

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into INDIANTOWN	)	DOCKET NO. 891235-TL
TELEPHONE SYSTEM, INC.'S authorized	)	ORDER NO. 23237
return on equity and earnings	)	ISSUED: 7-23-90
	)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER

NOTICE OF PROPOSED AGENCY ACTION  
AND  
ORDER ACCEPTING PROPOSED RESOLUTION

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.

Indiantown Telephone System, Inc.'s (Indiantown's or the Company's) last authorized return on equity (ROE) was set in Docket No. 74569-TL at 12.375%  $\pm$  .375%. In Docket No. 800437-TP, we approved a Stipulation to use a 14.5% ROE for purposes of our surveillance program, as reflected in Order No. 10127, issued July 7, 1981. In the years following that approval, there has been much uncertainty about the effect of using a 14.5% ROE for the continuing surveillance program. To capture any excess earnings, Indiantown's calendar year 1988 and 1989 earnings were capped at 14.5% ROE by Order No. 21474 in Docket No. 890179-TL. Although Indiantown's last authorized midpoint ROE is below the recent quarterly report on equity cost rates, its ROE for the surveillance program is significantly higher than current conditions indicate would be appropriate and reasonable for this Company.

On October 20, 1989, we opened Docket No. 891235-TL to consider Indiantown's ROE and earnings. At our Agenda Conference on November 21, 1989, we considered an offer submitted by Indiantown on November 8, 1989, and November 20, 1989, for the purpose of resolving the issues in this docket. By Order No. 22275, issued December 7, 1989, we proposed accepting the Company's offer, with certain modifications. On December 26, 1989, Indiantown filed a Motion for Extension of Time wherein it requested that it be granted an extension of time, until the close of business on

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January 4, 1990, to file its protest of Order No. 22275. On December 29, 1989, the Company filed its Protest to our Order. On January 17, 1990, AT&T Communications of the Southern States, Inc. (ATT-C) filed its Answer to Indiantown's Protest. Subsequently, on May 24, 1990, Indiantown filed a proposal to resolve the issues in this docket.

Initially, we shall consider the matter of Indiantown's Motion for Extension of Time filed on December 26, 1989. Indiantown asserted that such an extension of time to file a protest to Order No. 22275 was necessary because it had just become aware of facts that would have a material effect on its earnings, after we had voted to issue our Order. Indiantown further stated that in order to prepare its protest, it would be necessary to verify a significant amount of its access revenues, as well as to investigate a proposed change in its intraLATA busy hour minute of capacity (BHMOC) revenue by Southern Bell Telephone and Telegraph Company (Southern Bell). No objections were filed to Indiantown's Motion. Indiantown's actual protest was subsequently filed on December 29, 1989. In light of the complexity of the information needed by Indiantown to file a proper protest and in consideration of the fact that the protest period for Order No. 22275 spanned a major holiday period, we find it appropriate to grant Indiantown's Motion, rendering its Protest to our proposed action timely filed. Accordingly, we shall now consider the Company's proposal to resolve the issues in this docket.

Indiantown has proposed a new authorized ROE of  $12.9\% \pm 1\%$  for all future regulatory purposes, including interim purposes. This proposed ROE is within the range we find to be a reasonable and appropriate ROE for this Company, based upon the most recent quarterly report on equity cost rates. Because our acceptance of this proposal would make a formal hearing unnecessary and, therefore, would save considerable expense, we find it appropriate to accept Indiantown's proposal for a new authorized ROE. We note that we have recently approved mid-point authorized returns on equity of 12.9% for Florida Telephone Company, Gulf Telephone Company, Northeast Florida Telephone Company, Inc., Quincy Telephone Company, St. Joseph Telephone and Telegraph Company, and Southland Telephone Company, effective January 1, 1990. Indiantown's proposal is consistent with our prior actions regarding these other companies.

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Indiantown's latest earnings surveillance report for the twelve months ending December 31, 1989, indicates earnings above a 12.9% ROE of \$84,075. There have been three major changes in Indiantown's revenues which are not fully reflected in this surveillance report: the elimination of Indiantown's interLATA and intraLATA subsidies; the elimination of its zone charges; and an \$82,000 net reduction in its intraLATA BHMOC revenues. In Docket No. 820537-TP, we approved allowing Indiantown to forego interLATA and intraLATA subsidy receipts of \$347,000 per year, effective September 1, 1989. \$231,333 of both interLATA and intraLATA subsidy revenues is included in the December 31, 1989, report, but will not be received by Indiantown in 1990. Along with the elimination of these subsidies, we also approved the elimination of zone charges of approximately \$70,000 annually, effective June 30, 1989. Elimination of the zone charges will cause Indiantown's 1990 earnings to decline an additional \$35,000. Finally, as the result of a new agreement with Southern Bell regarding the number of BHMOC units ordered, Indiantown's net intraLATA BHMOC revenue will decline from \$123,497 to \$41,470, for a net reduction in revenue from this source of \$82,027. The total of these three revenue reductions which are not fully reflected in the December 31, 1989, surveillance report is \$348,360. Additionally, the December 31, 1989, surveillance report also reflects \$270,204 of intrastate non-recurring expenses. The combination of these reductions in revenues and expenses will bring Indiantown's earnings in excess of 12.9% to approximately \$5,900 or a 13.1% ROE. This is well within the Company's proposed ROE range.

Upon consideration, we propose accepting Indiantown's proposal as a reasonable and appropriate resolution of the issues in this docket. This action shall become final on the date following the date specified below, unless an appropriate petition protesting our proposed action is filed within the time period specified below. This docket shall be closed following expiration of the protest period, if no proper protest has been filed to our proposed action within the time frames set forth below.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Indiantown Telephone System, Inc.'s Motion for Extension of Time filed on December 26, 1989, shall be granted for the reasons set forth herein. It is further

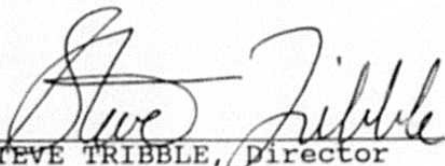
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ORDERED that Indiantown Telephone System, Inc.'s proposal to establish a new authorized return on equity of 12.9% ± 1% for all future purposes is hereby accepted as set forth in the body of this Order. It is further

ORDERED that this Order shall become final on the date following the date specified below, unless a proper petition protesting our proposed action is filed within the time period specified below. It is further

ORDERED that if no protest is filed within the time period specified below, this docket shall be closed by the consummating order to be issued in this docket.

By ORDER of the Florida Public Service Commission, this  
23rd day of July, 1990.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( 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



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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 August 13, 1990.

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, and as reflected in a subsequent order.

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 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 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.