

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 950887-TL
1995 Depreciation Study by) ORDER NO. PSC-96-0680-FOF-TL
ALLTEL Florida, Inc.) ISSUED: May 23, 1996
_____)

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 AND RECOVERY SCHEDULES

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.

Background

ALLTEL Florida, Inc.'s (ALLTEL's) current depreciation rates and recovery schedules have been effective since January 1, 1993. Since then, ALLTEL's planning and net plant balances have changed. These changes require revision of the currently approved depreciation rates and recovery schedules.

Reserve Allocations

ALLTEL has discovered that the reserve for each of its amortizable general support asset accounts is misstated. Although these accounts were established correctly in 1988, an error was made in determining the annual expenses. ALLTEL reviewed each of these accounts and has revised its data to correct the reserve levels. As a result, there is a reserve surplus of \$137,598. ALLTEL proposes to allocate this amount to reduce the reserve deficit in Metallic Buried Cable. We believe that its proposal is appropriate. The approved allocations are shown on Attachment A.

DOCUMENT NUMBER-DATE

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PSC-REC'D-BUS/REPORTING

Recovery Schedules

ALLTEL's last depreciation study allowed for the recovery of six digital switches expected to retire between 1993 and 1995. As of January 1996, ALLTEL had only retired the Alachua and Florahome switches. ALLTEL projects that it will retire the Dowling Park switch by year-end 1997. ALLTEL proposes extending the recovery period of the existing schedule through December 31, 1999. Although it does not have firm retirement dates for three of these switches, ALLTEL expects to retire them within five years.

Our practice is to allow recovery of investments scheduled to be retired within three years. In this instance, only the Dowling Park switch falls into this category. Accordingly, we find that only the net investments associated with the Dowling Park switch should be recovered.

A review of the existing recovery schedule indicates that expenses were not adjusted to reflect changes in activity. As a result, Dowling Park has an unrecovered investment of \$28,931 as of January 1, 1996. We approve a two-year recovery period, since that matches the projected remaining life of the switch. The recovery amount and monthly expenses for this recovery schedule are estimates based on current projections. Actual incurred net salvage may differ from that projected. If the remaining life or net salvage value change, the recovery schedule expenses should be revised to reflect the difference.

ALLTEL retired the Florahome switch at year-end 1995, leaving a shortfall of \$77,095 to accumulated reserve. This shortfall should be recovered during 1996.

Subsequent to filing its study, ALLTEL undertook to identify and inventory the equipment booked to Account No. 2311.2, Station Apparatus - Network Terminal Equipment. It found that all equipment associated with this investment had been retired. In order to correct its accounts, ALLTEL should record an inventory adjustment for 1996. This will result in a reserve shortfall of approximately \$4,000, which we believe should be recovered in 1996.

The approved recovery schedules are shown on Attachment B. These schedules allow for the recovery of unrecovered investments resulting from a digital switch retirement in 1995, a planned switch retirement in 1997, and an inventory adjustment.

Appropriate Lives, Net Salvages, Reserves,
and Depreciation Rates Per Account

In general, we agree with ALLTEL's depreciation study. One minor difference exists regarding analog circuit: ALLTEL rounded the reserve to one decimal place; we believe that the reserve should be rounded to two decimal places.

The major change to expense derives from alterations in ALLTEL's projections for the retirement of digital switching equipment. As discussed above, ALLTEL projected that it would retire six switches between 1993 and 1995. It has already retired two of the switches, and intends to retire a third in 1997. Retirement dates for the remaining three switches are uncertain; however, ALLTEL expects to retire them after 1997. We believe that these investments should be transferred to the digital switching account. The approved remaining lives reflect the inclusion of these investments.

Currently, analog circuit equipment is divided among two subaccounts. Digital circuit equipment is divided among four. ALLTEL proposes to combine these subaccounts into two single accounts: analog and digital.

ALLTEL's investment in analog circuit equipment is steadily declining. Beginning in 1990, the average annual retirements exceeded \$250,000. In contrast, additions for each of the last three years were less than \$50,000. Some analog equipment may remain in service well into the next century. However, the total investment in analog circuit equipment will continue to decline. As this equipment is phased out, the distinctions between the different types will diminish.

ALLTEL's investment in digital circuit equipment continues to grow. However, the newer digital switches have digital circuit functions incorporated into their operational capability. Accordingly, future growth in digital circuits may slow as new switches are installed. Due to these circumstances, we agree with ALLTEL's proposal to maintain analog and digital circuits in separate single accounts.

The approved lives, net salvages, reserves, and resulting depreciation rates are depicted on Attachment C.

Amortization of Investment Tax Credits (ITCs)
and Flowback of Excess Deferred Income taxes

Section 46(f)(6), Internal Revenue Code, states that the amortization of ITCs should be determined by the period of time used in computing depreciation expense for purposes of reflecting regulated operating results of the utility. Since we have approved changes in depreciation rates, it is also necessary to revise the amortization of ITCs.

In addition, Section 203(e) of the Tax Reform Act of 1986 (TRA) prohibits rapid write-back of protected (depreciation related) deferred taxes. Moreover, under Rule 25-14.013, Florida Administrative Code, Accounting for Deferred Income Taxes under SFAS 109, excess deferred income taxes associated with temporary differences may not be reversed any faster than allowed under Section 203(e) of the TRA, absent good cause shown.

Accordingly, the current amortization of ITCs and the flowback of excess deferred income taxes should be revised to reflect the approved depreciation rates and recovery schedules. The flowback of excess deferred taxes should also be revised to comply with Section 203(e) of the TRA and Rule 25-14.013, Florida Administrative Code. ALLTEL should file detailed calculations of the revised ITC amortization and flowback of excess deferred taxes at the time it files its December 1997 surveillance report.

It is, therefore,

ORDERED by the Florida Public Service Commission that ALLTEL Florida, Inc.'s 1995 depreciation study is approved, as modified in the body of this Order, effective January 1, 1996. It is further

ORDERED that the appropriate reserve allocations for the amortizable general support asset accounts are those depicted on Attachment A to this Order. It is further

ORDERED that the appropriate schedules for the recovery of unrecovered investments associated with digital switch retirements and an inventory adjustment are those depicted on Attachment B to this Order. It is further

ORDERED that the appropriate lives, net salvages, reserves, and resulting depreciation rates are those depicted on Attachment C to this Order. It is further

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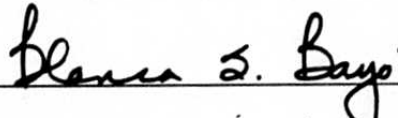
ORDERED that ALLTEL Florida, Inc. shall revise the current amortization of investment tax credits and the flowback of excess deferred income taxes to reflect the approved depreciation rates and recovery schedules. It is further

ORDERED that ALLTEL Florida, Inc. shall revise the flowback of excess deferred taxes to comply with Section 203(e) of the Tax Reform Act of 1986 and Rule 25-14.013, Florida Administrative Code. It is further

ORDERED that ALLTEL Florida, Inc. shall file detailed calculations of the revised investment tax credit amortization and flowback of excess deferred taxes at the time it files its December 1997 surveillance report. It is further

ORDERED that, unless a person whose interests are substantially affected by the action proposed herein files a petition in the form and by the date specified in the Notice of Further Proceedings or Judicial Review, this Order shall become final and this docket shall be closed on the following date.

By ORDER of the Florida Public Service Commission, this 23rd day of May, 1996.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

RJP

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 June 13, 1996.

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 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.

**ALLTEL FLORIDA, INC.
1996 DEPRECIATION STUDY
COMMISSION APPROVED
RESERVE ALLOCATIONS**

<u>ACCOUNT</u>	<u>12-31-95 RESERVE BALANCE</u> \$	<u>RESERVE ALLOCATION</u> \$	<u>1-1-96 ADJUSTED RESERVE</u> \$
2116.1 Other Work Equipment	594,423	(105,746)	488,677
2116.2 Buried Cable Tools and OWE	387,908	(4,030)	383,878
2122.1 Furniture and Fixtures	14,774	(7,049)	7,725
2123.1 Office Machines	22,761	(4,031)	18,730
2123.2 Co. Communication Eqpt.	85,984	(29,040)	56,944
2123.4 Co. Comm. Eqpt. - Centrex	31,012	(4,065)	26,947
2124.1 Computer and Data Eqpt.	68,365	21,993	90,358
2124.7 Personal Computers	47,351	(5,630)	41,721
2423.1 Buried Cable - Metallic	34,256,839	137,598	34,394,437
TOTAL OF ALLOCATIONS		0	

**ALTELL FLORIDA, INC.
 1996 DEPRECIATION STUDY
 COMMISSION APPROVED RECOVERY SCHEDULES**

<u>ACCOUNT</u>	<u>Retirement Year</u>	<u>1-1-96 Investment</u> \$	<u>1-1-96 Reserve</u> \$	<u>Net To Be Recovered</u> \$	<u>Period of Recovery</u>
2212.8 DIGITAL SWITCHING					
Florahome	1995	618,092	540,997	77,095	1996
Dowling Park	1997 est.	265,789	236,858	28,931	1996-1997
2311.2 STATION APPARATUS					
Reg. Telephone Sets	1995	142,148	138,238	3,910	1996

NOTES: The estimated additions and the estimated salvage are zero for the installations subject to these recovery schedules.

The monthly expense for each recovery schedule shall be calculated by dividing the net amount to be recovered by the months remaining for recovery. This will take care of any additions or interim retirements, as well as actual salvage experienced, and any shift in retirement dates. All activity relating to these schedules shall be recorded to these schedules and not to any other category or account.

ALTEL FLORIDA, INC.
 1996 STUDY
 DEPRECIATION COMPONENTS AND RATES

ACCOUNT	COMMISSION APPROVED			
	AVERAGE REMAINING LIFE (yrs)	NET SALVAGE (%)	REMAINING LIFE RATE (%)	
GENERAL SUPPORT ASSETS				
VEHICLES				
2112.1	Passenger	3.0	8	13.2
2112.2	Light Trucks	2.7	10	16.0
2112.3	Heavy Trucks	5.9	10	9.3
BUILDINGS				
2121.4	COE	14.2	2	4.0
2121.5	Remote/Concentrators	8.8	2	5.8
2121.6	Office	17.0	8	3.2
2121.9	Warehouse	11.0	0	3.6
CENTRAL OFFICE ASSETS				
2212.1	Digital Switch	---	---	
2212.8	Digital Switch - from Rec. Sc.	---	---	
2212	Digital Switch - Total Deprble.	6.0	0	11.1
2232.3	Cct. - Analog Line Trmt.	---	---	
2232.4	Cct. - Analog Prvt.	---	---	
2232.3&4	Cct. - Analog - Total	4.1	(5)	6.3
2232.5	Cct. - Dig. Trunk Carrier	---	---	
2232.6	Cct. - Dig. Subscriber Carrier	---	---	
2232.8	Cct. - Dig. Pair Gain	---	---	
2232.9	Cct. - Dig. Pri. Line Sp. Svc.	---	---	
2232.5-9	Cct. - Digital - Total	5.2	5	8.8
2232.7	Fiber Optics	6.2	0	8.5
INFORMATION ORIG/TERM ASSETS				
2351.0	Pub. Tel. Term. Eqpt.	5.6	0	8.5
2362.1	Devices For The Deaf	3.6	0	6.9
CABLE & WIRE ASSETS				
2411.1	Pole Lines	12.9	(32)	7.9
Aerial Cable				
2421.1	Metallic	10.3	(30)	6.1
2421.2	Fiber	14.6	(30)	6.6
Underground Cable				
2422.1	Metallic	9.0	(20)	6.0
2422.2	Fiber	16.1	(20)	5.9
Buried Cable				
2423.5	Metallic-Nonfilled	5.0	(7)	3.3
2423.1	Metallic-Filled	10.9	(7)	5.9
2423.2	Fiber	15.1	(7)	5.2
2431.1	Aerial Wire	5.6	(41)	9.6
2441.1	Underground Conduit	40	(5)	2.1

**ALLTEL FLORIDA, INC.
 1996 STUDY
 DEPRECIATION COMPONENTS AND RATES**

ACCOUNT

AMORTIZABLE ASSETS

AMORTIZABLE ACCOUNTS

2116.1 Tools & Other Work Equip.
 2116.2 Tools & Work Equip. - Bur. Cbl.
 2122.1 Furniture
 2123.1 OE - Office Machines
 2123.2 OE - Company Comm. Eq.
 2123.4 OE - Official Use Centrex Sys.
 2124.1 Computer & Data Equipment
 2124.7 GPC - Personal Computers

RECOVERY SCHEDULE

2212.8 Dig Sw. - Florahome
 2212.8 Dig Sw. - Dowling Park
 2311.2 Sta. App. Reg. Tel. Sets

COMMISSION APPROVED		
AVERAGE REMAINING LIFE (yrs)	NET SALVAGE (%)	REMAINING LIFE RATE (%)
		7 YR. AMORTIZATION
		7 YR. AMORTIZATION
		10 YR. AMORTIZATION
		7 YR. AMORTIZATION
		5 YR. AMORTIZATION
		5 YR. AMORTIZATION
		5 YR. AMORTIZATION
		5 YR. AMORTIZATION
		1 YR. AMORTIZATION
		2 YR. AMORTIZATION
		1 YR. AMORTIZATION