**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **October 28, 1993**

**TO : DIRECTOR OF RECORDS AND REPORTING**

**FROM : DIVISION OF AUDITING AND FINANCIAL ANALYSIS (LEE, JOHE, HICKS)**

 **DIVISION OF COMMUNICATIONS (REITH)**

 **DIVISION OF LEGAL SERVICES (PIERSON)**

**RE : DOCKET NO. 930230-TL, VISTA-UNITED TELECOMMUNICATIONS 1993 DEPRECIATION STUDY**

**AGENDA : 12/7/93 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\930230.RCM**

 **R: VISTA.wk3**

 **DISCUSSION OF ISSUES**

**ISSUE :** Should currently prescribed depreciation rates and capital recovery schedules be revised?

**RECOMMENDATION:** Yes. A review of Vista-United Telecommunication's (Vista or Company) plans and activity indicate that there is a need for revision of current rates and capital recovery schedules. (LEE)

**STAFF ANALYSIS:** Since the time of the last represcription (which was effective January 1, 1990) expected technological impacts on life and salvage have changed, as well as net plant balances, indicating a need for revised provision for depreciation.

**ISSUE 2:** What should be the implementation date for new rates and capital recovery schedules?

**STAFF ANALYSIS:** The Company has requested, and Staff recommends, implementation as of January 1, 1993. (LEE)

**RECOMMENDATION:** Company data and related calculations abut the January 1, 1993 date. This is the recommended date of implementation, being the earliest practicable date for utilizing the revised rates.

**ISSUE 3:** Should any corrective reserve measures be made?

**RECOMMENDATION:** Yes. Staff recommends a reserve transfer of the residual surplus associated with the existing prescribed recovery schedule of coinless paystations in the amount of $239 to the intelligent paystation account. In addition, the apparent surplus of $495,064 associated with the DMS-200 switch should be transferred to the DMS-100 switch reserve. (LEE)

**STAFF ANALYSIS:** As part of the last study, a 2-year recovery schedule was prescribed for the net investment associated with coinless paystations. Since that schedule is now complete, there is an apparent residual reserve surplus in the amount of $239. As a corrective measure, Staff recommends that this surplus be transferred to the intelligent paystation account.

 The DMS-200 digital toll switch is currently scheduled for retirement in 1995 with the expiration of the AT&T contract. The Company estimates that 86% of this switch's investment will be reused with the DMS-100 switch. As a result, there is a calculated $495,064 reserve surplus existing with the DMS-200. As a corrective measure, Staff recommends that this surplus be transferred to the DMS-100 switch.

 In light of the possible impact of reserve transfers on cost allocations and jurisdictional separations, the Company should make corresponding entries to the related depreciation expense accounts.

**ISSUE 4:** What are the appropriate recovery schedules?

**RECOMMENDATION:** The Staff recommended recovery schedule is shown on Attachment A, page 8. This schedule is designed to recover the net investments associated with the toll operator positions over the remaining period these assets will be in service. The monthly expense for this schedule 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 this schedule should be booked to this schedule and not to another depreciation category or account. (LEE, REITH)

**STAFF ANALYSIS:** The DMS-200 is a Northern Telecom Digital Toll switch installed in the World Communications Center in 1983. Its sole purpose has been to provide toll operator services which have been under contract with AT&T. The current contract expires in 1995 and AT&T has indicated that it will not seek renewal. The Company estimates that a major portion (86%) of the trunking and hardware associated with the DMS-200 will be reused with the existing DMS-100 switch and some of the operator positions (50%) will remain in service to provide 0- and intraLATA operator service. Recognizing this reuse potential, no further recovery of the DMS-200 is needed; however, there is $9,474 in net unrecovered costs associated with the operator positions that needs to be addressed. Vista has proposed and we recommend that these unrecovered costs be placed on a capital recovery schedule and amortized over the remaining period of service. The monthly expenses for these schedules should be determined by dividing the net plant for each month by the planned remaining months in service. This mechanism will adjust for any shifts in plans or unexpected positive or negative salvage.

**ISSUE 5:** What are the appropriate lives, net salvages, reserves and resultant depreciation rates for each account?

**RECOMMENDATION:** The Staff recommended lives, net salvages, reserves and depreciation rates are shown on Attachment B, pages 9 and 10. The resultant effect of these rates as shown on Attachment C, pages 11 and 12, is a decrease in annual depreciation expense of approximately $268,000 based on investments and reserves as of January 1, 1993. (LEE)

**STAFF ANALYSIS:** Staff recommendations are the result of a comprehensive review of the Company's depreciation study. Attachment B presents a comparison of the Company revised proposal and Staff-recommended rate parameters (life, salvage, and reserve). A basic difference between the positions of the Company and the Staff is with the remaining life determination. To the extent possible, Staff calculated an average age based on survivor information and selected a retirement dispersion in line with Company expectations and plans for the given plant.

 Because of its unique serving area, Vista is on the cutting edge of new technology. The major changes in expenses are due to recognition of current planning projections and activity since the last study. For example, as part of the last study, the WDW and ACD digital PBXs were planned for retirement in 1992. The Company now finds that these PBXs can continue to be upgraded to meet future demands and retirement is not foreseen in the near-term. Staff recommended recovery has therefore been revised in accord with a blending of projections of upgrade retirements as estimated by various sources for similar digital machines. The DMS-200 digital switch and associated toll operator positions are now planned to be retired by year end 1995 with the termination of the AT&T contract. With a major portion of the DMS-200 investment anticipated to be reused with the DMS-100, no additional recovery is needed for the DMS-200. However, the unrecovered costs associated with the operator positions have been placed on a recovery schedule as addressed in Issue 4. The life and salvage recommendations for the remaining central office accounts are reflective of updating currently prescribed parameters with activity since the last study review.

 In the metallic cables, the prime use for this Company is as distribution plant. Vista is currently carrying its locally originating video signals between various locations on the Disney property on its fiber cables. Vista's long term goal is to provide fiber connectivity between the central office and the customer for any new projects which develop in its network. This is in keeping with the Company objective of providing the customers with the availability of high quality, high technical facilities to handle their service demands with minimal problems. Vista is currently provisioning its network with SONET based equipment as it becomes available. Staff recommended lives are based on phase-out dates generally expected for a company operating in a high-tech area: trunk/interoffice by about 2000, feeder by about 2009, and distribution by about 2013. For the fiber cables, the age is such that moving to remaining life rates is warranted. Staff recommendations for the remaining outside plant accounts reflect an update of the activity and reserve positions since the last review.

 For most of the general support accounts, recommended life and salvage factors simply reflect an update of the currently prescribed parameters with activity since the last represcription. The 36-year service life proposed for the World Communications Center and Parking Lot are in the range of reasonableness and are also acceptable. Recognizing the age of the warehouse storage sheds and the fact that there are no current plans to retire any of these buildings, a longer service life for this group of assets is now in order. The World Communications Center Security System is a PC-based secured entry system installed in the main switching center. Current plans call for its replacement in 1996. The recommended remaining life is reflective of this.

 The ages of the public telephone booths and coin paystations accounts, 10.4 and 13.2 years respectively, are an area of concern. The bulk of the investment in each of these accounts is about 13 years old indicating a general lack of retirement activity. Considering the booths are peculiar to the theme requirements of the Walt Disney World complex, we would tend to expect a life in the range of 8 to 10 years. This data, however, suggests a much longer life. In the same respect, paystations do not tend to live in the range of 13 years as is indicated. Our recommended lives are reflective of each account's activity with an ongoing concern with the data.

**ISSUE 6:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no substantially affected person timely files a protest to the Commission's notice of proposed agency action, this docket should be closed. (LEE)

**STAFF ANALYSIS:** If no substantially affected person timely files a timely request for a Section 120.57, Florida Statutes, hearing within twenty-one days, no further action will be required and this docket should be closed.

 VISTA‑UNITED TELECOMMUNICATIONS

 1993 STUDY

RECOMMENDED CAPITAL RECOVERY SCHEDULES

 1/1/93 1/1/93 EXPECTED NET TO BE PERIOD OF 1993 1994 1995

 INVESTMENT RESERVE SALVAGE RECOVERED RECOVERY EXPENSES EXPENSES EXPENSES

 ($) ($) ($) ($) (Yrs.) ($) ($) ($)

2220002 Toll Operator Positions 811,015 396,033 405,508 9,474 3 Yr. 3,158 3,158 138,328

2212008 DMS 200 2,401,069 336,150 \* 2,064,919 0 3 Yr. NA NA NA

 \* Denotes restated reserve after corrective transfer.

VISTA‑UNITED TELECOMMUNICATIONS

 1993 STUDY

COMPARISON OF RATES AND COMPONENTS

 CURRENT COMPANY REVISED PROPOSAL STAFF RECOMMENDATION

 AVERAGE REMAINING AVERAGE REMAINING AVERAGE REMAINING

 ACCOUNT REMAINING NET LIFE REMAINING NET LIFE REMAINING NET LIFE

 LIFE SALVAGE RATE LIFE SALVAGE RESERVE RATE LIFE SALVAGE RESERVE RATE

 (YRS.) (%) (%) (YRS.) (%) (%) (%) (YRS.) (%) (%) (%)

GENERAL SUPPORT ASSETS

 2112 Motor Vehicles

 004 Work Vehicles, 1987 Forward 5.6 10.0 14.6 3.4 10.0 40.77 14.5 3.9 10.0 40.77 12.6

 005, 013 Trailers, 1992 and Prior 15.8 5.0 0.3 8.3 \*\* 5.0 \*\* 53.25 \*\* 5.0 \*\* 15.4 5.0 53.25 2.7

 005 Trailers, 1993 Forward 20.0 5.0 4.8 \* 20.0 5.0 0.00 4.8 \* 20.0 5.0 0.00 4.8 \*

 011 Work Vehicles, 1987 Forward 6.5 10.0 13.1 3.5 10.0 39.65 14.4 3.8 10.0 39.65 13.3

 014 Passenger Cars, 1990 Forward 5.0 0.0 20.0 2.9 20.0 31.36 16.8 3.0 20.0 31.36 16.2

 2116 Work Equipment 5.7 0.0 6.5 10.2 0.0 32.06 6.7 7 Yr. Amortization

 2121 Buildings

 001 Butler 12.3 0.0 6.9 10.9 0.0 22.17 7.1 16.2 0.0 22.17 4.8

 003 WCC 25.0 (2.0) 2.8 21.0 (2.0) 32.44 3.3 21.0 (2.0) 32.44 3.3

 005 Storage Sheds 3.9 0.0 18.8 4.0 0.0 59.16 10.2 4.0 0.0 59.16 10.2

 006 Parking Lot 25.0 (2.0) 2.8 34.0 0.0 8.06 2.7 34.0 0.0 8.06 2.7

 008 WCC Security System 2.5 2.0 36.4 3.5 2.0 71.62 7.5 3.5 2.0 71.62 7.5

 009 Office Trailers NA 7.1 10.0 19.27 10.0 7.8 10.0 19.27 9.1

 2122 Furniture

 001 Office Furniture 10 Yr. Amortization 10 Yr. Amortization 10 Yr. Amortization

 002 Whse Furniture/Equip. 7 Yr. Amortization 7 Yr. Amortization 7 Yr. Amortization

 2123 Office Equipment

 002 Official Telephones 5 Yr. Amortization 5 Yr. Amortization 5 Yr. Amortization

 006 Official SL‑1 5 Yr. Amortization 5 Yr. Amortization 5 Yr. Amortization

 008 Office Equipment 7 Yr. Amortization 7 Yr. Amortization 7 Yr. Amortization

 010‑066 Official Communication 5 Yr. Amortization 5 Yr. Amortization 5 Yr. Amortization

 2124 General Purpose Computers

 001 PC Equipment 5 Yr. Amortization 5 Yr. Amortization 5 Yr. Amortization

 003 IBM Computer 5 Yr. Amortization 5 Yr. Amortization 5 Yr. Amortization

 014 V‑UT Lan N/A 5 Yr. Amortization 5 Yr. Amortization

CENTRAL OFFICE ASSETS

 2212 Digital Electronic Switching

 002 Test Equipment 9.0 0.0 5.9 10.9 0.0 27.66 6.6 10.9 0.0 27.66 6.6

 005 WDW‑XT 2 Yr. Amort. 4.3 0.0 91.11 2.1

 007 ACD‑XT 2 Yr. Amort. 7.8 0.0 84.76 2.0

 009 DMS 100 10.1 0.0 7.6 10.3 5.0 15.72 7.7 9.5 0.0 29.14 @ 7.5

 010 Power Plant 8.2 0.0 4.3 11.0 0.0 51.29 4.4 11.0 0.0 51.29 4.4

 016 Central Ofc. Furniture 10 Yr. Amortization 10 Yr. Amortization 10 Yr. Amortization

 2232 Circuit Equipment

 001 T Carrier 5.7 3.0 8.1 6.6 3.0 42.28 8.3 4.0 3.0 42.28 13.7

 003&009 Optics 10.0 0.0 10.0 \* 5.9 0.0 42.81 9.7 5.9 0.0 42.81 9.7

004, 015, 016, 019 Circuit Equip. 7.0 \*\* 0.0 \*\* 14.3 \*\* 5.3 3.0 37.31 11.3 5.3 3.0 37.31 11.3

 018 F.O. Monorail Comm. 7.0 0.0 14.3 3.7 5.0 21.28 19.9 3.5 5.0 21.28 21.1

 \* Denotes whole life rate.

 \*\* Denotes composited components and rate.

 @ Denotes restated reserve after corrective transfer.

INFORMATION ORIGINATION/TERM. ASSETS

 2351 Public Telephone

 001 Booths 4.0 0.0 4.6 2.4 0.0 88.90 4.6 4.7 0.0 88.90 2.4

 002 Paystations‑Coin 4.3 0.0 0.6 0.4 0.0 97.50 6.3 4.1 0.0 97.50 0.6

 004 Paystations Intell. 4.9 20.0 15.2 3.6 20.0 31.63 @ 13.4 3.6 20.0 31.63 @ 13.4

 2362 Tel. Devices Deaf

 001 Tel. Devices Deaf 8.0 0.0 12.5 \* 8.0 0.0 14.45 12.5 \* 7.1 0.0 14.45 12.0

CABLE AND WIRE ASSETS

 2422 Underground Cable

 001 Metallic 11.6 (1.0) 7.0 9.4 (1.0) 32.76 7.3 9.4 (1.0) 32.76 7.3

 002 Fiber 20.0 (3.0) 5.2 \* 17.6 (3.0) 21.78 4.6 17.6 (3.0) 21.78 4.6

 2423 Buried Cable

 001 Metallic‑Filled 11.7 (3.0) 6.0 10.0 (3.0) 43.05 6.0 10.0 (3.0) 43.05 6.0

 002 Fiber 20.0 (5.0) 5.3 \* 15.6 (5.0) 36.40 4.4 15.6 (5.0) 36.40 4.4

 003 Metallic‑Non‑Filled 5.3 (3.0) 5.6 1.5 (3.0) 90.15 8.6 3.3 (3.0) 90.15 3.9

 2424 Submarine Cable

 001 Metallic 4.5 (3.0) 9.0 10.5 (3.0) 89.53 1.3 10.5 (3.0) 89.53 1.3

 2426 Intrabuilding Cable

 001 Metallic 4.4 (5.0) 13.8 1.0 (5.0) 85.70 19.3 3.0 (5.0) 85.70 6.4

 Fiber 20.0 (5.0) 5.3 \* 20.0 (5.0) 0.00 5.3 \* 20.0 (5.0) 0.00 5.3 \*

 2442 Conduit Systems

 001 Conduit 44.0 (5.0) 2.3 46.0 (5.0) 7.54 2.1 46.0 (5.0) 7.54 2.1

 \* Denotes whole life rate.

 \*\* Denotes composited components and rate.

 @ Denotes restated reserve after corrective transfer.

VISTA‑UNITED TELECOMMUNICATIONS

 1993 STUDY

COMPARISON OF EXPENSES

 CURRENT COMPANY REVISED PROPOSAL STAFF RECOMMENDATION

 CHANGE CHANGE

 1/1/93 1/1/93 IN IN

 ACCOUNT INVESTMENT RESERVE RATE EXPENSES RATE EXPENSES EXPENSES RATE EXPENSES EXPENSES

 ($) ($) (%) ($) (%) ($) ($) (%) ($) ($)

GENERAL SUPPORT ASSETS

 2112 Motor Vehicles

 004 Work Vehicles, 1987 Forward 291,952 119,026 14.6 42,625 14.5 42,333 (292) 12.6 36,786 (5,839)

 005, 013 Trailers, 1992 and Prior 36,252 19,304 0.3 109 5.0 \*\* 1,813 1,704 2.7 979 870

 005 Trailers, 1993 Forward 0 0 4.8 0 \* 4.8 \* 0 0 4.8 \* 0 0

 011 Work Vehicles, 1987 Forward 116,992 46,390 13.1 15,326 14.4 16,847 1,521 13.3 15,560 234

 014 Passenger Cars, 1990 Forward 41,693 13,077 20.0 8,339 \* 16.8 7,004 (1,335) 16.2 6,754 (1,585)

 2116 Work Equipment 293,776 94,190 6.5 19,095 6.7 19,683 588 10 Yr. Amort. 19,959 864

 2121 Buildings

 001 Butler 853,347 189,208 6.9 58,881 7.1 60,588 1,707 4.8 40,961 (17,920)

 003 WCC 2,174,911 705,568 2.8 60,898 3.3 71,772 10,874 3.3 71,772 10,874

 005 Storage Sheds 35,456 20,975 18.8 6,666 10.2 3,617 (3,049) 10.2 3,617 (3,049)

 006 Parking Lot 269,068 21,678 2.8 7,534 2.7 7,265 (269) 2.7 7,265 (269)

 008 WCC Security System 75,292 53,927 36.4 27,406 7.5 5,647 (21,759) 7.5 5,647 (21,759)

 009 Office Trailers 527,390 101,635 NA 0 10.0 52,739 52,739 9.1 47,992 47,992

 2122 Furniture

 001 Office Furniture 908,974 265,835 10 Yr. Amort. 105,416 10 Yr. Amort. 105,416 0 10 Yr. Amort. 105,416 0

 002 Whse Furniture/Equip. 91,048 15,421 7 Yr. Amort. 8,498 7 Yr. Amort. 8,498 0 7 Yr. Amort. 8,498 0

 2123 Office Equipment

 002 Official Telephones 30,487 30,487 5 Yr. Amort. 0 5 Yr. Amort. 0 0 5 Yr. Amort. 0 0

 006 Official SL‑1 13,827 13,827 5 Yr. Amort. 0 5 Yr. Amort. 0 0 5 Yr. Amort. 0 0

 008 Office Equipment 188,786 63,879 7 Yr. Amort. 33,124 7 Yr. Amort. 33,124 0 7 Yr. Amort. 33,124 0

 010‑066 Official Communication 346,097 285,589 5 Yr. Amort. 140,540 5 Yr. Amort. 140,540 0 5 Yr. Amort. 140,540 0

 2124 General Purpose Computers

 001 PC Equipment 1,074,353 493,273 5 Yr. Amort. 217,580 5 Yr. Amort. 217,580 0 5 Yr. Amort. 217,580 0

 003 IBM Computer 307,197 163,410 5 Yr. Amort. 59,916 5 Yr. Amort. 59,916 0 5 Yr. Amort. 59,916 0

 014 V‑UT Lan 71,329 11,894 5 Yr. Amort. 26,316 5 Yr. Amort. 26,316 0 5 Yr. Amort. 26,316 0

 Total Support Assets 7,748,227 2,728,593 838,269 880,698 42,429 848,682 10,413

CENTRAL OFFICE ASSETS

 2212 Digital Electronic Switching

 002 Test Equipment 94,764 26,207 5.9 5,591 6.6 6,254 663 6.6 6,254 663

 005 WDW‑XT 483,052 440,130 2 Yr. Amort. 0 N/A 0 0 2.1 10,144 10,144

 007 ACD‑XT 273,410 231,749 2 Yr. Amort. 0 N/A 0 0 2.0 5,468 5,468

 009 DMS 100 3,688,718 1,074,754 \*\*\* 7.6 280,343 7.7 284,031 3,688 7.5 276,654 (3,689)

 010 Power Plant 120,103 61,600 4.3 5,164 4.4 5,285 121 4.4 5,285 121

 016 Central Ofc. Furniture 2,861 945 10 Yr. Amort. 286 10 Yr. Amort. 286 0 10 Yr. Amort. 286 0

 2232 Circuit Equipment

 001 T Carrier 543,760 229,925 8.1 44,045 8.3 45,132 1,087 13.7 74,495 30,450

 003&009 Optics 2,474,237 1,059,099 10.0 \* 247,424 9.7 240,001 (7,423) 9.7 240,001 (7,423)

004, 015, 016, 019 Circuit Equip. 1,784,946 665,925 14.3 \*\* 255,247 11.3 201,699 (53,548) 11.3 201,699 (53,548)

 018 F.O. Monorail Comm. 245,650 52,274 14.3 35,128 19.9 48,884 13,756 21.1 51,832 16,704

 Total COE 9,711,501 3,842,608 873,228 831,572 (41,656) 872,118 (1,110)

 \* Denotes whole life rate.

 \*\* Denotes composited rate.

 \*\*\* Denotes restated reserve after corrective transfer.

INFORMATION ORIGINATION/TERM. ASSETS

 2351 Public Telephone

 001 Booths 406,252 361,153 4.6 18,688 4.6 18,688 0 2.4 9,750 (8,938)

 002 Paystations‑Coin 226,755 221,091 0.6 1,361 6.3 14,286 12,925 0.6 1,361 0

 004 Paystations Intell. 1,251,506 395,912 \*\*\* 15.2 190,229 13.4 167,702 (22,527) 13.4 167,702 (22,527)

 2362 Tel. Devices Deaf

 001 Tel. Devices Deaf 21,781 3,148 12.5 \* 2,723 12.5 \* 2,723 0 12.0 2,614 (109)

 Total Info/Orig. 1,906,294 981,304 213,001 203,399 (9,602) 181,427 (31,574)

CABLE AND WIRE ASSETS

 2422 Underground Cable

 001 Metallic 4,751,693 1,556,834 7.0 332,619 7.3 346,874 14,255 7.3 346,874 14,255

 002 Fiber 1,593,285 346,942 5.2 \* 82,851 4.6 73,291 (9,560) 4.6 73,291 (9,560)

 2423 Buried Cable

 001 Metallic‑Filled 1,260,546 542,671 6.0 75,633 6.0 75,633 0 6.0 75,633 0

 002 Fiber 46,305 16,853 5.3 \* 2,454 4.4 2,037 (417) 4.4 2,037 (417)

 003 Metallic‑Non‑Filled 392,779 354,072 5.6 21,996 8.6 33,779 11,783 3.9 15,318 (6,678)

 2424 Submarine Cable

 001 Metallic 12,713 11,382 9.0 1,144 1.3 165 (979) 1.3 165 (979)

 2426 Intrabuilding Cable

 001 Metallic 68,780 58,946 13.8 9,492 19.3 13,275 3,783 6.4 4,402 (5,090)

 Fiber 0 0 5.3 \* 0 5.3 \* 0 0 5.3 \* 0 0

 2442 Conduit Systems

 001 Conduit 2,239,596 168,932 2.3 51,511 2.1 47,032 (4,479) 2.1 47,032 (4,479)

 Total OSP 10,365,697 3,056,632 577,700 592,086 14,386 564,752 (12,948)

TOTAL RATES 29,731,719 10,609,137 2,502,198 2,507,755 5,557 2,466,979 (35,219)

RECOVERY SCHEDULES

 2220002 Toll Operator Positions 811,015 396,033 12.8 103,810 12.5 101,377 (2,433) 3 Yr. Amort. 3,158 (100,652)

 2212008 DMS 200 2,401,069 336,150 \* 5.5 132,059 NA 0 (132,059) NA 0 (132,059)

TOTAL PLANT 32,943,803 11,341,320 2,738,067 2,609,132 (128,935) 2,470,137 (267,930)

 \* Denotes Whole Life Rate

 \*\* Denotes composited rate.

 \*\*\* Denotes restated reserve after corrective transfer.