

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|  |   |                      |
|--|---|----------------------|
| In re: Investigation into the proper   | ) | DOCKET NO. 890216-TL |
| application of Rule 25-14.003, F.A.C., | ) |                      |
| relating to tax savings refunds for    | ) | ORDER NO. 23143      |
| 1988 and 1989 for GTE FLORIDA, INC.    | ) |                      |
| <hr/>                                  |   | ISSUED: 7-3-90       |

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER

NOTICE OF PROPOSED AGENCY ACTION  
AND  
ORDER ON PROPERTY MATTERS

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

At the hearing held in this docket, the Office of Public Counsel (OPC) raised two issues concerning property transactions involving GTE Florida Incorporated (GTEFL). The first dealt with the circumstances surrounding the sale by GTEFL of property known as "the Quad Block property." The other involved the reasonableness of rent being paid on GTEFL's headquarters building known as "One Tampa City Center" which is located in downtown Tampa on the Quad Block property. At that time, we directed our Staff auditors to investigate GTEFL's transactions relating to this property.

In its post-hearing brief, OPC argued that adjustments should be made to GTEFL's 1988 surveillance report to impute a gain on the sale of the Quad Block property and to disallow rent expenses for One Tampa City Center. In Order No. 22352, issued December 29, 1989, we reserved judgement on the adjustments proposed by OPC in its brief and directed our Staff

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to prepare a recommendation as to the appropriate action, if any, regarding them. The investigation of both these issues is complete and our Staff has presented its recommendations on these issues.

The sale of the Quad Block property involved a series of complex land transactions by GTEFL both through a trustee and by direct acquisition in 1973 and 1974. Our Staff located a statement showing that GTEFL had invested \$3,140,000 in this property as of December 31, 1978. This exact amount was received by GTEFL on June 18, 1979, following the sale of the property to GTE Realty Corporation.

From its acquisition in 1973 through June of 1977, the Quad Block property was part of the Miscellaneous Property Account. Accordingly, GTEFL's investment in this property was not considered as part of the rate base used to set rates during that period. See Order No. 6832, issued August 11, 1975, and Order No. 7669, issued on March 7, 1977.

However, by Order No. 8980, issued July 24, 1979, we prescribed interim rates of \$9,825,818. The rate base used for setting interim rates was \$873,659,078, and this amount included the company's investment in the Quad Block property. The property was excluded from the rate base used for establishing final rates by a utility adjusting entry; the final rate base was \$880,448,439. See Order No. 9192, December 27, 1979, in which GTEFL was awarded \$12,085,237 in final rates.

We do not believe that the company's ratepayers have suffered any injury as a result of the Quad Block property being included in the interim rate base because that rate base was actually lower--by about \$6.8 Million--than the final rate base which excluded the Quad Block property. As a result, the interim rates were lower than the permanent rates which were set in that proceeding.

Because the Quad Block property was sold in 1979, it was not in the rate base when final rates were established in Order No. 10418, issued November 23, 1981. Therefore, the Quad Block property never was a factor in determining final rates. For these reasons, we will make no adjustment in this proceeding concerning the sale by GTEFL of the Quad Block property.

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Regarding the issue of the reasonableness of rent being paid on One Tampa City Center, our Staff auditors researched real estate standard leasing practices to ascertain the nuances between the stated rate and the effective rate in lease agreements. In addition, 26 current lease agreements by other tenants of One Tampa City Center were reviewed to determine the types of leases, stated terms and items of the lease, contract rates, negotiated segments, and effective rates. A comparative analysis was performed to determine if the lease agreement between GTEFL and the landlord during the relevant period was equitable and based on prevailing market rates and conditions.

The 26 lease agreements cover 500,997 square feet of the 732,630 total rentable square feet, which equates to 68.38% of the total. The lease arrangements contain an escalator clause that was reviewed by Staff auditors. They found that the GTEFL escalator clauses were generally similar to those found in the other agreements.

Our Staff auditors determined that all lease agreements reviewed were gross leases because floor space, services, and fixtures were all included in the rent. Using the base rent cost alone, without the escalator clause, our Staff auditors calculated the average price per square foot per month of tenants other than GTEFL to be \$1.24. GTEFL paid \$1.13 per square foot per month, or 11¢ less. Based on the information developed by our Staff auditors, we conclude that GTEFL paid a lower price per square foot during the relevant period than the average rent paid by other tenants in One Tampa City Center. For these reasons, we will make no adjustment in this proceeding concerning the rent paid by GTEFL for office space in One Tampa City Center.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that no further adjustment in this docket shall be made concerning the sale by GTE Florida Incorporated of that land known as "the Quad Block property." It is further

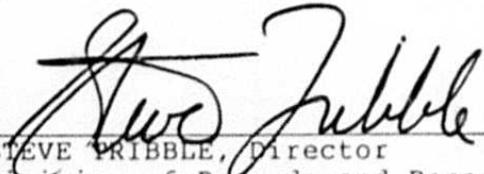
ORDERED that no adjustment in this docket shall be made concerning the rent expenses of GTE Florida Incorporated with regard to the lease of office space in that building known as "One Tampa City Center." It is further

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ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission,  
this 3rd day of JULY, 1990.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

BW/DLC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 24, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.