

CONTINUED

CONTENT OF MOTION: 5) the presiding ALJ should make specific findings of fact concerning Commonwealth's affiliated interest charges and overall earnings; and 6) the Office of Special Assistants should prepare an Order consistent with this Motion.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

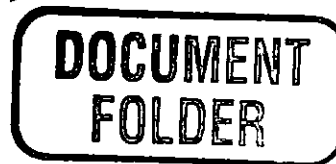
July 8, 1992

9

IN REPLY PLEASE
REFER TO OUR FILE

I-00920020

SCOTT BURNSIDE VICE PRESIDENT
REGULATORY & PUBLIC AFFAIRS
COMMONWEALTH TELEPHONE COMPANY
100 LAKE STREET
DALLAS PA 18612



Pennsylvania Public Utility Commission

RLS

v.

Commonwealth Telephone Company

Dear Sir:

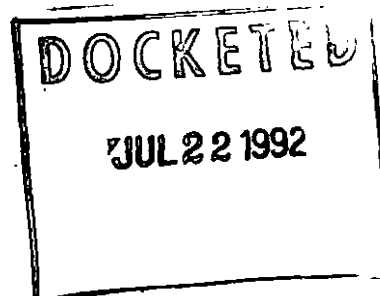
This is to advise you that the Commission at Public Meeting held June 4, 1992 adopted an Opinion and Order in connection with the above entitled proceeding.

A copy of the Opinion and Order is enclosed for your records.

Very truly yours,

John G. Alford, Secretary

JZ
Encls.
Certified Mail
Receipt Requested



PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

**DOCUMENT
FOLDER**

Public Meeting held June 4, 1992

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
Wendell F. Holland, Commissioner, Dissenting

Pennsylvania Public Utility Commission

v.

I-00920020

Commonwealth Telephone Company

DOCKETED

OPINION AND ORDER

JUL 22 1992

BY THE COMMISSION:

On August 4 and 5, 1991, the General Assembly enacted, and Governor Robert P. Casey signed into law new tax legislation which increased various taxes to which public utilities are subject. These taxes are the Corporate Net Income Tax, the Capital Stock Tax, The Gross Receipts Tax and the Public Utility Realty Tax.

Per Secretarial Letter issued on August 15, 1991, we offered computational guidance to utilities desiring to reflect said changes in an adjustment to their State Tax Adjustment Surcharge ("STAS") pursuant to the Commission's Order of March 10, 1970, which established the STAS. State Tax Adjustment Procedure, 44 Pa. PUC 545, 546 (1970); 52 Pa. Code §69.52. Subsequently, a number of utility submitted their 1991 STAS Filings.

It is incumbent upon us to review the financial data submitted by the utilities in order to determine whether the STAS increase will result in unjust and unreasonable rates. Our re-

view and analysis of the data submitted by the Commonwealth Telephone Company ("Commonwealth") suggests that Commonwealth may have incurred an increase in its Parent Corporation Management Service Fees.

Upon the circumstances, we believe that a further investigation^{1/} into the appropriateness of Commonwealth's affiliated transactions, in particular the Parent Corporation Management Service Fees, is warranted consonant with Section 331(a) of the Public Utility Code, 66 Pa. C.S. §331(a). Therefore, we conclude that it is necessary for us to obtain additional detailed information about this increase as well as the total annual payment of Management Service Fees by Commonwealth to its parent corporation.

Ratemaking principles resist examining an isolated expense item without considering other relevant adjustments that may impact earnings. The parties should focus initially on the affiliated transactions expenses incurred by Commonwealth, and the ALJ should make specific findings regarding the appropriate level of the affiliate expenses incurred by Commonwealth. Then the parties should explore all relevant earnings information to determine whether Commonwealth's return (incorporating pro forma adjustments consistent with ratemaking principles) is reasonable in light of existing market conditions, or whether an adjustment is appropriate. This means that Commonwealth as well as other parties will be able to present all relevant adjustments that impact earnings (in addition to any potential affiliates expense adjustment). **THEREFORE,**

^{1/} On April 2, 1992 the Commission initiated an investigation into the earnings of Commonwealth Telephone Company.

IT IS ORDERED:

1. That the current earnings investigation be, and hereby is, continued for the purposes delineated in this Opinion and Order.

2. That this proceeding be, and hereby is, assigned to the Office of Administrative Law Judge for a Recommended Decision and the scheduling of such further proceedings as may be necessary.

3. That the Office of Trial Staff be, and hereby is, directed to participate in the proceeding before the Administrative Law Judge.

4. That the parties should investigate the Parent Corporation Management Service Fee expense and all related affiliated interest charges, and following that analysis, Commonwealth's earnings should be analyzed.

5. That the presiding ALJ be, and hereby is, directed to make specific findings of fact concerning Commonwealth's affiliated interest charges and overall earnings; and

6. That a copy of this Opinion and Order be served upon the Company, the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate.

BY THE COMMISSION,



John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: June 4, 1992

ORDER ENTERED: JUL 09 1992