BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of 1994 Depreciation Study by United Telephone Company of Florida and Central Telephone Company of Florida.	DOCKET NO. 941229-TL
In Re: Investigation into 1994 earnings of United Telephone Company of Florida.	DOCKET NO. 950283-TL ORDER NO. PSC-95-1239-FOF-TL ISSUED: October 6, 1995

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION ORDER REVISING DEPRECIATION RATES, ESTABLISHING RECOVERY SCHEDULES, AND DETERMINING AMOUNT AND DISPOSITION OF 1994 OVER EARNINGS

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I CASE BACKGROUND

The last comprehensive depreciation study for United Telephone Company of Florida (United or UTF) was filed on June 27, 1991. This company was required by Rule 25-4.0178(8)(a), Florida Administrative Code, to file its next comprehensive depreciation study within three years of the last filing. On February 7, 1994, United filed a request for waiver of the filing date as required by that rule, based on the fact that its parent company, Sprint Corporation, had acquired Central Telephone Company of Florida (Centel or CTC).

In requesting the waiver, United cited the fact that company planning is an essential element in the proper design of depreciation rates. In conjunction with the consolidation of the operations of United and Centel, United's planning process now includes both operating companies as one entity for planning purposes. United sought permission to allow the filing of its depreciation study at such a time that it could, in fact, reflect a combined planning study for the two companies. This study would be filed by November 30, 1994, the date required for filing of the next depreciation study for Centel.

By Order No. PSC-94-0430-FOF-TL, the Commission granted the request for waiver; the current study, including separate historical accounting data for each company, was filed on November 23, 1994, in accordance with that order. Proposed depreciation rates are based on consolidated company planning and each company's investment and reserve positions.

On February 8, 1995, the Commission issued Order No. PSC-95-0180-FOF-TL <u>Notice of Proposed Agency Action - Order Approving Preliminary Implementation of Depreciation Rates and Allowing One-Time Depreciation Expense</u> (Order No. PSC-95-0180-FOF-TL) in Docket No. 941229-TL. The Order proposed three actions: 1) allowing United to record a one-time additional amount of depreciation expense on a preliminary basis effective January 1, 1995; 2) allowing United to implement its proposed depreciation rates and amortization/recovery schedules on a preliminary basis, effective January 1, 1995; and 3) allowing Centel to implement its proposed depreciation rates and amortization/recovery schedules on a preliminary basis, effective January 1, 1995. There was no provision for severability in Order No. PSC-95-0180-FOF-TL.

On March 1, 1995, the Office of Public counsel (OPC) timely filed a <u>Petition For Section 120.57(1) Hearing and Protest of Proposed Agency Action</u>, concerning Order No. PSC-95-0180-FOF-TL. OPC disputed just those matters pertaining to United. The Petition stated:

> To the extent that Order No. 95-0180-FOF-TL distinguishes between the depreciation rates and expenses of UTF (United) and Central Telephone Company of Florida, this pleading applies only to UTF. However, if Order No. PSC-95-0180-FOF-TL may not be severed between the two companies, this pleading applies to both companies.

On May 23, 1995, the Commission issued Order No. PSC-95-0632-FOF-TL. The Order provided preliminary implementation of depreciation rates and recovery schedules for Centel. Within that

Order, it was confirmed that OPC had no objection to preliminary implementation of Centel's depreciation rates and recovery schedule. For United, the Order provided that issues of the amount of 1994 over earnings, the application of 1994 over earnings to depreciation expense, and the preliminary implementation of United's depreciation rates and recovery schedules would be considered in conjunction with the Commission's final review of the depreciation study.

On May 18, 1994, United submitted a proposal in response to concerns over its return on equity (ROE) and earnings. The proposal capped 1994 earnings at a 13% ROE with any excess being deferred to 1995. In Order No. PSC-94-0730-FOF-TL, Docket No. 940201-TL, issued June 14, 1994, the Commission approved the proposal. United was further ordered to record additional depreciation of $2,051,000; account for the merger and integration costs of the merger with Centel on A cash basis; and implement $17,555,766 in annualized rate reductions. Docket No. 950283-TL was opened to determine United's 1994 earnings. An audit of United's December 31, 1994, Earnings Surveillance Report (ESR) has been completed.

This order establishes the appropriate depreciation rates and recovery schedules for both Centel and United, as well as the determination of any 1994 over earnings amount for United, and the disposition of those over earnings.

The decisions approved in this order are proposed agency action. In the event that OPC wishes to maintain its objection to the actions proposed for United, a protest of this order is the appropriate procedural vehicle.

Rule 25-4.0175, Florida Administrative Code, requires investor-owned telephone companies to file a comprehensive depreciation study at least once every three years. To meet current and future needs of the customers of both United and Centel, capital programs have been implemented or planned to enhance the network. Technology and competition continue to impact capital recovery parameters. For both United and Centel of Florida, a capital recovery program structured to ensure full and timely recovery remains critical. A review of the combined company plans and each company's activity indicates that there is a need to revise depreciation rates and capital recovery schedules. We find that the currently prescribed lives, salvages and resultant depreciation rates and recovery schedules for United/Centel shall be revised.

II CORRECTIVE RESERVE MEASURES

As of January 1, 1995, there are existing negative reserves for Hearing Impaired, Aerial Cable-Fiber and Submarine Cable-Metallic for United. These reserve deficits are the result of unforeseen retirements taking place since the last depreciation review. Consequently, currently prescribed depreciation rates were inadequate to provide recovery for these retiring investments. United has proposed reserve transfers to correct the reserve imbalances for these accounts. We agree with this proposal.

In the last depreciation study review, United had planned to retire its investment associated with Circuit-Analog/Pair Gain by end of year 1994. Based on this, the net unrecovered investment was placed on a three year recovery schedule. However, due to changes in company planning, United did not retire this investment as anticipated and will now replace this equipment as service requirements or line fill dictates. Since there are no firm retirement plans for this equipment, we have approved a remaining life rate. Based on the approved life and salvage parameters, a reserve deficit of $904,716 is indicated. United has proposed, and we approve, a reserve transfer of $904,716 from the existent reserve surplus in Circuit-Private Line to alleviate this deficiency.

There are two segments of the United metallic cable accounts which are impacted by technological change to a degree which warrants corrective reserve measures. The copper cable installations in the interoffice function have been completely retired in the Centel serving area, but some interoffice copper cable remained in service in the United serving area at the time the study was filed. United's current plans are to retire and replace all interoffice copper by year-end 1995. The United proposal to fully recover the costs associated with this retiring plant is an appropriate response to these recent developments. We therefore approve corrective reserve measures to fully recover the investment and anticipated net salvage associated with interoffice copper in the Underground Metallic and Buried Metallic Filled Cable accounts for United.

Copper feeder which has been installed by both United and Centel is being impacted by the installation of fiber as well as by improved circuit equipment. As demands for increased capacity are met by the newer types of equipment, the use of copper cable is actually decreasing, and portions of the copper installations have been permanently vacated. The vacated portions of the copper feeder can be identified by use of the Network Analysis Points System (NAPS) in the United serving area, but no such system is currently available for the Centel serving area. Corrective reserve measures are approved to help reduce the unrecovered net investments associated with the feeder that has been quantified as being stranded as of January 1, 1995.

It has been represented that neither company has lease agreements with an affiliate or non-affiliate for these accounts. In light of the possible impact of reserve transfers on cost allocations and jurisdictional separations, United shall make corresponding entries to the related depreciation expense accounts.

Therefore, we find that the corrective reserve measures for United shown on Attachment B shall be made. For the Hearing Impaired, Aerial Cable-Fiber and Submarine Cable-Metallic accounts, this action will correct the negative reserves and bring each account to its calculated theoretical level; for those cable accounts in which portions of the feeder investment are stranded at January 1, 1995, this action helps reduce the condition of perceived deficiencies. No corrective reserve measures are necessary for Centel.

III APPROPRIATE RECOVERY SCHEDULES

We have reviewed the United/Centel proposed switch retirements and overall outside plant construction plans and have found them to be a logical progression for their network. Therefore, we believe the proposed network plan for the two companies is reasonable. The approved recovery schedules reflect the most current United plans regarding the 1) near term retirement of certain digital switching equipment, operator systems and radio equipment and 2) the historic stranded and projected stranded investment in outside plant equipment; and the most current Centel retirement plans for its operator systems.

United plans to retire seven 1210 digital switches within the 1996-1997 time period. All of these switches are first generation digital switches (Alcatel 1210s). These replacements are necessary due to one or more of the following situations: processor exhaust, floor space exhaust, service availability or feeder route relief requirements. As provided by Rule 25-4.0176, F.A.C., a recovery schedule will result in the recovery of these switching installations over the remaining time that they are in service to the public. This will provide a matching of capital consumption with expense for this retiring equipment. The planned retirements for 1996 will be recovered during 1995 and 1996.

Due to the reduction in traffic caused by the 1990 AT&T take-back of operator assisted calls, United's toll and assist (TA) functions were reviewed and evaluated with a decision to centralize all operations in the Winter Park area. In addition, an evaluation study indicated the need to: 1) consolidate the Centel TA functions with United's Winter Park location by 1995 and 2) replace and consolidate both United and Centel's existing stand alone directory assistance (DA) systems into one single DA system by year-end 1996. This consolidation will result in the retirement of Centel's TA and DA investment along with United's TA investment. We approve the proposed recovery schedule for the net investments associated with the 1995-1997 retiring TA and DA systems for United and Centel.

United expects modest consolidated TA traffic over the next several years. A portion of the growth will be met by replacing existing TOPS-4 positions with TOPS-MP with a complete replacement of TOPS-4 by year-end 2000. For this reason, United proposed adjusting the existing capital recovery schedule to reflect the 2000 year of final retirement. While the recovery schedule is appropriate for the planned near term retirements (1995-1997), the remaining Winter Park location is not expected to retire until the year 2000. For that reason, we approve a remaining life rate for the Winter Park location.

United has identified certain radio routes which are planned for near term retirement due to route/facility exhaust. The company has proposed a recovery schedule for the routes planned for retirement during the period 1995-1997. We find this proposal to be appropriate.

The recovery period for the near term retiring central office equipment discussed above is the remaining period the associated equipment will be serving the public. The monthly expense for these schedules should be obtained by dividing the net plant for the month by the number of months remaining in the recovery period. All activity relating to these schedules should be booked to these schedules, and not to another depreciation category or account.

After making the corrective reserve measures approved in this order, there remains an unrecovered investment in stranded metallic cable associated with installations which United has determined will never be needed in the future. Further, this is an on-going development, meaning that the amount of vacated cable is increasing each year. On Attachment C, provision is made for recovery of the investments associated with stranded cable identified as existing at January 1, 1995 and projected for the 1995-1997 period. In the event that projections are revised, United shall adjust the recovery pattern of the schedules accordingly.

Therefore, we approve the recovery schedules for United/Centel as shown on Attachment C.

IV APPROPRIATE LIVES, NET SALVAGE, RESERVES AND RESULTANT DEPRECIATION RATES FOR UNITED/CENTEL

The approved lives, net salvages, reserves and resultant depreciation rates for United and Centel are shown on Attachment D. The approved lives, net salvages, reserves and resultant depreciation rates for United and Centel are the result of a comprehensive review of the United/Centel depreciation studies. Attachment D shows a comparison of the currently approved, company revised proposed, and Commission approved rate parameters (lives, salvages, and reserves) for each company.

The proposals for both companies for many accounts are acceptable without modification. As a result of the review and analytical process, United/Centel has agreed with Commission staff as denoted by the company revised positions on Attachment D. There are small differences in positions for the Public Telephone - Coin Operated account and in projected recovery schedule expenses for some metallic feeder cable accounts. These differences arise as a result of the rounding of the reserve level, and of the related proposed reserve allocations.

V IMPLEMENTATION FOR NEW DEPRECIATION RATES AND RECOVERY SCHEDULES

Company data and related calculations abut the January 1, 1995 implementation date for each company. This is the earliest practicable date for utilizing the revised rates. Therefore, we approve United/Centel's proposed January 1, 1995, date for implementation of the new depreciation rates and recovery schedules.

VI REVISION TO CURRENT AMORTIZATION OF INVESTMENT TAX CREDITS (ITCS) AND THE FLOWBACK OF EXCESS DEFERRED INCOME TAXES

In this order, we have approved revisions to United/Centel depreciation rates and recovery schedules, to become effective January 1, 1995. Revising a utility's depreciation rates usually results in a change in its rate of ITC amortization and a change in its flowback of excess deferred taxes.

United/Centel is treated under Section 46(f)(2) of the Internal Revenue Code (IRC), which results in weighted cost ITCs in its capital structure and above-the-line ITC amortization in its income tax expense. Section 46(f)(6) of the Internal Revenue Code states that the amortization of ITCs should be determined by the period used in computing depreciation expense for purposes of reflecting regulated operating results of the utility. Rule 25-14.008(3)(b)(3), Florida Administrative Code, states that where an election was made under Section 46(f)(2) of the Code, reductions to cost of service are made based on ratable allocations of the credit in proportion to the regulated depreciation expense. Consequently, a change in depreciation rates usually results in a change in the amortization of ITCs.

Regarding the flowback of excess deferred taxes, Section 203(e) of the Tax Reform Act of 1986 prohibits rapid write-back of excess protected (depreciation related) deferred taxes. Also, Rule 25-14.013, prohibits (without good cause shown) excess deferred income taxes from being reversed any faster than allowed under either the average rate assumption method of Section 203(e) of the Tax Reform Act of 1986 or Revenue Procedure 88-12, whichever is applicable. Consequently, the flowback of excess deferred taxes should be altered to comply with the Tax Reform Act of 1986 and Rule 25-14.013, F.A.C.

We find that the current amortization of ITCs and the flowback of excess deferred income taxes shall be revised to reflect the approved depreciation rates and recovery schedules. The company shall file detailed calculations of the revised ITC amortization and flowback of excess deferred taxes at the time it files its December 1995 surveillance report.

VII UNITED TELEPHONE COMPANY OF FLORIDA'S 1994 EXCESS EARNINGS

United filed its 1994 Earnings Surveillance Report (ESR) on March 15, 1995, reporting its achieved 1994 ROE at 12.86% which includes the depreciation charge from Order No. PSC-94-0730-FOF-TL and an additional depreciation charge of $3,200,000, $2,368,663 intrastate, from Order No. PSC-95-0180-FOF-TL in Docket No. 941229-TL, United's Depreciation Study. The audit of United's 1994 earnings was completed by Commission staff and a report was issued on June 27, 1995. We approve the following adjustments to United's reported 1994 earnings:

a. Disallowed Local Expenses: Audit Exception Number 2 cites the inclusion of local expenses that were not allowed in the last rate case. Commission Order No. 92-0708-FOF-TL, Docket No. 910980-TL, UTF's last rate case, excluded expenses related to sporting events, musical, theatrical presentations, etc. from regulated expenses. United has included $101,962 in total company expenses of this nature. To exclude expenses disallowed in the company's last rate case, staff recommends that operating expense be reduced by $80,895, the intrastate portion of the $101,962. Income taxes will, therefore, increase by $31,205 for a net decrease in NOI of $49,690.

<u>b. Gross Receipts Tax</u>: Audit Exception Number 3 cites the inclusion of $15,817 as part of its total Intrastate Gross Receipts Taxes which represents gross receipts taxes pertaining to "Bill From" customers. "Bill From" Customers are customers having their bills automatically sent to other parties for payment. No Gross Receipts Taxes are collected from the "Bill From" Customers whereas normally the taxes are collected from the customers and flowed through to the Department of Revenue without recording an expense. This $15,817 is being charged to all of the ratepayers instead of the individual customer that should have been charged. United should create a system whereby the "Bill From" Customer can be charged for the tax directly and then flow this amount through to the Department of Revenue without recording an expense. Although the individual customer is not billed for the tax, UTF records the tax expense that is calculated and sent to the Department of Revenue. Staff recommends that United not be allowed to record the $15,817 as gross receipts tax expense. Taxes other than income should be reduced by $15,817, income taxes will, therefore, increase by $6,101 for a net increase in NOI of $9,716.

<u>c. Nonrecurring Depreciation Expense</u>: Audit Disclosure Number 1 shows that United recorded $3,200,000 as a one-time total company depreciation charge during 1994. The intrastate portion of this charge is $2,368,663. Order No. PSC-95-0180-FOF-TL, Docket Number 941229-TL, United's depreciation study, allowed United to charge an additional amount of depreciation expense, approximately $4 - $6 million intrastate, sufficient to bring its earnings down to a 13% return on equity cap for 1994. Order No. PSC-95-0180-FOF-TL was protested by the Office of Public Counsel and the additional depreciation charge is no longer authorized. The additional charge of $2,368,663 should be removed from intrastate depreciation expense. Income taxes will increase by $913,712 for a net increase in NOI of $1,454,951. The average amount of this charge, $98,694, should be removed from rate base. Interest reconciliation would further increase income tax expense by $790.

The results of applying these recommended adjustments are shown on Attachment A. As adjusted, United's 1994 ROE is 13.17%, which is above its ROE cap of 13.00%. The revenue in excess of the ROE cap is $1,459,000. Interest from January 31, 1994 to December 31, 1994 is $36,000, for a total of $1,495,000 subject to Commission jurisdiction.

Order No. PSC-94-0730-FOF-TL directs the 1994 earnings in excess of the 13% cap to be deferred to 1995. Therefore, we find that $1,495,000, the amount of United's 1994 excess earnings, shall be deferred to 1995.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the currently prescribed depreciation rates and amortization/recovery schedules for United Telephone Company of Florida/Central Telephone Company of Florida are revised as set forth in this order. It is further

ORDERED that the corrective reserve measures for United shown on Attachment B shall be made. It is further

ORDERED that the recovery schedules for United/Centel shown on Attachment C are approved. It is further

ORDERED that the lives, net salvages, reserves and resultant depreciation rates for United and Centel are shown on Attachment D are approved. It is further

ORDERED United/Centel's proposed January 1, 1995, date for implementation of the new depreciation rates and recovery schedules is approved. It is further

ORDERED that the current amortization of Investment Tax Credits and the flowback of excess deferred income taxes shall be revised to reflect the approved depreciation rates and recovery schedules. The company shall file detailed calculations of the revised ITC amortization and flowback of excess deferred taxes at the same time the utility files its December 1995 surveillance report. It is further

ORDERED that $1,495,000, the amount of United's 1994 excess earnings, detailed on Attachment A, shall be deferred to 1995. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, these Dockets should be closed.

By ORDER of the Florida Public Service Commission, this 6th day of October, 1995.

Blanca S. Bayó

BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 27, 1995.

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 these dockets 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 substantially 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 wastewater 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.

ATTACHMENT A
UNITED TELEPHONE COMPANY OF FLORIDA
YEAR ENDED DECEMBER 31, 1994
REVENUE SUBJECT TO COMMISSION DISPOSITION

Intrastate Rate Base (000) :		
Company Position - 12/31/94 ESR	$997,229	
Recommended Adjustment:		
One-Time Depreciation Adjustment	99	
Recommended Rate Base	$997,328	
Rate of Return at Cap	9.23%	
Required Net Operating Income (000)		$92,049
Achieved Net Operating Income (000) :		
Company Position - 12/31/94 ESR	$91,428	
Recommended Adjustment:		
Excluded Local Expenses	50	
"Bill From" Gross Receipts Tax	10	
One-Time Depreciation Adjustment	1,455	
Interest Reconciliation	1	
Total Recommended Adjustments	$1,516	
Adjusted Achieved Net Operating Income		$92,944
Adjusted Achieved ROE		13.17%
Excess Intrastate NOI (Adjusted Achieved NOI less Required NOI)		$895
Revenue Expansion Factor		1.63045
Excess 1994 Revenue (000)		$1,459
Interest for 1994		36
Recommended Intrastate Revenue Carried to 1995		$1,495

UNITED TELEPHONE COMPANY OF FLORIDA
1994 STUDY
APPROVED RESERVE ALLOCATIONS

ACCOUNT	1-1-95 INVESTMENT $(000)	1-1-95 BOOK RESERVE $(000)	REALLOCATION $(000)	1-1-95 RESTATED RESERVE $(000)
UNITED:				
Circuit-Tools	47,200	30,158	(9,035)	21,123
Hearing Impaired	61	(25)	49	24
Aerial Cable-Fiber	251	(64)	96	32
Submarine Cable-Met.	423	(60)	366	306
Ckt.-Analog/Pair Gain	1,131	103	905	1,008
Circuit-Private Line	8,174	9,721	(2,876)	6,845
Aer. Ca.-Met. (Historic Stranded Feeder)	2,416	1,281	1,135	2,416
U.G. Ca.-Met. (Interoffice)	2,103	1,860	453	2,313
U.G. Ca.-Met. (Historic Stranded Feeder)	35,359	21,922	7,783	29,705
Bur. Cable-Filled (Interoffice)	3,939	3,407	729	4,136
Bur. Cable-Non-filled (Historic Stranded Feeder)	6,198	5,803	395	6,198
TOTALS		74,106	0	74,106

UNITED TELEPHONE COMPANY OF FLORIDA
CENTRAL TELEPHONE COMPANY OF FLORIDA
1994 STUDY
APPROVED CAPITAL RECOVERY SCHEDULES

ACCOUNT	1-1-95 INVESTMENT $(000)	1-1-95 RESERVE $(000)	NET SALVAGE $(000)	NET TO BE RECOVERED $(000)	PERIOD OF RECOVERY (YRS.)
UNITED:					
Digital Switching (1210s)					
1996 Retirements	4,802	3,705	0	1,097	2 Yrs.
1997 Retirements	17,509	12,310	0	5,199	3 Yrs.
Total '96-'97 Sw. Rets.	22,311	16,015	0	6,296	
Operator Systems					
1996 Retirements	4,992	3,977	(100)	1,115	2 Yrs.
Radio					
1995 Retirements	836	754	(25)	107	1 Yr.
Aerial Cable-Metallic					
Stranded Feeder					
1995	59	31	(18)	46	1 Yr.
1996	97	52	(29)	74	2 Yrs.
1997	282	149	(85)	218	3 Yrs.
U.G. Cable-Metallic					
Stranded Feeder					
1995	865	537	(87)	415	1 Yr.
1996	1,425	883	(143)	685	2 Yrs.
1997	4,121	2,555	(412)	1,978	3 Yrs.
U.G. Cable-Metallic					
Historic Stranded Feeder	35,359	29,705	0	5,654	
Bur. Ca.-Met.-Filled					
Stranded Feeder					
1995	2,081	859	(104)	1,326	1 Yr.
1996	3,427	1,415	(171)	2,183	2 Yrs.
1997	9,915	4,093	(496)	6,318	3 Yrs.
Bur. Ca.-Met.-Filled					
Historic Stranded Feeder	85,063	35,114	0	49,949	
Bur. Ca.-Met.-Non-Filled					
Stranded Feeder					
1995	152	142	(8)	18	1 Yr.
1996	250	234	(13)	29	2 Yrs.
1997	722	676	(36)	82	3 Yrs.
Total '95-'97 Ca. Rets.	143,818	76,445	(1,602)	68,975	
TOTAL UNITED	171,957	97,191	(1,727)	128,880	
CENTEL:					
Operator Systems					
1995 Retirements	975	703	0	272	1 Yr.
1996 Retirements	667	143	0	524	2 Yrs.
Total Operator Systems	1,642	846	0	796	
TOTAL CENTEL	1,642	846	0	796	

UNITED TELEPHONE COMPANY OF FLORIDA
1994 STUDY

ACCOUNT	COMMISSION APPROVED RATES			
	AVERAGE AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	RESERVE (%)	REMAINING REMAINING LIFE RATE (%)
GENERAL SUPPORT ASSETS				
Passenger Cars	2.6	14.0	73.13	5.0
Light Trucks	3.7	13.0	51.94	9.5
Heavy Trucks	5.0	12.0	60.70	5.5
Special Support Vehicles	10.8	5.0	15.42	7.4
Buildings – Switching	23.0	(5.0)	28.86	3.3
Buildings – Plant & Office	17.2	(5.0)	37.89	3.9
Buildings – Other	8.5	(5.0)	42.90	7.3
Building Equipment	9.1	(5.0)	40.22	7.1
Self-Supporting Twrs (Remaining)	9.1	(15.0)	96.64 &	2.0
Self-Supporting Twrs (Issue 8)	9.1	(15.0)	96.64 &	2.0
Garage Equipment		7 Year Amortization		
Other Work Equip.		7 Year Amortization		
Furniture		10 Year Amortization		
Office Equip.		7 Year Amortization		
Company Communications		5 Year Amortization		
Gen. Purpose Computers		5 Year Amortization		
CENTRAL OFFICE ASSETS				
Digital 1210 (Remaining)	5.1	0.0	67.59 &	6.4
Digital 1210 (Issue 5)	5.1	0.0	67.59 &	6.4
Digital – Post 1994 Invest.	15.5	3.0	0	6.3 *
Digital – New	9.6	3.0	26.64 &	7.3
Digital – Embedded	9.6	3.0	26.64 &	7.3
Operator Systems – Post 1994 Inv.	10.0	0.0	0	10.0 *
Operator Systems (Embedded)	5.5	(2.0)	87.06	2.7
Radio – Other (Remaining)	5.1	(3.0)	66.93 &	7.1
Radio – Other (Issue 8)	5.1	(3.0)	66.93 &	7.1
Circuit – Analog/Pair Gain	1.2	0.0	88.00	10.0
Circuit – Private Line	3.0	(5.0)	83.88	7.0
Circuit – Subscriber	3.1	(5.0)	76.88	9.1
Circuit – Digital	4.7	5.0	60.32	7.4
Circuit – Tools/Test	4.6	0.0	44.75	12.0
Circuit – Fiber Termination	4.7	0.0	47.22	11.2
INFORMATION ORIG/TERM ASSETS				
Station Apparatus-E911(Embedded)	2.8	0.0	77.50	8.0
Public Telephone-Coin Operated	2.9	0.0	85.65	4.9
Public Telephone-Coinless	2.5	0.0	65.39	13.8
Public Telephone-Enclosures	5.5	0.0	38.59	11.2
Public Telephone-Protel	5.2	0.0	14.92	16.4
Subscriber Multiplexing (DAML)	10.0	0.0	0.00	10.0
Line Conditioning	2.6	0.0	85.43	5.6
Hearing Impaired	3.6	3.0	39.40	16.0
CABLE & WIRE FACILITIES				
Poles	10.4	(43.0)	55.23	8.4
Aerial Cable – Metallic	9.7	(31.0)	53.03	8.0
Aerial Cable – Fiber	15.1	(5.0)	12.80	6.1
Undgd. Cable – Metallic	7.1	(17.0)	62.01	7.7
Undgd. Cable – Fiber	15.2	(10.0)	24.44	5.6
Buried Cable – Filled Metallic	10.2	(6.0)	41.28	6.3
Buried Cable – Non-Filled Met.	4.7	(6.0)	93.63	2.6
Buried Cable – Fiber	16.7	(5.0)	20.38	5.1
Submarine Cable – Metallic	6.7	(5.0)	72.40	4.9
Submarine Cable – Fiber	15.7	(5.0)	26.93	5.0
Intrabuilding Cable – Metallic	10.8	(15.0)	40.52	6.9
Intrabuilding Cable – Fiber	18.4	(5.0)	10.63	5.1
Conduit	35.7	(5.0)	29.13	2.1

& Denotes restated reserve after corrective reserve measures.
* Denotes whole life rate.

CENTRAL TELEPHONE COMPANY OF FLORIDA
1994 STUDY

ACCOUNT	COMMISSION APPROVED RATES			
	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	BOOK RESERVE (%)	REMAINING LIFE RATE (%)
GENERAL SUPPORT ASSETS				
Passenger Cars	1.9	14.0	71.37	7.7
Light Trucks	4.0	13.0	40.19	11.7
Heavy Trucks	4.1	12.0	49.72	9.3
Buildings – Single/Multi Switching	27.0	(5.0)	31.48 **	2.7
Buildings – Office/Plant	17.3	(5.0)	32.07 **	4.2
Buildings – Other	9.9	(5.0)	19.23	8.7
Self–Supporting Twrs (Remaining)	9.9	(15.0)	86.91	2.8
Garage Equipment		7 Year Amortization		
Other Work Equip.		7 Year Amortization		
Furniture		10 Year Amortization		
Office Equip.		7 Year Amortization		
Company Communications		5 Year Amortization		
Gen. Purpose Computers		5 Year Amortization		
CENTRAL OFFICE ASSETS				
Digital – New	15.5	3.0	0.00	6.3 *
Digital Embedded	9.6	3.0	38.55 **	6.1
Radio – Analog (New)	12.0	0.0	0.00	8.3 *
Radio – Other	6.2	(3.0)	42.70	9.7
Circuit – Other	4.8	(5.0)	51.10	11.2
Circuit – Digital	5.6	5.0	39.40	9.9
Circuit – Fiber Termination	5.5	0.0	48.10	9.4
INFORMATION ORIG/TERM ASSETS				
Station Apparatus (E911)	3.4	0.0	23.80	22.4
Station Apparatus – (Voice Messaging)	3.7	0.0	25.86	20.0 *
Station Apparatus – (Other)	3.6	0.0	66.35	9.3
Public Telephone–Coin Operated	4.3	0.0	87.32	2.9
Public Telephone–Coinless	3.2	0.0	93.01	2.2
Subscriber Multiplexing (DAML)	10.0	0.0	0.00	10.0 *
Private Line	1.7	0.0	87.03	7.6
Hearing Impaired	4.3	3.0	23.79	17.0
CABLE & WIRE FACILITIES				
Poles	11.8	(60.0)	59.00	8.6
Aerial Cable – Metallic	9.3	(30.0)	54.58	8.1
Aerial Cable – Fiber	15.0	(5.0)	11.67	6.2
Undgd. Cable – Metallic	6.2	(10.0)	55.07	8.9
Undgd. Cable – Fiber	16.6	(10.0)	20.34	5.4
Buried Cable – Filled Metallic	9.8	(5.0)	41.56	6.5
Buried Cable – Non–Filled Metallic	3.4	(5.0)	99.66	1.6
Buried Cable – Fiber	17.1	(5.0)	19.06	5.0
Submarine Cable – Metallic	3.8	(5.0)	82.45	5.9
Submarine Cable – Fiber	14.4	(5.0)	29.88	5.2
Intrabuilding Cable – Metallic	8.4	(15.0)	43.38	8.5
Intrabuilding Cable – Fiber	20.0	(5.0)	3.75	5.3 *
Conduit	33.4	(5.0)	29.64	2.3

* Denotes whole life rate.
** Represents composited reserve.