

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

March 7, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (LEE, BASS) *BY*
DIVISION OF COMMUNICATIONS (REITHY) *SW*
DIVISION OF LEGAL SERVICES (PIERSON) *H foels*

RE: DOCKET NO. 960289-TL - FRONTIER COMMUNICATIONS OF THE
SOUTH, INC. - REQUEST FOR WAIVER OF RULE 25-4.0175(8)(A),
F.A.C., RELATING TO DEPRECIATION STUDIES

AGENDA: MARCH 19, 1996 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\960289.RCM

CASE BACKGROUND

Frontier Communications of the South (Frontier or Company) was formerly known as Southland Telephone Company. The Company last filed a depreciation study on August 7, 1992, with resulting depreciation rates effective January 1, 1993. The Company was required by Rule 25-4.0175(8)(a), Florida Administrative Code (F.A.C.), to file its next depreciation study on or before August 7, 1995. However, on March 29, 1995, the Company filed a request for extension of the filing date. By Order PSC-95-1104-FOF-TL, the Company was granted an extension by which it was to submit its study no later than December 31, 1995.

Frontier submitted a letter dated February 23, 1996, requesting a further extension of time to file its depreciation study. This request has been made in light of Frontier contemplating the election of price regulation, and also in light of pending rule changes regarding capital recovery that will be implemented on July 1, 1996 as a result of the new telecommunications law.

DOCUMENT NUMBER-DATE

02812 MAR-7

FPSC-RECORDS/REPORTING

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DISCUSSION OF ISSUES

ISSUE 1: Should the request of Frontier for a waiver of Rule 25-4.0175(8) (a), F.A.C., to file a study by June 30, 1996 be approved?

RECOMMENDATION: No; however, Frontier should be granted a waiver to file its depreciation study on or before June 28, 1996. In the event that Frontier elects price regulation during the interim, no depreciation study will be required.

STAFF ANALYSIS: By letter dated February 23, 1996, Frontier has advised Staff that it would need until June 30, 1996 to file its next depreciation study. Since June 30, 1996 falls on a Sunday, Staff recommends that the date of June 28, 1996 be used in dealing with the Company's request. The submission of a study by June 28 would clearly fall within the first six months of the Company's fiscal year. Thus, the filing of a study on or before Friday, June 28, 1996 would allow for an implementation date of January 1, 1996, under the normal course of events and by Rule 25-4.0175(8) (b).

Additionally, this waiver is appropriate in light of currently pending rule changes relating to capital recovery. The proposed rule changes are a result of the new telecommunications law. Chapter 364.052, 2(a), Florida Statutes, requires the Commission to establish by July 1, 1996, ranges of basic factors for lives and salvage values to be used in developing depreciation rates for small Local Exchange Companies subject to rate base regulation. Companies will then have the option of using basic factors within the established ranges or filing depreciation studies. If Frontier's request for waiver is granted, the Company will be permitted to use the new streamlined procedure.

In the February 23 letter, Frontier further advises that the Company is currently "exploring the possibility of electing price regulation under the new telecommunications law." For companies electing price regulation, there is no earnings oversight and therefore the determination of depreciation rates becomes a moot issue.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Whether the Commission approves or denies Staff's recommendation, no other issues remain to be resolved in this docket. This docket should therefore be closed.