

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions of SOUTHERN) DOCKET NO. 880069-TL
BELL TELEPHONE AND TELEGRAPH) ORDER NO. PSC-92-1412-FOF-TL
COMPANY for rate stabilization) ISSUED: 12/07/92
and implementation orders and)
other relief.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER IDENTIFYING AND DISPOSING OF
EXCESS REVENUES

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. Any petition for formal proceeding regarding any portion of the Order shall specifically state the section of the Order subject to protest. Any portion of the Order not subject to a protest shall become final on the date described below.

I. Background

As a result of prior actions of this Commission regarding disposition of excess earnings and other revenues earmarked for certain proposes, we must now address the final disposition of revenues in question before we can finally close this docket. By Order No. 25367, issued November 20, 1991, BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (Southern Bell or Company) was ordered to refund \$68.3 million for 1990 and \$32.5 million for 1991. Based on Southern Bell's interim report of the refunds filed June 11, 1992, there are certain refund amounts for 1990 and 1991 that remain unclaimed.

By Order No. 24861, issued July 29, 1991, we implemented an optional residential message rate with an estimated revenue impact of \$8,428,000. We also required that if the revenue effect after six months from the October 1, 1991, date of implementation significantly departed from the estimate, the difference would be addressed subsequently.

DOCUMENT NUMBER-DATE

14193 DEC -7 1992

PSC RECORDS / REPORTING

By Order No. 20162, issued October 13, 1988, we set aside certain amounts (\$10 million) for the implementation of EAS. Southern Bell filed a motion on December 18, 1991, to apply the revenue impacts from additional extended area service (EAS) decisions against the \$10 million set-aside.

Southern Bell is currently crediting on a monthly basis 1/12 of \$44.9 million in revenues subject to disposition for 1992. On August 14, 1992, Southern Bell filed an additional motion seeking to apply the cost of refinancing higher cost debt of \$12.3 million against excess revenues accruing during 1992. Public Counsel, the Attorney General, and the Florida Consumer Action Network filed a request for evidentiary hearing on this matter on August 26, 1992. Southern Bell filed a response to this request on September 8, 1992.

II. Effect of EAS Traffic Stimulation on 1992 Earnings

In various EAS dockets, the Commission ordered the implementation of EAS on numerous routes:

<u>EAS Route</u>	<u>Docket</u>	<u>Projected Eff. Date</u>
Bradford County	910022	11-26-92
Putnam County	910528	9-17-92*
Ponte Vedra - St. Augustine	910763	10-1-92
Pasco County Brooksville-Dade City (UTF) Brooksville-Hudson (GTE) * Brooksville-San Antonio (UTF)	910529	10-28-92*

* Tentative; MFJ Waiver required

On several of these routes, the Commission has required that the traffic and revenue stimulation associated with the implementation the \$.25 plan should be considered in determining the economic impact on four routes. These routes are a few of those eligible for revenue offsets set forth in the Southern Bell Rate Stabilization plan. The stimulation effect would, therefore, be included in the calculations of the 1992 dollars available for disposition. However, the Commission also allowed other costs such as for facilities and directories to be considered for each of these routes. Recognizing these costs offsets the stimulation

effect of the \$.25 plan. Moreover, the stimulation effect, if any, will be very small in 1992. The actual implementation dates on the Pasco County and Putnam County routes are tentative because MFJ waivers are required.

Because these routes are scheduled to be implemented in the latter part of the year, the stimulation impact, if any, should be minor for 1992. In addition, our decision to include stimulation required that stimulation be calculated six months following implementation. As a result of the late-year implementation, the six-month period will be well into next year.

Upon consideration of the foregoing, we find it appropriate to not include the 1992 effects of stimulation from the implementation of EAS in determining the available revenues for disposition for 1992. We will include the effects of such stimulation for these routes in 1993 in conjunction with our actions in Docket No. 920260-TL.

III. Motion to Offset EAS Impacts with Set-Aside Revenues

By Order No. 20162 in this docket, the Commission set aside \$10 million on an annual basis to offset revenue impacts of implementation of EAS on certain specific routes. Implementation of EAS on those routes did not consume the entire set-aside amount. As a result, we have allowed the revenue impacts of additional EAS routes to be applied against the EAS set-aside. In its December 18, 1991, Motion, Southern Bell proposes that the revenue impact from eight additional routes also be applied against the remaining set-aside dollars. These routes and their 1992 revenue impacts are:

	<u>1992</u>
1. Maxville-Middleburg Middleburg-Orange Park	(\$ 116,000)
2. Yulee-Jacksonville	(\$ 563,100)
3. Keystone Heights-Florahome	(\$ 14,200)
4. Lake City-White Springs	(\$ 75,900)
5. St. Augustine-Hastings	(\$ 162,000)
6. Havana-Greensboro	(\$ 6,200)
7. Havana-Chattahoochee	(\$ 7,300)
8. Indiantown-Stuart	(\$ 101,480)
Total	<u>(\$1,046,180)</u>

We note that the Indiantown-Stuart route was not implemented until 1992. Therefore, the total 1991 revenue impact of the additional routes is \$944,700.

In addition, Southern Bell has identified certain revenue differences between the estimated revenue impacts shown in Orders Nos. 23960 and 23961 and the related implementation tariff filings. These differences are approximately \$388,100 for 1991 and \$488,600 for 1992. The major difference between the orders and the tariffs stems from a calculation error in the original order on the Port St. Lucie North/Stuart route. The estimated revenue impact in the order reflected only one way of that two-way route. The remaining differences result from including access line growth in the tariff filing estimates. Upon consideration, we find it appropriate to grant Southern Bell's Motion to apply the revenue impacts of eight additional EAS routes to the funds set aside in Order No. 20162, but for the 1992 revenue impacts only. As discussed below, we have previously disposed of the 1991 EAS set-aside funds. Therefore, the 1991 revenue impacts from the eight routes should be applied against other available funds for 1991. With respect to Southern Bell's request to apply the differences between the amount estimated in Orders Nos. 23960 and 23961 and the impacts as calculated in the related tariff filings, we find it appropriate to approve the request for 1992. The 1991 differences between the orders and tariffs should be applied against available funds for 1991.

IV. 1991 Excess Revenue Subject to Disposition

In accordance with Order No. 24861, Southern Bell implemented an optional message rate for residential customers on October 1, 1991. Based on information submitted by Southern Bell, the revenue impact was estimated to be a decrease of \$8,428,000 on an annual basis. Due to the uncertainty regarding customer participation, we determined it appropriate to establish a true-up of the revenue impact.

By Order No. 25367, we required Southern Bell to refund excess revenues accrued in 1990 and 1991. Included in the calculation of the refund for 1991 was an estimate of the revenue impact of implementing the plan for 1991 of \$1.5 million. For 1991, October through December, the revenue impact of the message rate plan was only \$25,938 based on Southern Bell's priceout. The impact on 1991 revenue was, therefore, overestimated by approximately \$1.474 million.

Southern Bell's Motion, discussed above in Section III, requested that the revenue impact of eight additional EAS routes be recognized as an offset against the \$10 million amount set aside for EAS in Order No. 20162. The 1991 revenue impact of these additional eight EAS routes is \$944,700. The Motion also requested that differences in the EAS impacts between Orders Nos. 23960 and

23961 and the tariffs that were subsequently filed be applied against the set-aside. The 1991 difference amounts to an additional offset of \$388,100.

By Order No. 25367, we ordered Southern Bell to refund approximately \$100.8 million of excess revenues. The remaining 1991 EAS set-aside revenues were included in the calculation of the refund. As discussed above, we have determined that there are now approximately \$1.474 million now remaining in additional excess 1991 revenues subject to disposition. As discussed above, we will allow Southern Bell to offset the \$944,700 impact from eight EAS routes and the \$388,100 from the EAS tariff calculations against the \$1.474 million, leaving \$141,262 of 1991 excess revenues subject to further disposition.

V. 1992 Excess Revenues Subject to Disposition

By Order No. PSC-92-0028-FOF-TL, Southern Bell's interLATA subsidy payments to ALLTEL were reduced by \$334,000 on an annual basis, effective April 1, 1992. This amount was added to Southern Bell's annual \$10 million set-aside amount for further disposition. Since the reduction in subsidy payments was effective for only a portion of 1992, the actual amount for 1992 is \$250,500. This brings the amount subject to disposition to \$10,250,500.

As discussed above, the true-up of the revenue effects of implementing the optional message rate option increases the amount subject to disposition by \$5,187,072. Adding this to the \$10,250,500 leaves a total of \$15,437,572, subject to disposition.

The 1992 revenue impact of EAS routes that have been approved to be applied against the EAS set-aside is \$5,848,800. As discussed above, Southern Bell is requesting in its motion that the revenue impact of \$1,046,180 representing eight additional EAS routes be applied against the EAS set-aside. In addition, Southern Bell is requesting that the difference between the revenue impacts identified in Orders Nos. 23960 and 23961 and the subsequent tariffs filed for 1992 of \$488,600 be applied against the EAS amount set aside. By Order No. 25558 we required an annual amount of \$5,000,000 of EAS set-aside revenues to be included as a monthly credit on customers' bills beginning with the first billing cycle in 1992.

The additional 1992 excess revenues subject to disposition is summarized as follows:

	<u>1992</u>
1. EAS Set aside - Order 20162	\$10,000,000
2. Reduction of ALLTEL subsidy	250,500
3. Res. Opt. Message Plan estimate, per Order 24861	\$8,428,000
4. Actual revenue impact	<u>(3,240,928)</u> \$ 5,187,072
5. Sub-total	\$15,437,572
6. Previously approved EAS offsets	(\$ 5,848,800)
7. Additional requested EAS offsets	(\$ 1,046,180)
8. Difference - Orders vs. Tariffs	(\$ 488,600)
9. EAS credit on bill - Order 25558	<u>(\$ 5,000,000)</u>
10. Amount subject to disposition	<u>\$ 3,053,992</u>

VI. Unclaimed Refunds for 1990 and 1991

Pursuant to Order No. 23567, Southern Bell submitted a report on the results of the refunds required for disposal of 1990 and 1991 excess revenues. Of the approximate \$100.8 million required to be refunded, \$722,103, remained unclaimed as either uncashed or undeliverable checks as of July 21, 1992. \$678,365 relates to the 1990 excess revenues, and \$43,738 relates to 1991 revenues. The refund checks expire after 180 days. To the extent that any 1991 revenues remained unclaimed after 180 days, that amount constitutes an additional amount subject to disposition.

VII. Request to Apply Excess Revenues to Cost of Refinancing Debt

Southern Bell filed a motion on August 14, 1992, seeking to apply the cost of refinancing higher cost debt against excess revenues identified for 1992. Southern Bell is currently crediting on a monthly basis an amount to reduce Southern Bell's annual revenue by \$44.9 million, including \$5 million in EAS set-aside amounts discussed above. According to Southern Bell, it refinanced \$250 million of 9.875% thirty-nine year debentures with forty year 8.25% debentures in June 1992. In July 1992, Southern Bell refinanced \$300 million of forty year 10.75% debentures with \$300

million of forty year 7.875% debentures. The cost associated with these refinancings is \$12,263,256 on a revenue requirements basis for Florida net of interest savings for 1992.

On August 26, 1992, Public Counsel, the Attorney General, and the Florida Consumer Action Network (FCAN) filed a response opposing Southern Bell's request to apply funds against the cost of refinancing higher cost debt. These parties ask in the alternative that if their motion is denied, the Commission hold an evidentiary hearing on Southern Bell's Motion.

Southern Bell filed a response to the request for an evidentiary hearing on September 8, 1992. Southern Bell argues that by granting a hearing, which in all likelihood could not be held this year, will deny Southern Bell's motion to apply the cost of refinancing against revenues subject to disposition. If the Commission should grant a hearing, Southern Bell asks that we grant its motion subject to a refund of the revenues in question if the Commission ultimately denies the Company's request.

Upon consideration of the foregoing, we find it appropriate to grant in part and deny in part Southern Bell's Motion. The cumulative total of the excess revenues identified above yet available for disposition is approximately \$3,917,357 (\$141,262 + \$3,053,992 + \$722,103). This is in addition to the \$44.9 million previously identified in Order No. 25558, which is being credited to customers bills during 1992. The current credit that Southern Bell customers are receiving shall continue until the end of 1992. However, we find it appropriate to allow Southern Bell to apply the additional \$3,917,357 in excess revenues that have been identified to offset the cost of refinancing higher cost debt for 1992. The remaining cost of refinancing of \$8,345,899 shall be amortized over the life of the refinancing beginning January 1, 1993. Our action to allow Southern Bell to offset a portion of the debt refinancing cost is consistent with our action in Order No. 22793. There we allowed Southern Bell to offset the net cost of refinancing of \$5.85 million against EAS amounts set aside in 1989. With respect to our decision to amortize the remaining debt refinancing cost, this will properly match savings from reduced interest cost with the cost associated with the decision to refinance. The benefit of the reduced debt cost will be realized over the life of the debt, approximately 40 years. Amortization avoids a situation where current ratepayers pay a disproportionate amount compared to future ratepayers for the same benefit.

VIII. Closure

Our decisions herein essentially complete the remaining actions required in this docket. Any items still pending in Docket No. 880069-TL shall be addressed in Docket No. 920260-TL. We anticipate that the final details will include the determination of any sharing of earnings required by Order 20162, permanent disposition of EAS set asides of less than \$3 million, permanent disposition of \$39.9 million from Order 24861 related to amortization schedules expiring, and revenues of approximately \$4.9 million remaining from the implementation of the Optional Message Rate Plan.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revenue effect of stimulation for the Bradford County, Putnam County, Pasco County and Ponte Vedra-St. Augustine EAS routes shall not be considered in regards to a determination of Southern Bell Telephone and Telegraph Company's excess earnings for 1992 as set forth in the body of this Order. It is further

ORDERED that Southern Bell Telephone and Telegraph Company's Motion to apply the revenue impacts of eight additional EAS routes to the funds set aside in Order No. 20162 shall be granted for the 1992 revenue impacts only as set forth in the body of this Order. It is further

ORDERED that the 1991 revenue impacts of eight additional EAS routes shall be applied against other available funds for 1991. It is further

ORDERED that Southern Bell's request to apply to the EAS set-aside the differences between the revenue effects as estimated in Orders Nos. 23960 and 23961 and the associated tariffs is granted for 1992 as set forth in the body of this Order. It is further

ORDERED that the 1991 differences between the impact estimated by Orders Nos. 23960 and 23961 and the associated tariffs shall be applied against available funds in 1991 as set forth in the body of this Order. It is further

ORDERED that the revenue remaining for 1991 which needs to be disposed of is approximately \$141,262 as set forth in the body of this Order. It is further

ORDERED that the additional revenue for 1992 that is subject to further disposition is approximately \$3,053,922. It is further

ORDER NO. PSC-92-1412-FOF-TL
DOCKET NO. 880069-TL
PAGE 9

ORDERED that the amount of unclaimed 1990 and 1991 refunds is approximately \$722,103. It is further

ORDERED that Southern Bell's Motion to apply the cost of debt refinancing in the amount of \$12,812,970 is granted in part and denied in part as set forth in the body of this Order. It is further

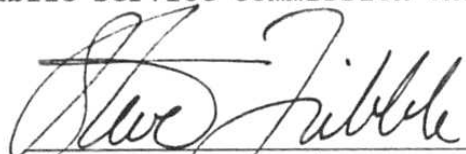
ORDERED that any remaining items related to this proceeding shall be addressed in Docket No. 920260-TL. It is further

ORDERED that a protest of any action proposed herein shall expressly state the specific action subject to the protest. It is further

ORDERED that any portion of this Order that is not specifically protested shall become final as provided below. It is further

ORDERED that this docket shall be closed if no protest is received within the prescribed timeframe.

By ORDER of the Florida Public Service Commission this 7th day of December, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

TH

Commissioner Luis J. Lauredo dissented from the Commission's decision authorizing Southern Bell to offset a portion of the debt refinancing cost with excess revenues.

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 December 28, 1992.

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.