

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Adoption of) DOCKET NO. 940863-TL
Rule 25-4.046, F.A.C.,) ORDER NO. PSC-95-0548-FOF-TL
Incremental Cost Studies) ISSUED: May 5, 1995
Submitted By Local Exchange)
Companies)
_____)

The following Commissioners participated in the disposition of this matter:

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

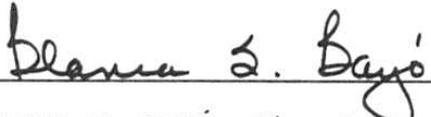
NOTICE OF ADOPTION OF RULE

NOTICE is hereby given that the Florida Public Service Commission, pursuant to Section 120.54, Florida Statutes, has adopted Rule 25-4.046, Florida Administrative Code, relating to incremental cost studies submitted by local exchange companies with changes.

The rule amendments were filed with the Department of State on May 4, 1995 and will be effective on May 24, 1995. A copy of the rule as filed with the Secretary of State is attached to this Notice.

This docket is closed upon issuance of this notice.

By ORDER of the Florida Public Service Commission, this 5th day of May, 1995.



BLANCA S. BAYÓ, Director
Division of Records & Reporting

(S E A L)

DOCUMENT NUMBER-DATE
04438 MAY-5 8
FPSC-RECORDS/REPORTING

25-4.046 Incremental Cost Data Submitted by Local Exchange Companies.

(1) Incremental cost yields the appropriate price floor for pricing of individual services. This rule sets forth requirements for incremental cost data submitted by local exchange companies (LECs) to the Commission.

(2) For each service for which an incremental cost study has been performed by or for a LEC and the LEC submits incremental cost data based on the study, the LEC shall provide:

(a) An executive summary that includes, at a minimum:

1. An overview of the incremental cost study performed, a description of all cost models used, and a summary of the cost study results;

2. A discussion that demonstrates that the cost study methodology employed comports with accepted economic theory regarding incremental cost;

3. A discussion demonstrating the reasonableness of the assumptions made regarding the conditions projected to be in effect during the study's planning horizon; and

4. A discussion demonstrating the manner in which the service will be provisioned during the planning horizon.

(b) A list of all factors and their values used in the study including, but not limited to, utilization factors, annual charge factors, expense factors and supporting structures factors. At

Commission staff's request, supporting work papers showing the derivation of all factors used in the study shall be provided on 5 days' notice;

(c) Where identifiable, the amount of any group-specific costs shall be identified but not added into the results for an individual service. Group-specific costs are those costs related to the provision of a group of services but not causally attributable to any specific service;

(d) The amount and types of costs that are causally apportioned (as opposed to directly assigned) to individual services shall be identified and the LEC shall describe and provide support for the method of apportionment used; and

(e) For new services which may have a significant revenue impact or where a rate restructure of an existing service is being proposed that may have either significant customer or revenue impact, a narrative or flow chart indicating the sequence of analyses performed leading to the cost results shall be provided. At Commission staff's request, all relevant work papers supporting the cost study shall be provided on 5 days' notice.

(3) For each service for which a LEC submits incremental cost data not based on an incremental cost study performed by or for that LEC, the LEC shall provide a discussion demonstrating the reasonableness of using the surrogate cost data as the price floor for its service.

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Specific Authority: 350.127(2), F.S.

Law Implemented: 364.3381, F.S.

History: New 5/24/95.