

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate) DOCKET NO. 920310-TL
increase by CENTRAL TELEPHONE) ORDER NO. PSC-92-1402-PHO-TL
COMPANY OF FLORIDA) ISSUED: 12/2/92
_____)

Pursuant to Notice, a Prehearing Conference was held on November 23, 1992, in Tallahassee, Florida, before Commissioner J. Terry Deason, as Prehearing Officer.

APPEARANCES:

KENNETH R. HART, Esquire, LEE WILLIS, Esquire, JOHN FONS, Esquire, Ausley, McMullen, McGehee, Carothers & Proctor, P.O. Box 391, Tallahassee, Florida 32302.
On behalf of Central Telephone Company.

CHARLES J. BECK, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-0863.
On behalf of Citizen's of the State of Florida.

STEPHEN S. MATHUES, Esquire, Department of Management Services, Office of General Counsel, Suite 309, Knight Building, 2737 Centerview Drive, Tallahassee, Florida 32399-0950.
On behalf of Department of Management Services.

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

PETER M. DUNBAR, Esquire, Haben, Culpepper, Dunbar & French, P.A., 306 North Monroe Street P.O. Box 10095, Tallahassee, Florida 32301.
On behalf of Florida Cable Television Association.

JOHN K. ADAMS, III, Esquire, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0863
On behalf of the Commission Staff.

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PRENTICE P. PRUITT, Esquire, Florida Public Service
Commission, 101 E. Gaines Street, Tallahassee, Florida
32399-0862
On behalf of the Commissioners.

PREHEARING ORDER

I. CASE BACKGROUND

On April 3, 1992 Central Telephone Company of Florida requested this Docket be opened and a 1993 test year be approved. This docket was opened and the matter set for hearing. By Order No. PSC-92-0732-PCO-TL the procedural requirements for the prehearing and hearing were set and the various parties required to identify relevant issues and their respective positions on those issues.

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.

- 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, including 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

WITNESS	APPEARING FOR	SUBJECT MATTER
D. L. Cross <u>Direct</u>	Centel	Policy Issues: 2, 2A, 2B, 2C, 17N, 18G, 18H, 26, 27, 39
DIRECT PANEL		
L. Carrion <u>Direct</u>	Centel	Quality of Service Issues: 1, 16B, 17C, 28, 29, 40

WITNESS	APPEARING FOR	SUBJECT MATTER
C. D. Kurtz <u>Direct</u>	Centel	1993 Budget Issues: 2, 2A, 2C, 3, 3A, 4, 4A, 5, 5A, 15, 16, 16A, 16B, 16D, 17B, 17H, 17K, 17L, 17M, 17S, 17U, 19C, 20, 20A, 41A, 41B
C. L. Thomazin <u>Direct</u>	Centel	1991 and 1993 Revenue Requirements Issues: 3B, 4, 4A, 5, 5A, 5B, 5C, 6, 7, 7A, 8, 12, 12A, 13, 14, 15, 16, 16E, 17, 17A, 17J, 17P, 17Q, 17R
J. E. Puffer <u>Direct</u>	Centel	Cost Allocations Issues: 16C, 17T, 18, 18A, 18B, 18C, 18D, 18G, 19B
Thomas C. DeWard <u>Direct</u>	OPC	Revenue Requirement Issues: 2A, 2B, 2C, 3, 3B, 12A, 16C, 16D, 17A, 17C, 17D, 17E, 17F, 17G, 17H, 17I, 17J, 17K, 17L, 17M, 17O, 17P, 17R, 17U, 18A, 18D, 18E, 18G, 18H, 19B, 21A, 22A

WITNESS	APPEARING FOR	SUBJECT MATTER
R. Earl Poucher <u>Direct</u>	OPC	Inside Wire Maintenance Issues: 17S
C. A. Swanson <u>Direct and Rebuttal</u>	Centel	Rate Design Issues: 16B, 16F, 28, 29, 30, 31, 32, 34, 35, 36, 36B, 36C, 36D, 37, 38, 40, 41
G. E. Michaelson <u>Direct</u>	Centel	Cost Studies Issues: 37, 38
REBUTTAL PANEL I		
C. D. Kurtz <u>Rebuttal</u>	Centel	1993 Budget
C. L. Thomazin <u>Rebuttal</u>	Centel	1991 and 1993 Revenue Requirements
J. E. Puffer <u>Rebuttal</u>	Centel	Cost Allocations
R. Narula <u>Rebuttal</u>	Centel	Corporate Services
REBUTTAL PANEL II		
D. L. Cross <u>Rebuttal</u>	Centel	Compensation
D. L. Ferrari <u>Direct and Rebuttal</u>	Centel	Compensation Issues: 17D, 17E, 17F, 18E, 18H

WITNESS	APPEARING FOR	SUBJECT MATTER
S. D. Selbe <u>Direct and Rebuttal</u>	Centel	Compensation Issues: 17I, 17O, 18F, 19A
<p>The parties have stipulated that the testimony of the witnesses below may be inserted into the record together with the associated exhibits, attachments, depositions, interrogatories, and production of documents requests.</p>		
Nancy Pruitt <u>Direct</u>	Staff	Quality of Service Issue: 1
Frank Williamson <u>Direct</u>	Staff	Quality of Service Issue: 1
Butch Broussard <u>Direct</u>	Staff	Staff Audit Report Issues: 17V
Victoria A. Montanaro <u>Direct</u>	OPC	Post Retirement Benefits Issues: 7A, 19
B. A. McKnight <u>Rebuttal</u>	Centel	Post Retirement Benefits Issues: 12Q, 19, 19C
M. J. Claerhout <u>Direct and Rebuttal</u>	Centel	Capital Structure Issues: 3B, 10, 11, 14, 18B
J. H. Vander Weide <u>Direct and Rebuttal</u>	Centel	Cost of Capital Issue: 9

WITNESS	APPEARING FOR	SUBJECT MATTER
David C. Parcell <u>Direct</u>	OPC	Cost of Capital/ Capital Structure Issues: 9, 10, 11
Wayne A. King <u>Direct</u>	AT&T	Rate Design Issue: 32
Glenn W. Mayne <u>Direct</u>	DMS	Rate Design Issue: 34

V. BASIC POSITIONS

Centel's Basic Position: The Company requests additional revenues of \$17,470,331 based upon the Company's 1993 budget filed in this proceeding. These revenues are necessary if the Company is to be given an opportunity to achieve sufficient earnings to attract capital and provide its investors with a reasonable return on their investment. This is particularly critical in view of continuing growth in customer demand for basic service and for services dependent upon new technology and operating systems. Customer demand for quality service requires a commitment of many different resources including the employment of skilled, highly trained employees. This commitment is extremely important if the Company is to meet the rapidly approaching competition for the Company's core local access business.

Despite the Company's substantial efforts to control costs without jeopardizing quality, and despite increases in levels of productivity, the Company's expenses have continued to grow at a faster rate than its revenues.

The Company has chosen a forecasted 1993 test year as the relevant test period for establishing new rates because 1993 is the initial time period in which the new rates will be in effect. By using the Company's forecasted budget for 1993, the Commission has the best available data for measuring the Company's level of activity during that period.

Even under a merger scenario involving the Company's grandparent, Centel Corporation, and Sprint Corporation, in which cost savings to the merged operations will start to be incurred during 1993, the level of cost savings flowing to the Central Telephone-Florida intrastate operations during 1993 does not make the Company's rate case budget inappropriate for ratemaking purposes at this time. However, it is not necessary solely to rely upon 1993 forecasted data to determine that the Company requires additional revenue. As the Commission has already determined, based upon 1991 historical data, the Company currently requires additional revenues just to bring the Company's earnings up to the lowest end of the earnings range of 12% to 14% established in the Company's last rate case. Regardless of whether there is a merger, these interim rates continue to be reasonable, given the Company's current earnings.

OPC's Basic Position: Centel's request for rate relief is significantly overstated, as shown in detail in the following issues.

Centel's rates should be reduced by more than \$8 million year dollars per year, and all revenue collected to date as a result of the interim order should be refunded in full with interest.

AT&T's Basic Position: AT&T's participation in this docket involves primarily access charge and other interexchange service issues. AT&T's basic position is that the public interest is best served by cost-based access charge pricing. Such pricing mitigates the potential for uneconomic bypass, provides the highest degree of economic efficiency, encourages IXCs to develop and offer new and/or improved services which benefit Florida customers, and encourages IXCs to provide existing services at lowered prices. Accordingly, AT&T encourages the Commission to approve Centel's proposal to reduce its BHMOC charge. Moreover, AT&T does not oppose Centel's proposed reduction in time of day access pricing as long as such action is undertaken in conjunction with the proposed BHMOC reduction. AT&T objects to the inclusion of Issue 33 in this proceeding and will be prepared to argue for the elimination of that issue at the Prehearing Conference.

¹ The parties agreed at the prehearing conference to delete Issue No. 33. This agreement is reflected below.

DMS' basic position: It is the statutory responsibility of the Division to oversee telecommunications needs for state agencies. Any issue in this proceeding which has the effect of increasing costs for telecommunications services utilized by the State of Florida is a concern to the Division. Primarily the Division opposes the proposed changes in the EAS calling plan.

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.

Staff's basic position: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

Quality of Service

ISSUE 1: Is the quality of service adequate?

CENDEL'S POSITION: Yes. The Company has consistently achieved or exceeded Commission Service Standards and requirements and is committed to continuing to improve its quality of service to its customers. Commission Staff's witness Frank Williamson states that Centel's quality of service is satisfactory.

OPC'S POSITION: Centel's quality of service is inadequate. According to staff witness Frank Williamson, Centel has missed a number of specific quality of service requirements set forth in the Commission's rules. In addition, Centel's ratio of complaints per 1,000 customers is above the industry average.

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AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

General Issues

ISSUE 2: Is the test year ended December 31, 1993 an appropriate test year?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

ISSUE 2A: Will the Company's merger with Sprint affect its 1993 forecasted test year?

CENTEL'S POSITION: The Company expects that, if the merger between Centel Corporation and Sprint Corporation is consummated, there will be cost savings as a result of certain synergies resulting from merged operations. Even if the combined, merged operations are able to achieve the \$40 million of cost savings reflected in Centel's estimate of potential cost savings during the first 12 months after consummation of the merger, the effect of cost savings flowing to the Central Telephone-Florida intrastate operations would be less than \$1.5 million in 1993. The high level basis of such estimated cost savings for the merged Sprint/Centel operations does not allow for an account-by-account adjustment of the budget at this time. Moreover, this cost savings amount includes corporate expenses which have been eliminated by the Company in its calculation of its revenue requirement. Additionally, this estimate does not reflect any costs to be incurred in achieving these cost savings. Furthermore, this estimate assumes that all cost savings will go to telephone operations, to the exclusion of cellular and long distance operations. Consequently, for ratemaking purposes, the Company's forecasted 1993 test period remains appropriate as the best current estimate of the Company's expenses during that period.

OPC'S POSITION: The deposition of Jack Frazee and Al Kurtze shows that the merger will have a significant impact during the forecasted test year. Centel management estimates merged company pretax cost savings, after regulatory impact, of approximately \$40 million, \$100 million, and \$145 million dollars in 1993, 1994, 1995, respectively. These savings directly affect the forecasted expenses included in Centel's forecasted 1993 test year, which includes tens of millions of dollars of expense either charged by or allocated from affiliated companies as well as expenses directly incurred by Central Telephone Company of Florida.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

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

ISSUE 2B: If so, will the Company's exclusion of these effects make a dismissal of this case appropriate?

CENTEL'S POSITION: No. Please see the Company's position on Issue 2a.

OPC'S POSITION: The Company's exclusion of these effects in its rate case mandates dismissal of the case. The merger agreement was consummated before Centel filed its rate case. Throughout this case Centel has continued to disregard the impact of the merger, even though the company itself estimates a system wide impact of \$40 million dollars per year during 1993. On its face, the materials provided in the MFRs are not representative of conditions that can be expected during 1993 or beyond.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

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

ISSUE 2C: If the forecast of 1993 is affected by the merger with Sprint and the case is not dismissed, how should the effects of the planned merger be factored into this proceeding?

CENTEL'S POSITION: As noted in the Company's position on Issue 2a., the effects of the pending merger are not sufficiently identifiable or of such a magnitude in 1993 to reject the Company's 1993 rate case budget. If, prior to the conclusion of this rate proceeding, any net cost savings resulting from the pending merger of Centel Corporation and Sprint Corporation are sufficiently identifiable, on either an aggregated or account-by-account basis, it would be appropriate for this Commission to reflect such cost savings in the calculation of the Company's revenue requirement. Even thereafter, if the merger is consummated and there are, in fact, cost savings of a magnitude to affect the Company's earnings beyond range of earnings authorized by the Commission in this proceeding, the Commission has sufficient regulatory authority to require appropriate rate reductions.

OPC'S POSITION: The Commission has no way of factoring in the effects of the merger during 1993 because Centel has not provided such information. Despite its own estimates of a system wide impact of \$40 million during 1993, the company has continued to provide no evidence of what the specific impact would be on the appropriate financial statements in this case. Dismissal is the only appropriate remedy.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position.

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

CENDEL'S POSITION: The Company's forecast of toll messages and minutes-of-use as originally projected are reasonable. However, as a result of 1992 access line growth exceeding the forecast utilized in the rate case budget, the Company has revised its access line forecast. The original access line growth projection of 3.8% for 1992 has been revised to 4.9%, while the original projection of 4.8% for 1993 continues to be a reasonable projection. The rebuttal testimony of Candace L. Thomazin reflects this increase.

OPC'S POSITION: Centel under forecasted its access line growth. Actual access line growth is substantially exceeding the forecast contained in the Company's filing. An adjustment should be made to reflect the higher than forecast access line growth.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

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

ISSUE 3A: Should the Company be allowed to recover budgeted rate base and expenses based on the Company's projection of increases in the CPI?

CENDEL'S POSITION: Yes. The Company has adjusted its projections for 1992 and 1993 for increases in the CPI to reflect the most current information available. These updated projections should be used in setting rates for 1993, as included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: CPI is not a good surrogate for budgeted changes in rate base and expenses.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 3B: Are the inflation factors forecasted by the Company for 1992 and 1993 appropriate?

CENTEL'S POSITION: The appropriate inflation (CPI) factors for 1992 and 1993 are 3.4% and 3.5%, respectively, as included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: The Company's inflation factors are excessive. Wages and salaries, for example, should be escalated by no more than a compounded 3% per year for both 1992 and 1993.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: Staff believes the Company's revised inflation (CPI) assumptions of 3.4% for 1992 and 3.5% for 1993 are appropriate.

Rate Base

Plant in Service

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

CENTEL'S POSITION: The appropriate amount of intrastate 1993 plant in service is \$430,455,398. This amount is made up of the \$426,352,333 shown on MFR Schedule A-2a and the net \$4,103,065 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount from other adjustments.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

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FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 4A: What is the correct amount of projected retirements for 1992 and 1993?

CENDEL'S POSITION: The original amount of projected retirements was \$12,108,732 in 1992 and \$9,228,093 in 1993. The revised amounts are \$12,650,030 in 1992 and \$10,776,098 in 1993. The revised amounts have been included in the determination of the revised revenue requirement included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: No position pending further discovery.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No position pending further discovery.

Depreciation Reserve

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

CENDEL'S POSITION: The appropriate amount of intrastate 1993 depreciation reserve is \$180,299,102. This amount is made up of the \$182,672,663 shown on MFR Schedule A-2a and the net (\$2,373,561) of adjustments summarized in the rebuttal testimony of Candace L. Thomazin. Included is an adjustment to reflect the new depreciation rates and recovery schedules approved by Order No. PSC-92-0973-FOF-TL in Docket No. 911236-TL.

OPC'S POSITION: This is a fall out amount from the depreciation case.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

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FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

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. 911236-TL?

CENDEL'S POSITION: The appropriate adjustment to the depreciation reserve in the test year is a reduction of \$2,373,561 to reflect the new depreciation rates and recovery schedules approved in Docket No. 911236-TL. This reduction has been included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount from the depreciation case.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 5B: What adjustment is necessary to correct the 12-31-92 year end balance of the depreciation reserve?

CENDEL'S POSITION: The original depreciation reserve level for year end 1992 was \$230,209,067 as shown on MFR Schedule WPB-1a-9. As a result of the new rates and recovery schedules ordered in Docket No. 911236-TL, the reserve level for year end 1992 should be adjusted to \$227,271,141, which is a reduction of \$2,937,926. This revised amount has been included in the determination of the revised revenue requirement included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount from the depreciation case.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 5C: Are all amounts for leasehold amortization on-going beyond 1993? If not, how should they be treated?

The parties have agreed that this issue may be deleted.

Plant Under Construction

ISSUE 6: What is the appropriate amount of plant under construction?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

Working Capital

ISSUE 7: What is the appropriate amount of working capital?

CENTEL'S POSITION: The appropriate amount of intrastate 1993 working capital is (\$6,700,149). This amount is made up of the (\$6,530,930) shown on MFR Schedule A-2a and the net (\$169,219) of adjustments summarized in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount from other adjustments.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 7A: Has the Company's rate base been properly reduced for the effect of recognizing post retirement benefits since 1985?

CENTEL'S POSITION: Yes. The amount of working capital includes the liability for post-retirement benefits. This amount was determined based on the findings of this Commission adopting the use of SFAS 106 by Order 24178 in Docket No. 891246-TL.

OPC'S POSITION: No, the Company rate base has not been properly reduced for the effect of recognizing postretirement benefits since 1985.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 8: What is the appropriate amount of rate base for the test year?

CENTEL'S POSITION: This is a fall-out issue. The appropriate amount of intrastate test year rate base is \$244,336,949. This amount is made up of the \$238,015,097 shown on MFR Schedule A-2a and the net \$6,321,852 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount from other adjustments.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

Cost of Capital

ISSUE 9: What is the appropriate cost of common equity for the test year?

CENTEL'S POSITION: The appropriate cost of common equity for the 1993 test year is 13.5%.

OPC'S POSITION: The appropriate cost of common equity is 11.5%.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 10: Is Centel's proposed test year equity ratio prudent and reasonable? If not, how should this be treated?

CENTEL'S POSITION: The Company's proposed capital structure, presented on MFR Schedule A-1a, page 2 of 2 (Revised), Document 2 of the rebuttal testimony of Candace L. Thomazin, is reasonable and prudent. The Company's 1993 test year common equity ratio of 61.1% of investor-provided capital compares closely to telephone industry averages and is well within industry ranges. This capital structure is reasonable considering the Company's significant level of business risk, evidenced by the heavy concentration of revenues and access lines among a small group of customers, the high historical volatility of the Company's operating income, and the high proportion of business access lines. It is also reasonable considering the need to fund a sizable capital program at a time when the Company's earnings and interest coverages are far below industry averages. The Company's cost of capital is not adversely affected by its affiliation with Centel Corporation and is, in fact, lower than it would be if Central Telephone-Florida were a stand-alone company.

OPC'S POSITION: Centel's forecasted capital structure contains excessive amounts of common equity. The amount of common equity should be adjusted to 57.5%.

AT&T'S POSITION: No position.

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DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 11: What is the appropriate cost of short term debt for the test year?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

ISSUE 12: What is the appropriate amount of deferred income taxes to be included in the capital structure for the test year after reconciliation?

CENDEL'S POSITION: The appropriate amount of intrastate test year deferred income taxes is \$47,549,356. This amount is made up of the \$44,321,809 shown on MFR Schedule A-2c and the net \$3,227,547 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin. These adjustments include the effect of removing the debit balance in deferred taxes for the CenDon accrual, as discussed in Issue 12a.

OPC'S POSITION: This is a fall out amount.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 12A: Have deferred taxes been reduced by deferred tax changes for OPEB's, alternative minimum tax, and accrued CenDon fees? If so, are these reductions appropriate?

CENDEL'S POSITION: Yes. Deferred taxes have been reduced by deferred tax changes for OPEB's and Alternative Minimum Tax (AMT).

The Company has agreed to revise the deferred tax balance for AMT to reflect the impact of the Company's adjustments on the calculation of the AMT taxes. The Company has adjusted deferred taxes to remove the debit balance of deferred taxes relating to the accrued CenDon fees, and has reflected the impact on the determination of the revised revenue requirement included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: Centel inappropriately reduced deferred taxes by the federal and state impacts associated with the alternative minimum tax and the accrued Cendon fee. Cost free deferred taxes should be increased on an intrastate basis by \$4,370,585.00 to reflect this.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 13: 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?

CENDEL'S POSITION: The appropriate amount of intrastate 1993 Investment Tax Credits is \$2,818,815. This amount is made up of the \$2,749,862 shown on MFR Schedule A-2c and the net \$68,953 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 14: 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?

CENDEL'S POSITION: The Company's weighted average cost of capital is 9.50%. The proper components, amounts and cost rates used in determining the revised revenue requirement included in the rebuttal testimony of Candace L. Thomazin are as follows:

<u>Class of Capital</u>	<u>Cost of Capital</u>	<u>Requested Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long-Term Debt	\$ 73,627,604	30.13%	9.28%	2.80%
Short-Term Debt	1,164,890	0.48%	4.25%	0.02%
Preferred Stock				
Customer Deposits	1,732,678	0.71%	8.21%	0.06%
Common Equity	117,443,607	48.07%	13.50%	6.49%
Tax Credits-Zero Cost	-0-	-0-	-0-	-0-
Tax Credits-Wtd Cost	2,818,815	1.15%	11.83%	0.13%
Accum Deferred Income Taxes-Zero Cost	47,549,356	19.46%	-0-	-0-
Other				
Total	<u>\$244,336,950</u>	<u>100.00%</u>		<u>9.50%</u>

OPC'S POSITION: This is a fall out amount.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

Billing Units

ISSUE 15: Are any of the Company's forecasted billing units inappropriate?

CENDEL'S POSITION: The Company's forecasted billing units are appropriate except for those revenue items which utilize access line growth as the forecast basis. As discussed in Issue 3, the Company has revised its 1992 access line growth assumption from

3.8% to 4.9%, while keeping 1993 at the same projected growth level. Therefore, billing units developed in the test year based on access line growth should be revised accordingly. The revenue impact of the revised access line growth is an additional \$335,000 in the test year. An adjustment to reflect the additional revenue has been included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No position pending further discovery.

Operating Revenue

ISSUE 16: What is the appropriate amount of operating revenue?

CENDEL'S POSITION: This is a fall-out issue. The appropriate amount of intrastate 1993 test year operating revenue is \$131,789,827. This amount is made up of the \$130,967,981 shown on MFR Schedule A-2b (Company Method) and the net \$821,846 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin and discussed in Issues 3, 16a, 16c, and 16d.

OPC'S POSITION: This is a fall out amount after other adjustments are made.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 16A: Are all of the revenues from significant tariff revisions or planned tariff filings appropriately reflected in the test year?

CENDEL'S POSITION: No. The Company's 1993 rate case budget did not include revenues associated with new tariff services for DS-3 Digital Access Cross Connect, Thirty-Port Conference for State Centrex and Message Waiting Indication. The Company agrees with the adjustment of \$58,520 recommended by Mr. DeWard on his Schedule 4, and this adjustment is included in the revenue requirement calculated by Candace L. Thomazin in her rebuttal testimony.

OPC'S POSITION: OPC accepts Centel's position, which accepts the adjustment of \$58,520.00 recommended by Mr. DeWard.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No position pending further discovery.

ISSUE 16B: Has the Company accounted for employee concessions appropriately?

CENDEL'S POSITION: Yes, the Company appropriately reflected the effect of employee concessions in its 1993 test year budget which was used to determine the Company's test year revenue requirement.

The Company, in completing its projected MFR Schedule E-1a, included employee concession units at the full-tariff rate rather than at a half-tariff rate. Based on current rates, the Company's projected MFR Schedule E-1a overstates the amount of revenues to be generated in 1993 by \$30,940.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No. Staff believes that employee concessions should be treated as an expense and therefore, a portion of the expense should be allocated to interstate.

ISSUE 16C: How should the Commission treat the Company's net loss from the network service marketing agreement?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

ISSUE 16D: Will the recently signed agreement with Quincy Telephone Company result in additional revenues, expenses, and investments for the Company not originally incorporated in the Company's budget?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

ISSUE 16E: Has the Company included the proper amount of directory revenues as above-the-line revenue?

The parties have agreed that this issue may be deleted.

ISSUE 16F: Should an adjustment be made to operating revenues to reflect any changes in the Percent Interstate Usage (PIU)?

CENTEL'S POSITION: No adjustments to the Percent Interstate Usage (PIU) are necessary.

OPC'S POSITION: Agree with Staff at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position pending further discovery.

Operating & Maintenance Expense

ISSUE 17: What is the appropriate amount of O&M expense?

CENTEL'S POSITION: The appropriate amount of intrastate test year O&M expense is \$85,633,234. This amount is made up of the

\$84,845,264 shown on MFR Schedule A-2b (Company Method) and the net amount of \$787,970 summarized in the rebuttal testimony of Candace L. Thomazin. This is a summary issue the result of which is dependent on the resolution of other issues.

OPC'S POSITION: This is a fall out amount.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17A: Are the Company's projected growth rates in operating and maintenance expenses for 1992 and 1993 appropriate?

CENTEL'S POSITION: Yes. The projected operating and maintenance expenses used by Candace L. Thomazin in the determination of the revenue requirement included in her rebuttal testimony are forecasted based on the revised inflation factor, plus the increase in the number of access lines served, less internally generated productivity improvements.

OPC'S POSITION: No, they are excessive.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: Company's forecasted growth rate of operating and maintenance expense for 1992 is inappropriate.

ISSUE 17B: Should an adjustment be made to the test year to reflect the variances between actual and forecasted expenses in 1992?

CENTEL'S POSITION: No. The 1992 budgeted expenses continue to be a reasonable forecast of what will actually happen in 1992. Furthermore, it cannot be assumed that any expense items that are under-forecast or over-forecast in 1992 will carry over into 1993. All expense items must be analyzed individually, and the basis for forecasting that item in 1993 must be understood. Based on such an analysis, no additional adjustment based on 1992 actual results is justified.

OPC'S POSITION: We are presently awaiting additional information concerning 1992 variances. We expect to ask questions about these variances during the hearing and will take a position after the hearing.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: Yes. Actual 1992 year to date financial statements indicate a more favorable financial position of the Company than forecasted in the filing.

ISSUE 17C: Has the Company taken adequate steps to reduce costs given current economic conditions? If not, what actions should the Commission take?

CENTEL'S POSITION: Yes. The Company's managers continuously monitor expenses and analyze any expenses that may exceed budgeted parameters to ensure that the expense variations are appropriate. Because the Company's largest single expense category is comprised of labor costs, the Company has successfully held the line on expenses by reducing head count and using its existing work force in an efficient manner. Over the past five years, the number of employees per 10,000 access lines has decreased from 48.69 to 41.80.

In addition to its efforts regarding cost controls, the Company has introduced innovative services with high revenue potential and low incremental costs.

OPC'S POSITION: No, the Company has not taken adequate steps to reduce costs given current economic conditions. This is reflected in the Citizens' position on other issues.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17D: Are the Company's base salary increase assumptions for 1992 and 1993 appropriate?

CENDEL'S POSITION: Yes. The Company has adjusted its original 1993 base salary increase assumption to lower it from 6% to 5%, as reflected in the rebuttal testimony of Candace L. Thomazin, as a result of more recent and updated information which became available after the original filing was made. The Company utilizes market information collected and reported by independent, outside consulting groups and organizations to determine the appropriateness of existing total annual compensation levels and to determine increases in the labor market for the following year. The Company's base salary increase assumption reflects these external labor market changes and are well within industry parameters.

OPC'S POSITION: The company base salary increase assumptions are excessive. Salary increase of no more than 3% per year for 1992 and 1993 should be allowed. This should apply not only to directly incurred wages, but also to wages allocated from affiliated companies.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17E: Is the amount of the Company's allocated compensation at risk appropriate?

CENDEL'S POSITION: Yes. The Company's total annual compensation levels are competitive and market-based. They are determined by utilizing information collected and reported by independent outside consulting groups and organizations. The Company has elected to deliver a portion of the total annual compensation in the form of short-term incentive, or at-risk compensation, to maximize the relationship between compensation and performance at all levels. The short-term incentive plan is a broad-based plan in which substantially all management employees participate to ensure this group of employees works toward common goals and participates in a common compensation system.

OPC'S POSITION: Bonuses, labeled as compensation at risk, should not be granted in this case. There have been significant wage increases over the past 10 years. For example, the average yearly increase for non bargaining employees has been 7.6% over the past 10 years. Bonuses should be paid by shareholders.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No. Company's allocated compensation at risk is excessive.

ISSUE 17F: Is the amount of the Company's directly charged compensation at risk appropriate?

CENDEL'S POSITION: Yes. Please refer to the Company's position on Issue 17e.

OPC'S POSITION: Both directly incurred and allocated bonuses should be paid by stockholders. See issue 17E.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No. Directly charged compensation at risk is excessive.

ISSUE 17G: Has the Company properly allocated labor, fringe benefits, and related charges between operating expense and capital?

CENTEL'S POSITION: Yes. The Company has properly allocated labor, benefits, and related charges between operating expense and capital. The allocation percentage to capital is 11.06% and is consistent with historical levels.

OPC'S POSITION: No, Centel has not used reasonable capitalization ratios.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time

ISSUE 17H: Has the Company understated the amount of payroll taxes to be capitalized in the test year?

CENTEL'S POSITION: No. The Company has properly stated the amount of payroll taxes to be capitalized in the 1993 test year. Payroll taxes use the same capitalization rate as employee benefits. As discussed in Issue 17g, the capitalization rate is 11.06% and is well within historical levels.

OPC'S POSITION: Yes.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

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FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17I: Should the Company be allowed to recover the increased cost of pensions resulting from amendments to the pension plan?

CENDEL'S POSITION: Yes. The Centel pension plan amendments were made in conjunction with a comprehensive collective bargaining strategy which enabled the Company to gain improved cost controls in the area of health care, overtime, and other programs in exchange for reasonable pension improvements.

Pension improvements for non-bargaining employees were required to recognize missing Company service that had previously not been recognized in calculating pension credits. This was a change that resolved an inequitable situation which existed for many years. This inequity had to be successfully addressed in order for the Company to responsibly treat bargaining and non-bargaining employees equitably and thereby motivate all to work toward continued improvements in service quality.

OPC'S POSITION: The Company projects significant increases in its pension expense, increasing from a negative \$193,328.00 in 1991 to a projected \$2,340,453.00 level of expense in the 1993 test year. The amount of total employee benefit for Centel is already excessive. The additional amounts requested by the Company should not be allowed. Since the pension plan is already overfunded, a reduction in the increased level of expense will not impact the Company's contribution to the plan, which will remain at zero. In addition, the Company changes to the non-exempt employee retirement savings plan should be removed from cost of service.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17J: Are there any costs such as the cost of data processing which relate to the directory operation, a portion of which should be moved below-the-line?

CENTEL'S POSITION: No. All costs that can be identified relating to the directory operations have been included in determining the amount of directory revenues to be moved below-the-line for the 1993 test year.

OPC'S POSITION: Changes to part 32 accounting resulted in data processing expenses being charged to accounts with no allocation to directory expenses. An estimated amount of \$100,000.00 should be charged to intrastate expense for data processing expenses associated with directory revenues.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17K: Is the projected amount of pole rental expense which is based on a new agreement with Gulf Power, known and measurable?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

ISSUE 17L: What adjustment, if any, should be made to expenses for USTA and FTA dues?

CENTEL'S POSITION: No adjustment should be made to expenses for USTA and FTA dues. Both organizations perform valuable services for the Company by providing a forum for local exchange companies to discuss common, critical issues, and provide a network through which information is gathered and disseminated. The Company would agree to remove any portion of the dues associated with legislative lobbying, but the amounts are de minimus. For example, the FTA amount associated with legislative lobbying is merely \$270 and with USTA is \$9,511.

OPC'S POSITION: A portion of the cost for USTA and FDA dues should not be allowed.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: The portion of USTA and FTA dues relating to legislative, public relations and advertising should be removed for ratemaking purposes.

ISSUE 17M: What adjustment, if any, should be made to current rate case expense?

CENTEL'S POSITION: There should not be an adjustment made for rate case expense. The amount detailed in MFR Schedule C-20b of \$1,930,000 for the current rate case should be approved and amortized over four years.

OPC'S POSITION: The Company's estimate of spending \$1.9 million dollars in rate case expense for this proceeding is unnecessary, unwarranted and excessive. The Arthur Young expenditure for producing a cost study should be disallowed in total, as should the public relations study. All but \$75,000.00 of the cost for Arthur Anderson and Company should be removed, and legal expense should be reduced by 1/2.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17N: What adjustment, if any, should be made to expenses for the reimbursements of spouse attendance at various conferences and conventions?

CENTEL'S POSITION: No adjustment is appropriate.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: These expenses should be disallowed for ratemaking purposes.

ISSUE 17O: How should the Commission treat directly incurred or allocated costs for on-site fitness centers and reimbursements to employees for use of health clubs?

CENTEL'S POSITION: Given the documented success that these programs have had in reducing health care expenses, the modest amount of directly incurred or allocated expenses for fitness/wellness activities actually provide customers with a long-term benefit and, therefore, should be recoverable in the rate case.

OPC'S POSITION: Ratepayers should not pay for the fitness and wellness subsidy.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17P: What adjustment, if any, should be made to expenses for chauffeur driven limousine service?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

ISSUE 17Q: Has the Company removed all directly incurred and allocated costs associated with country club memberships from test period expenses?

The parties have agreed that this issue may be deleted.

ISSUE 17R: Should miscellaneous expenses such as payments to the Seminole Booster Club be allowed for ratemaking purposes?

The parties have agreed that this issue may be deleted.

ISSUE 17S: Should the earnings less expenses of simple inside wire be brought above-the-line for ratemaking purposes?

CENTEL'S POSITION: No. The maintenance of customer-owned inside wire was removed from regulation by the Florida Public Service Commission in Docket No. 860113-TL, Order No. 16301, on July 2, 1986, and has been provided by the Company on a nonregulated basis since that time. This Commission has been requested several times to make this same adjustment and has held that Rule 25.0345(2)(a), F.A.C., provides that inside wire is deregulated for intrastate purposes and that expenses and revenues associated with inside wire maintenance service should be booked below the line. In United Telephone Company of Florida's rate case proceeding, Docket No. 910890-TL, the Commission observed: "Under our current rule, inside wire is deregulated. Any change in that policy will require a rulemaking proceeding to appropriately amend the existing rule."

OPC'S POSITION: The revenues and expenses from simple inside wire services should be brought above the line for ratemaking purposes. Inside wire services are not effectively competitive, and the Commission's rule deregulating inside wire does not prohibit imputation of these revenues and expenses for the purposes of setting regulated rates. The Commission should stop deferring this to a rulemaking proceeding, which still has not even been opened by the Commission, and instead impute the revenues and expenses of inside wire for the purpose of setting regulated rates in this case. The largest telephone companies in Florida are walking away with excessive profits from these services because of inaction by the Commission.

AT&T'S POSITION: No position.

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DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No, not at this time pending the result in a rulemaking proceeding.

ISSUE 17T: Are the allocations to non-regulated operations reasonable?

CENTEL'S POSITION: Yes. The apportionment of revenues, expenses, and investments between regulated and nonregulated operations are in accordance with the Company's Cost Allocation Manual.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No position pending further discovery.

ISSUE 17U: How should the Company's projected increase in earnings in 1994 over that in 1993 be accounted for?

CENTEL'S POSITION: Yes. The calculation and application of the general allocator(s) comply with the FCC's Docket 86-111 requirements and are consistently applied. There should be no adjustment made for the Company's projected increase in earnings in 1994 over 1993 earnings levels. The amount of earnings increase is insignificant and should only be of concern if it was expected to cause the Company to earn in excess of authorized levels. An assumption would have to be made that the 1994 budget is 100% precise and the Commission will grant the Company 100% of its revenue requirement, and neither of those assumptions are known and measurable. As a result, 1994 earnings should not be considered in this proceeding.

OPC'S POSITION: If rates are granted based on a projected 1993 test year, these rates would produce excessive returns for the

company in 1994. In order to balance ratepayer interests and to keep the company from earning an excessive return on equity so quickly, the Commission should, if it wishes to continue to allow the Company to recover the estimate of providing postretirement benefits using SFAS 106 Accounting, order the company to defer \$916,127.00 as a regulatory asset in 1993, and that deferral be amortized against income 1994.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 17V: What adjustment, if any, should be made for direct and allocated employee relocation expense?

CENTEL'S POSITION: No adjustment should be made for direct and allocated employee relocation expense. Employee relocation expense is a legitimate business expense and benefits the customers by permitting the Company to bring those experienced employees to Florida when a particular need develops.

OPC'S POSITION: No position.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position.

STAFF'S POSITION: No position pending further discovery.

General Services & License Expenses

ISSUE 18: Is the Company's calculation of the general allocator appropriate?

CENTEL'S POSITION: Yes. The calculation and application of the general allocator(s) comply with the FCC's Docket 86-111 requirements and are consistently applied.

OPC'S POSITION: The general allocator is inappropriate. The Citizens agree with the Staff at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No.

ISSUE 18A: Given the recent sales of affiliated companies, is the level of allocation to the remaining telephone operating companies appropriate?

CENTEL'S POSITION: Yes. Corporate costs are allocated to the operating units which derive the benefits from the corporate activities generating the costs. The corporate activities which generate the corporate costs relate to corporate functions that are necessary to ensure that appropriate governance, compliance, strategic, and operational responsibilities are executed effectively. Consequently, these activities are for the most part, non-discretionary and unavoidable. Therefore, they do not decrease proportionally as operating units are sold, nor do they increase proportionally as operating units are purchased or grow.

The sales and purchases of affiliates have had little impact on the costs of Centel Corporation and Central Telephone Company in providing services to the operating companies. This is because many of the costs that are attributed, and largely all of the costs that are allocated, are fixed and do not vary with acquisitions or divestitures. For example, the costs associated with corporate officers are not variable in terms of the number of companies in the Centel organization. The officers perform required business functions for the remaining companies and the corporate organization as a whole. The divestitures of a few companies do not eliminate the continuing need for such officers by all the remaining companies, including Central Telephone-Florida.

OPC'S POSITION: Since 1989 Centel Corporation has been selling or discontinuing the operation of a number of non utility companies, increasing its investment in cellular companies, and more recently has been selling certain telephone operating companies with fewer than 100,000 access lines.

All of these actions are designed solely to benefit shareholders. The company, for example, realized a net profit of \$66 million dollars from the sale of its Iowa and Minnesota telephone operations. The company completely disregards the interests of ratepayers because these sales benefiting shareholders increase the amount of overhead cost allocated to regulated telephone ratepayers. An adjustment should be made so that regulated ratepayers are not penalized through the company's actions designed to benefit shareholders.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 18B: How should the weighted cost of capital charged from the affiliated companies be calculated?

CENTEL'S POSITION: The calculation of the weighted cost of capital charged from the affiliated companies should be based on the affiliated companies' actual capital structures and actual weighted costs of debt and preferred stock and the overall rate of return authorized for interstate access services.

OPC'S POSITION: The Company has overstated the capital carrying charges which are amounts charged Florida for return on assets at the Central Telephone and Centel Corporation level. The capital carrying charges are overstated because the parent companies include too high a return and gross up the entire return for taxes as if the entire investment is comprised of equity. Additionally, the parent companies fail to flow back to the receiving companies an amortization of investment tax credits which Central Telephone Company and Centel Corporation realized when the assets were purchased.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: The affiliates' equities should not include the undistributed retained earnings from the subsidiaries when calculating the weighted cost of capital charged from the affiliated companies. In addition, the affiliated company should include all debts for which the company is or will be liable, in calculating the weighted cost of capital.

ISSUE 18C: Is the Company's method of grossing up the weighted cost of capital from the affiliated companies appropriate?

CENTEL'S POSITION: Yes. The Company only grosses up the weighted costs of preferred and common stock equity for income taxes thereon. The Company does not gross up the weighted cost of debt, as interest expense is deductible for income tax purposes.

OPC'S POSITION: The Company has overstated the capital carrying charges which are amounts charged Florida for return on assets at the Central Telephone and Centel Corporation level. The capital carrying charges are overstated because the parent companies include too high a return and gross up the entire return for taxes as if the entire investment is comprised of equity. Additionally, the parent companies fail to flow back to the receiving companies an amortization of investment tax credits which Central Telephone Company and Centel Corporation realized when the assets were purchased.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: Yes.

ISSUE 18D: Are the ownership costs incurred at the corporate level appropriate for regulated ratepayers to pay?

CENTEL'S POSITION: It is not possible to determine any precise definition of "ownership" costs or which expenses are considered ownership costs. In any event, all corporate level costs included in the revenue requirement calculation are for necessary and nonduplicative activities, regardless of whether or not they may be defined as ownership or any other type of costs.

OPC'S POSITION: Certain corporate costs are either duplicative or ownership costs traditionally disallowed by the Commission.

Much of corporate management is in place to maximize profits for shareholders. Ratepayers should not have to pay the cost and expense of certain individuals whose primary goal is to maximize profits and whose actions result in the increased allocation of cost to individual telephone operating companies. Ownership cost should be reduced by \$2,569,684.00.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 18E: Should the Company be allowed to recover allocated charges for special executive compensation payments to current and retired executives?

CENTEL'S POSITION: Yes. Special executive compensation payments are associated with market-based employment packages which are prudent, reasonable and necessary to maintain a competitive position in the market with respect to the individual in the position of Chief Executive Officer (CEO).

OPC'S POSITION: Special executive compensation above the normal level of benefits provided to all employees should not be paid by ratepayers. Intrastate expenses should be reduced by \$40,769.00.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 18F: Does the projected 1993 year include any allocated costs associated with the Centel defined benefit restoration plan? If so, how should it be treated?

The parties have agreed that this issue may be deleted.

ISSUE 18G: Should a portion of the gain on sale of the affiliates, net of taxes, be flowed back to the Florida ratepayers?

The parties have agreed that this issue may be deleted.

ISSUE 18H: Should miscellaneous payments for corporate and Central Telephone Company such as, picnics, Christmas parties, kids day, CEO gifts, and Chicago Bears football games to employees and miscellaneous other charges be treated as recoverable expense for ratemaking purposes?

CENTEL'S POSITION: The Family Picnic, Holiday Party, Kids Day (where employees' children are invited to the work-place) and the holiday gift to employees are to recognize employees' efforts, provide an informal atmosphere for interaction, and encourage family participation in Company activities. These activities foster better communication and teamwork among employees without regard to level or work group. Effective communication, teamwork and improved morale are fundamental to an organization's ability to provide quality service to its customers. These types of activities are common to many employers and, as such, represent legitimate business expenses which should be recoverable.

OPC'S POSITION: These types of expenses should not be born by regulated ratepayers.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

FAS 106

ISSUE 19: How Should the Commission treat FAS 106 costs?

CENDEL'S POSITION: The accounting concept underlying SFAS 106 correctly recognizes that employees earn post-retirement benefits other than pensions (OPEBs) over the period of their employment, and thus, the costs of those benefits should be accrued in accordance with normal accrual accounting as they are being earned. The Company adopted SFAS 106 for regulatory purposes in 1991, upon approval by this Commission in Docket No. 891246-TL, Order No. 24178. This Commission has approved the same methodology in other recent regulatory proceedings. Further, this Commission has proposed a new rule (Rule 14.012, F.A.C.) in Docket 910840-PU, which requires the SFAS 106 methodology for ratemaking purposes. This is the appropriate treatment for OPEBs expense and should be consistently maintained in this proceeding.

OPC'S POSITION: The Commission should not use the Company's estimate of SFAS 106 costs for the purpose of setting rates. Postretirement benefits are not a vested benefit under ERISA. The Company can unilaterally modify the plan. The term liability is more broadly defined in SFAS 106 than historically defined in the accounting literature. The plan offered after the merger most likely will not resemble the plan in existence today. SFAS 106 estimates deviate from traditional accrual accounting. The calculations rely on assumptions which may not be representative of future costs. The method overloads current ratepayers with prior period costs, correction of prior period calculations, accrued current period costs, and future service cost. Pay-as-you-go fairly compensates the company for its costs while assuring that ratepayers are not charged for phantom cost.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 19A: Has the Company accounted for the changes in employee contributions for retiree health contributions for retiree health care coverage which are effective January 1, 1994, in calculating FAS 106 costs?

The parties have agreed that this issue may be deleted.

ISSUE 19B: Has the Company properly assigned FAS 106 costs to non-regulated operations?

CENTEL'S POSITION: Yes. The Company has properly assigned SFAS 106 costs to nonregulated operations. The initial distribution of post-retirement expense other than pensions (OPEBs) for current employees is charged to the payroll taxes and benefits clearing account. There it is aggregated with all other payroll taxes and benefits and distributed to various accounts, including construction, based on the distribution of payroll costs, some of which are directly assigned to regulated and nonregulated operations. OPEBs and other benefit costs and payroll taxes distributed to accounts that are not directly assigned are included in various cost pools in which related payroll costs are included and, in turn, are attributed or generally allocated between regulated and nonregulated operations in accordance with the Company's Cost Allocation Manual.

The OPEBs expense for retirees in the 1993 projections is charged to account 6728 (Other General and Administrative) and is attributed between regulated and nonregulated operations based on the distribution of wages and salaries between regulated and nonregulated operations.

On May 4, 1992, subsequent to the preparation of the 1993 projections, the Accounting and Audits division of the FCC's Common Carrier Bureau issued Responsible Accounting Officer Letter 20 (RAO 20). RAO 20 advised telephone operating companies to distribute the entire provision for OPEBs to the various accounts, including construction, based on the distribution of payroll costs. This results in a portion of the retiree costs being capitalized. An adjustment to reflect this treatment was included in the direct testimony of Candace L. Thomazin and was revised in her rebuttal testimony to reflect the proper amount capitalized.

OPC'S POSITION: The company's estimate of SFAS 106 costs do not properly account for the current pay-as-you-go cost and cost for employees who worked in the areas of inside wire and CPE when such items were regulated. Since inside wire and CPE are now deregulated, it is necessary to properly assign the pay-as-you-go cost in SFAS 106 costs, if allowed, to these below the line activities. An adjustment of \$157,527.00 should be made.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 19C: If the Commission allows FAS 106 costs, should implementation be deferred to January 1, 1994?

CENTEL'S POSITION: As stated by the Company in its position on Issues 19, 19a and 19b, this Commission previously approved Central Telephone-Florida's adoption of SFAS 106 accounting for post-retirement benefits other than pensions in 1991, in Docket No. 891246-TL, Order No. 24178. This is the appropriate treatment for OPEBs expense and the Commission should reiterate its endorsement of SFAS 106 for ratemaking purposes in this proceeding.

A departure by this Commission from its established precedent or change by this Commission in its treatment of transactions from one rate case to the next, absent unusual circumstances or changes in fact, would have a detrimental impact on the Company's investment rating which, in turn, would affect its standing in the investment community.

In addition, the continued use of SFAS 106 for ratemaking purposes will ensure rates reflect significant current period costs. The deferral of SFAS 106 costs is not only inappropriate, but would be inconsistent with a fundamental tenet of the ratemaking process.

There should be no adjustment made for the Company's projected increase in earnings in 1994 over 1993 earnings levels. The amount of earning's increase is insignificant and should only be of

concern if it was expected to cause the Company to earn in excess of authorized levels. An assumption would have to be made that the 1994 budget is 100% precise and the Commission will grant the Company 100% of its revenue requirement, and neither of those assumptions are known and measurable. As a result, 1994 earnings should not be considered in this proceeding.

OPC'S POSITION: If rates are granted based on a projected 1993 test year, these rates would produce a excessive return for the company 1994. In order to balance ratepayer interests and keep the company from earning an excessive return on equity so quickly, the Commission should, if it wishes to continue to allow the company to recover the estimate of providing postretirement benefits using SFAS 106 accounting, order the company to defer \$916,127.00 as a regulatory asset in 1993. That deferral should be amortized against income during 1994.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

Depreciation & Amortization Expense

ISSUE 20: What is the appropriate amount of depreciation and amortization expense?

CENTEL'S POSITION: The appropriate amount of intrastate 1993 test year depreciation and amortization expense is \$26,197,280. This amount is made up of the \$27,109,387 shown on MFR Schedule A-2b (Company Method) and the net (\$912,107) of adjustments summarized in the rebuttal testimony of Candace L. Thomazin and discussed in Issue 20b.

OPC'S POSITION: This is a fall out from the depreciation case.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

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FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 20A: What are the appropriate depreciation rates and recovery schedules to be used in this proceeding?

CENTEL'S POSITION: The appropriate depreciation rates and recovery schedules to be used in this proceeding are those approved by the Commission in Order No. PSC-92-0973-FOF-TL, issued on September 10, 1992, in Docket No. 911236-TL, and used in the determination of the revised revenue requirement included in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out from the depreciation case.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: The appropriate depreciation rate and recovery schedules are those approved in Docket No. 911236-TL, Order No. PSC-92-0973-FOF-TL.

ISSUE 20B: What adjustment should be made to depreciation expense to reflect the new depreciation rates and recovery schedules as approved in Docket No. 911236-TL?

CENTEL'S POSITION: An appropriate adjustment to depreciation expense to reflect the new depreciation rates and recovery schedules approved in Docket No. 911236-TL should be made. The intrastate impact of the new rates is a reduction to expense of \$1,364,910, as reflected in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out from the depreciation case.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

Taxes other than Income Tax

ISSUE 21: What is the appropriate amount of taxes other than income tax?

CENTEL'S POSITION: The appropriate amount of intrastate 1993 test year taxes other than income taxes is \$7,467,379. This amount is made up of the \$7,187,963 shown on MFR Schedule A-2b (Company Method) and the net \$279,416 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin and as discussed in Issue 21a.

OPC'S POSITION: This is a fall out adjustment.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 21A: What adjustment, if any, should be made for Gross Receipts Tax?

The parties have agreed that this issue may be stipulated as reflected in section VIII below.

Income Tax Expense

ISSUE 22: What is the appropriate amount of income tax expense?

CENTEL'S POSITION: The proper amount of intrastate 1993 test year income tax expense, after the tax effects of all adjustments

included in the rebuttal testimony of Candace L. Thomazin are reflected, is \$91,930.

OPC'S POSITION: This is a fall out adjustment.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 22A: What is the appropriate amount of intrastate parent debt adjustment for the test year?

CENDEL'S POSITION: Intrastate income tax expense should be reduced by \$720,394 to reflect the effect of parent company debt, including the adjustments shown in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: The parent company debt adjustment should be modified in order to properly classify amounts paid by Central Telephone Company of Florida to its parent as dividends and not as return of capital.

In addition, an adjustment should be made to reflect the fact that the Centel Corporation capital structure includes the undistributed retained earnings of subsidiaries, such as Centel Capital Corporation, while not including any of their debt. Since Centel Capital Corporation is a financing subsidiary, its debt should be included in the Centel Corporation capital structure for the purpose of the parent debt adjustment.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

Net Operating Income

ISSUE 23: What is the appropriate achieved test year net operating income?

CENDEL'S POSITION: This is a fall-out issue. The appropriate amount of intrastate 1993 test year net operating income as revised is \$12,400,004.

OPC'S POSITION: This is a fall out adjustment.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

Revenue Requirement

ISSUE 24: Should Centel 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?

CENDEL'S POSITION: The Company takes no position on this issue.

OPC'S POSITION: No position.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: Yes.

ISSUE 25: What is the appropriate amount of the revenue increase/decrease for the test year?

CENTEL'S POSITION: The amount of the revised revenue increase for the 1993 test year is \$17,470,331, as reflected in the rebuttal testimony of Candace L. Thomazin.

OPC'S POSITION: This is a fall out amount.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position at this time.

ISSUE 25A: What amount, if any, of the interim rate increase should be refunded? How should the refund be calculated?

CENTEL'S POSITION: No portion of the interim rate increase should be refunded. The Company's earnings during the period that the interim rates have been in effect are within the range of reasonableness.

OPC'S POSITION: The entire amount of the interim rate increase should be refunded with interest.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: The final revenue requirement should be adjusted for items not representative of the period interim rates were in effect before comparing the final revenue requirement to determine whether a refund is necessary. The amount is subject to the resolution of other issues.

RATES AND RATE DESIGN

General

ISSUE 26: In the event Centel decides to enter into competitive or effectively competitive services, should it be permitted to cross-subsidize?

CENTEL'S POSITION: This issue is not germane to this proceeding. It should be decided in the pending Docket No. 910757-TP.

OPC'S POSITION: No.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: As a matter of law, pursuant to Chapter 364, Florida Statutes, Centel is not permitted to cross-subsidize its entry into competitive or effectively competitive services with revenues from the ratepayers of monopoly services.

STAFF'S POSITION: Certain forms of cross-subsidization are explicitly forbidden by statute. Specifically, Section 364.3381(1), Florida Statutes, prohibits a LEC from subsidizing a competitive service where the source of the subsidy is revenue derived from monopoly services subject to the Commission's jurisdiction; Section 364.02(3), Florida Statutes, defines "monopoly service" as a service for which there is no effective competition, either in fact or by operation of law. Beyond noting these statutory restrictions, staff has no position at this time.

ISSUE 27: Should Centel's basic service rates be based on the most cost effective means of providing basic telephone service?

CENTEL'S POSITION: Basic service rates should be reasonable, affordable and cost based. As is shown in Gene Michaelson's testimony, generally customers are paying less than the cost to the Company of providing basic residential telephone services. Even recognizing the long-standing social goal of universal service, "reasonable" prices are not synonymous with below-cost pricing. Rather, reasonable prices are appropriately measured by the value and benefit received, including accessibility, reliability, usefulness, need and comparability.

OPC'S POSITION: Yes.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: As a matter of law and policy, the Commission is required to establish basic service rates that are economically justified for adequate basic local exchange service. To do otherwise would require monopoly service to subsidize competitive service.

STAFF'S POSITION: No position pending further discovery.

Repression/Stimulation and Productivity

ISSUE 28: The Company's proposal did not include estimates of repression or stimulation. For such services, if any, should the Company have included estimates of repression and stimulation?

CENTEL'S POSITION: The Company currently does not have the internal resources to estimate potential repression or stimulation. Although the Company believes it is possible that repression or stimulation may affect some of its projected units, it does not believe that such effects would substantially alter the total projected revenues.

OPC'S POSITION: Yes.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: FCTA adopts the position of the Office of Public Counsel.

STAFF'S POSITION: No position pending further discovery of the record.

ISSUE 28A: For all such services, what are the appropriate repression and stimulation estimates?

CENTEL'S POSITION: Please see the Company's position on Issue 28.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No position pending further discovery.

ISSUE 29: Has the Company demonstrated that its productivity measurements reflect an accurate account of the Company's efficiency, and if so, has there been an improvement in productivity?

CENTEL'S POSITION: The productivity measures requested for MFR Schedule F-3 are not the most accurate account of the Company's efficiency. The Company filed a revised MFR Schedule F-3 which shows other productivity measures that the Company tracks that provide a better representation of the Company's efficiency. The Company has aggressively improved its productivity over the last five years, and this is illustrated in the revised MFR Schedule F-3.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

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

IntraLATA Toll and Private Line

ISSUE 30: Centel has proposed various changes to its Private Line/Special Access tariff. Are the Company's proposals appropriate? Are any other changes or modifications to this area appropriate?

CENTEL'S POSITION: The Company's proposed Interexchange Private Line rate changes are appropriate and consistent with this Commission's mandate in the Company's last rate case Order No. 24178. That order requires the Company to file a company-specific tariff for its Interexchange Private Line services with rates comparable to its Local Private Line services at such time as the industry in Florida de-pooled Interexchange Private Line revenues. This de-pooling activity is anticipated to occur in 1993.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No position at this time.

ISSUE 31: Centel has proposed no changes to its intraLATA toll services. Are any changes to toll services appropriate?

The parties have agreed that this issue may be deleted.

InterLATA Access

ISSUE 32: Centel has proposed various changes to its Access Tariff, including:

a: decreasing its evening and night discounts for its carrier common line, local transport, local switching and line termination access charges from 35% and 60% to 25% and 50%, respectively;

b: reducing its BHMOC charge from \$3.71 to \$2.94, resulting in an \$81,238 revenue decrease.

Are the Company's proposals appropriate? Are any other changes or modifications to Centel's Access Tariff appropriate?

CENTEL'S POSITION: The Company's proposed rate changes to its Access Services Tariff are appropriate. The Busy Hour Minutes of Capacity (BHMOC) rate should be reduced in order to more closely align the Company's intrastate switched access rates with their

associated costs. The proposed modification to the evening and night switched access discounts will allow for additional revenue generation as well as match those discount levels to the current levels authorized by this Commission for the Company's intraLATA toll evening and night discounts.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: a: Yes, the Company's proposal is appropriate.

b: No, the Company's proposal is not appropriate. The BHMOC should only be reduced by the amount generated in Issue 32a: above, unless funds are made available from other sources such as overearnings.

ISSUE 33: Should ATT-C be required to flow through any access charge reductions authorized in this proceeding?

The parties have agreed that this issue may be deleted.

EAS

ISSUE 34: Centel has proposed to increase the message rate for its \$.20/message EAS routes to \$.25/message, while eliminating the existing calling allowance. Is the Company's proposal appropriate? Are any other changes or modifications to the Company's \$.20 plans appropriate?

CENTEL'S POSITION: The Company's proposed EAS rate modifications are appropriate. EAS message rate service at twenty-five cents per call is an attractive alternative to traditional short-haul toll. The proposed rate increase will only slightly increase the average customer's bill, while still maintaining reasonably priced calling accessibility in the overall community of interest. Elimination of the calling allowance for the Gadsden County EAS routes will generate substantial additional revenues, while still meeting the customers' needs as described above. Elimination of the calling

allowance will also allow for an equitable billing arrangement among all the Company's message rate EAS routes.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: The Division opposes an increase in the Extended Area Service calling plan message rate and elimination of the five free calls based on an estimated annual impact of \$94,420 to the State of Florida.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: The Company's proposal to increase the \$.20 rate to \$.25 may be appropriate, if funds are needed. However, the Company's proposal to eliminate the calling allowance is not appropriate.

ISSUE 35: Centel has not proposed any other EAS changes in this docket. Is this appropriate?

CENDEL'S POSITION: The Commission has established separate docketed proceedings for all other EAS proposals. Therefore, no EAS rate or structure changes, other than those identified in Issue 34, should be made in this Docket.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

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

Other/Miscellaneous

ISSUE 36: Centel has proposed rate changes to the following services:

- a: operator verify and interrupt;
- b: directory assistance;
- c: service connection charges;
- d: certain Custom Calling and Custom Calling II features.

Should Centel's proposals be approved? Are any other changes or modifications appropriate?

CENDEL'S POSITION: 36. 36a. The Company's proposed changes to its current local operator verification and emergency interrupt service are appropriate. These changes will bring those rates into parity with the Company's currently approved intraLATA operator verification and emergency interrupt service rates.

36b. The Company's proposed directory assistance rates will cover the associated embedded direct costs and will generate additional needed revenues.

36c. The Company is proposing to set rates for service connections which directly recover the expenses associated with performing these non-recurring activities. The existing rates for the residential primary and secondary service order charge and for the business central office line connection charge do not recover associated costs. The Company's proposed rates are set at levels which will recover the associated costs of each work activity. The Company's proposed rate for business primary service order charge will recover associated costs, as well as provides a moderate contribution to earnings. Finally, the Company is proposing a new rate element for the Centrex translation activity. This rate element was developed to recover the cost of performing the central office translations associated with configuring Centrex according to the Centrex customer's unique requirements.

36d. The Company is proposing an increase in its residential Call Waiting feature rate, as well as increases in rates for many of its popular business single Custom Calling features and packaged Custom Calling feature rates. These Custom Calling features are already priced considerably above their associated costs and have been providing a substantial source of revenue which contribute to the recovery of the Company's common costs. The market value of these features is higher for business customers than for the residential customers.

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Please refer to the Company's position on the individual subparts of this Issue.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: Staff has no position on the appropriateness of the individual rate element proposals in this issue pending further discovery. However, as a general rule service connection charges, directory assistance, and operator verify and interrupt service should not be priced significantly above their actual costs. Custom calling features, on the other hand, should generally be priced to recover optimal revenues.

Local Exchange Access

ISSUE 37: Centel is proposing several changes to its flat and message rate residence and business access line services, including:

a: increasing the R-1 rates by \$3.95-\$4.55, depending on rate group, yielding increases from 44-64%;

b: maintaining its residential rotary service at 150% of R-1 service, yielding increases from 25-48%;

c: maintaining its residential message rate service at 60% of the R-1 rate, plus usage, yielding increases from 44-70%;

d: increasing B-1 rates by \$8.90-10.20, depending on rate group, yielding increases from 44-66%;

e: decreasing the relationship of business rotary service from 150% of the B-1 rate to 130% of the B-1 rate, yielding increases from 24-44%;

f: decreasing the relationship of business PBX trunk service from 200% of the B-1 rate to 170% of the B-1 rate, yielding increases from 26-45%;

g: maintaining semi-public access line service at 100% of the B-1 rate, yielding increases from 44-66%;

h: maintaining the relationship of STS access line service at 60% of the PBX trunk rate, yielding increases of 26-45%.

Should Centel's proposals be approved? Are any other changes or modifications to basic local interconnection rates appropriate?

CENTEL'S POSITION: (a) through (h): After the Company determined the additional revenues which will be generated by all other rate changes proposed in this proceeding, the remaining or residual amount of revenues necessary to achieve the overall revenue requirement was determined. This is the revenue amount recovered through proposed rate changes to the local exchange access services. Rather than uniformly spreading this additional revenue requirement over all local access rates, the Company is proposing to maintain the relative rate relationships among certain services and to modify the relative rate relationships among other services. Residential one-party, residential message (Option 30) and business one-party relative rate relationships were maintained in this residual treatment, as were semi-public access and shared tenant service access.

However, rate relationship modifications are proposed for business rotary and PBX trunk service. In its examination of cost of local service, the Company has identified that these classes of customers are already providing a very substantial contribution over their associated costs. With the increasingly competitive environment for switched and dedicated business services, it is both in the Company's and the customers' best interests to keep these business customers as contribution providers. This goal can best be achieved by setting medium-sized business customer rates at levels which are reasonable in light of the customers' anticipated market alternatives. Therefore, the Company has proposed a reduction in the relationship of business rotary service from 150% of the business one-party rate to 130% of the business one-party rate. In a similar manner, the Company has proposed a reduction in the relationship of business PBX trunks from 200% of the business one-party rate to 170% of the business one-party rate. This is a realistic first step in bringing these service rates into a more appropriate relationship with their costs. Additionally, the residential rotary rates were also modified from 150% of the residential one-party rate to 130% of the residential one-party rate to parallel the business rate relationship application.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: a: - d: No position pending final disposition of Centel's revenue requirement.

e: The Company's proposal to reduce the relationship between business rotary and B-1 rates is appropriate. Staff has no position on the specific rate levels pending final disposition of Centel's revenue requirement.

f: The Company's proposal to reduce the relationship between business PBX service and B-1 rates is appropriate. Staff has no position on the specific rate levels pending final disposition of Centel's revenue requirement.

g: The Company's proposal is not appropriate. The Semi-Public access line rate should be increased to 125% of the B-1 rate.

h: The Company's proposal is appropriate. Staff has no position on the specific rate levels pending final disposition of Centel's revenue requirement.

ISSUE 38: Centel has proposed various changes to its centrex services. Are the Company's proposals appropriate? Are any other changes or modifications to the Company's centrex services appropriate?

CENTEL'S POSITION: Exclusive of contractual arrangements with certain Centrex customers, all other Centrex access rates are being increased by a proposed 45% aggregate level. These increases are equitable in light of the corresponding proposed increases to other multi-line business service rates.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

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

Catchall

ISSUE 39: Should Centel be required to itemize its bills on a monthly basis?

The parties have agreed that this issue may be deleted.

ISSUE 40: 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
- A5, Charges Applicable Under Special Conditions
- A8, Telephone Answering Service
- A10, Digital Network Services
- A13, Miscellaneous Service Arrangements
- A15, Connections of Customer-Provided Terminal equipment and Communications Systems
- A17, Mobile Telephone Service
- A20, Interconnection of Mobile Services
- A23, Interconnection of Local Exchange Services to Shared Tenant Services (other than STS lines and usage charges)
- A24, Emergency Reporting Services
- A27, Equipment for Disabled Customers
- A28, Personal Page Signaling Service
- A108-A312, Obsolete tariff offerings
- E9, Directory Assistance Access Service
- E14, Special Construction

Non-Tariffed Items

- Directory
- Rent revenues
- Operator Services Revenue
- LIDB revenues
- Other Incidental Revenue (returned check penalties, late payment charges)
- Private Line Settlements

- Credit Card and Third Number Settlement Revenue

Is this appropriate?

CENDEL'S POSITION: Section A2 - General Regulations: The Company does not believe that any narrative changes are necessary to its general regulations at this time.

Section A5 - Charges Applicable under Special Conditions: This tariff section was designed for unique construction service arrangements for which there are no provisions under other sections of the Company's tariff. These rates were established as individual customer rate applications, and the charges remain appropriate.

Section A8 - Telephone Answering Service: This section is now billed out of the Company's tariff section relative to local private line services which were restructured and repriced in the Company's last rate case proceeding.

Section A10 - Emergency Reporting Services: These rates were established on a customer-specific basis and are under contract.

Section A13 - Miscellaneous Service Arrangements: The Company has, in fact, proposed several modifications to the existing Custom Calling and Custom Calling II feature rates in this section of its tariff. These charges are discussed in Issue 36.

Section A15 - Connections with Certain Facilities and/or Equipment of Others: The Company does not believe that any narrative changes to this tariff section are necessary at this time.

Section A17 - Mobile Telephone Service: This section of the Company's tariff is correctly titled, "Personal Dial Paging Services." This offering is a low-volume declining unit service and warrants no additional changes at this time.

Section A23 - Interconnection of Local Exchange Services to Shared Tenant Services (other than access lines and usage charges): The Company does not believe that any narrative changes to this tariff section are necessary at this time.

Section A24 - Local Telephone Service for Florida State University: These rates were established on a customer-specific basis and are under contract.

Section A25 - Centrex Service for State of Florida - Marianna: These rates were established on a customer-specific basis and are under contract.

Section A26 - Interconnection of Mobile Services: The Company has proposed a modification to the network usage charge for mobile carriers to reflect the proposed reduction in its BHMOC charge. The Company believes that this change is appropriate and consistent with this Commission's previous rulings.

Section A100 - Obsolete Tariff Offerings: The Company's obsoleted tariffs represent lines of business which are declining and technologies which are being replaced. The Company believes that its existing rates are appropriate to address the needs of those customers still retaining these in-place services.

Section E2 - General Regulations: The Company does not believe that any narrative changes are necessary to its access regulations at this time.

Section E5 - Ordered Options for Switched and Special Access Service: The Company had reviewed the narrative and charges for appropriateness at the time it submitted this tariff for the Commission's review and approval one year ago, and believes that no additional changes are warranted at this time.

Section E8 - Billing and Collection Service: The Company had reviewed the narrative and charges for appropriateness at the time it submitted this tariff for the Commission's review and approval one year ago, and believes that no additional changes are warranted at this time.

Section E11 - Special Facilities for Routing of Access Service: The Company does not believe that any narrative changes to this tariff are necessary at this time.

Section E12 - Specialized Service or Arrangements: The Company does not believe that any narrative changes to this tariff are necessary at this time.

Section E13 - Additional Engineering.../Miscellaneous: The Company had reviewed the narrative and charges for appropriateness at the time it submitted this tariff for the Commission's review and

approval one year ago, and believes that no additional changes are warranted at this time.

Section E14 - Special Construction: This tariff section was designed to accommodate special construction requirements for intrastate access services. The Company does not believe that any narrative changes to this tariff section are necessary at this time. (Swanson)

Section E16 - Access Service for LEC Completion of IntraLATA-Intercompany Long Distance MTS and WATS Calls: The Company has proposed a reduction to the carrier access capacity charge for its MABC rate application to reflect the proposed reduction in its BHMO charge. The Company believes that this change is appropriate and consistent with this Commission's previous rulings.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: No changes are necessary at this time.

Tariff Effective Date/Customer Notification

ISSUE 41: What should be the effective date of any rate changes?

CENTEL'S POSITION: If the Commission approves the pending tariff changes as filed, the Company will submit final tariff pages within two days after the Commission's decision. Should rate design or other changes be required by the Commission, the time required for the Company depends on the extent and complexity of the changes.

OPC'S POSITION: No position at this time.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: Tariffs should be filed no later than March 5, 1993. they should become effective on March 12, 1993.

ISSUE 41A: When should customers be notified of any rate changes?

CENDEL'S POSITION: The Company will coordinate customer notification of any rate changes with the Commission Staff.

OPC'S POSITION: As soon as possible.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: Customers should be notified of any rate changes with their first bill after the effective date of the rate changes with a bill insert issued with this first bill.

ISSUE 41B: What should be contained in the bill stuffer to Centel customers announcing any rate changes?

CENDEL'S POSITION: The Company will submit bill stuffer language to Commission Staff for approval.

OPC'S POSITION: The Commission should include a plain language description of the effect of its order as well as a plain description of the reasons for the Commission order.

AT&T'S POSITION: No position.

DMS' POSITION: No position.

FCTA'S POSITION: No position at this time.

STAFF'S POSITION: The bill stuffer shall contain the following information:

- a) An overview of the case and a summary of the final order.
- b) A summary of services for which rates have been adjusted, with current rates and approved rates listed side by side.

c) A statement that information on the new rates is available at Centel business offices.

d) Explanation of the credit for discontinuance or modification of service and how it may be obtained.

The bill stuffer shall be submitted to the Commission Staff for review within 5 days of the Commission's vote.

VII. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
D.L. Cross	Centel	DLC-1	Composite Exhibit consisting of 4 documents
	Staff	DLC-2	Staff's Interrogatories: 112, 114
		DLC-3	9/3/92 Deposition of Messrs Frazee and Kurtze and Exhibits: 8-20 and 30-36
		DLC-4	OPC's Interrogatories: 72, 179-180, 245
L. Carrion	Centel	LC-1	Composite Exhibit consisting of 4 documents
	Staff	LC-2	Staff's Interrogatories: 110 Supplemental Response to 110, 252-259, 262, 263, 266, 267
		LC-3	OPC's Interrogatories: 198, 241
		LC-4	11/17/92 Deposition of Mr. Carrion and late-filed exhibits
		LC-5	Staff's POD: 64B

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
C.D. Kurtz	Centel	CDK-1	Composite Exhibit consisting of 2 documents
		CDK-2	Rebuttal Exhibit consisting of 1 document
	Staff	CDK-3	Staff's Interrogatories: 12-13, 41-90, 92, 100, 106-108, 118-119, 121-127, 129, 130, 138, 140, 243-250, 266, and 267
		CDK-4	Staff's POD: 23-36
		CDK-5	OPC's Interrogatories: 25, 72, 104, 111, 130, 232, 274, 294-295, 299, 305, 311, 313, 316, 317, 321, 342
		CDK-6	11/17/92 Deposition of Mr. Kurtz and late-filed exhibits
C.L. Thomazin	Centel	CLT-1	Composite Exhibit consisting of 6 documents
		CLT-2	Composite Rebuttal Exhibit consisting of 10 documents
	Staff	CLT-3	Staff's Interrogatories: 102, 115, 130
		CLT-4	OPC's Interrogatories: 14, 15, 83-94, 215, 227, 231, 234
		CLT-5	11/17/92 Deposition of Ms. Thomazin and late-filed exhibits
J.E. Puffer	Centel	JEP-1	Composite Exhibit consisting of 5 documents

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
J.E. Puffer (con't)	Staff	JEP-2	Composite Exhibit consisting of 4 documents
		JEP-3	Staff's Interrogatories: 120, 135-137, 252-254, and 264
		JEP-4	OPC's Interrogatories: 14, 15, 211, 224-226, 303
		JEP-5	11/17/92 Deposition of Mr. Puffer and late-filed exhibits
		JEP-6	Staff's POD: 64B
D.L. Ferrari	Centel	DLF-1	Analysis of annual total compensation levels
	Staff	DLF-2	Staff's Interrogatories: 2-8, 91, 93-99 including supplemental responses to 97 and 98, 101, 103-105, and 123
		DLF-3	OPC's Interrogatories: 54, 72, 212, 215, 216, 243-245, 253, 294
M.J. Claerhout	Centel	MJC-1	Composite Exhibit consisting of 4 documents
		MJC-2	Rebuttal Composite Exhibit consisting of 4 documents
	Staff	MJC-3	11/13/92 Deposition of Mr. Claerhout and exhibits and late-filed exhibits
J.H. Vander Weide	Centel	JHV-1	Composite Exhibit consisting of 6 Schedules and 4 Appendices
	Staff	JHV-2	11/13/92 Deposition of Mr. Vander Weide and exhibits and late-filed exhibits

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
C.A. Swanson	Centel	CAS-1	Composite Exhibit consisting of 4 documents
	Staff	CAS-2	Staff's Interrogatories: 73-90, 117, 142-203 Staff's Production of Documents: 23-38, 62-64 OPC's Interrogatories: 341 11/12/92 Deposition of Ms. Swanson and late-filed exhibits
G.E. Michaelson	Centel	GEM-1	Composite Exhibit consisting of 5 documents
R. Narula	Centel	RN-1	Rebuttal Composite Exhibit consisting of 4 documents
S.D. Selbe	Centel	SDS-1	Rebuttal Composite Exhibit consisting of 5 documents
T.C. DeWard	OPC	TCD-1	Appendix #1 -Qualifications
		TCD-2	Schedule 1 - Revenue Impact of Adjustments
		TCD-3	Schedule 2 - Increase in Deferred Taxes
		TCD-4	Schedule 3 - Revenues
		TCD-5	Schedule 4 - Miscellaneous Revenues
		TCD-6	Schedule 5 - Network Services Marketing
		TCD-7	Schedule 6 - Gross Receipts Tax-Revenue-Expense

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
T.C. DeWard (con't)	OPC (con't)	TCD-8	Schedule 7 - Salaries and Wages-Directly Incurred
		TCD-9	Schedule 8 - Salaries and Wages-Allocated
		TCD-10	Schedule 9 - Bonuses and Compensation at Risk
		TCD-11	Schedule 10-Special Executive Compensation
		TCD-12	Schedule 11 - Comparison of Employee Benefits
		TCD-13	Schedule 12 - Pension Plan
		TCD-14	Schedule 13 - Savings Plan Increase
		TCD-15	Schedule 14 - Fitness/Wellness Subsidy
		TCD-16	Schedule 15 - Paid Time Off
		TCD-17	Schedule 16 - Chauffeur Expense
		TCD-18	Schedule 17 - Employee Expenses
		TCD-19	Schedule 18 - Corporate Allocation to Florida
		TCD-20	Schedule 19 - Allocation of Cost from Centel
		TCD-21	Schedule 20 - Sale of Telephone Operating Company-Increased Allocation
TCD-22	Schedule 21 - Capital Carrying Charges		
TCD-23	Schedule 22 - Investment Tax Credit Amortization-Reduction to Capital Carrying Charges		

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
T.C. DeWard (con't)	OPC (con't)	TCD-24	Schedule 23 - Corporate Cost-Ownership Cost
		TCD-25	Schedule 24 - Capitalization Percentage
		TCD-26	Schedule 25 - CPI Increases
		TCD-27	Schedule 26 - Rate Case Expense
		TCD-28	Schedule 27 - Non-recurring Expense
		TCD-29	Schedule 28 - Data Processing Expense Allocated to Directory Revenues
		TCD-30	Schedule 29 - Pole Attachment Rentals
		TCD-31	Schedule 30 - SFAS 106 Cost Allocated to Nonregulated
		TCD-32	Schedule 31 - Parent Company Debt Adjustment
		TCD-33	Schedule 32 - Wage Distribution-Composite Separation Factor
		TCD-34	Schedule 33 - Corporate Salary and Bonus Expense
Earl Poucher	OPC	REP-1	OPC Analysis of Inside Wire Revenues/Expenses
		REP-2	Centel Inside Wire Product Plan
		REP-3	FCC Memorandum Opinion and Order released March 15, 1988
		REP-4	Excerpts from FCC Order in CC Docket #79-105 Released on February 14, 1992 (Third Report and Order)

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
Victoria A. Montanaro	OPC	VAM-1	Attachment 1 - Centel Bulletin
		VAM-2	Attachment 2 - Analyses of Bell Atlantic Corporate Accounting of OPEB's
		VAM-3	Attachment 3 - August 4, 1989 Letter from USTA to FASB
		VAM-4	Attachment 4 - Arthur anderson and Company Summary of Views on Exposure Draft
		VAM-5	Attachment 5 - FPL's Response to Citizens' 1st Set of Interrogatories, Question 16
		VAM-6	Attachment 6 - October 17, 1990 Memo Regarding Funding of OPEB Costs
		VAM-7	Attachment 7 - Newspaper Article Regarding CutBacks in OPEB Benefits
		VAM-8	Attachment 8 - Foster and Higgins Study of Health Care Benefits
		VAM-9	Attachment 9 - Petition Regarding the Merger of Centel and Sprint
		VAM-10	Attachment 10 - Petition of FPL Regarding Offsetting SFAS 106 Until Next Rate Case
		VAM-11	Attachment 11 - Staff 8/11/92 Data Request to FPL, Question #3

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
Victoria A. Montanaro (con't)	OPC (con't)	VAM-12	Attachment 12 - Preliminary Views of FASB/November, 1982
		VAM-13	Attachment 13 - GTE's November 9, 1989 Letter to FASB
		VAM-14	Attachment 14 - GTE's June 28, 1990 Letter to FASB
		VAM-15	Attachment 15 - Joint Letter July 11, 1990 to USTA Regarding FASB Conference Call
		VAM-16	Attachment 16 - Testimony of David Kass Before FERC on July 28, 1992
		VAM-17	Attachment 17 - Proposed Actuarial Compliance Guideline for SFAS 106
		VAM-18	Attachment 18 - Centel's Note Regarding Current Method
David C. Parcell	OPC	DCP-1	Schedule 1 - Background and Experience Profile
	Staff	DCP-2	11/16/92 Deposition of Mr. Parcell
		DCP-3	Schedule 2 - Economic Indicators
		DCP-4	Schedule 3 - Central Telephone Company of Florida Capital Structure Ratios
		DCP-5	Schedule 4 - Central Telephone Capital Structure Ratios
		DCP-6	Schedule 5 - Independent Telephone Companies Capital Structures

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
David C. Parcell (con't)	Staff (con't)	DCP-7	Schedule 6 - Independent Telephone Groups Capital Structure Ratios
		DCP-8	Schedule 7 - Central Telephone Subsidiaries Capital Structure Ratios
		DCP-9	Schedule 8 - Dividend Yields and Growth Rates
		DCP-10	Schedule 9 - Individual Company DCF Cost Rates and Growth Rates
		DCP-11	Schedule 10 - Standard and Poors 500 Composite Statistic
		DCP-12	Schedule 11 - Individual Company CAPM Cost Rates
		DCP-13	Schedule 12 - Telephone Groups Earnings and Market to Book Ratios
		DCP-14	Schedule 13 - Standard and Poors 500 Composite Earnings and Market to Book Ratios
		DCP-15	Schedule 14 - 39 Industries Rates of Return on Common Equity
		DCP-16	Schedule 15 - Risk Indicators
		DCP-17	Schedule 16 - Pretax Interest Coverage, Total Debt as Percent of Total Capital, and Interest Coverage

<u>WITNESS</u>	<u>PROFERRED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
David C. Parcell (con't)	Staff (con't)	DCP-18	Schedule 17 - Pretax Interest Coverage and Debt as Percent of Total Capitalization.
		DCP-19	Schedule 18 - Return on Average Common Equity
		DCP-20	Schedule 19 - Central Telephone of Florida Total Cost of Capital
		DCP-21	Schedule 20 - Regional Holding Companies Comparison of Projected EPS Growth and Actual EPS Growth
		DCP-22	Schedule 21 - Analysis of Vander Weide Comparison Risk Companies
E. B. Broussard	Staff	Comp. EBB-1	<p>Audit Exception No. 1 - Bill inserts for nonregulated activities which are charged to regulated accounts</p> <p>Audit Exception No. 2 - 1989 property taxes which were included in the Company's 1991 O&M expense</p> <p>Audit Exception No. 3 - Prior period expense included as part of the 1991 O&M expense</p> <p>Audit Disclosure No. 1- Information about cost allocation program</p> <p>Audit Disclosure No. 2- Variance between Company filing and cost allocation program detail for plant in service allocated to nonregulated activity</p>

<p>E. B. Broussard (con't)</p>	<p>Staff (con't)</p>		<p>Audit Disclosure No. 3- Variance between Company filing and cost allocation program detail for accumulated depreciation allocated to nonregulated activity</p> <p>Audit Disclosure No. 4- Differences between the historical and projected allocation of plant in service and accumulated depreciation to nonregulated activity</p> <p>Audit Disclosure No. 5- Information on employee relocation expense</p> <p>Audit Disclosure No. 6- Information on the allocation of cruise expense from Central Telephone Company to Central Telephone Company of Florida</p> <p>Audit Disclosure No. 7- Information on shortages between Company billings and collections</p> <p>Audit Disclosure No. 8</p> <p>Audit Disclosure No. 9- Information on projected short term debt rates</p> <p>Audit Disclosure No. 10- Information on actual and projected long term debt rates</p>
<p>N. Pruitt</p>	<p>Staff</p>	<p>NP-1 NP-2 NP-3</p>	<p>Graph of Centel's complaint activity for past 10 years</p> <p>Chart illustrating major types of complaints received against Centel in 1991</p> <p>Complaints Calendar Year 87-91</p>

Nancy Pruitt (con't)	Staff (con't)	NP-4	Justification Calendar Year 87-91
F. Williamson	Staff	FW-1	Repair Service - Trouble Reports
		FW-2	Staff's service evaluation report for the period of August 4, 1992, through September 11, 1992, in four exchanges within Centel's territory
		FW-3	Analysis under Staff's proposed Weighting System
		FW-4	Example monthly bill

For the purpose of exhibit identification at this time, Staff's Seventh through Eleventh Set of Interrogatories and response to Staff's Fifth through Seventh Production of Documents Requests will be identified upon further analysis.

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

VIII. PROPOSED STIPULATIONS

1. The parties have agreed that the testimony, deposition and exhibits of witnesses Claerhout, Vander Weide, Pruitt, Williams, Broussard, Montanaro, King, McKnight and Parcell may be stipulated into the record.

2. The parties have agreed to the following stipulated issues:

ISSUE 2: Is the test year ended December 31, 1993 an appropriate test year?

Yes. The test year is appropriate.

ISSUE 6: What is the appropriate amount of plant under construction?

The appropriate amount of intrastate 1993 plant under construction is \$880,803. This amount is made up of the \$866,358 shown on MFR Schedule A-2a and the net \$14,445 of adjustments summarized in the rebuttal testimony of Candace L. Thomazin.

ISSUE 11: What is the appropriate cost of short term debt for the test year?

The appropriate cost of short-term debt for the 1993 test year is 4.25%, and has been included in the revised revenue requirement reflected in the rebuttal testimony of Candace L. Thomazin.

ISSUE 16C: How should the Commission treat the Company's net loss from the network service marketing agreement?

The Network Service Marketing Agreement actually shows a profit which should be included for rate-making purposes. The Network Services Marketing Agreement will generate an estimated profit for the Company and its customers of \$12,772 in 1993. The change in profitability is due to identifying a revenue stream located in interstate revenue that is attributed to the network services marketing agreement. An adjustment to reflect this profitability has been included in the rebuttal testimony of Candace L. Thomazin.

ISSUE 16D: Will the recently signed agreement with Quincy Telephone Company result in additional revenues, expenses, and investments for the Company not originally incorporated in the Company's budget?

Yes. The Company will receive additional net revenues in 1993, in the amount of \$55,528 as a result of the recently signed agreement with Quincy Telephone Company. This increase has been reflected in the rebuttal testimony of Candace L. Thomazin.

Capital expenditures, however, are de minimus, and were achieved through re-prioritization of other capital construction projects.

ISSUE 17K: Is the projected amount of pole rental expense which is based on a new agreement with Gulf Power, known and measurable?

Yes, the pole attachment agreement with Gulf Power has now been finalized. The revised amount of annual payments is \$372,570. An adjustment to reflect this level of expense has been included in the rebuttal testimony of Candace L. Thomazin.

ISSUE 17P: What adjustment, if any, should be made to expenses for chauffeur driven limousine service?

Intrastate corporate operations expenses should be reduced by \$14,894 to remove chauffeur expenses for the 1993 test period. This adjustment was included in the revenue requirement calculation in the rebuttal testimony of Candace L. Thomazin.

ISSUE 21A: What adjustment, if any, should be made for Gross Receipts Tax?

Intrastate gross receipts tax should be increased by \$215,382 to match revenues and expenses for the 1993 test period, as reflected in the rebuttal testimony of Candace L. Thomazin.

3. As noted above, Issue Nos. 5C, 16E, 17Q, 17R, 18F, 18G, 19A, 31, 33, and 39 have been stipulated into the record.

IX. PENDING MOTIONS

At this time Public Counsel has filed a second motion to dismiss. Consideration of this motion requires the full panel.

X. RULINGS

1. Mr. Wayne King's testimony is to be revised to reflect that Issue No. 33 has been deleted.

2. Counsel for Florida Cable Television Association and Department of Management Services were excused from appearing at the hearing due to scheduling conflicts.

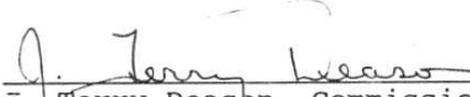
It is therefore,

ORDERED by Commissioner J. Terry Deason, as Prehearing Officer, that this Prehearing Order shall govern the conduct of

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these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner J. Terry Deason, as Prehearing Officer, this 2nd day of December, 1992.



J. Terry Deason, Commissioner
and Prehearing Officer

(S E A L)

JKA

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,

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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.