

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into the authorized) DOCKET NO. 900875-TL
 return on equity and earnings of ALLTEL) ORDER NO. 23819
 FLORIDA, INC.) ISSUED: 12-3-90

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION
ORDER ACCEPTING ALLTEL FLORIDA, INC.'S PROPOSAL TO RESOLVE
INVESTIGATION INTO ITS RETURN ON EQUITY AND EARNINGS

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.

In Docket No. 881135-TL, by Order No. 20517 issued on December 23, 1988, the Commission accepted Alltel Florida Inc.'s (Alltel or the Company) proposal to reduce its authorized return on equity (ROE) to 13.8% ± 1.0%, to reduce its zone charges and to cap its earnings for 1988, 1989 and 1990. Although the Company lowered its authorized ROE and reduced its zone charges, the authorized ROE appears to still be higher than current conditions indicate. This docket was opened in order to establish a ROE which is more reflective of current conditions.

To resolve this matter Alltel proposes to:

- 1) Reduce its authorized return on equity from 13.8% ± 1.0% to 13.0% ± 1.0% effective January 1, 1991;
- 2) reduce its revenues \$1,087,000 annually by eliminating zone charges effective January 1, 1991;
- 3) upgrade all two-party customers to one-party service by July 1, 1991 with no non-recurring charges applicable to the upgrades; and
- 4) be relieved of any further requirements of Order No. 16257 regarding imputed interest on ITC.

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The proposed new authorized return on equity of 13.0% ± 1.0% is for all future purposes, including interim purposes and for calculation of the Company's AFUDC rate.

The latest earnings surveillance report filed by Alltel for the 12 months ended June 30, 1990, shows earnings of \$810,000 above the Company's proposed midpoint of 13.0% ROE. Alltel proposes to eliminate its zone charges which are approximately \$1,087,000 per year. This revenue reduction will be partially offset by \$54,000 in additional revenue resulting from customer upgrades from two-party to one-party service (discussed below). With the proposed reduction in revenue, the Company should be able to earn at, or near, its proposed midpoint.

In recent years this Commission has approved the gradual movement of Florida telephone subscribers to single-party service. The Commission has determined that the advantages of one-party service are in the best interest of the general body of ratepayers and that such service should be encouraged.

Following the Commission's efforts to eliminate multi-party service, Alltel is moving towards an all one-party system and proposes to upgrade all two-party customers to one-party service by July 1, 1991. While this results in higher costs for customers currently subscribing to multiparty service, this increase will be offset by the Company's elimination of zone charges.

Alltel also proposes that it be relieved of the requirements of Order No. 16257 which mandated the Company to record \$143,000 annually in intrastate depreciation expense. Alltel has been recording an overall increase in its depreciation expense per its last depreciation represcription to comply with Order No. 16257, which requires the depreciation expense to be recorded until rates are reduced or reset. With the Company's proposed elimination of zone charges, Alltel's rates will be reduced more than the required \$143,000 reduction in revenue requirements which results from imputing interest on the debt portion of ITC. Thus, it is appropriate for the Company to be relieved of the requirement for recording depreciation.

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that Alltel Florida Inc.'s authorized return on equity shall be reduced from 13.8% ± 1.0% to 13.0% ± 1.0% effective January 1, 1991. It is further,

ORDERED that Alltel shall reduce its revenues by eliminating zone charges effective January 1, 1991. It is further,

ORDERED that Alltel shall upgrade all two-party customers to one-party service by July 1, 1991 with no non-recurring charges applicable to the upgrades. It is further,

ORDERED that Alltel shall be relieved of the requirements of Order No. 16257 regarding imputed interest on ITC. It is further,

ORDERED that Alltel file revised tariffs by December 5, 1990. It is further,

ORDERED that this docket shall be closed at the expiration of the PAA period, if no protest is filed, or after the submitted tariffs have been reviewed for consistency with the provisions of this Order, whichever occurs later.

By ORDER of the Florida Public Service Commission, this 3rd day of DECEMBER, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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.

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 24, 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.

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

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must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.