

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: ST. JOSEPH TELEPHONE AND TELE-)	DOCKET NO. 891370-TL
GRAPH COMPANY - 1990 Depreciation Study)	ORDER NO. 23984
)	ISSUED: 1-14-91

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 ACTION
ORDER 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.

Rule 25-4.0175(7), Florida Administrative Code, requires telephone companies to periodically file a comprehensive depreciation study at least once every three years. In compliance with this Rule, St. Joseph Telephone and Telegraph Company (St. Joseph or the Company) originally filed its Depreciation Study (the Study) in December, 1989. We last prescribed comprehensive depreciation rates and recovery schedules for the Company effective January 1, 1987. Since the last study, the impact of both technological developments and changes in the network require adjustments to the capital recovery patterns.

Ideally, recovery patterns and their expenses should be adjusted immediately upon perceiving the need for change. The supportive data and calculations underlying the proposed new rates are based on a January 1, 1990, implementation date. Implementation as of January 1, 1990, will permit the recognition of more appropriate expenses for the fiscal year. Therefore, we find it appropriate to approve January 1, 1990, as the implementation date for these new rates and recovery schedules.

Our decisions herein are the result of our comprehensive review of the Company's depreciation study. We will adopt the depreciation rates and amortization and recovery schedules as shown

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FPSC-RECORDS/REPORTING

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on the Attachments hereto. Attachment A shows the approved reserve transfers; Attachment B shows the approved rate parameters (lives, salvages, and reserves); Attachment C shows the approved recovery schedules.

I. Reserve Adjustment

Attachment A shows our approved corrective reserve transfers.

Analysis of the Study disclosed that transfers of investments between various accounts had been made during 1989 without any proportionate transfers of associated reserves. The corrective action has been taken with the reserve amounts transferred. In addition, the reserve for the Subscriber Carrier account is more than fully accrued. We therefore find it appropriate to transfer the over-accrued amount to the Buried Cable-Filled Account where a reserve deficiency has been calculated. Further, the existing surplus in the Non-Filled Buried Cable Account can be used to this extent.

The remaining investments associated with the recovery schedules approved as part of the last study relate to equipment that will continue in service. Those investments and reserves shall be transferred into the proper related accounts. The remaining surpluses associated with these schedules have been reallocated to offset reserve deficiencies associated with plant that either has retired or is planned for retirement in the near-term. The effect of these actions is reflected in Attachment A.

II. Recovery Schedules

The approved recovery schedules reflect the most current Company plans regarding the near-term retirement of switching, radio and associated equipment. Because of the rapid growth on St. George Island, the digital switch was replaced during 1990 with a larger digital office. A recovery schedule is hereby approved to recover the remaining net amount during 1990. In addition, the Bristol and Altha electromechanical offices are planned for retirement in 1991; the Hosford office is scheduled for retirement in 1992. Accordingly, recovery schedules for these investments are reflected in Attachment C; as is the schedule for the microwave radio links and associated carrier planned for retirement by year-

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end 1992. Our approved schedules are designed to recover the net investments over the remaining period the equipment will be serving the public. Therefore, we find it appropriate that the 1990 planned retirements be recovered during 1990, 1991 retirements be recovered during 1990 and 1991, and 1992 retirements be recovered during 1990, 1991, and 1992. This more closely matches recovery with consumption. The monthly expense of the schedules shall be calculated by dividing the net amount remaining to be recovered by the months remaining for recovery. This method of calculation addresses additions and interim retirements, as well as actual salvage experienced, and any shifts in retirement dates. All activity relating to this schedule shall be booked to this schedule, and not to another depreciation category or account.

III. Amortizations

In accord with Rule 25-4.0178, the Retirement Unit Rule for Telephone Companies, certain general support asset account investments shall be amortized. This rule was to be implemented beginning January 1, 1988. However, the Company inadvertently continued using depreciation rates for 1988 and 1989, rather than the amortization approach. The amortization approach was implemented in 1990 and the correct amortization periods are being used.

IV. Depreciation Rates

Differences between the Company's requests and the life and salvage depreciation parameters we are approving occur in the following accounts: Digital Switching, Subscriber Carrier, Analog Switching, and the metallic cable accounts.

A. Digital Switching

The Company's digital switchers are flexible and are, at this point in time, considered to be upgradable to future generation switchers by changeouts of components. Based on input from the industry regarding the possible retirements associated with the upgrading of these switchers to essentially "next generation," we approve an interim retirement pattern to simulate the period of major changeout of components. The trigger for these switchers, as we see it, is their nature and adaptability to the next generation

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switch. The Company shall monitor this account to determine if the next generation switch will require even more major software and hardware changeouts. In such a case, it may be appropriate to retire existing switches rather than to update.

B. Subscriber Carrier Account

For this account, we find that accruals shall cease because the embedded investments are fully depreciated. Further, a whole life depreciation rate shall be utilized for any new additions.

C. Analog Switching

In the original Study, the Company planned for all remaining analog carrier equipment to retire within the next three years. However, current plans call for a portion of this carrier to remain in service to work with the remaining microwave radio. The life and salvage we hereby approve reflect the Company's current plans.

D. Metallic Cable

The Company is currently placing fiber cable in interoffice facilities. In fact, fiber will be the replacement facility for the microwave radio interoffice links retiring within the next three years. Generally, we expect the phasing out of interoffice and feeder metallic facilities by about 2013 with distribution phasing out a few years later. Our projections are in general accord with the concept of fiber to the home in the second decade of the 21st century.

In addition, the Company proposals distinguished between filled and non-filled aerial and underground metallic cables and drop and block aerial and buried cables. Non-filled type cable is generally not recognized as a maintenance problem in aerial and underground facilities. Therefore, we find, contrary to the Company's position, that separate rates are neither necessary nor appropriate. Also, drop and block cables are no longer considered to be retirement units, and therefore, do not require separate depreciation rates. Further, we suggest the Company transfer the drop and block buried investments and reserves to the appropriate filled or non-filled account.

This proposed agency action order will become final if no protest is received during the period set out in the Notice of

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Further Proceedings or Judicial Review below. Since no further action is necessary, this docket shall be closed if no objections are filed during the protest period.

Based on the foregoing, it is

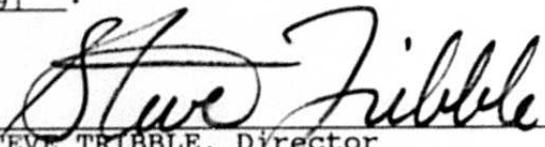
ORDERED by the Florida Public Service Commission that the depreciation rates, amortization and recovery schedules set out in Attachments B and C are hereby approved for ST. JOSEPH TELEPHONE AND TELEGRAPH COMPANY. It is further

ORDERED that the implementation date for such rates shall be January 1, 1990. It is further

ORDERED that the reserve transfers set out in Attachment A are hereby approved. It is further

ORDERED that our action herein shall become final and this docket shall be closed if there are no protests filed within the period set out in the Notice of Further Proceedings and Judicial Review set out below.

By ORDER of the Florida Public Service Commission, this 14th
day of JANUARY, 1991.


STEVE TRIBBLE, 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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 4, 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

ST. JOSEPH TELEPHONE & TELEGRAPH COMPANY
 1990 DEPRECIATION STUDY
 RESERVE TRANSFERS

		<u>BOOK</u> <u>RESERVE</u> \$	<u>COMMISSION APPROVED</u> <u>TRANSFERS</u> \$	<u>RESTATED</u> <u>RESERVE</u> \$
21123 Trailers		16,394	2	16,396
21124 Heavy Equip.		129,179	(79,382)	49,797
21160 O.W.E.		158,520	79,363	237,883
22120 Digital Toll		371,431	6,868	378,299
22122 Digital Exch.	2,213,572		115,726	2,329,298
22150 Electromech.		392,154	(103,756)	288,398
22202 Oper. Systems		94,211	7,756	101,967
22310 Microwave Rad.		377,571	(2,755)	374,816
22320 Subscrib. Circ.		754,287	(136,193)	618,094
22321 Circuit-Pvt. Line		323,535	(525)	323,010
22322 Circuit-Fiber		348,219	478	348,697
22324 Circuit-Dig.		751,207	147,645	898,852
24231 Bur. Ca.-N.F.	3,085,273		(360,105)	2,725,168
24232 Buried Ca.-Filled	2,482,163		495,981	2,978,144

1987-1989 Recovery Schedule Status

22124 Toll Swt. to Ret.	53,917	(53,917)	0
22151 Electromech. Ret.	90,913	(90,913)	0
22325 Retiring Carrier	206,843	(206,843)	0

1990-1992 Recovery Schedule Status

22110 Analog Switch.	(938)	938	0
22122 Digital Exch.(90)	124,186	115,681	239,867
22324 Circuit-Dig.(92)	121,397	63,951	185,348

ATTACHMENT B

ST. JOSEPH TELEPHONE & TELEGRAPH COMPANY
1990 STUDY
COMMISSION APPROVED

	ACCOUNT	A.R.L. (yrs)	NET SALV. (%)	RES. ## (%)	R.L. RATE (%)
2112	VEHICLES				
	Passenger cars	3.6	14.0	63.36	6.3
	Light Trucks	3.2	10.0	67.36	7.1
	Heavy Trucks	7.0	20.0	41.31	5.5
	Trailers	7.2	10.0	60.72	4.1
2121	BUILDINGS				
	Switching & Office	23.0	6.0	32.68	2.7
	Plant	21.0	0.0	51.27	2.3
	Other	19.5	(2.0)	34.72	3.5
2212	DIGITAL SWITCHING				
	Toll Switch	13.0	0.0	14.56	6.6
	Exchange Switch	13.0	5.0	33.34	4.7
2215	ELECTROMECH. SW.	3.5	0.0	68.85	8.9
2220	OPERATOR SYSTEMS	5.0	0.0	60.02	8.0
2231	RADIO EQUIPMENT				
	Microwave	6.0	(3.0)	72.03	5.2
	Paging Equipment	4.2	5.0	74.36	4.9
	IMTS	2.0	0.4	99.49	0.0
	IMTS Additions	8.0	2.0		12.3 *
	Marine Mobile	3.0	6.23	93.77	0.0
	Marine Mob. Adds.	12.0	5.0		7.9 *
2232	CIRCUIT EQUIPMENT				
	Subscriber (New Adds.)	7.0	10.0		12.9 *
	Private Line	4.4	25.0	45.50	6.7
	Analog	6.0	0.0	75.37	4.1
	Digital	5.6	15.0	48.94	6.4
	Fiber Optics	6.9	0.0	51.79	7.0
2351	PUBLIC TELE. EQPT.	4.2	2.0	76.47	5.1
2361	HEARING IMP. EQ.	8.0	0.0	10.76	12.5 *
2411	POLES	11.5	(30.0)	56.98	6.3
2421	AERIAL CABLE				
	Metallic	11.9	(30.0)	70.03	5.0
	Fiber	20.0	(5.0)	0.00	5.3 *
2422	UNDERGROUND CABLE				
	Metallic	12.1	(5.0)	21.22	6.9
	Fiber	20.0	(5.0)	6.92	5.3 *
2423	BURIED CABLE				
	Metallic Non-Filled	3.8	(9.0)	82.02	7.1
	Metallic Filled	13.1	(9.0)	26.49	6.3
	Fiber	20.0	(5.0)	10.02	5.3 *
	Drop & Block	13.1	(9.0)	26.49	6.3
2424	SUBMARINE CABLE				
	Met. New Adds.	20.0	0.0	0.00	5.0 *
	Fiber	20.0	0.0	0.00	5.0 *
2441	CONDUIT SYSTEMS	45.0	(2.0)	12.87	2.0

* Denotes whole life rate.

Denotes restated reserve after corrective transfers.

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ATTACHMENT B

ST. JOSEPH TELEPHONE & TELEGRAPH COMPANY
1990 STUDY
COMMISSION APPROVED

AMORTIZATION SCHEDULES

2112.4	Heavy Equipment	7	YEAR	AMORTIZATION
2115	Garage Work Eq.	7	YEAR	AMORTIZATION
2116	Other Work Eq.	7	YEAR	AMORTIZATION
2122	Furniture	10	YEAR	AMORTIZATION
2123.1	Office Support Eq.	7	YEAR	AMORTIZATION
2123.2	Communication Eq.	5	YEAR	AMORTIZATION
2124	Computers	5	YEAR	AMORTIZATION

RECOVERY SCHEDULES

2212.3	Exch. Digital Switch.	3	YEAR	AMORTIZATION
2215	Electromech. Sw.	3	YEAR	AMORTIZATION
2123.2	Analog Trunk Cxr.	3	YEAR	AMORTIZATION
2232.4	Digital Carrier Ret.	3	YEAR	AMORTIZATION
2231	Microwave Radio Ret.	3	YEAR	AMORTIZATION

ATTACHMENT CST. JOSEPH TELEPHONE & TELEGRAPH COMPANY
1990 STUDY
APPROVED RECOVERY SCHEDULES

RECOVERY SCHEDULES	INVESTMENT	RESERVE	ESTIMATED NET SALVAGE	NET TO BE RECOVERED	APPROVED RECOVERY PERIOD
2212.3 Exch. Digital Switch.					
1990 Ret.	400,276	239,867 #	3,981	156,428	1 Yr.
1992 Ret.	2,560	794	0	1,766	3 Yr.
2215 Electromechanical					
1991 Ret.	834,768	780,744	0	54,024	2 Yr.
1992 Ret.	238,021	222,696	0	15,325	3 Yr.
2123.2 Analog Trunk Cxr.					
1992 Ret.	577,417	435,170	0	142,247	3 Yr.
2232.4 Digital Carrier					
1992 Ret.	273,725	185,348 #	0	88,377	3 Yr.
2231 Microwave Radio					
1992 Ret.	290,199	210,577	0	79,622	3 Yr.
TOTAL	\$2,616,966	\$2,075,196	\$3,981	\$537,789	

Denotes restated reserve after corrective transfers.

NOTE: Approved schedules are designed to recover the net unrecovered amounts over the remaining period related equipment will be serving the public. The monthly expense for each schedule should be calculated by dividing the net amount remaining to be recovered by the months remaining for recovery. All activity relating to these schedules should be booked to these schedules, and not to another depreciation category or account.