

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Modified Minimum Filing) DOCKET NO. 910731-TL
Requirements report of NORTHEAST) ORDER NO. PSC-92-0337-AS-TL
FLORIDA TELEPHONE COMPANY) ISSUED: 05/12/92
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER APPROVING SETTLEMENT AGREEMENT

BY THE COMMISSION:

I. BACKGROUND

On July 22, 1991, Northeast Florida Telephone Company (Northeast or the Company) filed Modified Minimum Filing Requirements (MMFRs) for the 12 months ending December 31, 1990. The filing reflected that Northeast had overearned in 1990. Northeast also estimated that the Company would overearn in 1991 and 1992.

Northeast and the Office of Public Counsel (OPC) filed a settlement agreement on December 5, 1991. We addressed the various issues at the January 14, 1992, Agenda Conference. By Order No. 25723, issued February 14, 1992, the Commission rejected the proposal submitted by Northeast and OPC. On March 6, 1992, OPC filed a protest of the Order, and requested a hearing. Northeast and OPC met and reached a new Settlement Agreement (the Agreement), and submitted it to the Commission on April 10, 1992. The Agreement is attached hereto as Attachment A.

II. DISCUSSION

The terms of the proposed Agreement are summarized as follows:

1. For calendar year 1990, Northeast earned revenue of \$278,307 in excess of its authorized rate of return and will refund the entire amount plus interest to Northeast's customers.

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2. For calendar year 1991, Northeast earned revenue of approximately \$484,200 in excess of its authorized rate of return and will refund the entire amount plus interest to Northeast's customers after completion of its cost study.
3. For calendar year 1992, Northeast will refund one half of any revenue in excess of 13.8% ROE to its customers and the other half to the contributors to the subsidies.
4. Prospective Rate Changes:
 - a. Implement a \$0.25 local calling plan between Northeast and Southern Bell's exchanges of Baldwin, Maxville, and Jacksonville, effective on or before June 21, 1992, or as soon thereafter as possible.
 - b. Reduce its intraLATA toll rates and change the time of day periods and discounts, effective on or before July 1, 1992, or as soon thereafter as possible.
 - c. Reduce its Touchtone rates from \$2.00 and \$2.50 to \$1.00 and \$1.25 for residential and business customers, respectively, effective on or before July 1, 1992, or as soon thereafter as possible.
 - d. Bill all the gross receipts tax as an add-on to the customers' bills and reduce the access line monthly charges by 1.5%, effective on or before July 1, 1992, or as soon thereafter as possible.
5. Subsequent to January 1, 1993, earnings in excess of 13.2% ROE will be refunded to the contributors to the subsidy and the subsidy will be reduced by a like amount.

We addressed the Agreement at the April 21, 1992 agenda conference. At the conference our Staff reiterated its concern that the Agreement did not adequately deal with Northeast's continuing to receive subsidies from Southern Bell Telephone and Telegraph Company (Southern Bell) and GTE Florida Incorporated (GTEFL), while in an overearnings position. Northeast and OPC agreed to modify the Agreement to delete the prospective rate changes listed in 4(b), 4(c), and 4(d) above. These provisions correspond to Sections 5(a)2, 5(a)3, and 5(a)4, in Attachment A. Thus Northeast and OPC have agreed to exclude the proposals to

reduce the intraLATA toll rates and change the time of day periods and discounts, reduce Touchtone rates for residential and business customers, and bill gross receipts tax as an add-on to customers' bill and reduce the access line monthly charge. Instead, the parties have agreed that a reduction in the subsidy of \$111,000 be implemented, effective July 1, 1992.

The implementation of a \$0.25 local calling plan between Northeast and Southern Bell's exchanges of Baldwin, Maxville, and Jacksonville appears to be the highest priority for the ratepayers of Northeast. Accordingly, Northeast has agreed to implement the \$0.25 local calling plan, as set forth in Attachment A, effective on or before June 21, 1992, or as soon thereafter as possible. In order to be effective, the calling plan must be instituted on a two-way basis. Therefore, Southern Bell shall institute an extended local calling plan to complement Northeast's plan between the Baldwin, Maxville and Jacksonville exchanges and the Northeast exchanges of MacClenny and Sanderson on a seven digit dialing basis at the same rates and conditions as shown in the settlement agreement for the Northeast plan. Specifically, each call will be rated at \$.25 regardless of the duration of the call. Because this is local calling, no access charges apply. Southern Bell will be allowed bulk billing on this plan. Southern Bell has indicated its concurrence with this plan.

We believe that this Agreement, as modified, adequately addresses our concerns. It proposes a resolution of 1990 and 1991 overearnings as well as the implementation of the \$0.25 local calling plan. Additionally, the rates of return used in the Agreement are reasonable. We commend the Company and OPC for attempting to reach a fair settlement that provides the maximum benefit to the ratepayers. Accordingly, we approve the Agreement as modified. Finally, this action eliminates the need for the hearing originally scheduled for July 1, 1992. Therefore, that proceeding is hereby cancelled.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Settlement Agreement filed by Northeast Florida Telephone Company and the Office of Public Counsel and attached hereto as Attachment A, is hereby approved, as modified herein. It is further

ORDERED that Southern Bell Telephone and Telegraph Company shall implement a \$0.25 local calling plan between its exchanges of

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Baldwin, Maxville and Jacksonville, and Northeast Florida Telephone Company's exchanges of MacClenny and Sanderson, as set forth herein. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 12th
day of MAY, 1992.



STEVE TRIBBLE Director
Division of Records and Reporting

(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 the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 sewer utility by filing a notice of appeal with the Director, Division of

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Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Northeast Florida) Docket No. 910731-TL
Telephone Company, Inc., Modified)
Minimum Filing Requirements) Filed: April 10, 1992
_____)

SETTLEMENT AGREEMENT

The Citizens of the State of Florida, represented by the Office of Public Counsel (OPC), and Northeast Florida Telephone Company (Northeast or the company) (the parties) file their Stipulation for settlement of overearnings for 1990, 1991 and the first half of 1992; to establish rates for the remainder of 1992 and thereafter and state as follows:

1. Background

Northeast Florida Telephone Company filed Modified Minimum Filing Requirements (MMFRs) with the Commission on July 22, 1991. The filing reflected that Northeast had overearned in 1990. Northeast estimated that the company would overearn in 1991, 1992 and beyond, unless rates were reduced on a going forward basis to compensate for the continuing receipt by Northeast of money from the intrastate high cost funds and the interstate Universal Service Fund (USF).

Northeast and the OPC filed a settlement agreement on December 5, 1991. The agreement was considered and the Commission subsequently issued PAA Order No. 25723 which was protested by the OPC.

Northeast and the OPC have now entered into a new settlement agreement which resolves all the issues between Northeast and OPC.

2. Disposition of 1990 Overearnings

a. The parties agree that for calendar year 1990 Northeast earned revenue, excluding interest, of \$278,307 in excess of its authorized rate of return.

b. Northeast agrees to refund the entire amount of overearnings reflected in paragraph 2 (a), above, plus interest, by crediting appropriate customer's bills each month, as follows:

- (1) Customers entitled to a refund will be those who were receiving service on December 20, 1990, and who also received service on April 20, 1992.
- (2) Each customer entitled to a refund will be credited an amount each month which equals the local access line charge, the FCC subscriber line charge, taxes applicable to those two items and the Telecommunications Access System Act surcharge.
- (3) Interest will be included in the total amount due to each customer. Interest will be calculated at the 30 day commercial paper rate for that period

during which the overearnings occurred and prior to initiation of the refund. Interest will be calculated at the annual rate of 6% from the beginning of the refund until completion thereof.

- (4) Credit will be given to each customer until that customer's entitlement is satisfied.
- (5) Credit will be reflected on bills beginning on July 1, 1992.
- (6) If any customer entitled to a refund terminates service and notifies Northeast of a forwarding address, that customer will receive a refund by check of any amount remaining unpaid, after deduction for all outstanding amounts due to the company on the final bill. Such payment will be mailed within 60 days.

3. Disposition of 1991 Overearnings

a. The parties agree that Northeast will overearn in 1991 in excess of its authorized rate of return established by the Commission, in the approximate amount of \$484,200, excluding interest. The exact amount of overearnings will not be known until after completion of the company's 1991 annual cost study.

b. Northeast agrees to exercise diligence to complete its 1991 cost study by June 30, 1992.

c. Northeast agrees to refund the entire amount of overearnings established after completion of its 1991 cost study, by crediting appropriate customer's bills each month, as follows:

- (1) Customers entitled to a refund will be those who were receiving service on December 20, 1991, and who also received service on April 20, 1992.
- (2) Each customer entitled to a refund will be credited an amount each month which equals the local access line charge, the FCC subscriber line charge, taxes applicable to those two items and the Telecommunications Access System Act surcharge.
- (3) Interest will be included in the total amount due to each customer. Interest will be calculated at the 30 day commercial paper rate for that period during which the overearnings occurred and prior to initiation of the refund. Interest will be calculated at the annual rate of 6% from the beginning of the refund until completion thereof.

- (4) Credit will be given to each customer until that customer's entitlement is satisfied.
- (5) Credit will be reflected on bills beginning on July 1, 1992, or as soon as any 1990 refund has been completed for those receiving 1990 refunds.
- (6) If any customer entitled to a refund terminates service and notifies Northeast of a forwarding address, that customer will receive a refund by check of any amount remaining unpaid, after deduction for all outstanding amounts due to the company on the final bill. Such payment will be mailed within 60 days.

4. Disposition of 1992 Overearnings

a. The parties agree that one half of any 1992 earnings of Northeast in excess of the average of 13.2 percent return on equity (ROE) and 14.4 percent ROE, i.e., 13.8 percent ROE will be refunded to the customers of Northeast and one half of such overearnings will be paid to the payors to the high cost fund pursuant to the parameters set forth in paragraph 6, hereinafter.

- (1) Customers entitled to a refund will be those who were receiving service on April 20, 1992.

- (2) Each customer entitled to a refund will be credited an amount each month which equals the local access line charge, the FCC subscriber line charge and taxes applicable to those two items and the Telecommunications Access System Act surcharge.
- (3) Interest will be included in the total amount due to each customer. Interest will be calculated at the 30 day commercial paper rate for that period during which the overearnings occurred and prior to initiation of the refund. Interest will be calculated at the annual rate of 6% from the beginning of the refund until completion thereof.
- (4) Credit will be given to each customer until that customer's entitlement is satisfied.
- (5) Credit will be reflected on bills beginning on July 1, 1993.
- (6) If any customer entitled to a refund terminates service and notifies Northeast of a forwarding address, that customer will receive a refund by check of any amount remaining unpaid, after deduction for all outstanding amounts due to the

company on the final bill. Such payment will be mailed within 60 days.

5. Prospective Rate Changes

a. The parties agree that Northeast should implement the following rate changes in order to earn an appropriate return, improve service, lower the cost to Northeast's customers and remove gross receipts taxes from inclusion in the company's rates:

(1) Northeast agrees to implement an Extended Local Calling Plan (ELC plan) between Northeast's exchanges of Macclenny and Sanderson and the Southern Bell exchanges of Baldwin, Maxville and Jacksonville.

(a) The parties agree that the plan will incorporate a message rate of \$.25 per message, regardless of message duration.

(b) The parties further agree that if customers make repeated calls that are unreasonably long in duration, Northeast can apply for appropriate relief.

- (c) The parties agree that the plan will employ seven digit local dialing.
 - (d) The parties acknowledge that this plan will be unworkable, unless Southern Bell implements a similar plan in the opposite direction or Northeast is relieved of the obligation to make terminating access payments under the MABC Plan for traffic covered under the ELC plan, and action by the Commission to facilitate the plan shall be a condition to the binding nature of this Settlement Agreement.
 - (e) Northeast agrees to implement the plan on or before June 21, 1992, or as soon thereafter as possible.
- (2) Northeast agrees to reduce MTS intraLATA toll rates and change time of day periods and discounts, as follows:
- (a) The parties agree that the night/weekend discounted rates will be made effective from 9:00 p.m. to 9:00 a.m. each weekday and for

the entire weekend from 9:00 a.m. Saturday until 9:00 a.m. Monday.

(b) The parties further agree that the night/weekend discount from premium rates will be 40 percent.

(c) The parties agree that the following rates will be implemented:

<u>MILEAGE</u>	<u>RATES</u>	
	<u>FIRST MINUTE</u>	<u>ADDITIONAL MINUTE</u>
0 - 10	\$.18	\$.09
11 - 22	\$.18	\$.12
23 - 292	\$.24	\$.22

(d) Northeast agrees to implement the toll reductions on or before July 1, 1992, or as soon thereafter as possible.

(3) Northeast agrees to reduce its Touch Calling rate by \$1.00 for residential and \$1.25 for business, making the rate \$1.00 per month for residential and \$1.25 per month for business, effective July 1, 1992, or as soon thereafter as possible.

(4) The parties agree that Northeast can begin to charge customers gross receipts tax separately

effective July 1, 1992, or as soon thereafter as possible.

(a) Northeast agrees to reduce its access line monthly charges effective at the same time the gross receipts tax is separated on the bills.

(b) Northeast agrees to reduce access line monthly charges by 1.5 percent. Access line rates charged will be rounded to the nearest \$.05. This computation method would reduce a residential customer's bill by \$.10 per month and a B1 or key system customer's bill by \$.35 per month per access line.

b. The parties agree that these rate changes will continue until ordered to be changed by Commission order.

6. Intrastate High Cost Payment Reductions

a. The parties agree that to the extent that subsequent to January 1, 1993, Northeast earns in excess of the ceiling of the return on equity (RCE) set forth herein, Northeast will refund such overearnings proportionately to the payors to the high cost funds and will also eliminate future high cost fund receipts by a like amount.

b. The parties agree that the ROE shall be 12.2 percent with a 1 percent \pm range, making the ceiling 13.2 percent for purposes of high cost refunds and elimination of future entitlement to high cost funds.

c. The parties agree that when the portion of the high cost fund related to Northeast is eliminated due to Northeast's earnings in excess of the ceiling established herein, the ROE established for the purpose of governing the elimination of the high cost payments to Northeast will terminate, and the ROE established by the Commission and in effect at the time will become the ROE used by Northeast thereafter for all purposes.

d. The parties agree that if circumstances should change so that either party believes that the ROE established herein is no longer appropriate, either party can request that the Commission establish an appropriate ROE.

7. Effect of Settlement Agreement

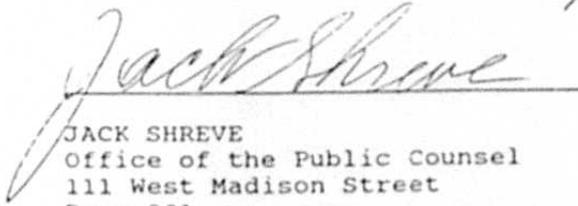
a. The parties agree that this Settlement Agreement, if approved in its entirety and without modification by the Commission, shall bind the parties to the degree set forth herein.

b. The parties further agree as follows:

- (1) The Settlement Agreement reached in this docket is based on the unique factual circumstances of this case and shall have no precedential value in proceedings involving these parties or other utilities before this Commission. The agreement, as stated herein, represents a tentative acceptance by the parties of certain assumptions about Northeast's operations which is contingent upon this Commission's acceptance of the entire proposal. The parties reserve the right to assert a different position on any matter if this Settlement Agreement is not accepted by the Commission. The parties further agree that in entering into this Settlement Agreement neither party has relinquished or waived any position on any issue and may assert its interests as it sees fit in other proceedings in which these same or similar issues may arise.
- (2) Neither of the parties hereto shall unilaterally recommend or support the modification of this Settlement Agreement or discourage its acceptance by the Commission.

- (3) Neither of the parties hereto shall independently request reconsideration of, or appeal the order which approves this Settlement Agreement.
- (4) The parties urge that the Commission take final agency action on the Settlement Agreement at the April 21, 1992 Agenda Conference.
- (5) In the event that the Commission rejects or modifies this Settlement Agreement, in whole or in part, the parties agree that this Settlement Agreement is void, unless ratified by the parties in its modified form, and that each party may pursue its interests as those interests appear.

Dated this 10th day of April, 1992.


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