

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of QUINCY	)	DOCKET NO. 890225-TL
TELEPHONE COMPANY for noncompliance	)	
with Rule 24-4.017 F.A.C., regarding	)	ORDER NO. 22585
triennial depreciation study	)	
<hr/>		ISSUED: 2-21-90

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 ACTION  
AND  
ORDER APPROVING NEW DEPRECIATION RATES, RECOVERY  
SCHEDULES AND ADJUSTMENT OF DEPRECIATION RESERVE

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission of its intent to approve the request of Quincy Telephone Company (Quincy) for new depreciation rates, recovery schedules and adjustment of depreciation reserves pursuant to Sections 350.127 and 364.03, Florida Statutes (1989), and Rule 25-4.175, Florida Administrative Code. This action is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029.

Rule 25-4.0175, Florida Administrative Code, as amended in April of 1988 (the Rule), requires telephone companies to submit depreciation rescription studies within three years from the submission date of the last study. For Quincy, such a study should have been filed by June 7, 1988. According to the Annual Status Report of depreciation-related data submitted June 17, 1988, this study was being prepared in June and was to be submitted upon completion. By letter dated July 29, 1988, Quincy acknowledged its oversight of the Rule and stated its intent to file this study as quickly as possible but committed to no specific date.

Between July and December of 1988, various communications took place between company representatives and our Staff

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regarding the delinquent study. The company submitted a letter on December 5, 1988, requesting an additional 60 days in which to complete the study, but the company failed to file it within that time period.

On February 8, 1989, Staff sent a letter to Quincy informing it that an investigative docket had been opened regarding its noncompliance with the Rule. Staff gave Quincy 30 days in which to file its study, indicating that, if the study was not filed within that period, Staff would recommend that we issue a show cause order. The company filed its study (the Study) on February 24, 1989, requesting represcription of its depreciation rates. The Study represents a comprehensive review of all classes of equipment.

Accompanying the Study is a request for waiver (the Request) of the Rule's requirement that the study be filed within three years of the submission date of the last study. The Request maintains that, since Quincy is not asking that represcribed depreciation rates or amortization schedules be implemented retroactive to 1988, no party would be adversely affected by our granting the Request. Our action below should not be construed as a finding that the tardiness of a depreciation represcription study has no adverse effect on any party. The Rule is quite clear in not starting the three-year filing cycle for studies on the date when current rates were implemented, but rather, on the date when the last study was filed. Accordingly, we find that the Study was some seven months delinquent.

We have exercised patience regarding Quincy's submission of the Study because of the rule change regarding filing deadlines; however, the company is now well aware of the recent amendment of the Rule and we expect no repeat of this filing tardiness in the future. If any company is unable to meet a future submission date, we direct it to contact our Staff before the deadline and to provide adequate justification showing why compliance with the filing deadline is unduly burdensome. We are inclined to grant a one-time waiver in this case, but we believe Quincy should file its next triennial depreciation study no later than June 7, 1991. This will place the company's next depreciation study back on the proper filing cycle.

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We approve a transfer in Quincy's depreciation reserve of \$15,858, which is the surplus associated with the Inside Wire Account, in order to correct the negative reserve of \$13,083 existing in the Aerial Wire Account. The total Aerial Wire Account reserve imbalance, now amounting to \$34,960, will be reduced by this transfer to \$19,102, and this balance will be written-off during 1989 as part of the accumulated reserve adjustments.

By the end of 1989, Quincy's depreciation reserve had been increased by an intrastate amount of \$459,560. This accumulated amount is composed of the 1987-1989 Bill and Keep surplus, the refund plus interest related to interest synchronization of investment tax credits approved in Order No. 16257 and the 1987 tax savings amount approved in Order No. 18044. We authorize the company to offset the accumulated adjustment of \$459,560 against the 1989 intrastate depreciation expense of \$758,237 associated with the recovery schedules approved below.

We will adopt the recovery schedules shown on Attachment 1 to this Order, with the intrastate expenses associated with these schedules being offset by the reserve adjustments approved above. Three of these schedules relate to central office and building equipments planned for retirement in 1989. Customer Premise Equipment and Large PBX Equipment are now on five-year schedules with currently two years remaining until full recovery is achieved. The reserve adjustments discussed above permit achieving recovery in 1989 without increasing the bottom-line depreciation expense. The remaining schedules relate to correcting reserve deficiencies associated with inadequate past recovery; therefore, in our opinion, the associated write-off should be as fast as practicable.

As a result of our comprehensive review of the Study, we will prescribe the depreciation rates and components listed on Attachment 1. In most instances, the prescribed rates mirror those proposed by Quincy; however, there are 5 major differences between the Study's proposals and our Staff's recommendations, and these relate to updating the average age to reflect 1988 activity and to rounding methodology. Areas of substantial differences are discussed below.

The company proposed a 9.9-year remaining life for the E-10 Digital Switch. We will accept our Staff's recommendation of a 9.0-year remaining life for this equipment which is

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consistent with Quincy's plans and recognizes interim retirements. We consider the two current DCO remote switches as well as the DCO switch being placed into service in 1989 to be flexible and upgradable switches. Our Staff disagrees with Quincy's estimate of life spans of these three switches. We adopt a remaining life which incorporates a 20-year life span with a 1% interim retirement rate.

For the remaining trunk and subscriber Circuit Equipment, Staff could find no support for Quincy's proposal to decrease the service lives underlying the currently-prescribed remaining lives. Therefore, we will adopt a remaining life for this equipment based on these service lives.

A physical inventory of the Poles Account was completed on April 26, 1989, and the company concluded that the investment in poles being retired from service was being understated. Quincy recalculated the amounts that should have been recorded in each of the years 1983-1988 using the inventory results, and found that total retirements had been understated by \$78,539. The Study does not reflect this adjustment, and we approve our Staff's recommendation that this adjustment be incorporated into the remaining life to be represcribed for this account.

Quincy has no current plans for placing fiber cable. Staff recommends that the company's proposal for the Metallic Cable Account should be modified, based on industry forecasts of substitution of fiber for copper conductors. We approve this recommendation.

During the course of our review of the Study, Quincy completed a field inventory of the Aerial Wire in service at this time. While the company proposes that the remaining net investment be placed on a three-year recovery schedule, it does not have a planned retirement program to replace this remaining wire with cable. Staff recommends that remaining life be based on an estimate of the average age of the remaining investment and a service life that is in line with industry average service lives for this type of plant. We adopt Staff's recommendation and direct that an inventory adjustment of \$302,091 be made.

Quincy requested a January 1, 1989 implementation date for its newly-prescribed depreciation rates. All data and calculations submitted in the Study support this date. We



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believe this to be an appropriate effective date and will approve the requested implementation date.

During our review of the Study, we learned that Quincy had not yet implemented the amortization process or the \$500 expense limit required by Rule 25-4.0178, Florida Administrative Code, relating to Retirement Units. These actions should have been implemented January 1, 1988. With respect to the amortization of certain General Support Assets and the implementation of a \$500 expense limit, the company is not in compliance with this rule. It should begin amortization of the affected accounts and subaccounts and implement the expense limit according to this rule as of January 1, 1989. Amortization will also be used for additions to these accounts in the future as long as their individual item cost is more than \$500.

Now, therefore, in consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that Quincy Telephone Company's request for a one-time waiver of Rule 25-4.0175(7), Florida Administrative Code, requiring the company to submit its triennial depreciation study by June 7, 1988, is hereby granted. It is further

ORDERED that the next triennial depreciation study required by Rule 25-4.0175(7), Florida Administrative Code, to be filed by Quincy Telephone Company shall be submitted no later than June 7, 1991. It is further

ORDERED that the depreciation reserve accounts of Quincy Telephone Company, its depreciation rates and components, and its amortization schedules are hereby adjusted and represeted as set forth in the body of this Order and as more particularly identified in the attachment appended to this Order. It is further

ORDERED that Quincy Telephone Company shall comply with Rule 25-4.0178, Florida Administrative Code, in the manner set forth in the body of this Order. It is further

ORDERED that this docket shall be closed at the expiration of the period established below if a proper protest has not been received.

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By ORDER of the Florida Public Service Commission,  
this 21st day of FEBRUARY, 1990.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

DLC

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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 14, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided

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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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ATTACHMENT 1

QUINCY TELEPHONE COMPANY  
 1989 STUDY  
 Depreciation Rates and Components

COMMISSION APPROVED

ACCOUNT	(1-1-89)	(1-1-89)	AVERAGE			REMAINING	
	INVESTMENT	BOOK RESERVE	REMAINING	NET	BOOK	LIFE	
	(\$)	(\$)	LIFE	SALVAGE	RESERVE	RATE	
	(yr)	(%)	(%)	(%)	(%)		
2112	<b>VEHICLES</b>						
	Passenger	39,361	9,499	3.8	30	24.13	12.1
	Light Trucks	145,623	43,839	3.4	20	30.10	14.7
	Heavy Trucks & Special	177,530	91,139	3.6	15	51.34	9.4
2121	<b>BUILDINGS</b>						
	Central Office	548,123	235,841	23.0	0	43.03	2.5
	Plant	196,383	61,635	22.0	0	31.39	3.1
2212	<b>DIGITAL SWITCHING</b>						
	Stromberg DCO REMOTES	517,000	3,595	16.8	5	0.70	5.6
	Alcatel E-10	1,502,342	381,031	9.0	5	25.36	7.7
	New Stromberg DCO	0	0	17.6	5	---	5.4
2231	<b>MOBILE RADIO (EMBEDDED)</b>						
	MOBILE RADIO (NEW)	40,211	32,786	3.6	0	81.53	5.1
		0	0	12.0	0	---	8.3
2232	<b>CIRCUIT EQUIPMENT</b>						
	Subscriber	376,456	226,344	4.9	0	60.12	8.1
	Trunk	640,091	433,656	7.6	0	67.75	4.2
	Optic Electronics	0	0	10.0	0	---	10.0
2351	<b>PAY STATIONS</b>						
		91,650	72,322	3.7	0	78.91	5.7
2411	<b>POLES</b>						
		321,235	82,590	14.3	(50)	25.71	8.7
	<b>CABLE</b>						
	Fiber	0	0	20.0	0	---	5.0
2421	Aerial	1,841,499	533,378	16.1	(20)	28.96	5.7
2422	Underground	274,585	106,325	16.9	0	38.72	3.6
2423	<b>Buried</b>						
	Air-core	451,351	404,230 **	2.8	(10)	89.56 **	7.3
	Jelly-Filled	6,647,100	1,579,351 **	19.6	(10)	23.76 **	4.4
2424	Submarine (New)	9,981	200	25.0	0	0.00	4.0
2431	<b>AERIAL WIRE</b>						
		52,087	21,877 **	5.8	0	42.00 **	10.0
2441	<b>CONDUIT</b>						
		145,754	74,732	26.0	0	51.27	1.9
	<b>TOTAL</b>	14,018,362	4,394,370				

\* Denotes whole life rate.

\*\* Denotes restated reserve.



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## ATTACHMENT 1

QUINCY TELEPHONE COMPANY  
1989 STUDY  
Depreciation Rates and Components

## COMMISSION APPROVED

ACCOUNT	(1-1-89)	(1-1-89)	AVERAGE			REMAINING
	INVESTMENT	BOOK RESERVE	REMAINING LIFE	NET SALVAGE	BOOK RESERVE	LIFE RATE
	(\$)	(\$)	(yrs)	(%)	(%)	(%)
<b>AMORTIZATION SCHEDULES:</b>						
2116	OTHER WORK EQUIPMENT	263,333	150,606	7	YEAR	AMORTIZATION
2122	FURNITURE	53,512	28,645	10	YEAR	AMORTIZATION
2123.1	OFFICE SUPPORT EQPT	37,170	16,382	7	YEAR	AMORTIZATION
2123.2	OFFICIAL TELEPHONES	36,236	6,469	5	YEAR	AMORTIZATION
2124	COMPUTERS	<u>210,714</u>	<u>92,311</u>	5	YEAR	AMORTIZATION
	<b>TOTAL AMORT. SCHEDULES</b>	600,965	294,413			
<b>RECOVERY SCHEDULES:</b>						
2121	BUILDINGS - CO RET - 89	106,885	45,993	1	YEAR	AMORTIZATION
2215	ELECTROMECH SW.					
	Florida	0	(20,548)	1	YEAR	AMORTIZATION
	Georgia	306,791	227,843	1	YEAR	AMORTIZATION
2220	OPERATOR SYSTEM	0	(1,933)	1	YEAR	AMORTIZATION
	TRUNK CIRCUIT-1989 RET.	20,250	5,812	1	YEAR	AMORTIZATION
	DIGITAL SWITCHING-1989 RET.	790,509	500,998	1	YEAR	AMORTIZATION
2311	CUST. PREM. EQ.	652,094	484,703	1	YEAR	AMORTIZATION
2341	LARGE PBX	136,767	110,962	1	YEAR	AMORTIZATION
2423	BURIED CABLE RESERVE DEFICIT					
	Air-Core	0	(179,266)	1	YEAR	AMORTIZATION
	Jelly-Filled	0	(257,434)	1	YEAR	AMORTIZATION
2431	AERIAL WIRE RESERVE DEFIC.	0	<u>(19,102)</u>	1	YEAR	AMORTIZATION
	<b>TOTAL RECOV. SCHEDULES</b>	2,013,296	1,353,830			
	<b>TOTAL DEPRECIABLE PLANT</b>	<u>16,632,623</u>	<u>6,042,613</u>			