FOF-WS. We reduced the range of returns for the natural gas distribution companies to 11.0% to 11.25%. See Orders Nos. 93-1772 through 93-1777. We also reduced the returns granted FPUC-Marianna to 10.85% (Order No. 94-0249) and Tampa Electric Company to 11.35% (Order No. 94-0337).

Upon review of the current cost of equity, it appears that Floralata's ROE should be reduced. We note that Floralata has proposed a reduced ROE of 11.8%. Given the fact that approval of the offer

DOCUMENT NUMBER-DATE

04562 MAY 11 1994

FPSC-RECORDS/REPORTING

ORDER NO. PSC-94-0548-FOF-TL  
DOCKET NO. 940197-TL  
PAGE 2

will save litigation costs if the order is not protested, the 11.8% ROE is considered reasonable.

Based on the latest Earnings Surveillance report filed by the company and financial data through December 31, 1993, the company's expected earnings are below the floor of the newly proposed range for return on equity. Therefore, no action is necessary concerning the company's revenues at this time.

In a letter detailing its proposal, Florala offered to reduce its ROE to 11.8% contingent upon the allowed return granted to other small telephone companies with comparable equity ratios. Florala will be responsible for protecting its interests if the Commission approves an ROE other than 11.8% for telephone companies of comparable size and risk.

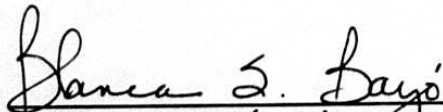
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florala Telephone is authorized for a return on equity of 11.8% +/- 1.0%, effective January 1, 1994. It is further

ORDERED that this Order shall become final and effective unless an appropriate petition is filed in accordance with the "Notice of Further Proceedings or Judicial Review" as set forth below. It is further

ORDERED that in the event this order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 11th day of May, 1994.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

WEW

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, Florida 32399-0870, by the close of business on June 1, 1994.

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 wastewater 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.