

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Development of Local Exchange Company cost study methodology(ies). ) DOCKET NO. 900633-TL  
) ORDER NO. PSC-94-1447-FOF-TL  
) ISSUED: November 23, 1994

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER CLOSING DOCKET

BY THE COMMISSION:

I. BACKGROUND

In 1990, Chapter 364, Florida Statutes was substantially revised. Certain of the revisions raised questions that, both directly and indirectly, concerned local exchange companies' costs of providing services. By Order No. 23474, issued September 12, 1990, we initiated the development of a uniform cost study methodology for local exchange telephone companies (LECs). Due to the wide range of cost-related questions that we thought might arise in this proceeding, we noted that more than one cost study methodology might be required.

After several meetings and workshops with the parties and other interested persons it became evident that there were three major areas of interest. These were:

1. The development of a costing methodology which would yield cost results that were applicable to determining prices for individual services;
2. The definition of cross-subsidy of effectively competitive LEC services by LEC monopoly services consistent with the requirements of Chapter 364, F.S.; and

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3. The appropriate treatment of shared costs in order to ensure that they are recovered from the LECs' various services in a fair and equitable manner.

The work on each of the three items is now complete.

## II. INCREMENTAL COST METHODOLOGY

In Order No. 24910 we endorsed the adoption of an incremental cost approach as yielding results appropriate for evaluating pricing for individual services. Since incremental costing models and techniques already are available, it appeared that it would be unnecessarily duplicative to develop our own incremental costing approach for all LEC services. Instead, specific conceptual and procedural requirements to be met by incremental cost studies submitted by LECs in support of rate changes have been developed.

We have initiated rulemaking in Docket No. 940863-TL to adopt the requirements for incremental costs studies. The requirements are included in Rule 25-4.046 that was adopted at our October 18, 1994 agenda conference.

## III. CROSS SUBSIDIZATION

The issues regarding cross-subsidization were addressed in Order No. PSC-93-1015-FOF-TL, issued in Docket No. 910757-TL. The findings from this Order have been codified in Rule 25-4.045, Florida Administrative Code, which became effective May 24, 1994.

## IV. EMBEDDED COST METHODOLOGY

By Order No. PSC-93-1761-FOF-TL, issued December 8, 1993, we determined that an embedded direct cost (EDC) study can provide insight into the nature of a LEC's shared costs, and directed the development of an embedded direct cost study methodology. With the invaluable assistance of industry participants and other interested parties, the study methodology has been completed. Our next step will be to proceed to rulemaking.

## V. CONCLUSION

The activities relating to all issues identified for consideration by us in this proceeding have now been completed or are being addressed in separate rulemaking proceedings. Accordingly, we find it appropriate to now close this docket.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 23rd day of November, 1994.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( 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.

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 and 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 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.