

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate) DOCKET NO. 910980-TL
increase by UNITED TELEPHONE) ORDER NO. PSC-92-0181-PCO-TL
COMPANY OF FLORIDA) ISSUED: 04/10/92
_____)

Pursuant to Notice, a Prehearing Conference was held on April 6, 1992, in Tallahassee, Florida, before Commissioner Susan F. Clark, as Prehearing Officer.

APPEARANCES:

ALAN N. BERG, Esquire, Box 5000, Altamonte Springs,
Florida 32716-5000
On behalf of United Telephone Company of Florida.

MICHAEL W. TYE, Esquire, 106 East College Avenue, Suite
1410, Tallahassee, Florida 32301
On behalf of AT&T Communications of the Southern States,
Inc.

FLOYD R. SELF, Esquire, Messer, Vickers, Caparello,
Madsen, Lewis, Goldman & Metz, P.A., Post Office Box
1876, Tallahassee, Florida 32301-1876
On behalf of Florida Cable Television Association and
Florida Pay Telephone Association, Inc.

CHARLES J. BECK, Esquire, Deputy Public Counsel, Office
of Public Counsel, c/o The Florida Legislature, 111 West
Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

PATRICIA A. KURLIN, Esquire, Florida Public Service
Commission, 101 E. Gaines Street, Tallahassee, Florida
32399-0863
On behalf of the Commission Staff.

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PREHEARING ORDER

I. CASE BACKGROUND

On September 19, 1991, United Telephone Company of Florida (United or the Company) requested Commission approval of its proposed test year beginning July 1, 1992, and ending June 30, 1993, for purposes of filing a rate case. Upon review, on September 25, 1991, the Chairman sent United a letter approving the requested test year. Simultaneously, on September 25, 1991, the Office of Public Counsel (OPC) filed a Motion to Review Test Year Request by the Full Commission and to Conduct a Hearing Under Section 120.57(1), Florida Statutes. United subsequently filed, on October 4, 1991, a Motion to Dismiss and Answer of United Telephone Company of Florida. By Order No. 25484, issued December 17, 1991, the Commission initially approved United's test year, denied OPC's request for a Section 120.57, Florida Statutes, hearing, and ordered that additional Minimum Filing Requirements (MFR) schedules be filed for the calendar years 1993 and 1994.

On November 15, 1991, the Company filed its MFRs in this rate case. On November 20, 1991, the OPC filed a Motion to Dismiss United's rate case filing on the basis that United did not comply with the provisions of Rule 25-4.141, Florida Administrative Code. On November 27, 1991, United filed its Response to OPC's Motion to Dismiss asserting that it had complied with Rule 25-4.141, Florida Administrative Code. Additionally, on November 26, 1991, OPC filed an Objection to CASR and Motion to Reschedule requesting that the Commission reschedule the hearing in this docket to a later date. United filed its response on December 4, 1991. Finally, on December 9, 1991, United filed a Motion to Consolidate Dockets, requesting that this docket be consolidated with Docket No. 910725-TL, United's depreciation represcription. By Order No. PSC-92-0134-FOF-TL, the Commission denied the Motion to Dismiss and Motion to Reschedule.

United has proposed rate changes which, if approved, would produce an increase in revenues of approximately \$54,308,000 annually. As of December 31, 1991, United was earning 13.37% return on equity. The Company asserts that a fair return on equity is 13.95%. By Order No. 25530, issued December 24, 1991, the Commission suspended the tariffs filed by United as part of its MFR requirements.

Customer hearings were held in this matter on March 11, 1992, in Fort Myers, and on March 16, 1992 in Altamonte Springs. The

evidentiary hearing is scheduled for April 15 through 17, April 20 and 22, 1992, in Tallahassee.

By Order No. 25807, issued February 26, 1992, the prehearing procedure was established for this docket. An informal prehearing conference was held on March 20, 1992. The final prehearing conference was held on April 6, 1992.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 364.183(2), Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 364.183, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 364.183, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to

present evidence which is proprietary confidential business information.

- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

III. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

IV. ORDER OF WITNESSES

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES NOS.</u>
	<u>Policy</u>		
B. H. Reynolds <u>Direct</u>	United		21o, 21p
	<u>Accounting</u>		
R. D. McRae <u>Direct</u>	United		2, 3, 4, 4b, 5, 5a, 6, 7, 8, 8a, 9, 10, 12, 13, 14, 15, 15a, 15b, 16, 17, 18, 20, 20b, 20c, 21, 21a, 21b, 21c, 21d, 21e, 21f, 21g, 21h, 21i, 21j, 21k, 21l, 21m, 21n, 21q, 21r, 22k, 23, 22a, 23b, 23c, 23d, 23e, 23f, 23g, 23h, 23i, 24, 24a, 24b, 25, 26, 26a, 27, 2 8, 29, 30, 35

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES NOS.</u>
Thomas C. DeWard <u>Direct</u>	OPC		2, 15a, 15b, 20a, 21a, 21d, 21e, 21f, 21g, 21h, 21j, 21k, 21m, 21n, 21r, 22k, 30
Victoria A. Montanaro <u>Direct</u>	OPC		23a, 23b, 23c, 23d, 23e, 23f, 23g, 23h, 23i
R. Earl Poucher <u>Direct</u>	OPC		1, 4a, 5, 5a, 20c, 21o, 21p, 24, 24a, 24b
R. D. McRae <u>Rebuttal to Intervenors</u>	United		22, 22i
B. H. Reynolds <u>Rebuttal to Intervenors</u>	United		
Charleston J. Winston <u>Direct</u>	Staff		Audit
Robert F. Dodrill, Sr. <u>Direct</u>	Staff		Audit Exceptions 4, 5 Disclosures 5, 12
Jack W. Hoyt <u>Direct</u>	Staff		Audit Exceptions 1-3, 6 Disclosures 1-4
R. D. McRae <u>Rebuttal to Staff</u>	United		Audit Exceptions 1-6, and Disclosures 4-15

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES NOS.</u>
Derek H. Brennan <u>Rebuttal to Staff</u>	United		Audit Disclosures Nos. 1,2,3
<u>Affiliates</u>			
J. W. Wareham <u>Direct</u>	United	4/20	22b,22c, 22d,22e, 22f,22g, 22h,22i
Michael L. Brosch <u>Direct</u>	OPC	4/20	21d,22,22b, 22c,22d, 22e,22f, 22g,22h, 22i
J. W. Wareham <u>Rebuttal</u>	United		22e
<u>Rates and Tariffs</u>			
Richard L. Cimerman <u>Rebuttal</u>	Staff		34, Business Pricing, not Local
F. B. Poag <u>Direct</u>	United		19,20a,31, 32,32a,32b, 32c,32d, 32e,33,33a, 34,36,37, 37a,37b

Testimony of the following witnesses has been stipulated into the record by agreement of all parties at the Prehearing Conference:

<u>Cost of Equity</u>			
C. M. Linke <u>Direct/Rebuttal</u>	United		10,11
David Parcell <u>Direct</u>	OPC		10,11,12, 13,14,26a
T. W. Coyle <u>Rebuttal</u>	United		10,12,14

<u>WITNESS</u>	<u>APPEARING FOR</u>	<u>DATE</u>	<u>ISSUES NOS.</u>
	<u>Service</u>		
J. P. Salyer <u>Direct</u>	United		1, 1a, 1b
Nancy Pruitt <u>Direct</u>	Staff		
Donald B. McDonald <u>Direct</u>	Staff		1, 1a, 1b

V. BASIC POSITIONS

UNITED'S BASIC POSITION: United's basic position is that if it is to have the opportunity to earn a fair rate of return on its investment in property used to provide telecommunications services in Florida, it must have the Commission's approval to increase its intrastate revenues by \$54,308,000 annually.

A fair return on United common equity is 13.95%; United's overall cost of capital is 10.37%.

The main drivers of this requirement for rate relief, aside from return on equity, are several cost increases that will impact United beginning in 1992 and which are of a continuing nature.

The first such cost increase is depreciation expense. In Docket No. 910725-TL, which is being processed at the same time frame as this proceeding, United is seeking additional intrastate depreciation expense which will impact the test period by approximately \$16.6 million. Increased depreciation expense is essential if United is to recover its capital investments in a timely manner and funds are to be provided for modernization to meet customers' future demands for services.

The second major cost increase is related to jurisdictional cost shifts resulting from the continuing phase-down of the subscriber plant factor and dial equipment minutes. The continuing phase down of the subscriber plant factor and dial equipment minutes has a negative effect on United's intrastate earnings and requires additional revenues in the test year of approximately \$16.1 million. These jurisdictional cost shifts will have a continuing effect in subsequent years.

The third major cost increase is for expenses related to the implementation of SFAS 106. The implementation of SFAS 106,

Employers' Accounting for Postretirement Benefits other than Pensions, will have a negative effect on United's intrastate earnings and require additional revenues in the test year of approximately \$7.2 million. SFAS 106 will have a continuing effect in subsequent years.

The exact dollar amounts and effects of all of these factors are contained in the Minimum Filing Requirements and discussed in testimony and exhibits filed in this Docket.

United is in substantial compliance with all of the Commission's service standards and is providing a consistently high level of service to its customers. United is dedicated to providing quality customer service at reasonable prices. At current prices, however, the revenues from the Company's services will not be sufficient to cover the Company's operating costs and produce a fair rate of return on its investment in property used and useful in serving the public. In order to afford United an opportunity to earn a fair rate of return, the FPSC should authorize additional annual net revenues of \$54,308,000. This revenue increase will bring United's revenues to a level which will allow it to continue to provide a high level of service to its customers, and reasonably compensate its investors.

AT&T'S BASIC POSITION: AT&T's basic position in this proceeding is that the reduction in the Busy Hour Minute of Capacity (hereinafter "BHMOC") charge proposed by United Telephone Company of Florida (hereinafter "United") should be approved. United proposes to reduce its BHMOC charge from \$3.95 to \$1.98 in this proceeding. While AT&T continues to advocate the elimination of all charges associated with the BHMOC element, AT&T recognizes United's proposed reduction as an important step towards that end.

FCTA'S BASIC POSITION: It is the Commission's responsibility to ensure the availability of basic telecommunications services to all residents of the State at reasonable and affordable prices pursuant to the criteria established under Chapter 364, Florida Statutes. In so doing, the Commission is required to recognize the emergence of a competitive telecommunications environment through flexible regulatory treatment where competitive telecommunications services are not subsidized by monopoly services and where all monopoly services are available to all competitors on a non-discriminatory basis.

FCTA believes that rates for basic telecommunications services must be established consistent with the principles expressed in Chapter 364, Florida Statutes, specifically Sections 364.01, 364.338 and 364.3381. The correct applicability of the provisions

of Chapter 364, Florida Statutes, is necessary to ensure affordable prices for basic service for all residents, and to ensure that anti-competitive behavior is avoided.

FPTA'S BASIC POSITION: FPTA has intervened in these proceedings to determine the extent to which United's proposals impact nonLEC pay telephone service ("NPATS") providers and to advocate changes or revisions where appropriate. While NPATS providers may be adversely impacted by the Commission's approval of United's rate case as filed, at this time FPTA takes no position on the issues identified for hearing in this docket.

OPC'S BASIC POSITION: United's rates should be reduced by over \$32 million dollars per year in this proceeding.

United's petition to increase rates is based in part on its requested 13.95% return on equity. Given today's market with lower interest and inflation, a return on equity of 11.5% would be reasonable; a return on equity of 13.95% is completely unrealistic.

Additionally, United would have this Commission turn its back on its parent company debt rule by using a 1984 capital structure for application of the rule. The Citizens urge the Commission to reject United's proposal which would trace funds back a 1984 capital structure. But if the Commission should choose to trace funds, it should use a double leverage adjustment.

Together, the excessive return on equity of 13.95% requested by United and its request to have the Commission trace funds by using a 1984 capital structure in the Commission's parent company debt rule account for more \$22 million dollar per year of United's request.

Additionally, United seeks Commission approval to accelerate its retirement of cable facilities in order to pursue a strategy of fiber to every mobile home, apartment, house, and other dwelling in its territory by the year 2010. United forsakes traditional economic analysis or analysis of its market in pursuit of this strategy. More reasonable depreciation rates would lower United's request by more than \$23 million dollars per year.

United's test year budget contains levels of expense that United is extremely unlikely to incur. For example, a comparison of the 1988 view of 1989 to actual 1989 operating expenses shows that budgeted expenses exceeded actual expenditures by \$15.6 million dollars. A comparison of the 1989 view of 1990 to actual expenditures shows that actual expenditures were under budget by \$8.6 million dollars. A comparison of the 1990 view of 1991 to

actual expenditures shows that actual expenditures were under budget by \$26.6 million dollars.

Actual 1990 operating expenses increased 4.9% over those of 1989. Actual operating expenses in 1991 decreased from those in 1990. Given this history, the Citizens believe it is reasonable to allow United to increase its projection of expenses in 1992 and 1993 by at most a compound rate of 4%. Allowing an increase at this level reduces United's test year expense by \$19.3 million dollars.

Financial Accounting Standard 106 implements new postretirement benefit accounting treatment for published financial reports in order to provide additional information to shareholders. United does not plan to change its actual expenditures on postretirement benefits and has but one shareholder, yet United would have this Commission increase test year expense for these benefits by about \$7.8 million dollars. The Citizens propose to continue the present treatment of postretirement benefits for setting rates.

United runs an extremely profitable line of business from inside wire maintenance. United's profits from this service are possible only because of its position providing regulated service, and accordingly the Citizens urge the Commission to consider all the revenue and expenses from inside wire services when setting rates for regulated services. This would have a significant impact in the test year.

These adjustments, along with others, would result in a decrease in United's rates by more than \$32 million dollars in the test year.

STAFF'S BASIC POSITION: United Telephone Company of Florida (United) filed a petition on November 15, 1991, to adjust its rates and charges pursuant to Section 364.05, Florida Statutes. Until all the evidence and testimony has been received into the record and fully evaluated, it is not possible to determine whether United's rates should be increased or decreased.

VI. ISSUES AND POSITIONS

Quality of Service

ISSUE 1: Is the quality of service adequate?

UNITED'S POSITION: United consistently achieves or exceeds Commission service standards and requirements. The Company's internal measurements of service quality, as well as its periodic service reports to the Commission and the Commission's own complaint records all demonstrate that the Company is providing excellent service to its customers. (Mr. Salyer)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: United's Schedule 11 reports provided to the Commission show that it is providing a good quality of service by those measurements. However, the company has been unresponsive to a number of customers complaints. In addition, in at least one major incident the company added hundreds of services to customer bills without first contacting the customers, and the company was slow taking corrective measures. Further, customers voiced serious concerns about United's quality of service at the public hearing held in Ft. Myers. These occurrences should be considered in addition to the statistics shown in United's report to the Commission. (Poucher).

STAFF POSITION: Yes. The level of service provided by United is satisfactory.

ISSUE 1a: Should the Commission require United to provide distinct intercept recordings for vacation disconnect, non-pay disconnects, and regular disconnects?

UNITED'S POSITION: United is in full compliance with existing Commission rules regarding intercept. If and when the Commission changes its rule, United will change its practices to comply. United should not be required to offer services that are:

- a) not provided for by Rule 25-4.074

- b) intended to reveal that customers are on extended stays away from their homes
- c) intended to reveal that certain customers were unable to meet financial obligations

(Mr. Salyer)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: Yes. The recommendation is for separate and more informative recordings for vacation disconnect, non-pay disconnects, and regular disconnects. Recordings should be the ones the Bell Blue Book, which is the industry standard, recommends.

ISSUE 1b: Should United be required to provide a separate and distinct service order audit trail to distinguish appointments that are required to perform regulated work when the order contains both regulated and nonregulated work?

UNITED'S POSITION: During the 1990 service evaluation, the FPSC requested that United implement an audit trail to distinguish when an access appointment (as defined under rule 25-4.0770) to perform non-regulated work was required.

In its final report, the Commission Staff recommended that United develop a means of implementing a service order audit trail, to include access appointments when access to the customer's premises was required to perform both regulated and non-regulated work. United immediately initiated a request to modify the service order system. The requested changes have been completed and procedures were issued to field personnel in January, 1992. Our service order system will now provide an audit trail when an access appointment is made to perform regulated and non-regulated work.
(Mr. Salyer)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: Yes. United has agreed to do this and reported that it has been implemented.

Rate Base

ISSUE 2: Is the test year ended June 30, 1993 an appropriate test year?

UNITED'S POSITION: Yes. The test year ended June 30, 1993 is an appropriate test year for a number of reasons. First, it represents the full impact of new depreciation rates to be granted by the Commission. United filed a requested rescription of depreciation rates on June 27, 1991. United's request, if approved as filed, will increase the Company's intrastate depreciation expense by an estimated \$16.6 million on an annual basis effective July 1, 1992. To have an opportunity to recover this cost, the rate proceeding must recognize the full impact of the increased expense. Since United has requested an effective date for the depreciation rescription of July 1, 1992, that date is the appropriate starting point.

Additionally, this test year is representative of future conditions because it will include recognition of other significant cost changes that will impact United on a going forward basis. One important new cost which is not reflected in current rates but which will substantially affect United is aligned with the adoption of SFAS 106 dealing with recognition of postretirement healthcare benefits. Also, this test year is appropriate and representative because it will reflect investment, revenues and expenses as of the time when new rates will go into effect.

The test year ended June 30, 1993 was determined appropriate by the Commission and confirmed in Order No. 25484, issued December 17, 1991. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No. The forecast used by United for the test year was prepared 8 months before the beginning of the test year. The test year therefore spans a period of from 8 to 20 months after the forecast. Reviewing similar comparative periods in the past shows that the company regularly overprojects operating expense by huge amounts. For 1989 the company over projected expense by \$15.6 million dollars; for 1990 the company over projected its operating expense by \$8.6 million dollars; and for 1991 the company over projected its operating expense by \$26.6 million dollars.

Ratepayers should not be asked to bear the risk of such unreliable projections. The test year is inappropriate because the company does not accurately project its expenses. (DeWard).

STAFF'S POSITION: Yes. The test year ended June 30, 1993 is an appropriate test year.

ISSUE 3: Are UTF's forecasts of access lines, toll messages, and minutes-of-use reasonable?

UNITED'S POSITION: Yes, the forecasts of access lines, toll messages and minutes-of-use are reasonable. These forecasts were based upon analysis of historical data and take into account quantifiable economic conditions and any other known and quantifiable future events. Minor adjustments have been made to the minutes of use forecast to recognize the impact of shifts between intraLATA toll messages and interLATA access minutes. The related revenue developed from these forecasts is contained in Mr. McRae's Exhibit RDM-3, Schedule 1, page 1 of 2 and MFR B-5b with modifications as disclosed in Mr. McRae's rebuttal testimony and included in his revised Exhibit RDM-7. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: Staff's preliminary position is that UTF's forecast for access line, toll messages, and minutes-of-use appear reasonable, pending further analysis of the 1st Quarter, 1992 actual residential and business access line gain information, the impact of toll-to-local conversions on the toll message forecast, and the development of access minutes-of-use for Feature Group D 1+ and 0+0- intraLATA access services.

ISSUE 4: What is the appropriate amount of plant in service for the test year?

UNITED'S POSITION: The appropriate amount of intrastate plant in service for the test year is \$1,637,508,810 as shown on MFR schedule A-2d and as reflected on Exhibit RDM-7, Schedule No. 2, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculations requested in this issue.

STAFF'S POSITION: Since this is a fall-out issue, the amount can not be determined at this time.

ISSUE 4a: What adjustment should be made to rate base to reflect uneconomic investments, if any, in outside plant construction?

UNITED'S POSITION: None. United does not have any uneconomic investments in outside plant construction.

United's planning policies are based on the use of sound engineering economic studies before proceeding with any new investments. Each case is studied on an individual basis to determine the most economic course of action. Numerous studies are on file which show United's use of prudent economic engineering planning policies.

Before embarking on the use of new technology, United performs trials of the new technology to familiarize itself with the new technology and to determine any operational or engineering issues that might exist. In the case of fiber in the distribution, for example, we intend to conduct a trial of fiber-to-the-curb technology. Fiber-to-the-curb technology will be the most cost effective means of initially implementing fiber in the distribution. United has developed a target price that, on a trial basis only, it would be willing to pay. The benefits to United in terms of the information, knowledge, and necessary experience gained in dealing with this new technology would have a value in excess of any additional cost that might be incurred. Of course, United would negotiate with the vendor for the trial in order to

minimize the risk associated with any of United's one time expenditures for the trial.

United has projected that the cost of fiber-to-the-curb for new growth will be equal to that of copper in the 1993-1994 time frame. In our budget for 1994 and beyond, we have budgeted that fiber-to-the-curb would be equal to the cost of the copper solution. In 1993, United budgeted placing 10% of its increase in new working lines on fiber optic distribution to the curb at a 20% first cost penalty relative to copper. This penalty is prudent because it avoids investing in antiquated copper distribution plant and allows United to gain experience essential in dealing with the ramp-up of the new cost effective fiber-to-the-curb distribution plant which will occur shortly thereafter. (Mr. Brennan)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: An adjustment of least \$5,427,460 should be made to the test year plant in service to reflect uneconomic investment in fiber optics. This amount is merely the tip of an iceberg and shows that the company's fiber optic strategy is already exacting a price from customers. (Poucher).

STAFF'S POSITION: No position at this time.

ISSUE 4b: What adjustment, if any, should be made to rate base to reflect credits from Northern Telecom for volume purchases?

UNITED'S POSITION: None. United's construction budget is based on discounts contained in the Volume Purchase Agreement (VPA) with Northern Telecom (NTI). The VPA is based on projected annual purchase volumes for the entire Sprint Corporation with a threshold that far exceeds the amount of purchases the Company would incur on its own. If in any year the total purchases by Sprint exceed the projected volume on which the VPA is based, a credit is received by Sprint from NTI. Sprint allocates this credit to each United operating unit based on their individual contribution toward the total purchase volume. The credit is and must be used toward reducing the cost of purchases made in the year the credit is received.

In 1991 United was allocated a credit of \$671,382 to be applied towards purchases to be made in 1991 and the credit was recognized in the Budget for the year 1991.

Because the total Sprint Corporation credit is based on actual purchases of the entire Sprint Corporation, United has no means of knowing if any credits will be received in the future. A sufficient pattern of experience is not available to support any generalization that there will be a volume credit received every year, let alone that any future volume credit will match what was received in 1991. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Rate base should reduce by \$516,964 to reflect the normal expectation of payments that would be made for volume purchases.

STAFF'S POSITION: No position at this time pending further analysis.

ISSUE 5: What is the appropriate amount of depreciation reserve for the test year?

UNITED'S POSITION: The appropriate amount of intrastate depreciation reserve for the test year is \$665,719,353 as shown on MFR schedule A-2d and as reflected on Exhibit RDM-7, Schedule No. 2, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The adjustments to depreciation contained in the testimony of William Page Montgomery in Docket No. 910725-TL lead to the resulting calculation requested in this issue. (Poucher).

STAFF'S POSITION: No position at this time.

ISSUE 5a: What adjustment should be made to the depreciation reserve to reflect new depreciation rates and recovery schedules as approved in Docket No. 910725-TL?

UNITED'S POSITION: The intrastate depreciation reserve as reflected on MFR schedule A-2d includes the impacts of new depreciation rates and recovery schedules proposed in United's 1991 Depreciation Study Update, dated November, 1991. Adjustments should be made as necessary based upon the decisions reached in Docket No. 910725-TL. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The adjustments to depreciation contained in the testimony of William Page Montgomery in Docket No. 910725-TL lead to the resulting calculation requested in this issue. (Poucher).

STAFF'S POSITION: No position at this time pending the Commission decision in Docket No. 910725-TL scheduled for a June 8, 1992 Agenda.

ISSUE 6: What is the appropriate amount of construction work in progress for the test year?

UNITED'S POSITION: The appropriate amount of intrastate construction work in progress, telephone plant under construction (TPUC), to be included in the test year rate base (i.e., short term TPUC) is \$12,078,360 as shown on MFR Schedule A-2d and as reflected on Exhibit RDM-7, Schedule No. 2, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to resulting calculation requested in this issue.

STAFF'S POSITION: No position at this time, however, staff is not aware of any pending adjustment at this time.

ISSUE 7: What is the appropriate amount of property held for future use for the test year?

UNITED'S POSITION: The appropriate amount of intrastate property held for future use to be included in the test year rate base is \$43,506 as shown on MFR Schedule A-2d and as reflected on Exhibit RDM-7, Schedule No. 2, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to resulting calculation requested in issue.

STAFF'S POSITION: The appropriate amount of property held for future use for the test year is \$44,000 as filed.

ISSUE 8: What is the appropriate amount of working capital allowance for the test year?

UNITED'S POSITION: The appropriate amount of intrastate working capital allowance to be included in the test year rate base is \$11,352,299 as shown on MFR Schedule A-2d and as reflected on Exhibit RDM-7, Schedule No. 2, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to resulting calculation requested in issue.

STAFF'S POSITION: No position at this time pending the result in Issue 8a.

ISSUE 8a: Does the company maintain an appropriate balance of plug-in units?

UNITED'S POSITION: Yes, the Company does maintain and manage an appropriate balance of plug-in units to meet the normal growth demand, to provide service replacement units and to support the central office line reuse program.

In 1991, a major effort was made to increase central office line utilization and recover host lines that have been idled by the deployment of distributed switches. These plug-in line cards are returned to inventory and then reused to supply growth to the many new and existing switch sites.

The Alcatel 1210 plug-in line card inventory represents 54% of the total line card inventory dollars. This equipment has been discontinued by the manufacturer and we have maintained an inventory level to support the existing fifty-six 1210 switching sites and over 270,000 working lines. This equipment will be phased out of service by year end 1999, however in the meantime it is appropriate that we provision the growth with our inventory stock. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No. United maintains an inventory in excess of units required to handle normal growth and maintenance.

ISSUE 9: What is the appropriate amount of rate base for the test year?

UNITED'S POSITION: The appropriate intrastate test year rate base is \$995,262,622 as shown on MFR Schedule A-2d and as reflected on Exhibit RDM-7, Schedule No. 2, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to resulting calculation requested in issue.

STAFF'S POSITION: Since this is a fall-out issue, the amount can not be determined at this time.

Cost of Capital

ISSUE 10: Does the affiliation between United Telephone Company of Florida (UTF) and its parent company United Telecommunications, Inc. (UTI) adversely affect the cost of debt and equity of UTF? If so, how should this be treated?

UNITED'S POSITION: No, United's affiliation with UTI does not have an adverse affect on United's cost of debt and equity. The determination of the cost of common equity in this case is based upon the Commission's evaluation of the risks of United's common equity investment in intrastate regulated operations. The recommendations made by Dr. Linke and Mr. Parcell apply to United and its operations and risks rather than those of UTI. The cost of equity determined in this case should, therefore, not be affected either positively or negatively by United's affiliation with UTI.

The cost of debt to United is also not adversely affected by its affiliation with UTI. United's bond ratings, on average, are higher today than the bond ratings of the three companies (Inter-County Telephone, Florida Telephone and Winter Park Telephone) which now make up United were at the time they were acquired by UTI. In addition the bond ratings, on average, are higher today than they were when United, in its present structure, was formed in 1983. Affiliation with UTI has, therefore, certainly not had an adverse affect on United's cost of debt. (Dr. Linke, Mr. Coyle and Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes, it does adversely affect the cost of debt and equity of United Telephone Company of Florida. United Telephone Company of Florida would likely have a debt rating of AA (rather than A) had it not been affected by the parent United Telecommunications, Inc., substantial debt service requirements and

the relatively high business risk stemming from ownership of long distant carrier US SPRINT. To recognize the adverse effect of the parent on the operating telephone company's cost of debt and equity, the Commission should use the lower portion of the range otherwise indicated for United Telephone Company of Florida's authorized return on equity. (Parcell).

STAFF'S POSITION: No position at this time.

ISSUE 11: What is the appropriate cost of common equity for the test year?

UNITED'S POSITION: The cost of common equity is 13.95% as established in the prefiled direct testimony of Dr. Linke. (Dr. Linke)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: 11.5% (Parcell).

STAFF'S POSITION: No position at this time.

ISSUE 12: Is UTF's proposed test year equity ratio prudent and reasonable? If not, how should this be treated?

UNITED'S POSITION: Yes. United's test year equity ratio is prudent and reasonable for a rapidly growing company in a capital intensive industry with an obligation to serve the public. The testimonies of Dr. Linke and Mr. Parcell reflect that the Company's equity ratio is consistent with the regional Bell holding companies (see page 23 of Dr. Linke's prefiled testimony) and the independent telephone operating companies (see Schedule 5 of Mr. Parcell's exhibit). (Mr. McRae and Mr. Coyle)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No, United Telephone Company of Florida has an excessive amount of common equity. An adjustment to the cost of

common equity should be made to reflect the lower level of financial risk associated with the high equity ratio. (Parcell).

STAFF'S POSITION: No position at this time.

ISSUE 13: What is the appropriate cost of short term debt for the test year?

This issue has been stipulated to by United, OPC, and Staff, without objection from any other party as follows:

The appropriate cost of short term debt for the test year is 7.08%.

ISSUE 14: If the Commission accepts United's parent company debt adjustment, should the Commission also apply a double leverage capital adjustment utilizing United Telcom's 1983 consolidated capital structure and cost rates?

UNITED'S POSITION: No. It is United's position that no parent debt adjustment should be made in this case at all. Making such an adjustment unfairly penalizes United for being part of a holding company and it allows changes to the Company's revenue requirement in spite of the fact that there have been no changes in the parent's common equity investment in the Company.

If the Commission is to make this type of adjustment, however, it should do so in the most realistic manner possible. The parent debt adjustment proposed in this case more accurately and fairly represents the parent debt which could, in fact, have been invested in the equity of United.

The appropriate capital structure to use in this case is an entirely separate issue. The United capital structure is prudent and reasonable for an independent telephone operating company serving in a rapidly growing area. In addition, use of the United capital structure is consistent with the Commission's practice in past United cases and the cases of other independent telephone companies. (Mr. McRae and Mr. Coyle)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should not apply the parent company debt adjustment proposed by United Telephone Company of Florida based on United Telecom's debt at 1984. Such a procedure would implicitly assume it is possible to trace or color code dollars. However, if a procedure were used to trace funds, the Commission should use a double leverage capital adjustment utilizing United Telecom's 1983 consolidated capital structure and cost rates to determine United Telephone Company of Florida's cost of common equity. (Parcell).

STAFF'S POSITION: No position at this time.

ISSUE 15: What is the appropriate amount of deferred income taxes to be included in the capital structure for the test year after reconciliation?

UNITED'S POSITION: The appropriate 12-month average balance of intrastate test year deferred income taxes is \$137,864,000 as reflected on Exhibit RDM-7, Schedule No. 3, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: No position at this time.

ISSUE 15a: How should the Commission treat deferred income taxes associated with the adjustment taken by UTF for overearnings in 1988 and 1989?

UNITED'S POSITION: Deferred taxes associated with the additional depreciation expense recorded in 1991 to recognize both the Commission's order with respect to 1988 and 1989 earnings (Order No. 25007) and with respect to the parent debt adjustment (Order No. 24942) should be treated in the same fashion as any other deferred taxes, i.e., as a component of cost free capital.

The amount of depreciation expense ordered to be recorded represented the amount of net operating income which the Commission concluded was in excess of our authorized rate of return expanded by approximately 63% to an amount which represented revenue requirements. Such expansion is made to recognize the income tax impact of decreased revenues, if a refund were made, or increased expenses in the case of requiring depreciation to be charged for a similar amount. To recognize the rate base decrease of the expanded amount (whether decreased working capital as a result of a cash refund or decreased net plant as a result of additional depreciation) without also recognizing the impact on income taxes is totally illogical. If the Commission did not wish there to be an impact on either current income taxes payable (refund) or accumulated deferred income taxes (additional depreciation) then the amount to be recorded should not have been expanded to cover such tax implications. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The depreciation charge taken from 1988 and 1989 overearnings did not affect tax depreciation and thus created a tax timing difference. The tax timing difference resulted in a charge to deferred income tax liability, or a reduction of the accumulated deferred income taxes. In this case, however, the deferred income tax charge offsets the cost free income tax liability, thus denying ratepayers the full benefit of the depreciation charge. The Commission should increase deferred income taxes by removing the 13 month average of the deferred tax debit associated with the depreciation recorded by the company for the 1988 and 1989 overearnings. (DeWard).

STAFF'S POSITION: No position at this time.

ISSUE 15b: How should the Commission treat deferred income taxes associated with the adjustment taken by UTF for its parent company debt resulting from UTF's last rate case?

UNITED'S POSITION: Same response as noted at Issue 15a.
(Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The same adjustment should be made here as should be made with the respect to the 1988 and 1989 company overearnings. (DeWard).

STAFF'S POSITION: No position at this time.

ISSUE 16: What is the appropriate amount of Investment Tax Credits and its associated cost to be included in the capital structure for the test year after reconciliation?

UNITED'S POSITION: The appropriate 12-month average balance of intrastate test year accumulated deferred ITC is \$18,398,000. The appropriate cost rate, as developed and reflected on Mr. McRae's Exhibit RDM-7, Schedule 3, is 12.24%. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: No position at this time.

ISSUE 17: How should UTLD and other non-regulated investments be removed from the capital structure in rate base and capital structure reconciliation?

UNITED'S POSITION: The Company's investment in UTLD and other non-regulated operations should be removed from the capital structure pro-rata from all types of investor supplied capital as noted at pages 48 and 49 of Mr. McRae's direct testimony. None of the Company's assets are financed or otherwise aligned with specific sources of capital, with all assets financed in a manner consistent with the Company's overall capital structure objective.

A large part of the non-regulated investment represents either customer premise equipment, which prior to 1988 was regulated and therefore considered to have been financed through all sources of capital, or an apportionment of general support assets whereby over

96% of the asset remains on the regulated books with the balance apportioned to the non-regulated balance sheet. There is no question that the major portion of a given asset which remains on the regulated books is considered financed by all sources of capital while there is a suggestion that the minor apportionment to non-regulated was financed totally through common equity. It is illogical to assume that once the asset crosses a line from regulated to non-regulated that the company refinances that asset totally through an infusion of equity. It is also illogical to assume that a single asset is financed 96% through all sources of capital and 4% through equity alone. The capital supporting the assets did not change just because their regulatory status did.

Eliminating non-regulated investment pro-rata more closely reflects the manner in which other companies operating in the long distance and CPE industries are actually financed rather than reflecting total equity financing as suggested by the Commission in the Company's most recent rate order. Studies presented in Mr. McRae's testimony indicate that United has less leverage than the average companies in the long distance and CPE industries. Assuming United's non-regulated businesses are financed totally with common equity is unsupported and inconsistent with financial logic and practice. It also results in an inappropriate subsidization of regulated operations by non-regulated activities. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: UTLD and other non-regulated investments should be removed from equity.

STAFF'S POSITION: No position at this time.

ISSUE 18: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year?

UNITED'S POSITION: The weighted average cost of capital is 10.37% as shown on MFR Schedule D-1 and as reflected in Exhibit RDM-7, Schedule 3, of the testimony of Mr. McRae. The proper components, amounts and cost rates are as follows:

	<u>Intrastate Adjusted</u>	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Short Term Debt	\$ 31,828	3.20%	7.08%	.23%
Long Term Debt	292,080	29.35	9.39	2.76
Common Equity	503,923	50.63	13.95	7.06
Preferred Stock	6,772	.68	7.61	.05
Customer Deposits	4,398	.44	8.30	.04
Job Development				
Investment Credits	18,398	1.85	12.24	.23
Cost Free Capital	<u>137,864</u>	<u>13.85</u>	-	-
Total	\$ 995,263	100.00%		10.37%

(Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: No position at this time.

Net Operating Income

ISSUE 19: Are any of the company's forecasted billing units inappropriate?

UNITED'S POSITION: Yes. With the adjustments to billing units to reflect the changes identified in Mr. McRae's rebuttal testimony, the billing units in the revised test year E-1a schedule filed April 3 are appropriate. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Company incorrectly forecasts the number of messages expected from the \$.25 plan for calls between Kissimmee and Orlando.

STAFF'S POSITION: Based on Staff's preliminary analysis, some adjustments may be warranted in the areas of Custom Calling Features, ExpressTouch, ABC, and Special Access. In addition, Staff's findings in Issue 3 will affect the conclusions in Issue 19.

ISSUE 20: What is the appropriate amount of operating revenue for the test year?

UNITED'S POSITION: With consideration given to the adjustments reflected in Mr. McRae's rebuttal testimony, the appropriate test year intrastate operating revenues are \$511,303,000 as reflected on Exhibit RDM-7, Schedule No. 4, page 2 of 2 of Mr. McRae's rebuttal testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: Since this is a fall-out issue, the amount can not be determined at this time.

ISSUE 20a: Are all of the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

UNITED'S POSITION: Yes. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No. The Commission should make an adjustment of \$369,582.00 to reflect the Commission's decision packaging certain calling features set forth in Docket No. 920098-TL. (DeWard).

STAFF'S POSITION: No position at this time.

ISSUE 20b: Should an adjustment be made to test year estimates of revenue?

UNITED'S POSITION: Adjustments to the test year revenues have been made and are reflected on Exhibit RDM-7, Schedule No. 4, page 2 of 2 of Mr. McRae's rebuttal testimony. No further adjustments should be made to test year revenues. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 20c: Should the Commission consider increased revenues due to regrouping of the Bonita Springs and Lady Lake exchanges as part of the test year income?

UNITED'S POSITION: No. These regroupings will occur after the test year. If the Commission were to include these revenues in the rate setting process, the rates established would be lower than the rates necessary to meet the test year revenue requirement. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes, this rate increase would occur without any significant expense on the part of the company. An additional \$301,255.00 of revenue should be recognized. (Poucher).

STAFF'S POSITION: No position at this time.

ISSUE 20d: In Docket No. 890505-TL, Special Access Phase II rate increases were implemented effective January 16, 1992, with a projected additional annual increase of \$1,561,923. United proposes that the January 16, 1992, through July 1, 1992 special access revenue increase be offset with \$1,601,044 in Commission ordered and approved annual rate reductions. The increase and the reductions were identified and quantified in United's October 15, 1991 letter to the Commission. Should United's offset proposal be approved?

UNITED'S POSITION: Yes. As indicated in United's October 15, 1991, letter, "United will soon incur (or in some cases, has already incurred) annual revenue losses totalling \$1,601,044 which exceeds the revenue gain from (Special Access) Phase II." A portion of both the revenue increase and the offsetting revenue losses occurred prior to July 1, 1992, which is the beginning of United's rate case test year, and thus, is not included in the rate case. Shown below is a recap of the rate reductions identified and quantified in the October 15 letter. It is United's position that the portion of the revenue losses that occurred prior to July 1, 1992, should be considered offsets for the portion of the revenue losses that occurred prior to July 1, 1992, should be considered offsets for the portion of the Special Access Phase II revenue increase that occurred prior to July 1, 1992

Revenue Reductions

- FX Restructure - effective 2/10/92 - \$673,000 annual loss
- TeleSaver introduction - effective 9/18/91 - \$471,028 annual loss
- Clermont EAS - effective 12/15/91 - \$214,342 annual loss
- IntraEAEA Compensation Phase-Out - effective 3/5/91 through 1/1/92 - \$123,641 annual loss
- IntraLATA BHMOC Rate Reduction - effective 9/1/91 - \$118,993 annual loss.

Total Annual Revenue Reduction: \$1,601,044

(Mr. Poag)

AT&T'S POSITION: No position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The effect of the special access rate increase should be considered in the test year. The Commission has no jurisdiction to consider the increased revenues received by the Company prior to July 1, 1992, because the Commission did not place revenues subject to refund when approving this rate increase.

STAFF'S POSITION: No position at this time.

ISSUE 21: What is the appropriate amount of O&M expense for the test year?

UNITED'S POSITION: The appropriate amount of intrastate test year operating and maintenance expense is \$277,589,000 as reflected on Exhibit RDM-7, Schedule No. 4, page 2 of 2 of Mr. McRae's rebuttal testimony. In addition, had a revised MFR Schedule C-4h, Operation and Maintenance Expense Check Calculation, been filed to include the changes presented in Mr. McRae's rebuttal testimony the analysis would show that the requested total company test year O&M expense is \$61,058,000 less than the benchmark amount. Through gains in productivity and efficiencies, the Company's O&M expenses in the test year are projected to grow less than one-half as fast as inflation and access line growth from the base year. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The appropriate amount of O&M expense in the test year is determined by making each of the adjustments shown by the Citizens in response to the other issues in this case.

STAFF'S POSITION: The appropriate amount of O&M expense for the test year is as filed in MFR Schedule C-1a plus any appropriate adjustments made in the series of subissues 21, and Issues 22 and 23.

ISSUE 21a: Should an adjustment be made to test period estimates of expense to reflect UTF's experience of actual versus budgeted expense levels?

UNITED'S POSITION: No adjustments should be made to the test period expenses just because of United's current actual results. Budgeted expenses are a series of future expectations based upon informed judgements as to timing, load and costs, any one of which

could cause a deviation at a particular point in time and then subsequently catch up at the next point where the actual versus budget measurement takes place.

The fundamental basis of test period expenses is the forecast of access lines. United has not changed its forecast of test period access lines. United believes that the forecast of test period access lines are reasonable and consequentially no adjustment to test period expenses should be made. However, if adjustments to test year expenses should be made, they should be based on fact, not on the presumption that past events will repeat themselves in the aggregate. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. Year after year the company has over projected expenses when comparing projected versus actual expenses for time periods similar to the time periods preceding the company's projection of the test year in this case. For example, in 1989 budgeted expenses exceeded actual expenditures by \$15.6 million dollars; in 1990 by \$8.6 million dollars; and in 1999 by \$26.6 million dollars. In 1991 there was actually a slight decrease in operating expenses compared to 1990. The Commission should allow increases of operating expense after 1991 at no more than a 4% compounded annual rate. This results in an adjustment to the company's projection of expenses of \$19.3 million dollars. (DeWard).

STAFF'S POSITION: No position at this time pending analysis of the intervenor's testimony.

ISSUE 21b: Is the Company's accounting treatment regarding the initial placements of software appropriate?

UNITED'S POSITION: Yes. The company has long held the position that initial operating software (i.e., systems software, or firmware, which is inherent in every system to control the operation of the central processors and peripheral microprocessors) is to be capitalized while application software (the generic programs for features, administrative access and maintenance access) is to be expensed. Right to use fees fall in this latter category of software costs. The Company's position was affirmed by the FCC in 1986 when it released the new Uniform System of Accounts

(USOA) under Part 32 of its rules and regulations where it is stated the following:

"32.2000(i) Accounting for software: The original cost of initial operating system software for computers shall be classified to the same account as the associated hardware whether acquired separately or in conjunction with the associated hardware."

The FCC Accounting and Audits Division established the Responsible Accounting Officers (RAO) letters as the method to disseminate the official interpretations of the Part 32 rules. In July 1987, as companies were preparing for the 1-1-88 implementation of the new USOA, the FCC released RAO Letter 7 which, at item 8, addressed the question: "What is the expense/capitalization policy for software for network operations?" Their response was as follows:

"The capitalization policy for all software is the same whether the software is for general purpose computers classified to account 2124, General Purpose Computers, or to other plant in service accounts dedicated to network operations: the original cost of initial operating system software shall be classified to the same account as the associated hardware whether acquired separately or in conjunction with the associated hardware. (Section 32.200(i)). The disposition of all other software (i.e., that which is not considered initial operating system software) shall be determined by management and shall be in conformance with generally accepted accounting principles at the time such determination is made. Currently, this could result in the expensing or the capitalization of software costs, depending upon an evaluation of all relevant circumstances. With respect to subsequent additions and modifications, the Docket 78-196 Report and Order indicates, in conformance with general practice, that such costs will be expensed, barring exceptional circumstances."

In 1990 the FCC released a Memorandum Opinion and Order (RM-6911) which again addressed the issue of accounting for computer software wherein they reaffirmed their 1987 RAO interpretation and noted the following: "Before Part 32 went into effect on January 1, 1988, replacing the system of accounts in Part 31, the Commission's accounting rules for telecommunications common carriers were silent on accounting for computer software. In this environment, carriers developed inconsistent accounting practices regarding computer software costs, with some carriers recording

such costs in capital accounts and others recording such costs in expense accounts. But according to the record developed in the process of adopting Part 32, most large companies were following the practices that resulted in expensing of computer software in the year of acquisition."

The rules on accounting for computer software under Part 32 are consistent with the Company's accounting for computer software for at least the past ten years. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The company may be expensing operating system software when it should be capitalized. If so, an adjustment should be made.

STAFF'S POSITION: No. It is staff witness Dodrill's position that all initial placements of software should be capitalized.

ISSUE 21c: Is the Company's accounting treatment regarding generic upgrades, replacements, and enhancements of software appropriate?

UNITED'S POSITION: Yes. Same response as presented in response to Issue 21b. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No. It is staff witness Dodrill's position that all generic upgrades, replacements, and enhancements of software should be capitalized.

ISSUE 21d: Should the Commission change the amortization schedule for the new customer billing system costs allocated to UTF from S/UMC?

UNITED'S POSITION: No. While United continues to believe that system development costs should be expensed as incurred, the Commission ordered treatment of the Local Division Billing System development costs is reasonable and should not be changed. Many different systems are in the process of varying stages of development at any point in time. If one system is amortized over an extended period of time, the revenue requirement for systems development in the rate making process is distorted and prevents the company from timely recovery of its costs. No basis exists for increasing the amortization period. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. The unamortized balance of the cost of developing the new billing system should be reamortized over a 6.5 year life beginning with the test year. The company currently projects that its new billing system will be in place no earlier than 1994, and thus none of the benefits of the new billing system will be recognized during the test year. Thus, the test year is picking up the cost not only of amortizing the new billing system, but also of the excessive cost of maintaining the old billing system. The new system should have a comparable life to the systems they are replacing. This could be in the range of 8 to 10 years. A very conservative estimate of the life of the new system would be a life of 6.5 years over which to amortize the new system. This would better match the cost of the billing system to its life. An adjustment of \$1,498,851 should be made. (Brosch, DeWard).

STAFF'S POSITION: No position at this time pending further analysis.

ISSUE 21e: Did UTF use the correct separation factor to separate the cost of a new carrier access billing system between the state and interstate jurisdictions? If not, should an adjustment be made?

UNITED'S POSITION: The Company acknowledges that an incorrect separation factor was applied to test year costs associated with the new carrier access billing system. In the filing, separations to intrastate operations were made at 78.4662% of the \$1,365,900 total company costs whereas the apportionment should have been made at a flat 50% to both state and interstate jurisdictions as

provided for at Part 36.381 of the FCC's Rules and Regulations. As a result, intrastate operating expenses were overstated by \$388,320 (\$1,365,900 x 28.4662%). This adjustment has been made and is reflected on Exhibit RDM-7, Schedule No. 4, page 2 of 2 of Mr. McRae's rebuttal testimony. (Mr. McRae)

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: United incorrectly separated these costs. The costs should have been separated using a 50% factor to separate the costs between interstate and intrastate operations. The Commission should make an adjustment of \$508,187.00. (DeWard).

STAFF'S POSITION: No position at this time pending analysis of the intervenor's testimony.

ISSUE 21f: How should the Commission treat the expenses associated with United's Supplemental Executive Retirement Plan and incentive compensation for executives?

UNITED'S POSITION: Expenses associated with incentive compensation and the attendant Supplemental Executive Retirement Plan should be treated the same as any other labor and associated benefit cost of the company. To the extent that such costs apply to the regulated operations of the Company they should be recognized in this proceeding as recoverable operating expenses.

Incentive compensation represents a portion of salary that is held at risk until incented objectives are accomplished or not accomplished as the case may be. The objectives may be service objectives, financial objectives, customer focus objectives, etc. and are intended to ensure that the Company accomplishes its stated mission of aggressively meeting the expanding information needs and wants of our customers; providing an environment and reward system that encourages innovation, employee development and responsible risk taking; and, generates long term earnings growth.

The supplemental retirement plan was put into place because the Company's normal pension plan does not recognize that variable portion of an employee's salary which is received through the incentive compensation program. The supplemental benefit equates to the difference between the benefit determined under the Pension Plan using the revised definition of compensation (i.e., to include incentive compensation) and the benefit calculated under the terms

of the pension plan (which excludes such compensation). (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: An accrual of \$392,400.00 total company for incentive compensation and \$56,781.00 for supplemental executive retirement plan expense should be removed from the test year. (DeWard).

STAFF'S POSITION: No position at this time pending analysis of the intervenor's testimony.

ISSUE 21g: How should the Commission treat expenses included in the test year related to early retirement or severance pay?

UNITED'S POSITION: The expenses related to early retirement or severance pay represent normal business expenses incurred for the purpose of consolidation or the loss of operations, therefore reducing the need of certain employee levels and the associated expense. Similar costs have inadvertently been recognized by the Commission as appropriate operating expenses for ratemaking purposes as the end result of all of these efforts is a lower level of ongoing operating expenses which is reflected in MFR Schedule C-4h, Operation and Maintenance Expense Check Calculation, which reflects that Corporate Operations Expense is \$12,062,074 under the benchmark. The intrastate amount of \$37,521 which has been included in Corporate Operations Expense in the test year represents normal business expenses and should be allowed by the Commission for ratemaking purposes. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: While the company's budgeting system recognizes severance pay cost, it does not recognize the potential savings in terms of wages, fringe benefits and payroll taxes. Since the severance pay expense is duplicative, an adjustment of \$37,521.00 should be made. (DeWard).

STAFF'S POSITION: Any one time cost of severance pay or any cost of early retirement should be treated as nonrecurring items.

ISSUE 21h: Is the assumption regarding wage increases underlying UTF's calculation of pension expense reasonable? If not, what action should be taken?

UNITED'S POSITION: Yes. The annual wage increase factor contained in the pension calculation is intended to represent the estimated individual plan participant's career wage and salary increase which includes merit as well as promotional increases over an extended period of time. It is not to be confused with or compared to total company wage increases which, over that same extended period of time, may be lower due to employee turnover where higher paid, pension vested employees leave and are replaced by more entry level, less experienced and therefore lower paid employees.

It should also be noted that wage increase factors are but one of several assumptions built into the total pension liability calculation to determine the amount of each year's funding requirements. Other factors such as mortality (living longer), retirement decisions (retiring earlier) and turnover also contribute to the calculations. Indications from our actuary is that the pension liability at the end of 1991 exceeds that which was projected when the factors were set for the year 1991. In other words, the assumptions in total which were used for the 1991 pension calculation resulted in a larger credit being recorded than should have been. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: In calculating pension expense the company assumed that its anticipated composite rates of future increases in compensation would be 7.02%. This is an excessive projected wage increase far exceeding the historical levels of wage increase. The company should be directed to recalculate pension expense using a lower projected level of wage increases. An adjustment of \$1,482,213 (total company) should be made. (DeWard).

STAFF'S POSITION: No position at this time pending analysis of the intervenor's testimony.

ISSUE 21i: How should the Commission treat expenses related to hospitality suites and golfing at NARUC conferences?

UNITED'S POSITION: Expenses associated with NARUC conferences are deemed necessary business expenses in view of the ongoing support the organization provides on national regulatory and industry issues as well as the exchange of regulatory information and discussions of issues which transpires at these conferences.

In United's last rate proceeding the Commission ordered that certain expenses associated with the NARUC conference be disallowed. United has removed such costs from the regulated operations in this proceeding. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should disallow expenses related to related to hospitality suites and golfing at NARUC conferences. The actual amount to disallow will be provided in the Citizens' brief.

STAFF'S POSITION: The expenses related to these activities should be removed from the regulated cost of service.

ISSUE 21j: How should the Commission treat expenses incurred to attend sporting events, musical and theatrical presentations?

UNITED'S POSITION: Expenses incurred by United for sporting events, musical and theatrical presentations are appropriate expenses for ratemaking purposes. United incurs these expenses for the purpose of entertaining current and prospective customers and business clients all in the pursuit of increased business.

In United's last rate proceeding specific sporting event expenses were disallowed for ratemaking purposes. United has removed such costs from the regulated operations in this proceeding. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should disallow expenses incurred attending sporting events, musical and theatrical presentations. (DeWard).

STAFF'S POSITION: The expenses related to these activities should be removed from the regulated cost of service.

ISSUE 21k: How should the Commission treat expenses included in the test year related to changing the corporate logo to "Sprint"?

UNITED'S POSITION: The intrastate amount of \$134,023 included in test year expenses should be recognized for ratemaking purposes. As the Company stated on numerous occasions, United Telephone Company of Florida will discontinue the existing use of the nine-square logo and adopt the Sprint logo.

Since United's ratepayers are receiving the benefit of royalty payments by UTLD to United of Florida and since the use of the logo was a material factor in the Commission's decision to impose a royalty, it is proper for these logo-related costs to be recognized for ratemaking purposes in this proceeding. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The test year cost to change its parent company logo should be born exclusively at the parent company level and not allocated to any of the operating companies. The Commission should make an adjustment to test year expense \$139,175.00 to remove this expense. (DeWard).

STAFF'S POSITION: The expense related to the corporate logo change should be treated as a nonrecurring item.

ISSUE 211: Is the amount of lobbying and other political expenses included in the company's request appropriate for rate making purposes?

UNITED'S POSITION: All lobbying and political expenses have been excluded from regulated operations in this proceeding. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Such expenses should not be allowed for rate making purposes.

STAFF'S POSITION: No position at this time pending further analysis.

ISSUE 21m: What is the appropriate amount and amortization period for the rate case expense?

UNITED'S POSITION: The appropriate amount incurred by United for company labor, travel and supplies as well as outside costs for the preparation of all material related to the rate case is projected at \$1.2 million based on the actual costs incurred in our 1990 rate proceeding.

An amortization period of four year is appropriate. This coincides with the provisions of Section 364.035(3) of the Florida Statutes which require local exchange companies to file with the Commission every four years, or four years after the Company's last proceeding, a report consisting of MFRs which are required in rate review proceedings. This four year amortization period is also consistent with the Commission's decisions relative to recognition of other items such as the development costs associated with the new billing system and the gain on the sale of nondepreciable property. The intrastate amount of \$300,000 included in the test year is appropriate as reflected on Mr. McRae's Exhibit RDM-7, Schedule No. 4. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The company's estimate of rate case expense double counts wage expense because the wages of the company's employees are fully included in the test year and, in addition, the company has capitalized a portion of those same wages for the purposes of rate case expense. \$900,000.00 of estimated rate case expense should not be allowed because it duplicates expenses already included in the test year. (DeWard).

STAFF'S POSITION: Staff believes that some adjustment should be made to reduce the rate case expense. The amount of adjustment is pending further discovery.

ISSUE 21n: How should the Commission account for cancelled projects in this case?

UNITED'S POSITION: The costs associated with canceled projects are normal business expenses and should be allowed for rate making purposes.

Current and past regulatory treatment of canceled and abandoned projects is to reclassify these costs from non-operating expenses to operating expenses as an adjustment on the Earnings Surveillance Report. This is reflected on MFR Schedule A-6a and Exhibit RDM-7, Schedule 4, of Mr. McRae's testimony, and shows an adjustment of \$384,198 for the test year. The appropriateness of this longstanding adjustment was reaffirmed in the Company's last rate proceeding.

Canceled project expenses are budgeted and accounted for separately from the capital and departmental expense budgets. The budget for canceled projects is based on historical trends and engineering judgment. The capital budget is based on both short and long range plans and is adjusted based on projected loads. The expense budget is based on projected employee related charges less charges associated with capital expenditures and cost of removal. Expenses associated with canceled projects are not included in either the capital or departmental expense budgets, and do not duplicate any expense or capital budget dollars. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The cost associated with canceled projects should be removed because it is duplicative of expenses already included in the test year. (DeWard).

STAFF'S POSITION: Projects cancelled for prudent reasons should be allowed in operating expense.

ISSUE 21o: How should the Commission account for the expenses and revenues associated with the installation and maintenance of inside wire?

UNITED'S POSITION: Rule 25-4.0345(2)(a) of this Commission defines the provision and maintenance of inside wire to be deregulated for intrastate purposes. The Commission has previously directly addressed this issue and concluded that inside wire should remain deregulated.

Consistent with actions taken by the Commission since it ordered the deregulation of inside wire effective January 1, 1987, any revenues and expenses associated with the installation and maintenance of inside wire should continue to be accounted for as nonregulated and not considered in regulated ratemaking determinations.

The Company is but one of many competing options that a customer has to install and care for his/her inside wire. As noted in the order on deregulation, to the extent that the Company is able to effectively compete in offering such services it is able to take significant overhead costs below the line that otherwise would be attributed to the regulated ratepayers.

Since deregulation, the Company has invested substantial amounts of nonregulated resources in order to advertise, market, solicit and otherwise build up its customer base in this area. As appropriate, none of the costs incurred to build this market have been borne by the regulated ratepayer. Now is not the time to turn the clock back. (Mr. Reynolds)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should consider the revenues and expenses from inside wire services above the line for the purpose of setting other, regulated rates. Inside wire is an integral part of United's regulated telephone business. Customers for the company's maintenance contracts come from the existing database of the company; sales come when the company processes initial regulated service orders; maintenance contracts are sold by service representative at the same time new regulated services are established; repairs are made by the company's service technicians in the normal pursuit of their jobs; and billing and advertising is accomplished through regular billing inserts for local telephone service. Inside wire "piggy-backs" on top of these operating systems of the company and therefore should be considered when setting rates for regulated services. (Poucher).

STAFF'S POSITION: No position at this time pending further analysis.

ISSUE 21p: How should the Commission treat credit card referral revenues and expenses?

This issue has been dropped.

ISSUE 21q: Are the allocations to non-regulated operations reasonable?

UNITED'S POSITION: Yes. Allocations to non-regulated operations are reasonable and are made consistent with the requirements of the Company's cost allocation manual (CAM) which, while required by the FCC, is provided to the FPSC and serves as the basis for all regulated to non-regulated cost apportionments. As fully explained in Mr. McRae's prefiled direct testimony, pages 15 through 21, the Company is required to directly or indirectly assign costs (fully distribute all costs) to regulated and non-regulated operations.

United is required to maintain on file with the FCC a quarterly updated version of its Cost Allocation Manual (CAM) which addresses the methods used by the Company to ensure compliance with the requirements established in CC Docket 86-111.

To further ensure compliance the CAM identifies audit requirements and enforcement mechanisms. The FCC requires an annual attestation audit be performed by the Company's external auditors, with the results provided to the FCC, and that monitoring reports (ARMIS) be filed on a quarterly and annual basis. United has received unqualified opinions for all the years (1988, 1989 and 1990) for which United was subject to these audit requirements. The 1991 attestation audit report has not yet been issued by our external auditors, however an unqualified opinion is anticipated.

In addition, through Rule 25-4.0185(5), FAC, United is required to report to the FPSC affiliated transactions, changes in corporate structure and execution of new contracts, agreements or arrangements with affiliated companies. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: Staff cannot take a position at this time pending further analysis of United's responses to the staff's 6th and 8th set of interrogatories, some of which have not been received.

ISSUE 21r: What incremental increased profitability does UTF project to take place from calendar year 1993 to calendar year 1994? How should the Commission treat the incremental increased profitability projected by UTF to take place from calendar year 1993 to calendar year 1994?

UNITED'S POSITION: Regulated adjusted net operating income before rate increase is budgeted to increase by \$8.1 million between 1993 and 1994 as shown on MFR Schedule A-2e for 1993 and 1994. Regulated adjusted rate base before the rate increase is budgeted to increase by \$16.1 million as shown on MFR Schedule A-2d between 1993 and 1994. The Commission should not treat the incremental increase in profitability for 1994 in this proceeding. The Commission, through its earnings surveillance procedures, can monitor the results and take the action they deem appropriate. To extend out 18 months after the end of the projected test year to utilize financial information to reduce rates 30 months before the end of 1994 is not appropriate. There is no compelling reason to go beyond the end of the test year in this case for adjustments to revenue or expense. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Many separations changes end in 1993. In addition, a number of expenses included in test year produce revenue only after the end of test year. The company's own forecast of earnings in 1994 shows an increase in earnings of \$14.6 million dollars over 1993 without any rate case. Thus, once the Commission sets rates in this case, the company is likely to overearn in 1994. The Commission could require a decrease in rates effective January 1, 1994 to remedy this. Alternatively, if the Commission should determine to recognize SFAS 106 for rate making purposes, the Commission could implement SFAS 106 in 1994 and allow the company to record the 1993 cost as a deferred charge during

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 48

1993 for later recovery. The company's projected increase in earnings in 1994 would easily cover such treatment. (DeWard).

STAFF'S POSITION: No position at this time pending further analysis.

ISSUE 21s: Should an adjustment be made to property tax expense?

UNITED'S POSITION: No. Property tax expense for the test year should not be adjusted. The test year property tax expense was established based on forecast millage rates and assessed valuations for that period. Budgeted 1992 and 1993 telephone plant, depreciation reserve and materials and supplies are all integral parts of the calculations. These amounts take into effect construction underruns from previous periods.

From an actual average millage rate of \$18.48 in 1991 the Company has projected an effective rate of \$19.64 for the test period (average of \$19.33 in 1992 and \$19.95 in 1993).

A review of the average millage rates for the past five years indicates an average rate of annual increase of 4%. The rates used in the test year continue this trend. The pressure existing today on the counties in Florida to cover fundings shortfalls in education and other county support services can only result in a continuing escalation of property taxes.

The fact that we had projected the millage rate at \$18.97 in the historical year 1991, and thus over budgeted for this item, should have no bearing on the test year level of such expenses since this rate was not used in making projections for the test period.

Based on the above we do not believe an adjustment should be made to our test year property tax expenses (Mr. McRae)

AT&T'S POSITION: No position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. On a combined, regulated basis, actual property tax expense was \$736,000 less than budgeted during 1991. An adjustment should be made to the test year for the intrastate portion of the \$736,000 variance.

STAFF'S POSITION: Staff has no position at this time on the effect the overbudgeted 1991 historical year's property tax expense has on the projected test year's property tax expense.

ISSUE 21t: Should an adjustment be made to expenses for USTA dues?

UNITED'S POSITION: No, the costs associated with the USTA dues should not be adjusted. These are appropriate and necessary business expenses in view of the ongoing support the organization provides on regulatory and industry issues. The USTA develops and conducts a wide range of training and educational programs on topics such as services costing, jurisdictional separations, depreciation and accounting. The organization also serves as a clearinghouse of industry related technical and regulatory issues that contributes to keeping the various telephone companies informed on these items.

The USTA for telephone companies is analogous to NARUC to the Commission and to NASUCA to the Office of Public Counsel. All three are organizations which are charged with advancing professional development, the sharing of ideas and information, and other worthy efforts. An adjustment should not be made to expenses for USTA dues. To adjust test year dues by 50% (\$53,746) for incidental meals and entertainment for regulatory personnel is totally inappropriate. (Mr. McRae)

AT&T'S POSITION: No position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. Such dues are used in part to pay for meals and entertainment for regulatory personnel. MFR Schedule C-9 shows intrastate test year USTA dues of \$107,493; one half of this amount should be disallowed.

STAFF'S POSITION: An adjustment should be made to expenses associated with USTA dues to the extent that the dues are used for lobbying or entertainment related activities, if any.

ISSUE 22: Is the amount of GS&L included in the company's request appropriate for rate making purposes?

UNITED'S POSITION: Yes, as discussed in Mr. McRae's rebuttal testimony and reflected in revised Exhibit RDM-7.

While a number of adjustments have been proposed by Public Counsel, United itself has acceded to most of the adjustments made to GS&L in the Company's last rate case.

Public Counsel's adjustments seek disallowance of cost centers that provide valuable benefits to UTF and its ratepayers. Each cost center at issue is discussed in Mr. Wareham's testimony. (Mr. Wareham/Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue. A number of adjustments should be made to the budgeted level of Sprint/United Management Company. One adjustment would eliminate the parent ownership cost not properly recovered from ratepayers, as well as disallow certain types of cost which should be disallowed if incurred directly by United Telephone Company of Florida. Another adjustment should be made to update the old allocation factors in UTF filings and to modify one of the S/UMC allocation methods used to determine the UTF share of S/UMC the cost center charges. Another adjustment would reduce budgeted Kansas City facilities cost (rent, return, utilities, etc.) which are overstated in the companies filing. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22a: Should an adjustment be made to the budgeted levels of Sprint/United Management Company (S/UMC) costs?

This issue has been dropped.

ISSUE 22b: Are certain senior executive management costs of S/UMC "ownership" costs? If so, should an adjustment be made for them?

UNITED'S POSITION: No. S/UMC's senior executive management is required to run the business and to give proper attention and direction to the S/UMC staff functions, including the information services functions under SUIs, and to the respective operating companies.

The greatest portion of the costs of these officers is already allocated to companies other than United (for example, 88% of the Chief Executive Officer's expenses are allocated elsewhere); what remains is a reasonable allocation to United given the direction and attention provided by these officers to United.

While senior executive management fulfills many roles within the corporation and the business world, their primary focus remains that of running a complex corporation with ultimate responsibility for the provision of S/UMC services to the Company and its affiliated companies. Therefore, no adjustment should be made to remove certain senior executive management costs from the Company's cost of regulated operations. (Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes, a number of the cost incurred by the parent company are incurred to manage their investments in the subsidiaries, including the telephone operating companies. Examples include intangible taxes leveled on UTI stream of dividends received by subsidiaries and the cost incurred for a corporate secretary. Certain cost UTI management related to country club dues, corporate aircraft uses, the company's New York condominium, luxury automobile and certain corporate contributions are also included in this adjustment. The total disallowance should be \$812,792. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22c: Should an adjustment be made for certain incentive compensation costs of S/UMC?

This issue has been dropped.

ISSUE 22d: Should an adjustment be made for S/UMC costs related to external and legislative affairs, marketing, aircraft, contributions, dues and memberships, and other costs that are not allowable if incurred directly by United Telephone of Florida (UTF)?

UNITED'S POSITION: While not necessarily in agreement with this, with the exception of marketing costs the Company has conceded the removal of all such costs in this rate proceeding, i.e., these GS&L costs were removed and are not included in the test year operating expenses for which the Company is seeking recovery.

We are unaware of any issues surrounding S/UMC allocated marketing costs but believe that, to the extent that they are included in regulated operations, they should be allowed as appropriate expenses for ratemaking purposes. (Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. These costs include the cost to support a museum of telephony in Abilene, Kansas, the extraordinary cost of private commercial jet aircraft over and above first class commercial airfare, national advertising in public relations activities to promote Sprint/United's corporate image, corporate contributions, S/UMC employee incentive compensation, lobbying or other legislative/regulatory influence initiatives, and civic/community activities. An adjustment of \$694,564.00 to test year expenses should be made. (Brósch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22e: Are certain S/UMC costs parent company ownership costs which are duplicative of comparative costs incurred by UTF? If so, should an adjustment be made?

UNITED'S POSITION: S/UMC costs which United has proposed to recover in this proceeding are not duplicative of costs incurred directly by United. The cost centers which Public Counsel refers to as "ownership costs" include S/UMC's executive officers who manage the business and direct the affairs of United and Sprint's other subsidiaries. It also includes the costs of treasury and

corporate secretary departments. The costs incurred by these departments are the result of services they provide directly to United and which United would have to provide on its own at greater cost if S/UMC did not provide them. United is a major contributor to overall corporate performance and receives direction and assistance accordingly from S/UMC executive officers, treasury and corporate secretary staff. Mr. Wareham's direct and rebuttal testimony discusses the roles of these cost centers in more detail. (Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. Certain ownership costs, such as corporate board of director expenses, are duplicative of costs incurred directly by the telephone operating companies. Certain costs associated with Senior UTI managers also fall within the scope of this adjustment. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22f: Should an adjustment be made to test year return on investment costs allocated from S/UMC?

UNITED'S POSITION: No further adjustment should be made to test year return on investment costs allocated from S/UMC beyond that which has been recognized in Mr. McRae's rebuttal testimony and as noted in Exhibit RDM-7, Schedule 4, page 2 of 2. The appropriate method by which to calculate the adjustment is to compare facilities costs for 1991 on an actual versus budgeted basis and reduce test year period expenses by the resulting differential of 5.84%. It would be incorrect to base any adjustment to facilities costs based on a per square foot factor because total square feet in use may change. (Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Within the S/UMC billings to UTF, Sprint/United recovers a rent pool charge associated with Kansas City area

billings which include rent, utilities, a return on investments and other facilities related cost. An adjustment should be made to recognize substantial reduction in facility cost per square foot that S/UMC actually realized in 1991. 1991 actual rent pool facility costs were 14% below 1991 budget estimates. An adjustment to the test year of \$249,168.00 should be made. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22g: Has S/UMC updated the allocation factors used to allocate costs to UTF? If so, should an adjustment be made?

UNITED'S POSITION: S/UMC has updated their allocation factors for the year 1992 and the Company has acknowledged this revision in the adjustments recognized in Mr McRae's rebuttal testimony and as reflected in his revised Exhibit RDM-7, Schedule 4, page 2 of 2. As with the operating telephone companies, in compliance with the provisions of CC 86-111, allocation studies are constantly being reviewed and updated. (Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. Subsequent to the preparation of the UTF filing, S/UMC allocators used to distribute cost among UTI's subsidiaries were updated to reflect more current statistical data and cost/time studies. An adjustment of \$411,995.00 should be made to update these allocations. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22h: Does the "General Allocator" employed by S/UMC properly allocate costs to UTF? If not, should an adjustment be made?

UNITED'S POSITION: The General Allocator employed by S/UMC does appropriately apportion costs to UTF and therefore no adjustments should be made.

The only adjustment which has been proposed is to eliminate the number of companies factor from the general allocator. The number of companies factor is designed to recognize that the amount of work associated with any given company is not completely based on its size or other demographics but rather is independent of those other factors recognized in the general allocator. The absence of a number of companies factor would effect costs by less than one percentage point. A similar adjustment was proposed but rejected in Docket No. 891239-TL. Sprint is allocated a factor of three for the number of companies factors rather than one as asserted by Public Counsel. (Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: In deriving the General Allocator, S/UMC employs a "number of companies" constant which is, an essence, an assignment of a factor of one to each existing company without regard to relative size. This dilutes the importance of US Sprint while inflating allocations of cost to other subsidiaries. For example, each of the local telephone companies is assigned a separate factor equal to Sprint's. Additionally, all UTLD companies are completely ignored by the "number of companies" element of the general allocator, as is the parent company itself. The general allocator should be requantified eliminating the "number of companies" factor. An adjustment of \$72,422 should be made. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22i: Has Sprint/United Information Services (SUIS) allocated costs to UTF based on improper or obsolete budget assumptions? If so, should an adjustment be made?

UNITED'S POSITION: An adjustment has been recognized in Mr. McRae's rebuttal testimony, and also reflected on his Exhibit PDM-7, Schedule No. 4, page 2 of 2, to give recognition to the fact that, due to a favorable sales program initiated by IBM in 1991, costs which were forecast for the test year for an upgrade in the central processing unit (CPU) at the regional data center in Florida were significantly higher than those which were eventually negotiated under the program. As a result, the computer costs to

the Company for the test year are expected to decrease from the budget forecast by nearly \$1.9 million. Intrastate operations will benefit to the extent of \$1,446,724 in reduced operating expenses during the test year and this is reflected in the above referenced adjustment. No other adjustments are warranted. (Mr. McRae/Mr. Wareham)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes, two adjustment should be made. First, the forecast included in the test year assumes that the Florida Regional Data Center's central processing unit would be upgraded in 1991 at a substantial increase in cost. As it turned out, the CPU was upgraded as planned, but the upgrade was completed at equipment rental rates which were actually lower than the rental rates paid for the old CPU equipment. It is necessary to adjust the test year budget to reflect the lower ongoing CPU lease cost actually been incurred.

Second, the 1993 forecast of SUIS expenses escalated 1992 expenses by a range of between 3% and 5%. SUIS costs other than postage and inserter costs for 1993 should be held constant at 1992 budget levels because of continuing productivity gains, and UTI's new budget states that such costs should be held to zero growth. The adjustment for these two items is \$2,141,762.00. (Brosch).

STAFF'S POSITION: No position at this time pending further analysis of intervenor's testimony.

ISSUE 22j: Should an adjustment be made to test year return on investment costs allocated from SUIS?

This issue has been dropped.

ISSUE 22k: How should the Commission treat investment tax credits previously taken by UTF's parent UTI?

UNITED'S POSITION: The Commission should not impute a theoretical amount of parent company investment tax credits to the operating company.

Prior to the Tax Reform Act of 1986, in which Congress elected to do away with investment tax credits, the parent company "flowed through" the limited amount of investment tax credits that they would have been entitled to and they recognized the benefit of such investment credits through their GS&L billing to the Company. Since that time there would have been no tax credits remaining on their books to return to the affiliated companies or otherwise include in the return on investment calculations.

In addition, as ordered by the Commission in the Company's last rate proceeding, the return on investment calculations which ultimately end up in intrastate operating expenses are the result of substituting the Company's rate of return (based on the Company's capital structure and cost rates) for that which is used by the parent company in their return on investment billing. It is inappropriate and contrary to the Commission's decision in the last order to now add or substitute one segment of parent company capital (or imputed capital) in this process. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: An adjustment of \$16,246.00 should be made to reflect investments tax credits previously taken at the parent company level and treated as a direct reduction to federal income tax expense. (DeWard).

STAFF'S POSITION: No position at this time.

ISSUE 23: What is the appropriate adjustment to show the effect of other post-retirement benefits?

UNITED'S POSITION: The appropriate amount of other postretirement benefit costs included in test year intrastate operating expenses is \$7,805,077. No further adjustments are required. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No adjustment should be allowed. The Company should continue its current ratemaking method of accounting for other post-retirement benefits as they are paid.

STAFF'S POSITION: No position at this time.

ISSUE 23a: Should FAS 106 be used for ratemaking purposes?

UNITED'S POSITION: Yes. Postretirement healthcare costs are an employee benefit and as such the recognition of these accrued costs for ratemaking purposes is appropriate in order to properly assess the full cost of service being provided to the accounting periods and to the ratepayers that the service applies to.

While we recognize that there is an extended amortization period when we will be catching up with the recognition of the accumulated postretirement benefit obligation which has not yet been assessed to cost of service, the movement to current recovery will prevent greater intergenerational inequity in the future -- particularly if costs and individual lifespans continue to increase.

In the past, pay-as-you-go accounting for ratemaking was acceptable inasmuch as these postretirement benefits constituted a relatively minor amount however, with recent medical cost inflation trends and other factors, they have become a much more significant item which should be properly acknowledged and accounted for in accordance with generally accepted accounting principles.

Adoption of SFAS-106 will have the effect of providing the same proper accrual accounting for postretirement health care benefit costs as we have traditionally given to pension costs. In the case of pension costs, we also went through a period of amortizing the accumulated past service liability over an extended period of years for both accounting and ratemaking purposes. It is appropriate that we also do so for postretirement health care costs. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: FAS 106 should not be used for ratemaking purposes. The assumptions underlying the calculations are too speculative and subject to change for the purpose of setting rates.

Further, UTF would not even admit that it has a legal liability to pay the types of benefits for which it would accrue expenses from its ratepayers. The Commission should not modify the current method of recognizing postretirement benefits on an actual, pay-as-you-go basis. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23b: If the Commission decides to use FAS 106 for ratemaking purposes, what discount rate should be used for interest (i.e. passage of time) costs?

UNITED'S POSITION: The objective of the assessed discount rate is to measure the single amount that would provide the necessary future cash flows to pay the accumulated benefits when due. Accordingly, SFAS 106 indicates that "rates of return on high-quality fixed-income investments currently available whose cash flows match the timing and amount of expected benefit payments" should be considered in selecting the discount rates.

In establishing this guideline, the FASB rejected the use of discount rates based upon company-specific internal rates of return, cost of capital rates, or incremental borrowing rates. The methodology used to determine the proper discount rate is the same as that which has been in use for actuarial pension calculations and has been accepted as being appropriate for ratemaking purposes in the past. The Company's actuarial based test year costs using a discount rate of 8% is the appropriate rate to use. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: If United does not fund its postretirement plan, the cash needed in the future to satisfy its obligations will come from the company's return from its operation. The discount rate used for interest should therefore be equal to United's overall cost of capital. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23c: If the Commission decides to use FAS 106 for ratemaking purposes, should interest (i.e. passage of time) costs associated with current service costs be allowed for ratemaking purposes?

UNITED'S POSITION: Yes. Amounts accrued under SFAS 106, whether recognized as "service cost", "amortization of prior service costs", or as "interest costs" will ultimately be paid to retirees' health care providers. The recognition of SFAS 106 accruals on a net present value (NPV) basis, with subsequent recognition of an "interest cost" component, is therefore merely a systematic methodology used to assign the ultimate cost of these benefits to individual periods. In other words, accrual of an "interest cost" component does not increase the ultimate cost of such benefits. Assuming the ultimate cost of these benefits is a prudently incurred expense, there should be no basis to exclude this component of SFAS 106 costs for ratemaking purposes.

The alternative to recording postretirement costs initially on an NPV basis, with an interest component accrued subsequently until paid, would be to accrue such costs on a nominal basis at the time of initial recording. This approach would increase the amount of current accruals and decrease future accruals.

There is no basis to differentiate interest costs on the various cost components (i.e., service costs, recognized prior service costs, and unrecognized prior service costs). (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: If the Commission adopts FAS 106, customers will have paid current period cost within the current period. It would be inappropriate to ask ratepayers to pay the current period cost and then in addition pay interest in subsequent periods because of the company's decision not to fund the plan. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23d: If the Commission decides to use FAS 106 for ratemaking purposes, should interest (i.e. passage of time) costs associated with recognized prior period costs be allowed for ratemaking purposes?

UNITED'S POSITION: Yes. Please see Company's response to Issue 23c. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No interest should be allowed on accrued postretirement cost. Currently recognized prior period cost are costs which had been assigned to the current period through an amortization procedure. If the customer must pay these cost, the customer should not have to pay interest cost because the company chooses not to fund the plan. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23e: If the Commission decides to use FAS 106 for ratemaking purposes, should interest (i.e. passage of time) costs associated with unrecognized prior period costs be allowed for ratemaking purposes?

UNITED'S POSITION: Yes. Please see Company's response to Issue 23c. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. If the Commission adopts FAS 106 and allows the company recovery of prior period costs over a 20 year amortization schedule, amortized cost should be adjusted to reflect the passage of time between the original calculation and the time at which the cost is recognized. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23f: If the Commission decides to use FAS 106 for ratemaking purposes, should the Commission establish a mechanism to recover funds associated with changed estimates?

UNITED'S POSITION: The principal items that could cause significant changes in SFAS 106 cost estimates are changes in the substantive plan or in actuarial assumptions. In both instances, SFAS 106 requires amortization of gains (which would reduce future costs) and losses (which would increase future costs) resulting

from actual experiences different from that assumed over the remaining service lives of employees.

The issue as stated seems to suggest that changes in estimates will only result in reduced costs to the Company and therefore costs recognized at this time will not materialize. Obviously, changed estimates (e.g., increased medical cost inflation, longer life expectations) could result in increased costs to be recovered by the Company.

No need exists for additional monitoring requirements by the Commission beyond that which is already in place in the form of: monthly earnings surveillance reports; the new requirement under Section 8 of Commission Rule 25-4.017 which requires the Company to report each change in accounting estimate when the change will alter the company's annual revenue requirements by 25 or more basis points on equity; and, the quadrennial MFR filing requirements under Section 364.035(3), Florida Statutes.

As noted above, if there is a change in the underlying estimates which accompany an actuary study, such changes will have to be included in the development of future costs in order that the accumulated postretirement benefit obligation (APBO) would represent the latest available estimates. At a minimum, such changes, if material, would have to be reported in the Company's reports to the Securities and Exchange Commission, a copy of which is provided to the Florida Public Service Commission. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The calculation of postretirement benefits is based upon estimates. There will be adjustments to the estimates as the actuary and accounting profession gain experience with the calculation. In addition, United plans to continue its cost containment effort and has reserve the right to modify or terminate its plans. Each of these individual could have a significant impact on estimated FAS 106 cost. Without regulatory intervention, FAS 106 requires the full transition obligations to be recognized prior to reducing the period cost for any negative plan amendments. The effect of other adjustments in the calculation, such as changes in the assumption, would be repressed by the FAS 106 mechanism designed to smooth out the volatility in the calculation. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23g: If the Commission decides to use FASD 106 for ratemaking purposes, how should the Commission treat revenues received by the company in advance of disbursement (e.g. reduce working capital, reduce rate base, or recognize as a zero cost source of funds)?

UNITED'S POSITION: On the interstate side, Section 65.830 of the FCC's rules provides that the accrued but unfunded pension liability shall be a deduction from the interstate rate base. We would anticipate that accrued but unfunded OPEBs would be accounted for in the same manner for interstate purposes.

Consistent with the above, the FPSC has proposed Rule 25-14.012, FAC, "Employers' Accounting for Postretirement Benefits Other Than Pensions" which, at section 3, states that "Each utility's unfunded accumulated postretirement benefit obligation shall be treated as a reduction to rate base in rate proceedings. The amount that reduces rate base is limited to that portion of the liability associated with the expense allowance for postretirement benefits other than pensions."

The above specified accounting for the unfunded OPEB liability is consistent with the manner in which the Company accounted for it in the MFRs which accompanied our rate case filing. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The funds received in advance of disbursement should be treated as a zero cost source of capital. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23h: If the Commission decides to use FAS 106 for ratemaking purposes, should the Commission require the company to use the method which is least costly to ratepayers?

UNITED'S POSITION: The Company would be expected to use the method of funding or not funding OPEBs which makes the most economic sense from an overall financial perspective, including tax consequences, and that meets the requirements of SFAS 106. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes. While customers should pay for cost which are prudently incurred and necessary for the continue operation of the company, customers should pay no more. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 23i: If the Commission decides to use FAS 106 for ratemaking purposes, which is least costly to ratepayers: funding or not funding?

UNITED'S POSITION: The Company has not prepared exhaustive analysis of the merits of funding versus not funding however, in the analysis that has been done it clearly demonstrates that not funding is the most beneficial to ratepayers at this time. This is largely due to the fact that the Company would be unable to take a current tax deduction for the entire funding amount and the earnings of the fund would be subject to income taxes.

To fund in this situation would mean paying taxes on all of the revenues collected to cover the OPEBs expense while getting a tax deduction on only a portion of the expenses. This would require the Company to provide additional funding in order to have cash available to provide to the fund. Until a tax advantaged fund can to found and the after tax return on that fund could be expected to exceed the Company's return on rate base, it is to the ratepayers benefit to invest the funds in the operations of the Company rather than in a separately managed fund. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 65

OPC'S POSITION: The least costly method for ratepayers is the present one: the pay-as-you-go method. If the Commission adopts FAS 106 for ratemaking, the least costly plan would be a funded one using a tax advantaged plan. (Montanaro).

STAFF'S POSITION: No position at this time.

ISSUE 24: What is the appropriate amount of depreciation expense for the test year?

UNITED'S POSITION: The appropriate amount of intrastate depreciation expense for the test year is \$134,321,629 as shown on MFR schedule A-2b and as reflected on Exhibit RDM-7, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: FCTA's positions with regard to depreciation rates, expenses and recovery schedules have been addressed in FCTA's Prehearing Statement in Docket No. 910725, and FCTA has no additional positions at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should adopt those depreciation expenses indicated in exhibit WPM No. 6 in testimony of William Page Montgomery in Docket No. 910725-TL. (Poucher).

STAFF'S POSITION: No position at this time pending resolution of the depreciation study.

ISSUE 24a: What are the appropriate depreciation rates and recovery schedules to be used in this proceeding?

UNITED'S POSITION: The appropriate depreciation rates and recovery schedules to be used in this proceeding are those proposed in United's 1991 Depreciation Study Update, dated November, 1991, pending any adjustments as a result of the decisions in Docket No. 910725-TL. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: FCTA's positions with regard to depreciation rates, expenses and recovery schedules have been addressed in FCTA's Prehearing Statement in Docket No. 910725, and FCTA has no additional positions at this time.

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 66

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should adopt those depreciation expenses indicated in exhibit WPM No. 6 in testimony of William Page Montgomery in Docket No. 910725-TL. (Poucher).

STAFF'S POSITION: The depreciation rates and recovery schedules should be those approved in Docket No. 910925-TL.

ISSUE 24b: What adjustment should be made to depreciation expense to reflect the new depreciation rates and recovery schedules as approved in Docket No. 910725?

UNITED'S POSITION: The intrastate depreciation expense as reflected on MFR schedule A-2e includes the impacts of new depreciation rates and recovery schedules proposed in United' 1991 Depreciation Study Update, dated November, 1991. No adjustments should be made pending the decisions reached in Docket No. 910725-TL. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: FCTA's positions with regard to depreciation rates, expenses and recovery schedules have been addressed in FCTA's Prehearing Statement in Docket No. 910725, and FCTA has no additional positions at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should adopt those depreciation expenses indicated in exhibit WPM No. 6 in testimony of William Page Montgomery in Docket No. 910725-TL. (Poucher).

STAFF'S POSITION: No position at this time pending the Commission decision in Docket No. 910725-TL scheduled for a June 8, 1992 agenda.

ISSUE 25: What is the appropriate amount of taxes other than income for the test year?

UNITED'S POSITION: The appropriate amount of intrastate test year "Other Taxes" is \$18,015,184 as shown on MFR Schedule A-2e and as reflected on Exhibit RDM-7, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: No position at this time pending further discovery.

ISSUE 26: What is the appropriate amount of income tax expense for the test year?

UNITED'S POSITION: The appropriate amount of intrastate income tax expense is \$12,516,531 as shown on MFR Schedule A-2e and as reflected on Exhibit RDM-7, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: No position at this time.

ISSUE 26a: How should the Commission apply its parent company debt adjustment in the test year?

UNITED'S POSITION: It is United's position that no parent debt adjustment should be made in this case at all. Making such an adjustment unfairly penalizes the Company for being part of a holding company and it allows changes to the Company's revenue requirement in spite of the fact that there have been no changes in the parent's investment in the Company.

If the Commission is to make this type of adjustment, however, it should do so in the most realistic and fair manner possible. The parent debt adjustment calculation method proposed in Mr. McRae's prefiled direct testimony most accurately and fairly

represents the parent debt which could, in fact, have been invested in the equity of United.

The Commission and the FCC to to great lengths to ensure that the existence of United's non-regulated activities are in no way detrimental to the regulated ratepayer. In this case many, many hours have been spent, many, many documents provided and many, many questions answered to ensure that the Company has accurately and fairly separated non-regulated revenues and expenses from regulated. The Company wants the Commission to recognize that the existence of non-regulated operations can work unfairly to the detriment of United as well.

The parent debt adjustment proposal of the Company allows the Commission to take a stand on fairness. If the calculation of the parent debt adjustment is based on the parent's current capital structure United is unfairly penalized for the existence of non-regulated activities at the parent level. The increase in the parent's debt ratio since 1983 is clearly the result of the acquisition and expansion of Sprint. Fairness in the separation of non-regulated activities from regulated activities dictates that the change in the parent capital structure since 1983 not be used to reduce the Company's revenue requirement. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should apply its parent company debt adjustment with the current capital structure of United Telephone Company of Florida and United Telecommunication. The company's proposal to use United Telecom debt level at December 31, 1983 implicitly assumes that it is possible to trace or color code dollars. The company's proposal also appears to indicate that United Telephone Company of Florida had no investment from its parent company since 1983. Yet even this claim assumes that dollars can be traced. In addition, although the company claims that all of United Telecom's parent debt issued since 1983 has gone toward purchasing US Sprint, the dividends of the operating telephone companies to United Telecom have been available to fund a portion of the purchase of US Sprint. The Commission should apply its parent company debt rule without attempting to trace funds. (Parcell).

STAFF'S POSITION: The parent debt adjustment should be calculated in accordance with Rule 25-14.004, F.A.C.

ISSUE 27: What is the appropriate level of tax, expense and/or investment change to be recognized in the test year resulting from federal or state legislation passed since United filed direct testimony affecting taxation or other costs?

UNITED'S POSITION: The appropriate level of taxes, expenses and/or investment changes in the test year due to recent or pending federal or state legislation is the amount that can be quantified based upon test year financial information and statute reference which is effective before or during the test year. Both the Florida Legislature and the United States Congress are in session. Each of these legislative bodies will or have already passed legislation that will or has become law either by action of the Executive Branch or by legislative override. Some of these new laws will have an impact on the test year results of United. United's position is that those laws that affect test year results should be recognized for ratemaking purposes as additional budgeted test year expenditures and allowed in test period results.

As of March 9, 1992 there are 2,526 bills pending in the legislature of the State of Florida that have the potential to become law and affect United's test period results. Some of these bills will effect the following in general and United's cost specifically:

- Increased health care costs due to universal healthcare and mandated coverage and procedures
- Increased wage levels due to changes in the minimum wage
- Increased unemployment taxes due to increased unemployment compensation
- Lost productive hours due to Family Leave Entitlements
- Increased sales and use taxes due to:
 - increased rates
 - repeal of exemptions
 - taxability of wages
- Increased intangible taxes due to an increase in tax rate
- Increased income taxes due to reduced tax deductibility of interest expense
- Increased property taxes due to changes in constructive in-service dates

- Increased taxes due to a new general business tax

Already this year, 18 legislative bills have become law and it is reasonable to assume that some portion of the 2,526 pending bills will similarly become law and will effect United's test period results.

Presently, there are 7,908 bills pending in the United States Congress that have the same potential to become law as those before the Florida Legislature. Some of these bills will effect the test period results of United. Some of the more well known pending legislative actions relate to corporate income taxes, repeal of the exemption on excise taxes on communication services from pay telephones, and universal health care.

United's position is that any new laws that become effective before or during the test year that affects test year results should be recognized for ratemaking purposes. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No changes are known at this time.

STAFF'S POSITION: Staff is not aware of any federal or state legislation affecting taxation or other costs passed since United filed direct testimony.

ISSUE 28: What is the appropriate achieved test year net operating income?

UNITED'S POSITION: Intrastate test year net operating income is \$69,653,582 as shown on MFR Schedule A-2e and as reflected on Exhibit RDM-7, Schedule No. 4, of Mr. McRae's testimony. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to the resulting calculation requested in this issue.

STAFF'S POSITION: Since this is a fall-out issue, this amount can not be determined at this time.

Revenue Requirement

ISSUE 29: Should UTF be required to file, within 30 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

UNITED'S POSITION: If required, the Company will provide to the Commission a report as to the accounting entries or adjustments necessary to reflect the Commission's decisions in this rate case on the Company's books, or if an off-book entry, on the Company's earnings surveillance report. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Yes.

STAFF'S POSITION: Yes.

ISSUE 29a: Should UTF be required to file, within 30 days after the date of the final order in this docket, an updated schedule to reflect the actual rate case expense?

UNITED'S POSITION: Amended MFR Schedules C-20a and C-20b can be filed within 30 days of the final order reflecting the Company's actual rate case expenses incurred through that date.

AT&T'S POSITION: No position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: Yes.

ISSUE 30: What is the appropriate amount of the revenue increase/decrease for the test year?

UNITED'S POSITION: As noted at Exhibit RDM-7, Schedule No. 1, of Mr. McRae's direct filed testimony and as supported by the MFRs, the appropriate amount of the revenue increase for the test year is \$54,308,000. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Each of the adjustments proposed by the Citizens leads to resulting calculation requested in this issue. Cumulatively they indicate that United's rates should be reduced by more than \$32 million. (DeWard).

STAFF'S POSITION: Since this is a fall-out issue, this amount can not be determined at this time.

Access/Toll/Interconnection

ISSUE 31: UTFL has proposed a reduction in switched access service rates however, the company has proposed no rate changes for message toll service. UTFL has proposed the following switched access rate changes:

- a) To reduce BHMOC rates from \$3.95 to \$1.98.
- b) To reduce MABC BHMOC rates from \$3.95 to \$1.98.
- c) To change time of day discount amounts which will increase originating access revenues by \$2.846 million.
- d) To reduce cellular mobile interconnection rates as a result of the proposed reduction of BHMOC charges.

Should UTFL's proposed changes be approved? Should there be any other changes in switched access, toll or cellular mobile interconnection services?

UNITED'S POSITION: The Company's proposed rate levels for the BHMOC and cellular interconnection should be adjusted to reflect revenue requirement changes identified in Mr. McRae's rebuttal testimony. The Company's proposals to change the rates for these

services as filed in the revised test year E-1a schedule filed April 3 should be approved. No other changes should be made to the rates for switched access, toll or cellular interconnection services. (Mr. Poag)

AT&T'S POSITION: (a) AT&T supports United's proposal to reduce BHMOC rates from \$3.95 to \$1.98 in this proceeding. While AT&T continues to advocate the elimination of all charges associated with the BHMOC element, AT&T recognizes United's proposed reduction as an important step towards that end.

(b) AT&T has no position on this issue at this time.

(c) While the proposed change in time of day discounts will result in an increase in originating access revenues, AT&T does not oppose the proposed change as long as such action is taken in conjunction with the BHMOC reduction proposed by United in this docket. The net effect of the proposed BHMOC reduction and the proposed changes in time of day discounts would be an overall reduction of approximately \$7.9 million in annual switched access charges which is a positive step towards driving access rates towards cost.

(d) AT&T has no position on this issue at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: In United's last case, which ultimately resulted in a revenue reduction, the Commission raised local rates significantly while reducing access charges. The Commission should not again reduce access charges in this case.

STAFF'S POSITION: No position at this time.

EAS

ISSUE 32: UTFL proposed to increase Optional Extended Local Calling (OELC) plans by the same percentage amount as that proposed for local residential rates, is this appropriate?

UNITED'S POSITION: Yes. The Optional Extended Local Calling plans rate development methodology was developed in Docket No. 850139 and approved in Order No. 14771. The methodology developed

recognized the value of the extended calling scopes. The proposed OELC rates are based on the methodology approved by the Commission in Order No. 14771. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Rates should be reduced.

STAFF'S POSITION: No position at this time.

ISSUE 32a: Should the Clermont to Orlando EAS additive be reduced or removed?

UNITED'S POSITION: No, the Clermont EAS additive should not be reduced or removed. The Clermont EAS additive rates, which became effective December 15, 1991, were established by Order No. 24144, issued February 22, 1991, in Docket No. 891339-TL. The Order does not indicate that these rates are temporary until the Company's next rate case, whereupon the additive would be removed and Clermont would only be subject to the increase due to exchange regrouping. The additive would not be removed if the Company had not filed a rate case.

The EAS additive plus the regroup effect is currently \$3.86 for a residence one-party customer and provides extended local calling to the Orlando, Lake Buena Vista, Reedy Creek, Windermere, and Winter Garden exchanges. Before the EAS was allowed, the average Clermont residence customer averaged \$6.81 per month in toll charges to these exchanges. Applying the approximate 17% MTS rate reductions since the time of the traffic study in October 1989, the average residence customer is still saving \$1.79 ($\$6.81 \times .83 = \5.65 , $\$5.65 - \$3.86 = \$1.79$) per month. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 32b: Should existing Toll-Pac plans be converted to the \$.25 plan?

UNITED'S POSITION: No. There is no basis for a wholesale conversion of existing Toll-Pac plans to the \$.25 plan. Because of the different measurement (e.g. duration, time-of-day discount) associated with Toll-Pac, customers could be adversely impacted by the change. This would be especially true for customers placing many short calls during off-peak hours. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 32c: Should EAS to Bonita Springs be implemented in the context of this rate case? If so, at what rate?

UNITED'S POSITION: If the EAS survey in Bonita Springs passes, EAS should be implemented within one year after the order as any other EAS case and at the rates included in the ballot. Since Bonita Springs did not meet the necessary threshold in the Commission Rules for a survey, EAS should not be implemented if the survey fails to get the required majority for approval. Bonita Springs' customers already have an optional flat-rate EAS plan. Eliminating the optional plan for nonoptional flat-rate EAS would shift the cost of EAS from the high volume users to the low volume users.

United recognizes the merit of EAS additives that go beyond simple rate regrouping. Plans like the 25/25 Plan help to ensure that only those areas that exhibit genuine community of interest, and consequently a willingness to pay, are granted EAS. An EAS additive also serves to mitigate foregone LEC toll revenue and any additional facilities costs. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: EAS should be approved if a majority of those voting vote to approve EAS.

STAFF'S POSITION: No position at this time.

ISSUE 32d: Are there any routes in UTFL's territory that are currently facing EAS pressures and should the Commission take any action at this time to address these pressures?

UNITED'S POSITION: Yes, however any request for EAS should be processed and evaluated on the basis of the Commission EAS rules. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should address and correct the calling scope for the Cape Haze and Bonita Shores areas.

STAFF'S POSITION: No position at this time.

ISSUE 32e: What changes, if any, should be made regarding EAS in the UTFL territory?

UNITED'S POSITION: None at this time. The Commission has set a workshop to address EAS. Until the results of the workshop and subsequent proceedings are evaluated, the Commission should defer any EAS activities unless they are proceeding under the Commission's EAS rules. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

Custom Calling Features/Signal Ring/Express Touch

ISSUE 33: Should the Company's proposal to change rates for Custom Calling Features as outlined in the table below be approved?

	RESIDENCE		BUSINESS	
	PRESENT	PROPOSED	PRESENT	PROPOSED
First Feature Access	\$1.40	\$0.00	\$1.65	\$0.00
Call Forwarding	\$1.65	\$2.50	\$2.75	\$4.50
Call Forward Don't answer	\$1.65	\$1.00	\$2.75	\$1.00
Call Forward - Busy	\$1.65	\$1.00	\$2.75	\$1.00
3-Way Calling	\$1.65	\$2.00	\$2.75	\$3.00
Call Waiting	\$1.65	\$3.50	\$2.75	\$4.00

	RESIDENCE		BUSINESS	
	PRESENT	PROPOSED	PRESENT	PROPOSED
Cancel Call Waiting	\$0.75	\$1.00	\$1.25	\$1.25
Speed Calling	\$1.65	\$2.00	\$2.75	\$3.00
Call Forward Remote Activation	\$1.75	\$1.75	\$2.35	\$2.50
Personal Alert Line	\$1.65	\$1.65	\$2.75	\$2.75
SignalRing 1	\$2.10	\$3.00	\$3.40	\$6.00
SignalRing 2	\$4.05	\$5.00	\$6.65	\$8.00

UNITED'S POSITION: Yes, the proposed rates for Custom Calling Services are based on the relative demand for the features and are thus reflective of the relative market value of the individual services. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 78

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position.

?STAFF'S POSITION: No position at this time.

ISSUE 33a: UTFL has proposed to eliminate rates for secondary service order charges for subscribers adding Custom Calling Features, SignalRing and ExpressTouch. Should this be approved?

UNITED'S POSITION: Yes. The secondary service order charge should be eliminated to allow customers to subscribe to these services without incurring an up-front charge. This will give customers greater flexibility in the use of the features. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position.

STAFF'S POSITION: No position at this time.

Residential/Business/PBX/ABC

ISSUE 34: UTFL has proposed the following changes for local residential exchange and local business exchange rates:

- a) Increase basic local exchange access line revenues (R-1 and B-1) by \$59.7 million or 37% increase over current revenues.
- b) Continue the restructure of Direct-Inward-Dial (DID) service.
- c) Changes in Advanced Business Connection (ABC) service rates.

- d) Implement a Subscriber Line Charge (SLC) credit for ABC service.

What changes, if any, should be made to local residential exchange, local business exchange, PBX, and ABC service rates?

UNITED'S POSITION: a) United's proposed residential local service rates average only \$11.77 as compared to \$14.87 for the average of six southeastern states. The proposed business local service rates average only \$24.20 compared to \$39.41 for the average of six other southeastern states. When compared to the two largest telephone companies in Florida, United's proposed rates are within 10 percent of the current charges. The changes proposed by the Company in this rate proceeding should be made.

b) In United's last rate case, DID rates were adjusted as a first phase to move the rates more in line with the rates approved by the Commission in Docket No. 891239-TL, for cellular interconnection. The proposed change is a continuation of the phased approach to establish uniformity in the rates for PBX DID service and cellular interconnection DID service. The changes proposed by the Company in this rate proceeding should be made.

c) The ABC service rates which are increasing are those which are expressed in the tariff as a percentage of the B1 or PBX trunk rate. Because United is proposing to increase the B1 and PBX trunk rates, those ABC rates will increase proportionately. ABC is competitive with B1 and PBX services; however, since the B1 and PBX trunk rates are proposed to increase, increasing the ABC rates in proportion to the B1 and PBX trunk increase should not change the relative competitive positions of the services. The changes proposed by the Company in this rate proceeding should be made.

d) In an effort to make ABC a more competitively priced service, United has made a proposal to charge the subscriber line charges (SLC) from end users based on the Network Access Register (NAR). The NAR limits the number of simultaneous outside calls to and from an ABC system and provides a mechanism for charging for use of the switched network. The equivalent to a NAR in PBX service is the local network usages accounted for in the PBX trunk rate. In the case of a PBX, network access is limited by the number of trunks. In an Enhanced ABC system, network access is limited by the number of NARs.

The NAR is, in effect, trunk equivalency. The concept of trunk equivalency allows United to base the SLC collected from the customer on a trunk equivalency basis rather than a per station

basis, thus reducing the cost to the customer. United is required to record \$6.00 per line, then this revenue shortfall must be made up from other sources. The revenue must be shifted from the intrastate to the interstate jurisdiction. Such an approach was approved by the Indiana Public Service Commission for Indiana Bell in 1984. Because of the controversial nature of this ruling, the case was brought before the FCC. In the summer of 1985, the FCC ruled that its subscriber line charge policy was not undermined by the use of equivalency rates. The FCC made this decision in effect, to allow the state commissions the ability to correct inequities in the rate structure of the telephone companies that would exist between centrex and PBX customers. The ruling gives the state PSCs the opportunity to re-evaluate intrastate centrex rates. The FCC allows that such action be taken so that the SLC assessment for both PBX and centrex users can be more equitable. SLC offsets based on trunk equivalencies have been approved for Southern Bell, Centel, GTE, and Quincy Telephone by the Florida Public Service Commission. The changes proposed by the Company in this rate proceeding should be made. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Local should be decreased in this case to offset the increases granted by the Commission in United's last case.

STAFF'S POSITION: Staff does not have a position on (a) through (d) at this time. However, staff does believe that the current pricing of business local exchange services appears inconsistent when viewed in the context of their underlying characteristics. Staff is proposing to reprice business services to be more equitable by closely accounting for the identifiable characteristics of each of the various business services.

ISSUE 34e: How should the Commission tariff local service for telephones installed in elevators?

UNITED'S POSITION: All telephones installed in elevators should received business rates. Elevator telephone service is subscribed to by the building owners/managers, not by the residents of the building. The owner/managers are considered business entities, not residential subscribers. Also, these building owner/managers order this service to fulfill their legal obligations to their tenants,

not to provide residents with an alternate source of residential telephone service.

The use of elevator telephones is primarily for business purposes. The function of an elevator telephone is to enhance the safety and security of persons using the premises regardless of whether they are residents, guests, trades people, or employees of the building housing the elevator. Building owners/managers have a legal responsibility to maintain common areas, such as elevators, in a safe and secure condition. One of the means by which they attempt to meet this obligation is by maintaining elevator telephones.

United's General Exchange Tariff, Seciton A2 C.5. sets forth the application of rates for business and residence service. Paragraph (a) of that provision states that the classification of business or residents "...is based on the character of use to be made of this service. Paragraph (b) provides that "business rates apply whenever the use of the service is primarily or substantially of a business, professional, institutional or otherwise occupational nature...". And subpart (b) of Paragraph (b) provides that business rates apply for "All other locations where the subscriber's primary use of the service is for business purposes. (Emphasis added) The use of elevator telephones is primarily and substantially of a business and institutional nature from the subscriber's (building owner/manager) perspective, as discussed in United's preceding paragraph.

The provision of service is defined by the subscriber to the service, not by who the subscriber allows to use the service. In other words, a bank may allow a customer to make a personal call, but that does not transform the bank's business service to residential service. The building owner/manager does not provide the elevator as part of a domestic function, but to provide a safe and secure common area of the building in which the elevator is located. Even if someone were to make a personal call from an elevator telephone, that would not alter the fundamental nature of the service, any more than a personal call from a bank would.

Therefore, United believes that the rates charged for elevator telephones should be the business rate. (Mr. Poag)

AT&T'S POSITION: No position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 82

OPC'S POSITION: If installed in areas serving residences, such as phones located in condominium elevators, this service should receive residential rates.

STAFF'S POSITION: No position at this time.

Catch All

ISSUE 35: Should United be required to itemize its bills on a monthly basis?

UNITED'S POSITION: No. Today the Commission requires that we provide all customers, once a year, with an itemized listing of the charges included in their monthly local service billing amount. We also do so automatically any time during the year that the customer has a change in telephone service or features. We will also provide the itemization at any time upon the request of the customer.

There is no evidence in this case or, to the knowledge of the Company, anywhere else which suggests that our customers would prefer monthly itemized bills. Nor are we aware of any other telephone company which provides monthly itemization.

Some customers are concerned today about the length of their telephone bill without the detail. Given that any customer may request a detailed bill or call a service representative to have a bill explained, it would seem inappropriate to require the Company to increase operating expenses by an estimated \$500,000 to meet such requirements. (Mr. McRae)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: At a minimum the Commission should require United to submit a proposal to itemize bills on a monthly basis. (Poucher).

STAFF'S POSITION: No position at this time.

ISSUE 36: The following services have not been addressed in other issues and no changes have been proposed:

Tariffed Items (Listed by tariff section)

- A2, General Regulations.
- A4, Service Charges (other than secondary service connection charge).
- A5, Charges Applicable Under Special Conditions.
- A6, Directory Listings.
- A7, Coin Telephone Service.
- A8, Telephone Answering Service.
- A9, Foreign Exchange Service.
- A13, Miscellaneous Service Arrangements (other than Custom Calling, SignalRing, and ExpressTouch).
- A14, Auxiliary Equipment.
- A15, Connection with Certain Facilities and/or Equipment of Others.
- A19, Wide Area Telecommunications Service.
- A20, Private Line Service and Channels.
- A24, Emergency Reporting Services.
- A29, Data Transport Service.
- A108-A124, Obsolete Tariff Offerings.
- E2, General Regulations.
- E7, Special Access Services.
- E8, Billing and Collection Services.
- E16, Access Service for Local Exchange Companies' completion of IntraLATA-Intercompany Long Distance MTS and WATS calls (other than the MABC BHMOC flow through).

Non-Tariffed Items

- Directory Advertising.
- Rent Revenues (Pole attachments, IXC floor space, etc.).
- Miscellaneous Other Operating Revenues (UTLD royalty, COBRA, etc.).
- Non-Access Revenues (IXC contracts for Operator Services).
- E-911 Contracts and Private Line Settlements with Southern Bell, GTEFL, and Vista-United.
- InterLATA Private Line Terminal Equipment.
- Intrastate InterLATA FG A EAS Contract.
- MessageLine.

Is this appropriate?

UNITED'S POSITION: Yes. With the exception of private line services and special access services, which are being addressed in separate dockets, the rates for most of these services were adjusted in 1991. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

Tariff Effective Date/Customer Notification

ISSUE 37: What should be the effective date of any rate changes?

UNITED'S POSITION: New rates should become effective within five days after correct tariffs have been filed. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should order a rate decrease effective July 1, 1992.

STAFF'S POSITION: No position at this time.

ISSUE 37a: When should customers be notified of any rate changes?

UNITED'S POSITION: Customer should be notified of the rate changes with a bill stuffer reflecting the rate changes mailed in the appropriate July and August billing cycles. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: Customers should be notified about rate changes as quickly as possible.

STAFF'S POSITION: No position at this time.

ISSUE 37b: What should be contained in the bill stuffer to UTFL customers announcing any rate changes?

UNITED'S POSITION: The bill insert should contain the approved new rates for services included in the customer notification mailed with customer bills in July and August. (Mr. Poag)

AT&T'S POSITION: AT&T has no position at this time.

FCTA'S POSITION: No position at this time.

FPTA'S POSITION: No position at this time.

OPC'S POSITION: The Commission should provide customers a plain, understandable description of each rate change.

STAFF'S POSITION: No position at this time.

VII. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
B. H. Reynolds	United	No #	UTF Minimum Filing Requirements
	United	BHR-1	Map of Service Area
	United	BHR-2	MFR Schedule C- 19
	Staff	BHR-3	Responses to Staff's 6th Set of Interrogatories Nos. 124, 125

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
B. H. Reynolds	Staff	BHR-4	Responses to OPC's 6th Set of Interrogatories Nos. 37-39
R. D. McRae	United	RDM-1	Budget Cycle Events
	United	RDM-2	Actual Results Compared to Budget
	United	RDM-3	Forecast Financial Statement of Income, Test Year Ended June 30, 1993
	United	RDM-4	Parent Debt Adjustment
	United	RDM-5	Increase in Depreciation and Amortization Expense
	United	RDM-6	Common Equity Ratios of Companies Operating in Long Distance and CPE Businesses
	Staff	RDM-11	Responses to Staff Interrogatories Nos. 1a-1g, 2-8, 75-84, 88-95, 107- 120, 123, 128, 146- 149, 154-160, 186-209, 212-217, 220

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
R. D. McRae	Staff	RDM-12	Responses to OPC's 3rd Set of Interrogatories Nos. 7-9, 26, 44-59
	Staff	"	Responses to OPC's 4th Set of Interrogatories No. 3
	Staff	"	Responses to OPC's 6th Set of Interrogatories Nos. 1-7, 10, 15-19, 34, 40, 41, 43, 44, 62- 66, 68, 73, 78, 85, 87
	Staff	"	Responses to OPC's 9th Set of Interrogatories Nos. 33, 45
	Staff	"	Responses to OPC's 10th Set of Interrogatories Nos. 4, 5, 9, 15, 25
	Staff	"	Responses to OPC's 14th Set of Interrogatories Nos. 4, 14, 19- 21, 28
	Staff	"	Responses to OPC's 17th Set of Interrogatories Nos. 1-4

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
R. D. McRae	Staff	RDM-13	Responses to Staff's 2nd Request for Production of Documents Nos. 1a-1e, 2-5*, 6,7 *Except for information pertaining to ATT-C and UTLD market share
	Staff	RDM-14	Deposition Transcript of Richard D. McRae: 4/3/92 **Specific transcript pages will be determined after they have been received and reviewed.
	Staff	RDM-15	Richard D. McRae Deposition Exhibits ** Specific late filed deposition exhibits will be determined after they have been received and reviewed.
	Staff	RDM-16	Deposition Transcript of Shields, Damewood, and Frantz: 3/23/92 Pages 5-12, 16-21

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
R. D. McRae	Staff	RDM-17	Shields, Damewood, and Frantz Deposition Exhibits Nos. 1, 3-6, 9
Thomas C. DeWard	OPC	APPENDIX I	Qualification of Thomas C. DeWard, C.P.A.
	OPC	EXHIBIT TCD-1	19 Schedules Supporting Proposed Adjustments
Victoria A. Montanaro	OPC	VAM-1	Coopers and Lybrand Joint Study Retiree Health Benefits, How to Cope with the Accounting, Actuarial and Management Issues
	OPC	VAM-2	UTI's Retiree Medical Plan (Selected Pages)
	OPC	VAM-3	UTI's Accounting/Fi- nancial Summary
	OPC	VAM-4	UTF's Responses to OPC's Request for Admissions
	OPC	VAM-5	Staff OPEB Questionnaire
	OPC	VAM-6	Arthur Young Views on FAS 106 Exposure Draft

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
Victoria A. Montanaro	OPC	VAM-7	Proposed Actuarial Compliance Guideline - for FAS 106
	OPC	VAM-8	Arthur Andersen's Explanation and Discussion of FAS 106
	OPC	VAM-9	UTI's Memorandum regarding Funding of Accrued Postretirement Benefits
	OPC	VAM-10	GTE Chart - illustrating cost of FAS 106 versus Paygo
	OPC	VAM-11	Highlights of AICPA - SEC Joint Meeting
	OPC	VAM-12	UTI's Regulatory Summary
R. Earl Poucher	OPC	E. Poucher Exhibit 1	Inside Wire Income Adjustment
	OPC	E. Poucher Exhibit 2	Florida PSC Deregulation Order
	OPC	E. Poucher Exhibit 3	FCC Docket 79-105 Memorandum, Opinion and Order
	OPC	E. Poucher Exhibit 4	FCC Docket 79-105 Background and Discussion

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
R. Earl Poucher	OPC	E. Poucher Exhibit 5	Credit Card Refund Adjustment
		E. Poucher Exhibit 6	Bulk Purchase Credit
<u>R. D. McRae Rebuttal Exhibits to Intervenors</u>	United	RDM-7	Calculation of Revenue Deficiency
	United	RDM-8	First Mortgage Bond Ratings
C. J. Winston	Staff	CJW-1	Rate Case Audit Report
R. F. Dodrill	Staff	RFD-1	Rate Case Audit **Pages to be determined prior to hearing
J. W. Hoyt	Staff	JWH-1	Rate Case Audit **Pages to be determined prior to hearing
<u>R. D. McRae Rebuttal Exhibits to Staff</u>	United	RDM-9	Expensing vs. Capitalizing Application Software
	United	RDM-10	Response to Rate Case Audit
J. W. Wareham	United	JWW-1	UTI Organization Chart
	United	JWW-2	Sprint/United Management Company Allocable Expenses for the 12 Month Period ended June 30, 1993

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
Michael L. Brosch	OPC	MLB-1	Summary of Public Counsel GS&L Adjustments
	OPC	MLB-2	SUIS 1992 Budget Adjustment
	OPC	APPENDIX A	Position Description, Chairman and Chief Executive Director
	OPC	APPENDIX B	Position Description, Senior Vice President Strategy Planning and Business Development
	OPC	APPENDIX C	Position Description, Senior Vice President - Treasurer
	OPC	APPENDIX D	Position Description, Legal and External Affairs - Corporate Secretary
	OPC	APPENDIX E	Position Description, Senior Vice President - External Affairs
	OPC	APPENDIX F	Position Description, Vice President - Corporate Communications

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
Michael L. Brosch	OPC	APPENDIX G	Advertisement concerning Purchasing Interest in US Sprint
	OPC	APPENDIX H	Contribution - United Telecom/US Sprint, 1990
F. B. Poag	United	FBP-1	Rate Change Information
	Staff	FBP-2	Responses to Staff Interrogatories Nos. 1a-1g, 2-4, 5-9, 10a-10h, 11-21, 23-27, 29, 33-48, 51, 53-63, 66-69, 82-87, 161-165, 167-170, 172, 174, 176-184, 218, 219
	Staff	FBP-3	Responses to OPC's 3rd Set of Interrogatories Nos. 7, 8, 9, 34, 38
	Staff	"	Responses to OPC's 4th Set of Interrogatories No. 4
	Staff	"	Responses to OPC's 6th Set of Interrogatories Nos. 1-4, 15-19, 35, 37-39, 45-49, 93

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
F. B. Poag	Staff	"	Responses to OPC's 7th Set of Interrogatories No. 3
	Staff	"	Responses to OPC's 9th Set of Interrogatories Nos. 3, 4
	Staff	"	Responses to OPC's 10th Set of Interrogatories Nos. 3, 28, 29, 40, 41
	Staff	"	Responses to OPC's 14th Set of Interrogatories Nos. 7, 8, 32
	Staff	FBP-4	Responses to Staff's 2nd Request for Production of Documents Nos. 4,8-10 *Except for information pertaining to ATT-C and UTLD market share

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
F. B. Poag	Staff	FBP-5	Deposition Transcript of Ben Poag: 3/30/92 **Specific transcript pages will be determined after they have been received and reviewed.
	Staff	FBP-6	Ben Poag Deposition Exhibits ** Specific late filed deposition exhibits will be determined after they have been received and reviewed.
	Staff	FBP-7	Deposition Transcript of Shields, Damewood, and Frantz: 3/23/92 Pages 23-25, 33- 37
	Staff	FBP-8	Shields, Damewood, and Frantz Deposition Exhibits Nos. 2, 7

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
C. M. Linke	United	CML-1	The Discounted Cash Flow Model Approach to Estimating Utilities' Equity Capital Cost: Some Implementation Issues
	United	CML-2	DCF Analysis for RHCs
	United	CML-3	The Need for an Equity Floatation Cost Adjustment
	United	CML-4	Estimation Bias in Constant Growth DCF Analyses of Multi-Division Utilities
	United	CML-5	Measuring the Market Risk Premium for Cost of Capital Estimation: Arithmetic Mean vs. Geometric Mean
	United	CML-6	The Linkage Between Risky Cash Flows and Asset Returns
	Staff	CML-7	Deposition of Charles M. Linke: 4/2/92 Deposition

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
C. M. Linke	Staff	CML-8	C. M. Linke Deposition Exhibits
David Parcell	OPC	Schedule 1	Background and Experience Profile of David C. Parcell
	OPC	Schedule 2	Economic Indicators
	OPC	Schedule 3	United Telephone Company of Florida Capital Structure Ratios
	OPC	Schedule 4	United Telecom Capital Structure Ratios
	OPC	Schedule 5	Independent Telpehone Industries Capital Structure
	OPC	Schedule 6	Independent Telephone Groups Capital Structure Ratios
	OPC	Schedule 7	United Telecom Telephone Subsidiary Capital Structure Ratios
	OPC	Schedule 8	Dividend Yields
	OPC	Schedule 9	Individual Company DCF Cost Rates

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 98

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
David Parcell	OPC	Schedule 10	Standard and Poor's 500 Composite Returns on Equity
	OPC	Schedule 11	Individual Company CAPM Cost Rates
	OPC	Schedule 12	Telephone Groups Earnings and Market-to-Book Ratios
	OPC	Schedule 13	Standard and Poor's 500 Composite Earnings and Market-to-Book Ratios
	OPC	Schedule 14	39 Industries Rates of Return on Common Equity
	OPC	Schedule 15	Risk Indicators
	OPC	Schedule 16	Excerpts from Standard and Poor's Credit Week of February 10, 1992
	OPC	Schedule 17	United Telephone Company of Florida Total Cost of Capital
	OPC	Schedule 18	United Telecom- munication, Inc. Total Cost of Capital

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
David Parcell	OPC	Schedule 19	Regional Holding Companies Comparison of Projected EPS Growth and Actual EPS Growth
	Staff	DP-1	Deposition of David Parcell: 4/2/92
	Staff	DP-2	D. Parcell Deposition Exhibits
T. W. Coyle	United	TWC-1	Schedules 1-9
	Staff	TWC-2	Deposition of Thomas W. Coyle: 4/2/92
	Staff	TWC-3	T. W. Coyle Deposition Exhibits
J. P. Salyer	United	JPS-1	Third Quarter 1991 Service Rule Results
	United	JPS-2	Quality and Efficiency Report
N. Pruitt	Staff	NP-1	Logged Complaints
	Staff	NP-2	Complaint Rate by Type
	Staff	NP-3	Complaints by Year, 1987-1991
	Staff	NP-4	Justification by Year, 1987-1991

<u>WITNESS</u>	<u>PROFFERED</u> <u>BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
D. B. McDonald	Staff	DBM-1	Jan. 1992 Service Evaluation

Staff has not yet finished its list of exhibits which it intends to utilize in this proceeding. Staff will supply a list of the remainder of its exhibits to all parties prior to the hearing.

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

VIII. STIPULATIONS

United Telephone Company, the Public Counsel, AT&T, FPTA, FCTA, and the Staff have agreed to the following stipulations:

1. The testimony, deposition, and exhibits of witnesses Linke, Coyle, and Parcell regarding the cost of equity may be stipulated into the record.
2. The deposition of Mr. Don Poynter, taken February 28, 1992, may be stipulated into the record. Mr. Reynolds will respond to any questions regarding the testimony.

United Telephone Company, the Public Counsel, and the Staff have agreed to the following stipulation, without objection from any other party:

3. Issue 13: The cost of short term debt for the test year is 7.08%.

IX. PENDING MOTIONS

1. Florida Cable Television Association's Motion for Reconsideration of Order No. PSC-92-0112-PCO-TL.

It is therefore,

ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

ORDER NO. PSC-92-0181-PCO-TL
DOCKET NO. 910980-TL
PAGE 101

By ORDER of Commissioner Susan F. Clark, as Prehearing
Officer, this 10th day of April, 1992.



SUSAN F. CLARK, Commissioner
and Prehearing Officer

(S E A L)

PAK

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.