

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into the 1990)	DOCKET NO. 910461-TL
earnings of QUINCY TELEPHONE COMPANY.)	ORDER NO. 24940
<hr/>		ISSUED: 8/20/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER ACCEPTING QUINCY TELEPHONE COMPANY'S
PROPOSAL TO PARTIALLY DISPOSE OF ITS
1990 AND 1991 OVEREARNINGS

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.

By Order No. 22367, issued January 3, 1990, this Commission required Quincy to take the following actions: a) implement county-wide EAS in Gadsden County; b) to implement a \$.25 per message rate for calls to Tallahassee; c) to reduce local residential rates from \$11.34 to \$9.50 per month; and d) to establish a deferred credit to allocate an approximate \$600,000 surplus resulting from Quincy's bill and keep. This deferred credit will be utilized to increase local revenues at a rate of \$200,000 per year for the years 1991, 1992 and 1993. The actions required by Order No. 22367 were designed to meet Quincy's needs for EAS to Tallahassee and to target Quincy's 1991 earnings at its authorized return on equity (ROE) midpoint of 12.9% by reducing revenues approximately \$1,054,000 annually. Each of the items has been implemented and we have closely monitored the results and Quincy's earnings. In the fall of 1990, we became aware of an unexpected increase in Quincy's Universal Service Fund revenue for 1991 and ordered a further reduction of approximately \$90,000 annually in local residential and business rates by Order No. 24011, issued January 22, 1991.

Two events have subsequently occurred which will have a significant impact on Quincy's earnings. First, Quincy has filed a depreciation study to be effective January 1, 1991, in which the

DOCUMENT NUMBER-DATE

08371 AUG 20 1991

FPSC-RECORDS/REPORTING

ORDER NO. 24940
DOCKET NO. 910461-TL
PAGE 2

Company requests an increase of \$258,400, in intrastate depreciation expense. Second, the calling volume to Tallahassee has increased beyond our expectations, resulting in revenues of \$416,000 annually above our original estimates. Based on our review of Quincy's current budget and the two events listed above, we believe that Quincy will experience overearnings in 1991 and thereafter. We believe ongoing rate reductions are necessary to target Quincy's earnings at its authorized ROE midpoint of 12.9%.

On July 10, 1991, Quincy filed a proposal to address its 1990 and 1991 estimated overearnings, its depreciation needs and the need for ongoing rate reductions. Quincy Telephone Company's proposal, in partial resolution of the issues in this docket, is as follows:

- Proposal No. 1: The Company proposes to use \$172,821 (intrastate) plus interest of \$7,146 of 1990's earnings in excess of its authorized ROE maximum of 13.9%, to write off specific depreciation reserve deficits as of 12/31/90, subject to final approval in Docket No. 910565-TL.
- Proposal No. 2: The Company proposes to record \$150,000 of 1991 earnings in an unclassified intrastate reserve account to be used to offset additional deficits or amortization schedules resulting from Docket No. 910565-TL.
- Proposal No. 3: The Company proposes that, if the final true-up of its 1990 earnings results in additional overearnings of more than \$15,000, that amount will be added to the unclassified reserve account in Proposal No. 2.
- Proposal No. 4: The Company proposes that any change in depreciation authorized in Docket No. 910565-TL will be effective January 1, 1991.
- Proposal No. 5: The Company proposes to reduce its intraLATA toll rates and change the time of day periods and discounts effective September 1, 1991, as follows:

ORDER NO. 24940
 DOCKET NO. 910461-TL
 PAGE 3

Rate Changes:

	<u>Present</u>		<u>Proposed</u>	
	<u>Initial Minutes</u>	<u>Add'l Minutes</u>	<u>Initial Minutes</u>	<u>Add'l Minutes</u>
11-22 miles	.28	.16	.16	.14
23-55 miles	.40	.28	.24	.22
56-124 miles	.51	.37	.24	.22
125-292 miles	.58	.39	.24	.22

Time of Day and Discount Changes:

		<u>Present</u>		
		<u>M - F</u>	<u>SATURDAY</u>	<u>SUNDAY</u>
Day	8 AM - 5 PM	Full	60%	60%
Evening	5 PM - 11 PM	35%	60%	35%
Night	11 PM - 8 AM	60%	60%	60%

		<u>Proposed</u>		
		<u>M - F</u>	<u>SATURDAY</u>	<u>SUNDAY</u>
Day	8 AM - 5 PM	Full	50%	50%
Evening	5 PM - 8 PM	20%	50%	50%
Night	8 PM - 8 AM	50%	50%	50%

Proposal No. 6: The Company proposes to reduce its BHMOC rate from \$4.93 to \$3.70 effective September 1, 1991.

Proposal No. 7: The Company proposes to reduce the message rate for calls from Quincy to Tallahassee from \$.25 per call to \$.20 per call, effective with calls billed in the October 25, 1991, billing cycle. Calls from payphones would stay at \$.25.

Proposal No. 8: The Company proposes to utilize the deferred credit established by Order No. 22367 to

ORDER NO. 24940
 DOCKET NO. 910461-TL
 PAGE 4

increase local revenues on the following schedule, rather than on the original schedule of \$200,000 per year from 1991 through 1993.

<u>Year</u>	<u>Amount</u>
1991	\$200,000
1992	\$200,000
1993	\$135,000
1994	\$ 70,000
1995	Remainder

We find the Company's proposal, as modified herein, to be in the best interest of the ratepayers and, therefore, accept it. We find Quincy's proposals 1, 2, 3, 4, 6, 7, and 8 appropriate ;and hereby approve them. However, we find it appropriate to modify the proposal in paragraph 5 concerning changes in the time of day and discount periods as follows:

Proposal No. 1 - Quincy filed its preliminary 1990 surveillance report in March 1991. Based on our initial review of the surveillance report, Quincy's earnings above its authorized maximum ROE of 13.9% for 1990 are approximately \$173,000. Interest on this amount for 1990 is \$7,146. The Company has filed a depreciation study in Docket No. 910565-TL. The Company has identified deficits in certain accounts and now proposes to apply its 1990 excess earnings to eliminate or reduce the deficits in these accounts. We believe that reducing these deficits as quickly as possible is an appropriate use of the prior year's overearnings. However, we wish to reserve the right in Docket No. 910565-TL to reclassify these amounts to other accounts if we believe that deficits do not exist in the accounts which the Company has proposed. Therefore, we find it appropriate to accept Quincy's first proposal.

Proposal No. 2 - Based on our estimate of Quincy's earnings for 1991, we expect the Company to exceed its authorized maximum ROE of 13.9% for the year. The Company is proposing prospective rate reductions to reduce its earnings in the future; however, we believe that it will still exceed its maximum for 1991. Therefore, we believe that additional action relative to Quincy's 1991 earnings is appropriate at this time. Based on the depreciation study filed by the Company in Docket No. 910565-TL, significant deficits exist in Quincy's plant accounts. Even with the action proposed in Proposal No. 1 above, large deficits totaling approximately \$900,000 for the total company continue to exist and will have to be recovered. We have not conducted an in depth

ORDER NO. 24940
DOCKET NO. 910461-TL
PAGE 5

review of the depreciation study at this time. However, we do believe that some deficits may exist. We believe that it is appropriate and prudent to place the \$150,000 aside in an unclassified intrastate depreciation reserve account and to use that amount to help offset any deficits or amortization schedules that are finally identified in the depreciation docket. Therefore, we find Quincy's second proposal appropriate.

Proposal No. 3 - Quincy proposes that if any additional excess earnings over \$15,000 for 1990 are identified in the final true-up for 1990, that the amount be added to the unclassified reserve established in the second proposal. It has been this Commission's practice in recent overearnings dockets to conduct a preliminary calculation of earnings and a final true-up of earnings based upon the final cost study, the staff audit and any issues raised by intervening parties. If the final true-up is in excess of \$15,000, then additional disposition of the money is made. If the final true-up is less than \$15,000 or is a negative amount, then that amount is treated as part of the current year's earnings. Quincy's proposal is consistent with past practices of this Commission. Therefore, we find it appropriate to accept Quincy's third proposal.

Proposal No. 4 - Quincy proposes that any change in depreciation authorized in Docket No. 910565-TL be made effective January 1, 1991. The Company filed its depreciation study in May of 1991. Based on our Rules, the Company may request an effective date for new depreciation rates as of the beginning of 1991. The Company has already requested an effective date of January 1, 1991, in the depreciation docket. Therefore, we find Quincy's fourth proposal appropriate.

Proposal No. 5 - Quincy has proposed changes in its intraLATA toll rates and in the discounts and time of day periods for its intraLATA toll calls. Quincy has proposed implementing its night/weekend rates from 8 PM to 8 AM each weekday and for the entire weekend. Currently, the night/weekend period does not begin until 11 PM each night and does not apply to calls made on Sundays from 5 PM to 11 PM. The Company's proposal would both simplify the time of day discounts and would allow customers the benefit of the lower night/weekend rates beginning at 8 PM rather than 11 PM. The Company's proposal would apply to all intraLATA calls. We believe that the simplification and the earlier night/weekend discounts would be beneficial to the customers. However, discussions with the Company indicate that Quincy is considering seeking a change in LATAs. We believe that implementing these changes in the times of day at this time could lead to more customer confusion if Quincy then changes LATAs, since interLATA discount periods are different

ORDER NO. 24940
DOCKET NO. 910461-TL
PAGE 7

now proposes to utilize the deferred credit to increase local revenues in a declining manner. We believe this is reasonable as it will allow the Company to absorb this loss in a more gradual manner, rather than having its earnings decline by \$200,000 annually at the end of 1993. Therefore, we find it appropriate to accept Quincy's eighth proposal.

We believe the overall effect of Quincy's proposal will be to retarget its earnings at its authorized ROE midpoint. We also recognize that the proposed reductions may result in additional stimulation. Therefore, we will continue to closely monitor the results of the proposed actions and will take further action if necessary. In summary, we find Quincy's Proposals Nos. 1, 2, 3, 4, 6, 7 and 8 to be in the best interests of the ratepayers and hereby accept them. We also accept Proposal No. 5 with the modification set forth herein.

A final true-up of 1990's earnings will have to be completed to allow our staff to complete its audit and to allow intervenors the opportunity to pursue discovery and any adjustments. The Company shall file tariffs to implement these rate changes by August 26, 1991. Also, the Company shall provide a bill stuffer informing customers of these rate changes in the first billing after this Order becomes final.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Quincy Telephone Company's proposal to partially address its 1990 and 1991 overearnings is hereby approved with the modifications set forth herein. It is further

ORDERED that this action shall become final if no protest is received within the time frame set forth in the Notice of Further Proceedings below. It is further

ORDERED that Quincy Telephone Company shall file tariffs to implement these rate changes by August 26, 1991. It is further

ORDERED that Quincy Telephone Company shall provide a bill stuffer to its customers explaining the rate changes in the first billing after this Order becomes final. It is further

ORDERED that this docket shall remain open until all of Quincy Telephone Company's 1990 and 1991 overearnings are disposed of.

ORDER NO. 24940
DOCKET NO. 910461-TL
PAGE 8

By ORDER of the Florida Public Service Commission, this 20th
day of AUGUST, 1991.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SFS

by Kay Ilyan
Chief, Bureau of Records

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 9/10/91.

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

ORDER NO. 24940
DOCKET NO. 910461-TL
PAGE 9

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.