

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of ST. JOSEPH) DOCKET NO. 900280-TL
 TELEPHONE'S intraLATA subsidy) ORDER NO. 22994
 _____) ISSUED: 5-25-90

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER

NOTICE OF PROPOSED AGENCY ACTION
ORDER ELIMINATING INTRALATA LEC TOLL SURPLUS TOLL
FOR ST. JOSEPH TELEPHONE AND TELEGRAPH COMPANY

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 substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

On January 1, 1988, the intraLATA LEC toll bill and keep subsidy mechanism was established in Docket No. 850310-TL. Each local exchange company (LEC), except GTE Florida, Inc. (GTEFL) and Vista-United Telecommunications (Vista), participated in the subsidy mechanism. GTEFL and Vista each experienced a net loss from the implementation of LEC toll bill and keep. Both of these companies elected to not receive subsidies and do not participate in the subsidy mechanism pool. Pursuant to Order No. 21597, Alltel, Centel, Florida, Gulf, Quincy and United were allowed to withdraw from the intraLATA subsidy mechanism. Pursuant to Order No. 21955, Indiantown was removed from the intraLATA subsidy pool due to its excess earnings.

By Order No. 22284 in Docket No. 891238-TL, we approved a new authorized ROE of 12.9% \pm 1.0% and reduced St. Joe's intraLATA subsidy by \$100,000 in order to target St. Joe's 1990 earnings within the newly authorized ROE range.

On December 21, 1989, the company filed its depreciation study for new rates to be effective January 1, 1990. The company's depreciation study proposes a decrease in total

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company depreciation and amortization expense of \$658,693; the intrastate portion of the reduction is \$434,738. A preliminary review of the company's depreciation study indicates that expenses are likely to decrease. For St. Joe, a 1% change in ROE is approximately \$135,000. This level of expense reduction will likely cause significant overearnings.

The company is currently slated to receive an intraLATA subsidy of \$424,000 for 1990 and \$370,000 for 1991. Eliminating St. Joe's intraLATA subsidy, effective June 1, 1990, will reduce 1990's earnings by \$247,000 and 1991's earnings by \$370,000. It appears that St. Joe will have sufficient earnings to absorb these subsidy reductions and still earn within its authorized range.

This action is consistent with action approved by the Commission for Gulf Telephone Company and Indiantown Telephone System, Inc. Gulf's and Indiantown's subsidies were eliminated because the companies were overearning and were expected to continue overearning in the foreseeable future. Also, as in the cases of Gulf and Indiantown, St. Joe has no zone or mileage charges.

Based on the expected increase in St. Joe's earnings, and consistent with the Commission's action regarding other local exchange telephone companies which were receiving subsidies, we find it appropriate that St. Joseph Telephone be removed from the intraLATA LEC toll bill and keep subsidy mechanism, effective June 1, 1990. Accordingly, we also find it appropriate to adjust the subsidy payments and receipts to reflect our decisions. The adjustments are shown on the charts attached to this Order as Appendix A.

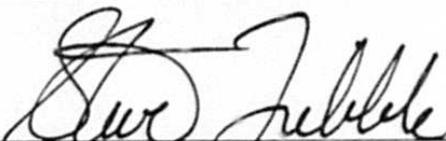
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that St. Joseph Telephone and Telegraph Company's intraLATA LEC toll bill and keep subsidy shall be eliminated June 1, 1990 as set forth in the body of this Order. It is further

ORDERED that the intraLATA toll bill and keep subsidy payments and receipts are modified as set forth in the body of this Order.

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By ORDER of the Florida Public Service Commission,
this 25th day of May, 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 June 19, 1990.

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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.