

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 1990 Depreciation Study of)	DOCKET NO. 900599-TL
Gulf Telephone Company.)	ORDER NO. 24004
<hr/>		ISSUED: 1/22/91

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTIONORDER CHANGING 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.

Introduction

Gulf Telephone Company filed a depreciation study on June 29, 1990, in keeping with Rule 25-4.0175, Florida Administrative Code. Review of Company plans and the status of life, salvage and reserve parameters presented in the study indicates the need for revision of recovery schedules and depreciation rates. The revised schedules and rates are attached to this order.

Implementation Date

The data provided by the Company in the study abuts January 1, 1990, and this date of implementation is proposed by the Company. We concur with the Company's proposal, with the exception of the Circuit Equipment Analog Carrier Account which is updated to include activity through October 1990. The retirement of some 84% of the account in the earlier part of this year changes the life and reserve character of this account significantly, and it is our decision to bring the record for this account to its known status as of November 1, 1990, with the recommended rates, based on this status, to be used from that date forward.

DOCUMENT NUMBER-DATE

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Retirement Units

Gulf Telephone Company has not implemented the required amortizations for certain General Support Accounts in general plant we adopted in Rule 25-4.0178, Florida Administrative Code, effective January 1, 1988. We find the Company's proposal that amortization be implemented on a going-forward basis, beginning January 1, 1990, appropriate.

Depreciation Reserve

We have reviewed the reserve and find the reserve transfer reflected in Attachment B to be appropriate. In addition, there is a reserve imbalance of \$244,593 associated with the Metallic Filled Buried Cable Account. This imbalance is based on our present expectation for the replacement of copper cable by fiber and should be written off as fast as practicable. We find a two year period to be appropriate for the write-off of this deficiency.

The depreciation rates are shown on Attachment A, and the amortization and recovery schedules are on Attachment C.

Account 22320 Circuit Equipment - Analog Carrier

The retirement of \$60,382 from this account during the early part of 1990 has resulted in \$30,891 of plant in service and \$24,082 in associated reserve as of November 1, 1990. Based on engineering estimates from the Company, we find a five year remaining life for this equipment to be appropriate. The rate of 4.4% should be implemented as of November 1, 1990.

Account 2311 Station Apparatus-Embedded

We concur with the Company thinking that recovery over the estimated remaining period of the useful life is appropriate. We concur with the 0 net salvage estimate. We find that the monthly expense to be booked should be calculated by dividing the net unrecovered investment by the number of months remaining before retirement.

Cable Accounts

Our assumptions in this order are based on the recognition of industry forecasts for the replacement of copper cable installations by fiber, taken with the premise that the impact on the smaller companies will generally lag that experienced by the

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larger companies which serve the metropolitan areas. The projections contained herein are in general accord with the concept of fiber to the home (or curb) in the second decade of the 21st century.

Account 2421 Aerial Cable

This order is rooted in the view or projection that final that final retirement of copper cable used for distribution will be approximately the year 2017. We find a remaining life of 13.8 years to be appropriate. We accept the Company proposed future net salvage of negative 10%.

Account 2422 Underground Cable

Fiber technology can be expected to have a significant impact upon the equipment associated with this account. Almost 87% of the investment in this account is associated with cable used as feeder. We find a remaining life of 20 years to be appropriate. This is consistent with a projected phase-out by about 2015.

Account 2423 Buried Cable

Non-Filled: Industry-wide, the installation of non-filled cable typically was discontinued in the early to mid-seventies. The last installation by Gulf is recorded as 1974. Currently, many equipment failures and consequent retirements of this cable are being reported by various companies, with replacements by filled cable. Gulf is not reporting as much difficulty in this regard as some others. This is reflected in their budgeted retirements of \$106,000 total in this account for 1990 through 1992. The Company indicates that retirements thus far in 1990 are on target, compared to the budget and plant additions underway. These facts are in line with the Company proposed remaining life value of 7.7 years and the current age of 20.7 years.

Filled: The current average age of the investment in this account is 7.8 years. Remaining life is based on a scenario in which phase-out occurs by about 2017. Combined with the \$3-23 curve this gives a remaining life of 15.5 years.

For both filled and non-filled, net salvage of negative 5% is recommended because of the cost associated with the disconnection of cable from use along with closure of pedestals, removal of terminals or both.

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Based on the foregoing, it is hereby

ORDERED by the Florida Public Service Commission that the status of life, salvage and reserve parameters described above and more fully in the attached schedules be implemented. It is further

ORDERED that the date for implementation for the new rates and recovery schedules be January 1, 1990, except for the Circuit Equipment Analog Carrier Account, for which the implementation date shall be November 1, 1990. It is further

ORDERED that Gulf Telephone Company implement the required amortization for certain General Support Accounts pursuant to Rule 25-4.0178, Florida Administrative Code on a going-forward basis beginning January 1, 1990. It is further

ORDERED that Gulf make the adjustment to depreciation described in the body of this Order and the schedules attached. It is further

ORDERED that if no protests are filed pursuant to the requirements below, this docket shall be closed at the conclusion of protest period.

By ORDER of the Florida Public Service Commission, this 22nd day of JANUARY, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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

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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 February 12, 1991.

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.

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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ATTACHMENT A

GULF TELEPHONE COMPANY
 1990 DEPRECIATION STUDY

COMMISSION APPROVED

AMORTIZATION SCHEDULES

2115	MECHANICAL SHOP EQ.	7	Year	Amortization
2116	TOOLS, WORK EQPT. Post '89	7	Year	Amortization
	Heavy Work Eq. '88 & prior	5	Year	Amortization
	Test Eq. & Tools '88 & prior	5	Year	Amortization
	Test Eq. & Tools '89 Adds	6	Year	Amortization
2122	FURNITURE & OFFICE SUPPLY	10	Year	Amortization
	Furniture '88 & prior	8	Year	Amortization
	Furniture '89 Adds	9	Year	Amortization
	Furn. & Ofc. Supply '88 & prior	8	Year	Amortization
2123	OFFICE SUPPORT EQUIPMENT	7	Year	Amortization
	Ofc. Sprt. Eq. '88 & prior	5	Year	Amortization
	Ofc. Sprt. Eq. '89 Adds	6	Year	Amortization
	OFFICE COMM. EQUIPMENT	5	Year	Amortization
	Co. Comm. Eq. Appar. '88 & prior	3	Year	Amortization
	Co. Comm Eq. PBX '88 & prior	3	Year	Amortization
2124	GENERAL PURPOSE COMPUTERS	5	Year	Amortization
	1988 and Prior	3	Year	Amortization
	1989 Addition	4	Year	Amortization

RECOVERY SCHEDULE

2311	STATION APPAR. EMB.	1	Year (Approximate)	Amortization
	RESERVE DEFICIT	2	Year	Amortization

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ATTACHMENT B

GULF TELEPHONE COMPANY
 1990 DEPRECIATION STUDY

COMMISSION APPROVED

AMORTIZATION SCHEDULES

2115	MECHANICAL SHOP EQ.	7	Year	Amortization
2116	TOOLS, WORK EQPT. Post '89	7	Year	Amortization
	Heavy Work Eq. '88 & prior	5	Year	Amortization
	Test Eq. & Tools '88 & prior	5	Year	Amortization
	Test Eq. & Tools '89 Adds	6	Year	Amortization
2122	FURNITURE & OFFICE SUPPLY	10	Year	Amortization
	Furniture '88 & prior	8	Year	Amortization
	Furniture '89 Adds	9	Year	Amortization
	Furn. & Ofc. Supply '88 & prior	8	Year	Amortization
2123	OFFICE SUPPORT EQUIPMENT	7	Year	Amortization
	Ofc. Sprt. Eq. '88 & prior	5	Year	Amortization
	Ofc. Sprt. Eq. '89 Adds	6	Year	Amortization
	OFFICE COMM. EQUIPMENT	5	Year	Amortization
	Co. Comm. Eq. Appar. '88 & prior	3	Year	Amortization
	Co. Comm Eq. PBX '88 & prior	3	Year	Amortization
2124	GENERAL PURPOSE COMPUTERS	5	Year	Amortization
	1988 and Prior	3	Year	Amortization
	1989 Addition	4	Year	Amortization

RECOVERY SCHEDULE

2311	STATION APPAR. EMB.	1	Year (Approximate)	Amortization
	RESERVE DEFICIT	2	Year	Amortization

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ATTACHMENT C

GULF TELEPHONE COMPANY
 1990 DEPRECIATION STUDY

COMMISSION APPROVED

AMORTIZATION SCHEDULES

2115	MECHANICAL SHOP EQ.	7	Year	Amortization
2116	TOOLS, WORK EQPT. Post '89	7	Year	Amortization
	Heavy Work Eq. '88 & prior	5	Year	Amortization
	Test Eq. & Tools '88 & prior	5	Year	Amortization
	Test Eq. & Tools '89 Adds	6	Year	Amortization
2122	FURNITURE & OFFICE SUPPLY	10	Year	Amortization
	Furniture '88 & prior	8	Year	Amortization
	Furniture '89 Adds	9	Year	Amortization
	Furn. & Ofc. Supply '88 & prior	8	Year	Amortization
2123	OFFICE SUPPORT EQUIPMENT	7	Year	Amortization
	Ofc. Sprt. Eq. '88 & prior	5	Year	Amortization
	Ofc. Sprt. Eq. '89 Adds	6	Year	Amortization
	OFFICE COMM. EQUIPMENT	5	Year	Amortization
	Co. Comm. Eq. Appar. '88 & prior	3	Year	Amortization
	Co. Comm Eq. PBX '88 & prior	3	Year	Amortization
2124	GENERAL PURPOSE COMPUTERS	5	Year	Amortization
	1988 and Prior	3	Year	Amortization
	1989 Addition	4	Year	Amortization

RECOVERY SCHEDULE

2311	STATION APPAR. EMB.	1	Year (Approximate)	Amortization
	RESERVE DEFICIT	2	Year	Amortization