

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: FLORALA TELEPHONE COMPANY -)	DOCKET NO. 891050-TL
1989 Depreciation Study.)	ORDER NO. 23146
)	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 ACTIONORDER PRESCRIBING DEPRECIATION RATES

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

The Florala Telephone Company (Company) currently operates with remaining life rates and recovery approved by this Commission by Order No. 17134, issued January 1, 1986. Since the time of that represcription, the Company's programs and plans for retirements in some accounts have been revised, and additional near-term retirements are currently planned. New recovery schedules are required to provide timely recovery for these planned retirements. Several accounts have experienced a high degree of activity. The resulting plant and reserve balances should be incorporated in revised remaining life rates. Thus, both rates and recovery schedules require revision at this time.

On April 4, 1990, the Company filed a request for waiver of Rule 25-4.0178, Florida Administrative Code, insofar as it applies the amortization method to the allocated general plant accounts. The Company states that assets in these accounts are primarily located in Alabama and are allocated as to jurisdiction. The Company believes that consistent treatment across jurisdictions is necessary, and requests permission to depreciate the affected assets allocated to Florida pursuant to

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the rates approved by Alabama. This Commission has the authority to modify the requirements of Rule 25-4.0178, Florida Administrative Code, pursuant to subsections (2) and (3) of Rule 25.4.002, Florida Administrative Code. However, in this case we do not believe the circumstances justify such modification.

At this time, there is consistent treatment of these accounts between the Florida and Alabama jurisdictions. The Company has filed its request for waiver to propose that we approve depreciation rates pursuant to those approved in Alabama. We are not in a position to concur with the Alabama rates at this time, since they will be determined later this year from a study yet to be filed with the Alabama Commission. We have determined that the Alabama Commission may be receptive to the application of the amortization methodology to the allocated General Support Accounts for this Company. After thorough review of these accounts, we find that any attempt to retain the laborious bookkeeping or to prescribe remaining life rate parameters would defeat the intent and purpose of our Rule. While it is theoretically possible to retain current rates for these accounts pending further action, this approach is not considered practicable due to changes in age and reserve which have occurred in some accounts since those rates were calculated. We, therefore, find it appropriate to require compliance with Rule 25-4.0178, Florida Administrative Code, on a going forward basis, beginning January 1, 1990, in any case where recovery is to be provided by Florida ratepayers. We anticipate concurrence by the Alabama Commission, and thus consistent treatment, in regard to the General Support Asset accounts. In the event that Alabama does not implement the amortization approach for these assets, the Company should apply for modifications to the Rule, if necessary, at that time.

As part of the last represcription, recovery was provided for the net unrecovered investment associated with analog carrier, which was expected to retire in 1989. The retirement of this equipment was completed in 1990. There is a reserve surplus of \$7,776 associated with this retirement. This surplus was primarily due to provision made for projected net salvage which was not incurred. The transfer of this amount into the Circuit Equipment Account for Digital Carrier will bring that reserve up to \$68,355 which is more in line with the calculated theoretical reserve level of \$69,875.

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Our findings are derived from analysis of the current recovery position of the Company as well as planned near term retirements and technological advances within the industry. Attachment No. 1 to this Order shows the depreciation parameters, including the lives, salvages, and reserves, and the rates that we hereby approve.

Account 2215.6 Electromechanical Switching

Retirement of the Electromechanical Switch investment is currently scheduled for 1992, and final retirement of associated digital circuit equipment will be concurrent. Therefore, we find it appropriate to approve a single recovery schedule for all of this investment. This currently planned retirement includes power supply equipment which, at the time of the last represcription, had been expected to work with the replacing digital switcher and thus remain in service. Also approved are recovery for planned 1990 additions to the electromechanical switch in the amount of \$24,538 and an estimated negative net salvage of 5%. Components for this proposed and resultant projected expense are shown on Attachment No. 2.

The actual monthly expense shall be computed by the Company by dividing the net unrecovered investment at the beginning of each month by the number of months remaining until final retirement. This will accommodate additions, interim retirements, other changes in investment, net salvage, or plans until final retirement.

Account 2232.1 Circuit Equipment, Analog

Remaining investment in this account represents vintage 1989 that is expected to continue in service and work with the replacing digital switches. Industry averages have been utilized for life and salvage parameters.

The Company currently plans for final retirement during 1990 of all investment of pre-1988 vintages. This represents a delay from earlier plans and is reflected in a current, apparent reserve surplus of \$7,776. We find transfer of the surplus amount to the ongoing Digital Carrier account to be appropriate. The \$52,387 of Analog Circuit Equipment retiring in 1990 is, then, fully recovered.

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Account 2232.6 Circuit Equipment-Digital Carrier

The approved rate includes the use of a restated reserve.

Cable Accounts

These approved rates are based on our recognition of industry forecasts of substitution of fiber for copper conductors and the premise that the impact on a smaller company will tend to be at a somewhat slower rate than the impact on a larger more metropolitan company. In fact, the current embedded metallic cable in the distribution plant is expected to be fully retired during the 2020's for various "normal reasons," regardless of the nature of the replacement facility. It is this accepted time of retirement upon which our computations are based.

Account 2421.1 Aerial Cable, Metallic

The remaining life approved for this account is derived from use of an S0 Iowa curve shape, an account average age of 13.4 years, and a life value of 22 years indicating complete retirement of embedded plant by 2024.

Account 2422.3 Underground Cable, Metallic

Based on projected retirement of embedded plant by the year 2018, which is compatible with industry forecasts, and a current composite age of 14.8 years, an Iowa R2 24-year curve will reach zero at that point. The resulting average remaining life is 12 years.

Account 2423.3 Buried Cable, Metallic, Filled

Based on a current composite age of 6.4 years, a 21-year Iowa S0 curve indicates a projected retirement of embedded plant by the year 2027. The resulting average remaining life is 16.8 years.

The Unfilled Buried Cable, which amounts to only 4% of the total, no longer warrants separate accounting; therefore, the investment and associated reserve are combined with the Buried Cable, Metallic, Filled.

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Since no further Commission action will be necessary, if no objections to this proposed agency action Order are filed, this docket shall be closed.

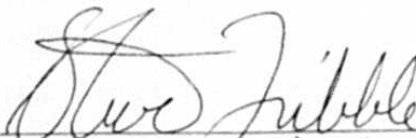
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation rates set forth on Attachments Nos. 1 and 2 are hereby approved for Florala Telephone Company. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final unless a petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director of the 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. It is further

ORDERED that, if no protest is received within the 21 day protest period set out in the Notice of Further Proceedings below, this docket shall be closed. It is further

ORDERED by the Florida Public Service Commission, this 3rd day of JULY, 1990.


 STEVE TRIBBLE, Director
 Division of Records and Reporting

(S E A L)

SFS

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

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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.

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.

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FLORALA TELEPHONE COMPANY
1989 STUDY

ACCOUNTS	COMMISSION		APPROVED		
	AVERAGE REMAINING LIFE	NET SALVAGE	BOOK RESERVE	REMAINING LIFE RATE	
	(yrs)	(%)	(%)	(%)	
VEHICLES					
2112.0	Passenger	2.9	15	42.12	14.8
2112.1	Light Trucks	5.4	15	57.19	5.2
2112.2	Heavy Trucks & Special	6.1	10	65.90	4.0
2112.4	Heavy Equipment	17.1	10	51.89	2.2
2121	BUILDINGS - FL	23	0	33.66	2.9
CENTRAL OFFICE ASSETS					

2212.1	DIGITAL SWITCHING - EMBEDDED	10.2	(5)	61.05	4.3
	DIGITAL SWITCHING - NEW	15.5	5	0.00	6.1 *
2232	CIRCUIT EQUIPMENT				
	Analog Carrier	10	0	0.00	10.0 *
	Digital Carrier	10.2	0	15.01 @	8.3
	Optics	10.0	0	0.00	10.0 *
INFORMATION ORIG/TERM ASSETS					

2351	PUBLIC TELEPHONE EQPT.	6.1	0	40.61	9.7
CABLE AND WIRE ASSETS					

2411.1	POLES	12.4	(15)	54.99	4.8
2421.1	AERIAL CABLE				
	Metallic	14.6	(15)	43.14	4.9
	Fiber	20.0	0	0.00	5.0 *
2422.3	UNDERGROUND CABLE	12.0	0	43.72	4.7
2423.3	BURIED CABLE				
	Metal - Filled	16.8	(5)	22.66	4.9
	Fiber	20.0	0	0.00	5.0 *
2441.1	UNDERGROUND CONDUIT	43.0	(4)	12.03	2.1
AMORTIZATION SCHEDULES					
2116	TOOLS, WORK EQUIPMENT	7	YEAR	AMORTIZATION	
2122	FURNITURE	10	YEAR	AMORTIZATION	
2123.0	OFC SUPPORT EQPT	7	YEAR	AMORTIZATION	
2123.2	OFFICIAL TELEPHONES	5	YEAR	AMORTIZATION	
2124	GENERAL PURPOSE COMPUTERS	5	YEAR	AMORTIZATION	

* Denotes whole life rates.

@ Includes staff recommended reserve transfer.

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FLORALA TELEPHONE COMPANY
 1989 STUDY
 RECOVERY SCHEDULES

<u>ACCOUNT</u>	<u>1-1-90 INVESTMENT \$</u>	<u>1-1-90 RESERVE \$</u>	<u>NET SALVAGE \$</u>	<u>UNRECOVERED AMOUNT \$</u>	<u>ANNUAL EXPENSES \$</u>
ELECTROMECHANICAL SWITCHING					
Paxton-Laurel Hill with 1990 additions	342,483	308,179			
Transfer from Digital Switching	24,549	14,619			
TOTAL SWITCHING	<u>367,032</u>	<u>322,798</u>	(18,352)*	62,586	
EQUIPMENT RETIRING					
ASSOCIATED CIRCUIT EQUIPMENT RETIRING	<u>39,366</u>	<u>38,853</u>	<u>0</u>	<u>513</u>	
TOTAL	406,398	361,651	(18,352)	63,099	21,033 3 year amortization

* Negative net salvage of 5% applied to investment, including transfer.