

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: 1996 depreciation study) DOCKET NO. 960797-TL
of Indiantown Telephone System,) ORDER NO. PSC-96-1436-FOF-TL
Inc.) ISSUED: November 26, 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 APPROVING 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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

The last comprehensive depreciation study for Indiantown was submitted December 21, 1992, and its current depreciation rates and amortization schedules were approved effective January 1, 1993. Before it was revised, Rule 25-4.0175, Florida Administrative Code, required telephone companies to file a comprehensive depreciation study at least once every three years.

Rule 25-4.0175, Florida Administrative Code, now allows telephone companies to change their depreciation rates once a year. The rule also provides ranges of life and salvage factors for telephone plant accounts. The ranges are considered presumptively valid, and movement within them requires no justification. However, justification is required to move into or out of a established range.

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On July 1, 1996, the Company filed a request to change its remaining life rates in keeping with this rule. A review of Indiantown Telephone Company's plans and activity indicates that there is a need for revision of current rates.

DECISION

We have reviewed Indiantown's request to change its remaining life rates in accordance with Rule 25-4.0175, Florida Administrative Code. The filing reveals that the current and proposed life or salvage factors of some of the company's accounts are not within our established ranges. For those accounts, the company has provided additional support to justify its request. A brief discussion regarding these accounts is provided below.

Account 2116.1 - Construction Equipment

The company is currently outside of our established range of life values which is 8-11 years for this account. In support of its proposal to remain outside of the range, the company states that half of the investment in this account is 15 years old and the remaining half is 2 years old. We believe that the company's proposed life of 13.5 years is in line with the experience of this account.

Accounts 2121.0; 2121.1; 2121.2; 2121.3 - Buildings

The company's proposed average service life of 34 years is a composite of the currently prescribed life of each subaccount, and it is within the established range. However, the current composite net salvage of the subaccounts is 6.9%, which is outside the established range of zero to 5%. In its proposal to move within the range, the company states that a salvage factor of 5% is more typical of industry experience. We believe the company's proposed life and salvage factors are reasonable.

Account 2232.1 - Circuit Analog

The investment in this account is fully recovered. Therefore, no future depreciation rate or accrual is needed.

Account 2362.2 - Terminating Equipment

The company's currently prescribed average service life is 10.8 years, which is outside of the established range of 8-10 years. The company is proposing a life of 9.9 years, which is within the established range, stating the shift reflects its increasing concern over existing equipment in a highly technology driven account. The proposal appears reasonable.

Account 2411.0 - Poles

The currently prescribed net salvage is negative 30%. Although the factor is outside the established range of negative 60%-40%, it is in line with the company's experience with the account. As such, we accept the company's proposal to retain the negative 30% net salvage.

Account 2421.4 - Aerial Cable-Fiber

There is currently no investment in this account. However, the current salvage factor is outside of the established range. The company is proposing to move within the range by changing its net salvage from negative 15% to negative 25%. This appears to be in line with other companies, and it recognizes the labor intensiveness of the removal.

Account 2423.2 - Buried Cable-Metallic Filled

The company's currently prescribed service life of 16.3 years is below the established range of 17-19 years. The company proposes to move within the range with an average service life of 17 years. While the future retirement of metallic cables may be inexact, current industry projections reflect a general phase-out of interoffice facilities by 2000; feeder cable between 2004 and 2015; distribution facilities a few years later. The company's proposal is in line with these general projections.

In the company's last depreciation review, we approved a 2 year recovery schedule for the remaining net investment of \$62,214 in the Air Core Metallic Buried Cable Account (Investment - \$277,673; Reserve - \$215,460). However, the current study reflects an investment balance of \$244,679, and a reserve balance of \$244,679 for this account. Although there is no impact on the amount of annual depreciation expense, the company's records should reflect a zero balance for this account. The company agreed. As

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a result, the balance in the Air Core Metallic Buried Cable account has been retired.

Rule 25-4.0175, Florida Administrative Code, states that a utility requesting an implementation date at the beginning of its fiscal year must submit its request prior to the mid-point of that fiscal year. The company's request was submitted July 1, 1996, with a proposed implementation date of January 1, 1996. Since Indiantown's fiscal year is the calendar year, its proposed implementation date is in accordance with the rule.

The schedule reflecting the company's proposed life and salvage parameters is based on a December 31, 1995 date. In addition, the proposed implementation date is in keeping with Rule 25-4.0175, Florida Administrative Code. As a result, we accept the company's proposed implementation date of January 1, 1996.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Indiantown Telephone System, Inc.'s revised depreciation rates, as set forth in Attachment A, are approved. It is further

ORDERED that the implementation date for the new rates shall be January 1, 1996. 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, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 26th
day of November, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

NSR/MCB

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 December 17, 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.

ATTACHMENT A

INDIANTOWN TELEPHONE COMPANY
 1996 STUDY
 COMMISSION APPROVED RATES

ACCOUNT	COMMISSION APPROVED			
	AVERAGE REMAINING LIFE (yrs.)	NET SALVAGE (%)	BOOK RESERVE (%)	ARL RATE (%)
GENERAL SUPPORT ASSETS				
2112 Motor Vehicles - Pass. Cars /Lt.Trucks	3.3	15.0	49.71	10.7
2116 Spec. Purp. Veh. / Construction Equipment	6.9	10.0	40.66	7.2
2121 Buildings	22.0	5.0	32.56	2.8
2116 Other Work Equipment				
2122 Furniture		7 Yr. Amortization		
2123 Office Support Equipment		10 Yr. Amortization		
2123 Official Telephone System		7 Yr. Amortization		
2124 General Purpose Computer		5 Yr. Amortization		
		5 Yr. Amortization		
CENTRAL OFFICE ASSETS				
2212 Digital Switch	7.3	0.0	43.82	7.7
2232 Circuit - Analog	-	-	-	N/A
2232 Circuit - Digital	6.2	0.0	50.03	8.1
2232 Circuit - Fiber Optics	8.5	0.0	14.94	10.0
2233 COE - Stuart West	-	-	-	N/A
2233 COE - Stuart West - Additions	10.5	0.0	13.96	8.2
INFORMATION ORIG/TERM ASSETS				
2351 Pay Stations	6.0	0.0	36.13	10.6
2362 Terminating Equipment	3.6	0.0	64.54	9.9
CABLE & WIRE FACILITIES				
2411 Poles	9.8	(30.0)	88.56	4.2
2421 Aerial Cable - Fiber	20.0	(25.0)	0.00	6.3
2422 Underground Cable - Metallic	12.6	(5.0)	32.16	5.8
2422 Underground Cable - Fiber	18.5	(5.0)	7.79	5.3
2423 Buried Cable - Metallic - Filled	10.6	(5.0)	44.43	5.7
2423 Buried Cable - Fiber	18.5	(5.0)	12.45	5.0
2441 Underground Conduit	42.0	(5.0)	15.28	2.1