

ORIGINAL
FILE COPY

T

Ausley, McMullen, McGehee, Carothers & Proctor
Attorneys at Law
Washington Square Building
227 S. Calhoun Street
P. O. Box 391
Tallahassee, Florida 32302
Telephone 904 224-9115
Telecopier 904 222-7560

Charles S. Ausley (1907-1972)
John C. Ausley (1912-1980)
D. Fred McMullen (1904-1980)
DuBose Ausley
James D. Beasley
C. Graham Carothers
Robert N. Clarke, Jr.
Rebecca S. Conlan
J. Marshall Conrad
Timothy B. Elliott
Stephen C. Emmanuel
John P. Fone
Van P. Geaker
Michael J. Glazer
Carla A. Green
Gerald T. Hart

Jenn Johnson Hart
Kenneth R. Hart
Margaret Ausley Hoffman
E. Martin McGehee
Carolyn D. Olive
R. Stan Peeler
Robert A. Pierce
H. Palmer Proctor
M. Julian Proctor, Jr.
Steven P. Seymore
William M. Smith
Emily B. Waugh
C. Gary Williams
Lee L. Willis
E. Bryan Wilson, III

January 19, 1990

HAND DELIVERY

Mr. Steve C. Tribble
Director, Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Revision of Rule 25-14.003, F.A.C., Corporate Income
Tax Expense Adjustment Rule: Mid-Point and Additional
Changes; Docket No. 891278-PU

Dear Mr. Tribble:

Enclosed for filing please find fifteen (15) copies of
Central Telephone Company of Florida's Comments in the above-
styled docket.

Please acknowledge receipt and filing of the above by
stamping the duplicate copy of this letter and returning same to
this writer.

Thank you for your assistance in connection with this
matter.

ACK
AFA 3
APP 1
CAF
CMU
CTR
EAG
LEG
LIN 6
OPC
RCH 1
SEC 1
WAS
OTH

LLW/bjm

Enclosures

cc: All Parties of Record (w/encls.)

Sincerely,

Lee I. Willis

RECEIVED & FILED

TB
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

00612 JAN 19 1990

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

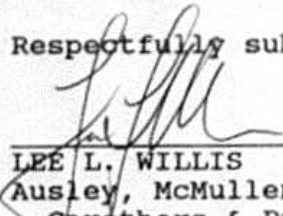
In re: Revision of Rule 25-14.003,)
F.A.C., Corporate Income Tax Expense)
Adjustment Rule: Mid-Point and)
Additional Changes)

Docket No. 891278-PU
Submitted for Filing:
January 19, 1990

COMMENTS OF CENTRAL TELEPHONE COMPANY OF FLORIDA

Pursuant to Order No. 22354, issued December 29, 1989, in the above-styled proceeding, Central Telephone Company of Florida ("Central Telephone-Florida" or the "Company") respectfully submits the attached Comments on the proposed rule.

Respectfully submitted,



LEE L. WILLIS
Ausley, McMullen, McGehee,
Carothers & Proctor
P. O. Box 391
Tallahassee, FL 32302
(904) 224-9115

Attorneys for Central Telephone
Company of Florida

DOCUMENT NUMBER-DATE

00612 JAN 19 1990

FPSC-RECORDS/REPORTING

COMMENTS OF CENTRAL TELEPHONE COMPANY OF FLORIDA

1. Central Telephone-Florida has elected to be governed by Section 46(f)(2) of the Internal Revenue Code with respect to its investment tax credits. This section of the Code provides that a company's rate base used for ratemaking purposes may not be reduced by any portion of the investment tax credit. Regulation 1.46-6(b)(3) provides that in determining whether a credit has been used to reduce rate base, reference shall be made to any accounting treatment that affects rate base. As the regulations specifically note, a credit may not be assigned a cost-of-capital rate that is less than the overall cost-of-capital rate. Applying a zero cost of capital to investment tax credits in the capital structure for the purposes of the proposed rule achieves the same result as reducing the rate base by the investment tax credit, and therefore runs a high risk of being in violation of Section 46(f)(2) of the Code.

2. The purpose of the proposed rule is to flow to customers the impact of any material changes in the tax laws. When the impact of these tax law changes are incorporated into a company's rates, the proposed rule requires that the most current capital structure and the last authorized return on equity be used to determine the mid-point of a company's authorized earnings range. As a consequence, the company's rates are adjusted to achieve the authorized earnings level as it exists after taking into account any pertinent tax law changes. It should be noted that using a different cost rate for investment tax credits than that used in the company's last rate filing has

nothing to do with whatever tax law changes the proposed rule seeks to address.

3. No matter what face is put on this activity, it is ratemaking; a company's rates are impacted by this procedure. That being the case, the use of a zero cost-of-capital for a company's unamortized investment tax credit is clear violation of the Internal Revenue Code. The proposed rule should be revised to provide that the proper rate to be applied to the investment tax credit component of the capital structure be the weighted cost-of-capital provided by common shareholders, preferred shareholders and creditors.

CERTIFICATE OF SERVICE

Docket No. 891278-PU

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U.S. Mail or hand delivery to the following parties on this 19th day of January, 1990.

Vicki Gordon Kaufman
Lawson, McWhirter, Grandoff
& Reeves
522 E. Park Ave., Suite 200
Tallahassee, FL 32301

Jeffrey A. Stone
Beggs and Lane
P. O. Box 12950
Pensacola, FL 32576

Matthew M. Childs
Steel, Hector & Davis
215 S. Monroe St., Suite 601
Tallahassee, FL 32301-1804

Cindy Miller*
Division of Legal Services
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32301

Jack Shreve
Office of Public Counsel
The Auditor General Building
111 W. Madison St., Rm. 801
Tallahassee, FL 32301

Thomas R. Parker
Associate General Counsel
General Telephone of Florida
Tampa, FL 33601



*By Hand Delivery