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ORIGINAL  
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# Public Service Commission

July 5, 1996

Mr. Carroll Webb  
Joint Administrative Procedures  
Committee  
120 Holland Building  
Tallahassee, Florida 32399

Re: Docket No. 960715-TL, Proposed Amendment of Rule 25-4.0174, Uniform System & Classification of Accounts-Depreciation and Rule 25-4.0175, Depreciation and Repeal of Rule 25-4.0176, Recovery Schedules

Dear Mr. Webb:

Enclosed are an original and two copies of the following materials concerning the above referenced proposed rule:

1. A copy of the rules.
2. A copy of the F.A.W. notice.
3. A statement of facts and circumstances justifying the proposed rules.
4. A federal comparison statement.
5. A statement of the impact of the rules on small business.
6. No economic impact statement was prepared.
7. A statement that the agency has chosen the regulatory alternative that imposes the lowest net cost to society.

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If there are any questions with respect to these rules, please do not hesitate to call on me.

Sincerely,



Diana W. Caldwell  
Associate General Counsel

AMDCPRE.MSD

Enclosures

cc: Division of Records & Reporting

1 25-4.0174 Uniform System and Classification of Accounts -  
2 Depreciation.

3 (1) Depreciation rates are to be designed in accordance with  
4 the Uniform System and Classification of Accounts (USOA) and this  
5 rule. The primary accounts listed below are identical to those  
6 prescribed in the USOA. New accounts and subaccounts, as listed  
7 below, are established under these accounts. They are intended to  
8 group together items which are relatively homogeneous in their  
9 expected life and salvage characteristics, and are for the purpose  
10 of establishing uniformity among the companies in depreciation  
11 studies.

12 (2) A company may further develop depreciation subaccounts  
13 within a listed account as appropriate for its plant. No company  
14 shall, however, establish a new subaccount that would represent  
15 less than ten percent ~~10%~~ of the original primary account.

16 (3) Notwithstanding Subsection ~~subsection~~ (2), a new  
17 subaccount must be established for the introduction of a new  
18 technology, or for the treatment of an obsolescent component of a  
19 current viable technology.

20 (4) Depreciation reserve, plant activity data, salvage cost,  
21 and costs of removal, respectively, shall be maintained for each  
22 depreciation category for which a depreciation rate is to be  
23 developed. This shall be done on the books of the company.

24 (5) The following accounts and subaccounts, where applicable,  
25 shall be used in the design of depreciation rates.

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1 (a) Support assets ~~Assets~~, Account 2110. The following  
2 accounts shall be used:

3 1. Motor vehicles ~~Vehicles~~, Account 2112. The following  
4 subaccounts shall be used,

5 a. Passenger cars and light trucks. This account shall  
6 include passenger cars and trucks of one ton in capacity or less.

7 ~~b. Light trucks. This subaccount shall include trucks of~~  
8 ~~one ton in capacity or less.~~

9 bc. Heavy trucks and special purpose vehicles. This  
10 subaccount shall include trucks of greater than one ton capacity.

11 cd. Tractors and trailers.

12 ~~2. Special Purpose Vehicles, Account 2114.~~

13 ~~23. Garage work equipment~~ Work-Equipment, Account 2115. This  
14 account shall include tools and equipment used to maintain  
15 vehicles. ~~It shall be used for depreciation studies only if the~~  
16 ~~expected life for this equipment is substantially different from~~  
17 ~~that expected for tools and equipment in Account 2116, Other Work~~  
18 ~~Equipment.~~

19 ~~34. Other work equipment~~ Work-Equipment, Account 2116. This  
20 account shall include power operated equipment, general purpose  
21 tools, and other such work equipment items.

22 ~~45. Buildings, Account 2121. Buildings are to be assigned to~~  
23 ~~subaccounts in accordance with their potential life patterns in the~~  
24 ~~use of the specific company. Suggested subaccount groupings are as~~  
25 ~~follows:~~

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1 a. ~~Headquarters buildings which include primary switching~~  
2 ~~center building, and multipurpose buildings such as buildings~~  
3 ~~housing combinations of switching, office, and warehouse space.~~

4 b. ~~Plant buildings which include work centers, garages,~~  
5 ~~shops, training centers, warehouses, pole yards, pre-fab buildings~~  
6 ~~housing remote switchers, sheds, repeater huts, and leased~~  
7 ~~quarters.~~

8 56. Furniture, Account 2122.

9 67. Office equipment ~~Equipment~~, Account 2123. The following  
10 subaccounts shall be used:

11 a. Office support equipment ~~Support Equipment~~. This  
12 subaccount shall include office devices such as typewriters, cash  
13 registers, check writers, calculating, reproducing, addressing,  
14 billing, blueprinting, and other office machines.

15 b. Company communications equipment ~~Communications~~  
16 ~~Equipment~~. This subaccount shall include CPE and PBX equipment  
17 installed for official company use.

18 78. General purpose computers ~~Purpose Computers~~, Account  
19 2124.

20 (b) Central office switching ~~Office Switching~~, Account 2211.  
21 The following accounts shall be used:

22 1. Analog electronic switching ~~Electronic Switching~~, Account  
23 2211. This account shall be established for analog switching  
24 equipment and peripheral gear. It shall include equipment serving  
25 analog switchers that is used solely for recording calling

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1 telephone numbers in connection with customer dialed charged  
2 traffic dial tandem switchboards and special service switchboards  
3 used in conjunction with private line service. It shall not  
4 include switchboards, and integral equipment thereof, which perform  
5 an operator assistance function.

6 2. Digital electronic switching ~~Electronic Switching~~,  
7 Account 2212. This account includes investments in digital  
8 switches. ~~Individual subaccounts shall be established for host,~~  
9 ~~remote and digital switches, respectively.~~ This switching account  
10 shall include equipment serving digital electronic switchers that  
11 is used solely for the recording of calling telephone numbers in  
12 connection with customer dialed charged traffic dial tandem  
13 switchboards and special service switchboards used in conjunction  
14 with private line service. It shall not include switchboards, and  
15 integral equipment thereof, which perform an operator assistance  
16 function. Major components such as hardware, processors, and line  
17 cards that are expected to live substantially different from the  
18 remaining switch investment should be considered as subcomponents  
19 in developing ~~shall either be placed in additional individual~~  
20 ~~separate subaccounts or shall be included as a subcomponent used to~~  
21 ~~develop the rate for the that account or subaccount.~~

22 3. Electromechanical switching ~~Switching~~, Account 2215.  
23 This switching account includes investments in step-by-step ~~step-by~~  
24 ~~step~~ or crossbar switchers. It does not include digital compatible  
25 equipment that is expected to live beyond the calculated life of

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1 | electromechanical switching. Such investment shall be in a  
2 | separate subaccount or included as a subcomponent used to develop  
3 | the rate for the account or subaccount. This account also does not  
4 | include switchboards which perform an operator assistance function  
5 | and equipment which is an integral part thereof. It shall include,  
6 | however, equipment serving electromechanical switchers that is used  
7 | solely for the recording of calling telephone numbers in connection  
8 | with customer dialed charged traffic dial tandem switchboards and  
9 | special service switchboards used in conjunction with private line  
10 | service.

11 | (c) Operator systems ~~Systems~~, Account 2220. This account  
12 | shall include such charges as directory assistance, call intercept,  
13 | and other operator assisted call completion activities. ~~The~~  
14 | ~~following subaccounts shall be used:~~

- 15 | 1. ~~Analog, and~~  
16 | 2. ~~Digital or digital compatible.~~

17 | (d) Central office - transmission ~~Office~~ ~~Transmission~~,  
18 | Account 2230. The following accounts shall be used:

19 | 1. Radio systems ~~Systems~~, Account 2231. ~~The following~~  
20 | ~~subaccounts shall be used.~~

- 21 | a. ~~Microwave Radio, and~~  
22 | b. ~~Mobile Radio.~~

23 | 2. Circuit equipment ~~Equipment~~, Account 2232. This  
24 | investment shall be subcategorized in accord with the planning of  
25 | the company, to be separated between the following:

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- 1 a. Analog ~~That portion planned for retirement;~~  
2 b. Digital ~~That portion considered viable within the~~  
3 ~~existing network; and~~  
4 c. That portion associated with optic technology.  
5 (e) Information organization or termination ~~Organization/~~  
6 ~~Termination~~, Account 2310. The following accounts shall be used:  
7 1. ~~Private Line Equipment. This account shall include~~  
8 ~~enhanced network transmission for a private channel.~~  
9 2. ~~Telecommunication Devices for the Deaf Hearing Impaired.~~  
10 ~~This account shall include equipment required for communications by~~  
11 ~~or with hearing or speech impaired subscribers.~~  
12 3. ~~Network Carrier Equipment Customer Premises. This~~  
13 ~~account shall include network carrier equipment physically located~~  
14 ~~on the customer premises.~~  
15 14. Public telephone equipment ~~Telephone Equipment.~~ This  
16 account shall include coinless, coin-operated (including public and  
17 semi-public), credit card, and pay telephones.  
18 25. Other regulated station equipment ~~Regulated Station~~  
19 ~~Equipment.~~ This account shall include private line other  
20 ~~miscellaneous~~ equipment, telecommunication devices for the deaf, E-  
21 911 equipment, and network carrier equipment physically located on  
22 the customer's premises associated with regulated service not  
23 included in (1) through (4) above.  
24 (f) Cable and wire facilities ~~Wire Facilities~~, Account 2410.  
25 The following accounts shall be used:

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- 1 1. Poles, Account 2411.
- 2 2. Aerial cable Cable, Account 2421. The following  
3 subaccounts shall be used:
- 4 a. Metallic. This investment shall be further  
5 subcategorized in accord with company planning; and
- 6 b. Fiber.
- 7 3. Underground cable Cable, Account 2422. The following  
8 subaccounts shall be used:
- 9 a. Metallic. This investment shall be further  
10 subcategorized in accord with company planning; and
- 11 b. Fiber.
- 12 4. Buried cable Cable, Account 2423. The following  
13 subaccounts shall be used:
- 14 a. Metallic. This subaccount shall be further  
15 subcategorized in accord with company planning; and subaccounted as  
16 follows:
- 17 ~~(i) Nonfilled core,~~  
18 ~~(ii) Filled core, and~~  
19 ~~(iii) Further subcategorization shall be made in accord~~  
20 ~~with company planning;~~
- 21 b. Fiber.
- 22 5. Submarine cable Cable, Account 2424. The following  
23 subaccount shall be used:
- 24 a. Metallic. This investment shall be further  
25 subcategorized in accord with company planning.

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1        b. Fiber.

2        6.    Intrabuilding network cable ~~Network Cable~~, Account 2426.

3    The following subaccounts shall be used:

4        a.    Metallic.        This investment shall be further  
5    subcategorized in accord with company planning; and

6        b.    Fiber

7        7.    Aerial wire ~~Wire~~, Account 2431.

8        8.    Conduit systems ~~Systems~~, Account 2441.

9        (6) Depreciation rates used after: July 1, 1996, ~~January 1,~~  
10 ~~1988~~ shall be based on the account classifications in the USOA and  
11 this rule. In implementing these rates the following procedures  
12 shall be followed:

13        (a) Reserve activity data, plant activity data, salvage  
14 costs, and costs of removal are to be recorded to the new accounts  
15 for activity subsequent to July 1, 1996 ~~January 1, 1988~~.

16        (b) The separation of investments and reserves under prior  
17 accounts into balances relating to new accounts and subaccounts  
18 under this rule may require estimation. Where vintaged  
19 distributions are maintained, separation into accounts and  
20 subaccounts may require synthesization.

21        (c) If an existing account, in the opinion of the Commission,  
22 is essentially compatible with an account listed in this rule, that  
23 account shall be deemed to be in compliance with this rule.

24    Specific Authority 350.127(2) FS.

25    Law Implemented 350.115, 364.17 FS.

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1 History--New 4-25-88, Amended \_\_\_\_\_.

2  
3 25-4.0175 Depreciation.

4 (1) For the purposes of Part II ~~this part~~, the following  
5 definitions shall apply to small local exchange companies remaining  
6 under rate of return regulation:

7 (a) Category or Category of Depreciable Plant - A grouping of  
8 plant for which a depreciation rate is prescribed. At a minimum it  
9 should include each plant account prescribed in Rule 25-4.017,  
10 F.A.C.

11 (b) Average Service Life - The period of time that the given  
12 type of equipment, on average, can be expected to prudently and  
13 economically serve the public.

14 (c) ~~(b)~~ Embedded Vintage - A vintage of plant in service as  
15 of the date of study or implementation of proposed rates.

16 ~~(e) Equal Life Group Method - The method of calculating a~~  
17 ~~depreciation rate based on the life expectations of the units~~  
18 ~~constituting a vintage group. The vintage group is divided into~~  
19 ~~sub-groups, each of which is expected to live an equal life. The~~  
20 ~~required capital recovery for the vintage is then the summation of~~  
21 ~~the requirements for each equal life group. As an example: A~~  
22 ~~vintage consists of three \$100 units, A, B, and C, expected to live~~  
23 ~~2, 4, and 5 years. To recover each during its own service life~~  
24 ~~will require annual accruals of \$50, \$25, and \$20 respectively in~~  
25 ~~the following manner:~~

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1	<del>Accruals in Years</del>					
2	<del>1</del>	<del>2</del>	<del>3</del>	<del>4</del>	<del>5</del>	
3	A	<del>\$50</del>	<del>\$50</del>			
4	B	<del>25</del>	<del>25</del>	<del>\$25</del>	<del>\$25</del>	
5	C	<del>20</del>	<del>20</del>	<del>20</del>	<del>20</del>	<del>\$20</del>
6	<del>Vintage</del>					
7	Totals	<del>\$95</del>	<del>\$95</del>	<del>\$45</del>	<del>\$45</del>	<del>\$20</del>

8 (d) Mortality Data - Historical data by study category  
9 showing plant balances, additions, adjustments and retirements,  
10 used in analyses for life indications or for calculations of  
11 realized life. Preferably, this is aged data in accord with the  
12 following:

13 1. The number of plant items or equivalent units (usually  
14 expressed in dollars) added each calendar year.

15 2. The number of plant items retired (usually expressed in  
16 dollars) each year and the distribution by years of placing of such  
17 retirements.

18 3. The net increase or decrease resulting from purchases,  
19 sales, or adjustments, and the distribution by years of placing of  
20 such amounts.

21 4. The number that remains in service (usually expressed in  
22 dollars) at the end of each year and the distribution by years of  
23 placing of such amounts.

24 (e) Remaining Life Method - The method of calculating a  
25 depreciation rate based on the unrecovered plant balance, less

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1 average future net salvage and the average remaining life. The  
2 formula for calculating a Remaining Life Rate (RLR) is:

$$3 \text{ RLR Remaining } = \frac{100\% - \text{Reserve \%} - \text{Average Future Net Salvage \%}}{4 \text{ Life-Rate } \quad \text{Average Remaining Life in Years}}$$

5 (f) Reserve Data - Historical data by study category showing  
6 reserve balances, debits and credits such as booked depreciation  
7 expense, salvage and cost of removal, and adjustments to the  
8 reserve utilized in monitoring reserve activity and position.

9 (g) Reserve Deficiency - An inadequacy in the reserve of a  
10 category as evidenced by a comparison of that reserve indicated as  
11 necessary under current projections of life and salvage with that  
12 reserve historically accrued. The latter figure may be available  
13 from the company's records or may require retrospective  
14 calculation.

15 (h) Reserve Surplus - An excess in the reserve of a category  
16 as evidenced by a comparison of that reserve indicated as necessary  
17 under current projections of life and salvage with that reserve  
18 historically accrued. The latter figure may be available from the  
19 company's records or may require retrospective calculation.

20 (i) Salvage Data - Historical data by study category showing  
21 bookings of retirements, gross salvage and cost of removal used in  
22 analysis of trends in gross salvage and cost of removal, or for  
23 calculations of realized salvage.

24 (j) Theoretical Reserve or Prospective Theoretical Reserve -  
25 A calculated reserve based on components of the proposed rate,

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1 using the formula:

2       Theoretical Reserve = Book Investment - Future Accruals  
3 Future Net Salvage

4       (k) Vintage - The year of placement of a group of plant items  
5 or investment under study.

6       (l) Whole Life Method - The method of calculating a  
7 depreciation rate based on the Whole Life (Average Service Life)  
8 and the Average Net Salvage. Both life and salvage components are  
9 the estimated or calculated composite of realized experience and  
10 expected activity. The formula is:

11 Whole Life Rate =  $\frac{100\% - \text{Average Net Salvage } \frac{1}{2}}{\text{Average Service Life in Years}}$

12  
13       (2) (a) Ranges for basic life and salvage values,  
14 established by the Commission, may be used by small LECs regardless  
15 of the depreciation methodology utilized. The ranges for basic  
16 life and salvage values for small LECs are as follows: No utility  
17 may change any existing depreciation rate or initiate any new  
18 depreciation rate without prior Commission approval.

19               Ranges of Basic Life and Salvage Values for  
20               Small Local Exchange Companies

	<u>AVERAGE SERVICE LIFE</u>	<u>NET SALVAGE</u>
<u>ACCOUNT</u>	<u>(Years)</u>	<u>(Percent)</u>
<u>GENERAL SUPPORT ASSETS</u>		
<u>Motor vehicles</u>		
<u>Passenger cars &amp; light trucks</u>	<u>6 - 8</u>	<u>10 - 20</u>

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1	<u>Heavy trucks &amp; special</u>		
2	<u>purpose vehicles</u>	<u>8 - 11</u>	<u>5 - 10</u>
3	<u>Buildings</u>	<u>32 - 36</u>	<u>0 - 5</u>
4	<u>Other work equipment</u>	<u>7 yr. Amortization</u>	
5	<u>Furniture</u>	<u>10 yr. Amortization</u>	
6	<u>Office machines</u>	<u>7 yr. Amortization</u>	
7	<u>Office equipment (official use)</u>	<u>5 yr. Amortization</u>	
8	<u>Computer equipment</u>	<u>5 yr. Amortization</u>	
9	<b><u>CENTRAL OFFICE ASSETS</u></b>		
10	<u>Digital switching</u>	<u>13 - 16</u>	<u>0 - 5</u>
11	<u>Operator systems</u>	<u>8 - 10</u>	<u>0 - 5</u>
12	<u>Radio</u>	<u>10 - 12</u>	<u>(5) - 0</u>
13	<u>Circuit</u>		
14	<u>Analog</u>	<u>8 - 10</u>	<u>(5) - 0</u>
15	<u>Digital</u>	<u>10 - 12</u>	<u>0 - 5</u>
16	<u>Fiber electronics (optics)</u>	<u>8 - 10</u>	<u>0 - 5</u>
17	<b><u>INFORMATION/ORIGINATION ASSETS</u></b>		
18	<u>Public telephone equipment</u>	<u>8 - 10</u>	<u>0 - 5</u>
19	<u>Other</u>	<u>8 - 10</u>	<u>0 - 5</u>
20	<b><u>CABLE/WIRE FACILITIES</u></b>		
21	<u>Poles</u>	<u>20 - 22</u>	<u>(60) - (40)</u>
22	<u>Aerial cable</u>		
23	<u>Metallic</u>	<u>18 - 20</u>	<u>(30) - (20)</u>
24	<u>Fiber</u>	<u>20 - 22</u>	<u>(30) - (20)</u>
25	<u>Underground cable</u>		

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1	<u>Metallic</u>	<u>19 - 21</u>	<u>(10) - (5)</u>
2	<u>Fiber</u>	<u>20 - 22</u>	<u>(10) - (5)</u>
3	<u>Buried cable</u>		
4	<u>Metallic</u>	<u>17 - 19</u>	<u>(5) - 0</u>
5	<u>Fiber</u>	<u>20 - 22</u>	<u>(5) - 0</u>
6	<u>Submarine cable</u>		
7	<u>Metallic</u>	<u>20 - 25</u>	<u>(5) - 0</u>
8	<u>Fiber</u>	<u>20 - 22</u>	<u>(5) - 0</u>
9	<u>Underground conduit</u>	<u>50 - 52</u>	<u>(5) - 0</u>

10 Aerial wire - Expense all future additions and amortize embedded  
11 portion over 3 years.

12 (b) A company shall not petition the Commission to change any  
13 existing depreciation rate more than once a year. No utility may  
14 reallocate accumulated depreciation reserves among any primary  
15 accounts and sub-accounts without prior Commission approval.

16 (c) A company may not reallocate accumulated depreciation  
17 reserves among any primary accounts and subaccounts without prior  
18 Commission approval.

19 (3) (a) Each company utility shall maintain depreciation  
20 rates and accumulated depreciation reserves in accounts or  
21 subaccounts as prescribed by Rule 25-4.0174, F.A.C., and as set  
22 forth in Paragraph (2)(a) of this rule. Companies Utilities may  
23 maintain further sub-categorization.

24 (b) Upon establishing a new account or subaccount  
25 classification, each company utility shall request Commission

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1 approval of a depreciation rate for the new plant category.

2 (c) A company's current average service life is that which  
3 has been approved by the Commission and in effect as of the  
4 effective date of this rule. To determine if a company's current  
5 average service life is within an established range, current  
6 average service lives not reflected as a whole number shall be  
7 rounded using traditional rounding methodology. (For example, 1.1  
8 - 1.4 rounds to 1.0 ; 1.5 - 1.9 rounds to 2.0.)

9 (4) If the company's proposed and current average service  
10 lives for a given account are within the ranges established in  
11 Paragraph (2)(a), no additional support for those values shall be  
12 required. If the company's proposed and current net salvage values  
13 for a given account are within the ranges established in Paragraph  
14 (2)(a), no additional support for those values shall be required.  
15 The company shall submit to the Division of Records and Reporting  
16 the original, five hard copies, and a diskette of the information  
17 required by Subsection (8) of this rule.

18 (5)~~(4)~~ A company proposing basic life or salvage values  
19 outside of the ranges established in Paragraph (2)(a) of this rule  
20 utility filing a depreciation study, regardless if a change in  
21 rates is being requested or not, shall submit to the Division of  
22 Records and Reporting Commission Clerk's Office the original and  
23 five hard copies, and a diskette fifteen copies of the information  
24 required by Subsection (10) paragraphs (6)(a) through (6)(h) of  
25 this rule and at least three copies of the information required by

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1 paragraph ~~(6)(i)~~.

2 ~~(6)(5)~~ After filing a petition for a change in depreciation  
3 rates, Upon commission approval by order establishing an effective  
4 date, the company utility may reflect on its books and records the  
5 preliminary implementation of the proposed rates as of the proposed  
6 effective date. ~~7~~ These rates are subject to Commission approval  
7 adjustment when final depreciation rates are approved.

8 (7) Any party protesting a Commission approved depreciation  
9 life or salvage value, shall carry the burden of proof in  
10 demonstrating that each protested value is unsupported by the  
11 operations and planning of each company.

12 ~~(8)(6)~~ A depreciation filing study shall include:

13 (a) A comparison of current and proposed depreciation rates  
14 and components for each category of depreciable plant. Current  
15 rates shall be identified as to the effective date and proposed  
16 rates as to the proposed effective date.

17 (b) A comparison of annual depreciation expense, as of the  
18 proposed effective date, resulting from current rates with the  
19 expense produced by the proposed rates for each category of  
20 depreciable plant. The plant balances may involve estimates.  
21 Submitted data including plant and reserve balances or company  
22 planning involving estimates shall be brought to the effective date  
23 of the proposed rates.

24 ~~(c) A comparison of annual depreciation expense resulting~~  
25 ~~from current rates with the expense produced by the proposed rates~~

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1 ~~allocated to interstate toll, intrastate toll and other, based on~~  
2 ~~the 12-month average plant balance coinciding with the accounting~~  
3 ~~period in which proposed depreciation rates are to become~~  
4 ~~effective.~~

5 ~~(c)(d)~~ Each recovery and amortization schedule currently in  
6 effect should be included with any new filing showing total amount  
7 amortized, effective date, length of schedule, annual amount  
8 amortized, and reason for the schedule.

9 ~~(e)~~ ~~A comparison of the accumulated book reserve to the~~  
10 ~~prospective theoretical reserve based on proposed rates and~~  
11 ~~components for each category of depreciable plant to which~~  
12 ~~depreciation rates are to be applied.~~

13 ~~(d)(f)~~ A general narrative describing the service  
14 environment of the applicant company and the factors, e.g., growth,  
15 technology, and physical conditions necessitating a revision in  
16 rates.

17 (9) If a company's current average service life or salvage  
18 value for any given category of depreciable plant is not within the  
19 established range, the company must file the information in  
20 Subsection (10) to justify its move into the range.

21 (10) For each account that the Company proposed life or  
22 salvage value is not within the established range, the depreciation  
23 filing shall include the information in Subsection (8) as well as  
24 the following:

25 (a)(g) An explanation and justification for each study

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1 category of depreciable plant defining the specific factors that  
2 justify the life or ~~and~~ salvage components and rates being  
3 proposed. Each explanation and justification shall include  
4 substantiating factors utilized by the company in the design of the  
5 depreciation rates for the specific category, e.g., company  
6 planning, growth, technology, physical conditions, and trends. The  
7 explanation and justification shall ~~discuss any proposed transfers~~  
8 ~~of reserve between categories or accounts intended to correct~~  
9 ~~deficient or surplus reserve balances~~ — It should also state any  
10 statistical or mathematical methods of analysis or calculation used  
11 in the design of the category rate.

12 (b)(4) The mortality and salvage data used by the company  
13 in the depreciation rate design must agree with activity booked by  
14 the utility. Unusual transactions not included in life or salvage  
15 studies, e.g., sales or extraordinary retirements, must be  
16 specifically enumerated and explained.

17 (c)(1) The filing shall contain all calculations, analysis  
18 and numerical basic data used in the design of the depreciation  
19 rate for each category of depreciable plant. ~~Numerical data shall~~  
20 ~~include plant activity (gross additions, adjustments, retirements~~  
21 ~~and plant balance at end of year) as well as reserve activity~~  
22 ~~(retirements, accruals for depreciation expense, salvage, cost of~~  
23 ~~removal, adjustments or transfers and reclassifications, and~~  
24 ~~reserve balance at end of year) for each year of activity from the~~  
25 ~~date of the last submitted study to the date of the present study.~~

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~~struck-through~~ type are deletions from existing law.

1 To the degree possible, data involving retirements should be aged.

2 ~~(11)(7)~~(a) Companies Utilities shall provide calculations  
3 of depreciation rates using either both the whole life method or  
4 and the remaining life method. The use of one of these methods is  
5 required for all depreciable categories. ~~Companies may submit~~  
6 ~~additional studies or methods for consideration by the Commission.~~

7 (b) Companies shall file an election to remain with the  
8 remaining life methodology or move to whole life methodology within  
9 90 days of the effective date of this rule. Failure to file an  
10 election shall result in the company's use of remaining life  
11 methodology. Only one election regarding depreciation methodology  
12 will be permitted.

13 (12) When a company elects whole life methodology, no  
14 recovery of reserve imbalances will be considered for depreciation  
15 purposes. This methodology is not reserve sensitive.

16 (13) When a company elects remaining life methodology, the  
17 following apply:

18 (a) A company requiring the Commission staff's assistance in  
19 determining a remaining life based on its average service life  
20 selection, shall notify the Director of the Division of Auditing  
21 and Financial Analysis, by letter, three months prior to the  
22 company's filing date.

23 (b) The possibility of corrective reserve transfers shall be  
24 investigated by the Commission prior to changing depreciation  
25 rates.

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1       ~~(8) (a)~~ Each company shall file a study for each category of  
2 depreciable property for Commission review at least once every  
3 three years from the submission date of the previous study unless  
4 otherwise required by the Commission.

5       (c) It shall be a rebuttable presumption that in determining  
6 the average remaining life, the mortality curve shapes shall be  
7 those used by the Commission the last time it prescribed rates.

8       ~~(14) (a) (b)~~ A company utility proposing an effective date  
9 of the beginning of its fiscal year shall submit its petition for  
10 a change in depreciation rates ~~depreciation study~~ no later than the  
11 mid-point of that fiscal year.

12       ~~(b) (e)~~ A company utility proposing an effective date  
13 coinciding with the expected date of additional revenues initiated  
14 through a rate case proceeding shall submit its petition for a  
15 change in depreciation rates ~~depreciation study~~ no later than the  
16 filing date of its Minimum Filing Requirements.

17       ~~(15) (9)~~ Included as part of the annual report filed pursuant  
18 to Rule 25-4.135 ~~25-4.018~~, F.A.C., each company shall provide  
19 Schedule B-3 B-5a, Analysis of Plant In Service, and Schedule B-4  
20 B-5b, Analysis of Accumulated Depreciation. Schedule B-3 B-5a  
21 shall include booked plant activity (plant balance at the beginning  
22 of the year, additions, adjustments, transfers, reclassifications,  
23 retirements, and plant balance at year end). Schedule B-4 B-5b  
24 shall include reserve activity (reserve balance at the beginning of  
25 the year, retirements, accruals, salvage, cost of removal,

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1 adjustments, transfers, reclassifications, and reserve balance at  
2 year end) for each category of investment for which a depreciation  
3 rate, amortization schedule, or capital recovery schedule has been  
4 approved. ~~These schedules shall indicate for each category that~~  
5 ~~(a) there has been no change of plans or utility experience~~  
6 ~~requiring a revision of rates, amortization, or capital recovery~~  
7 ~~schedules or (b) there has been a change requiring a revision of~~  
8 ~~the rates, amortization, or capital recovery schedules. For each~~  
9 ~~category where current conditions indicate a need for revision of~~  
10 ~~depreciation rates, amortization, or capital recovery schedules and~~  
11 ~~no revision is sought, the report shall explain why no revision is~~  
12 ~~requested.~~

13 (16) (a) Prior to the date of retirement, the Commission may  
14 approve capital recovery schedules to correct calculated  
15 deficiencies where a utility demonstrates that replacement of an  
16 installation or group of installations is prudent, and the  
17 associated investment will not be recovered by the time of  
18 retirement through the existing depreciation rate.

19 (b) The Commission may approve a special capital recovery  
20 schedule when an installation is designed for a specific purpose or  
21 for a limited duration.

22 (c) Associated plant and reserve activity, balances, and the  
23 annual capital recovery schedule expense must be maintained as  
24 subsidiary records.

25 Specific Authority 350.127(2) FS.

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1 Law Implemented 350.115, 364.03 FS.  
2 History--New 9-8-81, Amended 4-28-83, 1-6-85, Formerly 25-4.175,  
3 Amended 4-27-88, 12-12-91, \_\_\_\_\_.

4  
5 25-4.0176 Recovery Schedules to Promote an Economical and Efficient  
6 Telecommunications Network. ~~The Commission encourages an efficient~~  
7 ~~and economical telecommunications network. To foster this goal the~~  
8 ~~following policies apply:~~

9 ~~(1) Prior to the date(s) of retirement, the Commission may~~  
10 ~~approve capital recovery schedules to correct calculated~~  
11 ~~deficiencies where a utility demonstrates that (a) replacement of~~  
12 ~~an installation or group of installations is prudent, and (b) the~~  
13 ~~associated investment will not be recovered by the time of~~  
14 ~~retirement through the normal depreciation process.~~

15 ~~(2) The Commission may approve a special capital recovery~~  
16 ~~schedule when an installation is designed for a specific purpose or~~  
17 ~~for a limited duration.~~

18 ~~(3) Associated plant and reserve activity, balances, and the~~  
19 ~~annual capital recovery schedule expense(s) must be maintained as~~  
20 ~~subsidiary records.~~

21 Specific Authority 350.127(2) FS.

22 Law Implemented 350.115, 364.03 FS.

23 History--New 9-8-81, Formerly 25-4.176, Repealed \_\_\_\_\_.

24  
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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960715-TL

RULE TITLE:	RULE NO.:
Uniform System and Classification of Accounts - Depreciation	25-4 0174
Depreciation	25-4.0175
Recovery Schedules to Promote an Economical and Efficient Telecommunications Network	25-4.0176

PURPOSE AND EFFECT: The proposed rule amendments conform the rule to the 1995 changes to S. 364.052(2)(a), FS, by establishing ranges of basic factors for lives and salvage values to be used in developing depreciation rates for certain small local exchange companies. Filing requirements are streamlined and some flexibility is allowed companies in determining their depreciation rates in order to reduce administrative costs to these regulated companies.

SUMMARY: Uniform system and classification of accounts as they pertain to depreciation are listed and defined. The rules are amended to establish ranges of basic factors for lines and salvage values to be used in developing depreciation rates for small local exchange companies; reduce the number of copies required by the Commission Clerk's office; reduce the volume of information required to change depreciation rates; allow flexibility in selecting a depreciation methodology; and incorporate from Rule 25-4.0176, which is being repealed, regarding requests for capital recovery schedules.

RULEMAKING AUTHORITY: 350.127(2) FS.

LAW IMPLEMENTED: 350.115, 364.03, 364.17 FS.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., October 11, 1996.

PLACE: Room 152, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THESE RULES AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399.

THE FULL TEXT OF THESE RULES ARE:

25-4.0174 Uniform System and Classification of Accounts - Depreciation.

(1) No Change.

(2) A company may further develop depreciation subaccounts within a listed account as appropriate for its plant. No company shall, however, establish a new subaccount that would represent less than ten percent ~~10%~~ of the original primary account.

(3) Notwithstanding Subsection ~~subsection~~ (2), a new subaccount must be established for the introduction of a new technology, or for the treatment of an obsolescent component of a current viable technology.

(4) No Change.

(5) The following accounts and subaccounts, where applicable, shall be used in the design of depreciation rates.

(a) Support ~~assets~~ Assets, Account 2110. The following accounts shall be used:

1. Motor ~~vehicles~~ Vehicles, Account 2112. The following subaccounts shall be used,

a. Passenger cars and light trucks. This account shall include passenger cars and trucks of one ton in capacity or less.

~~b. Light trucks. This subaccount shall include trucks of one ton in capacity or less.~~

~~bc. Heavy trucks and special purpose vehicles~~. This subaccount shall include trucks of greater than one ton capacity.

~~cd. Tractors and trailers.~~

~~2. Special Purpose Vehicles, Account 2114.~~

~~23. Garage work equipment~~ Work Equipment, Account 2115. This account shall include tools and equipment used to maintain vehicles. ~~It shall be used for depreciation studies only if the expected life for this equipment is substantially different from that expected for tools and equipment in Account 2116, Other Work Equipment.~~

~~34. Other work equipment~~ Work Equipment, Account 2116. This account shall include power operated equipment, general purpose tools, and other such work equipment items.

45. Buildings, Account 2121. ~~Buildings are to be assigned to subaccounts in accordance with their potential life patterns in the use of the specific company. Suggested subaccount groupings are as follows:~~

~~a. Headquarters buildings which include primary switching center building, and multipurpose buildings such as buildings~~

~~housing combinations of switching, office, and warehouse space.~~

~~b. Plant buildings which include work centers, garages, shops, training centers, warehouses, pole yards, pre-fab buildings housing remote switchers, sheds, repeater huts, and leased quarters.~~

56. Furniture, Account 2122.

67. Office ~~equipment~~ Equipment, Account 2123. The following subaccounts shall be used:

a. Office support equipment ~~Support Equipment~~. This subaccount shall include office devices such as typewriters, cash registers, check writers, calculating, reproducing, addressing, billing, blueprinting, and other office machines.

b. Company communications equipment ~~Communications Equipment~~. This subaccount shall include CPE and PBX equipment installed for official company use.

78. General ~~purpose computers~~ Purpose-Computers, Account 2124.

(b) Central office switching ~~Office Switching~~, Account 2211. The following accounts shall be used:

1. Analog electronic switching ~~Electronic Switching~~, Account 2211. This account shall be established for analog switching equipment and peripheral gear. It shall include equipment serving analog switchers that is used solely for recording calling telephone numbers in connection with customer dialed charged traffic dial tandem switchboards and special service switchboards used in conjunction with private line service. It shall not include switchboards, and integral equipment thereof, which perform an operator assistance function.

2. Digital electronic switching ~~Electronic Switching~~, Account

2212. This account includes investments in digital switches. ~~Individual subaccounts shall be established for host, remote and digital switches, respectively.~~ This switching account shall include equipment serving digital electronic switchers that is used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic dial tandem switchboards and special service switchboards used in conjunction with private line service. It shall not include switchboards, and integral equipment thereof, which perform an operator assistance function. Major components such as hardware, processors, and ~~line~~ cards that are expected to live substantially different from the remaining switch investment should be considered as subcomponents in developing ~~shall either be placed in additional individual separate subaccounts or shall be included as a subcomponent used to develop~~ the rate for the ~~that~~ account ~~or subaccount~~.

3. Electromechanical switching ~~Switching~~, Account 2215. This switching account includes investments in step-by-step ~~step-by-step~~ or crossbar switchers. It does not include digital compatible equipment that is expected to live beyond the calculated life of electromechanical switching. Such investment shall be in a separate subaccount or included as a subcomponent used to develop the rate for the account or subaccount. This account also does not include switchboards which perform an operator assistance function and equipment which is an integral part thereof. It shall include, however, equipment serving electromechanical switchers that is used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic dial tandem switchboards and

special service switchboards used in conjunction with private line service.

(c) Operator ~~systems~~ Systems, Account 2220. This account shall include such charges as directory assistance, call intercept, and other operator assisted call completion activities. ~~The following subaccounts shall be used:~~

- ~~1. Analog, and~~
- ~~2. Digital or digital compatible.~~

(d) Central office - transmission ~~Office~~—Transmission, Account 2230. The following accounts shall be used:

1. Radio ~~systems~~ Systems, Account 2231. ~~The following subaccounts shall be used:~~

- ~~a. Microwave Radio, and~~
- ~~b. Mobile Radio.~~

2. Circuit equipment ~~Equipment~~, Account 2232. This investment shall be subcategorized in accord with the planning of the company, to be separated between the following:

- a. Analog ~~That portion planned for retirement;~~
- b. Digital ~~That portion considered viable within the existing network; and~~
- c. No Change.

(e) Information organization or termination ~~Organization/ Termination~~, Account 2310. The following accounts shall be used:

~~1. Private Line Equipment. This account shall include enhanced network transmission for a private channel.~~

~~2. Telecommunication Devices for the Deaf Hearing Impaired. This account shall include equipment required for communications by~~

~~or with hearing or speech impaired subscribers.~~

~~3. Network Carrier Equipment—Customer Premises. This account shall include network carrier equipment physically located on the customer premises.~~

14. Public telephone equipment ~~Telephone Equipment~~. This account shall include coinless, coin-operated (including public and semi-public), credit card, and pay telephones.

25. Other regulated station equipment ~~Regulated Station Equipment~~. This account shall include private line other miscellaneous equipment, telecommunication devices for the deaf, E-911 equipment, and network carrier equipment physically located on the customer's premises associated with regulated service not included in (1) through (4) above.

(f) Cable and wire facilities ~~Wire Facilities~~, Account 2410.

The following accounts shall be used:

1. No Change.

2. Aerial cable ~~Cable~~, Account 2421. The following subaccounts shall be used:

a. - b. No Change.

3. Underground cable ~~Cable~~, Account 2422. The following subaccounts shall be used:

a. - b. No Change.

4. Buried cable ~~Cable~~, Account 2423. The following subaccounts shall be used:

a. Metallic. This subaccount shall be further subcategorized in accord with company planning; and subaccounted as follows:

~~(i) Nonfilled core,~~

~~(ii) Filled core, and~~

~~(iii) Further subcategorization shall be made in accord with company planning;~~

b. No Change.

5. Submarine cable ~~Cable~~, Account 2424. The following subaccount shall be used:

a. No Change.

b. Fiber.

6. Intrabuilding network cable ~~Network Cable~~, Account 2426.

The following subaccounts shall be used:

a. - b. No Change.

7. Aerial wire ~~Wire~~, Account 2431.

8. Conduit systems ~~Systems~~, Account 2441.

(6) Depreciation rates used after July 1, 1996 ~~January 1, 1988~~ shall be based on the account classifications in the USOA and this rule. In implementing these rates the following procedures shall be followed:

(a) Reserve activity data, plant activity data, salvage costs, and costs of removal are to be recorded to the new accounts for activity subsequent to July 1, 1996 ~~January 1, 1988~~.

(b) - (c) No Change.

Specific Authority 350.127(2) FS.

Law Implemented 350.115, 364.17 FS.

History--New 4-25-88, Amended.

25-4.0175 Depreciation.

(1) For the purposes of Part II ~~this part~~, the following definitions shall apply to small local exchange companies remaining



under rate of return regulation:

(a) No Change.

(b) Average Service Life - The period of time that the given type of equipment, on average, can be expected to prudently and economically serve the public.

(c) Embedded Vintage - A vintage of plant in service as of the date of study or implementation of proposed rates.

~~(e) Equal Life Group Method - The method of calculating a depreciation rate based on the life expectations of the units constituting a vintage group. The vintage group is divided into sub-groups, each of which is expected to live an equal life. The required capital recovery for the vintage is then the summation of the requirements for each equal life group. As an example: A vintage consists of three \$100 units, A, B, and C, expected to live 2, 4, and 5 years. To recover each during its own service life will require annual accruals of \$50, \$25, and \$20 respectively in the following manner:~~

~~Accruals in Years~~

	1	2	3	4	5
A	\$50	\$50			
B	25	25	\$25	\$25	
C	20	20	20	20	\$20
Vintage					
Totals	\$95		\$95	\$45	\$45\$20

(d) No Change.

1. - 2. No Change.

3. The net increase or decrease resulting from purchases,

sales, or adjustments, and the distribution by years of placing of such amounts.

4. No Change.

(e) Remaining Life Method - The method of calculating a depreciation rate based on the unrecovered plant balance, less average future net salvage and the average remaining life. The formula for calculating a Remaining Life Rate (RLR) is:

$$\text{RLR Remaining Life Rate} = \frac{100\% - \text{Reserve \%} - \text{Average Future Net Salvage \%}}{\text{Average Remaining Life in Years}}$$

(f) Reserve Data - Historical data by study category showing reserve balances, debits and credits such as booked depreciation expense, salvage and cost of removal, and adjustments to the reserve utilized in monitoring reserve activity and position.

(g) - (1) No Change.

(2) (a) Ranges for basic life and salvage values, established by the Commission, may be used by small LECs regardless of the depreciation methodology utilized. The ranges for basic life and salvage values for small LECs are as follows: No utility may change any existing depreciation rate or initiate any new depreciation rate without prior Commission approval.

Ranges of Basic Life and Salvage Values for

Small Local Exchange Companies

<u>ACCOUNT</u>	<u>AVERAGE SERVICE LIFE</u> <u>(Years)</u>	<u>NET SALVAGE</u> <u>(Percent)</u>
<u>GENERAL SUPPORT ASSETS</u>		
<u>Motor vehicles</u>		
<u>Passenger cars &amp; light trucks</u>	<u>6 - 8</u>	<u>10 - 20</u>

<u>Heavy trucks &amp; special</u>		
<u>purpose vehicles</u>	<u>8 - 11</u>	<u>5 - 10</u>
<u>Buildings</u>	<u>32 - 36</u>	<u>0 - 5</u>
<u>Other work equipment</u>	<u>7 yr. Amortization</u>	
<u>Furniture</u>	<u>10 yr. Amortization</u>	
<u>Office machines</u>	<u>7 yr. Amortization</u>	
<u>Office equipment (official use)</u>	<u>5 yr. Amortization</u>	
<u>Computer equipment</u>	<u>5 yr. Amortization</u>	
<b><u>CENTRAL OFFICE ASSETS</u></b>		
<u>Digital switching</u>	<u>13 - 16</u>	<u>0 - 5</u>
<u>Operator systems</u>	<u>8 - 10</u>	<u>0 - 5</u>
<u>Radio</u>	<u>10 - 12</u>	<u>(5) - 0</u>
<u>Circuit</u>		
<u>Analog</u>	<u>8 - 10</u>	<u>(5) - 0</u>
<u>Digital</u>	<u>10 - 12</u>	<u>0 - 5</u>
<u>Fiber electronics (optics)</u>	<u>8 - 10</u>	<u>0 - 5</u>
<b><u>INFORMATION/ORIGINATION ASSETS</u></b>		
<u>Public telephone equipment</u>	<u>8 - 10</u>	<u>0 - 5</u>
<u>Other</u>	<u>8 - 10</u>	<u>0 - 5</u>
<b><u>CABLE/WIRE FACILITIES</u></b>		
<u>Poles</u>	<u>20 - 22</u>	<u>(60) - (40)</u>
<u>Aerial cable</u>		
<u>Metallic</u>	<u>18 - 20</u>	<u>(30) - (20)</u>
<u>Fiber</u>	<u>20 - 22</u>	<u>(30) - (20)</u>
<u>Underground cable</u>		
<u>Metallic</u>	<u>19 - 21</u>	<u>(10) - (5)</u>
<u>Fiber</u>	<u>20 - 22</u>	<u>(10) - (5)</u>

Buried cable

Metallic 17 - 19 (5) - 0

Fiber 20 - 22 (5) - 0

Submarine cable

Metallic 20 - 25 (5) - 0

Fiber 20 - 22 (5) - 0

Underground conduit 50 - 52 (5) - 0

Aerial wire - Expense all future additions and amortize embedded portion over 3 years.

(b) A company shall not petition the Commission to change any existing depreciation rate more than once a year. No utility may reallocate accumulated depreciation reserves among any primary accounts and sub-accounts without prior Commission approval.

(c) A company may not reallocate accumulated depreciation reserves among any primary accounts and subaccounts without prior Commission approval.

(3) (a) Each company utility shall maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts as prescribed by Rule 25-4.0174, F.A.C., and as set forth in Paragraph (2)(a) of this rule. Companies Utilities may maintain further sub-categorization.

(b) Upon establishing a new account or subaccount classification, each company utility shall request Commission approval of a depreciation rate for the new plant category.

(c) A company's current average service life is that which has been approved by the Commission and in effect as of the effective date of this rule. To determine if a company's current average

service life is within an established range, current average service lives not reflected as a whole number; shall be rounded using traditional rounding methodology. (For example, 1.1 - 1.4 rounds to 1.0 ; 1.5 - 1.9 rounds to 2.0.)

(4) If the company's proposed and current average service lives for a given account are within the ranges established in Paragraph (2) (a), no additional support for those values shall be required. If the company's proposed and current net salvage values for a given account are within the ranges established in Paragraph (2) (a), no additional support for those values shall be required. The company shall submit to the Division of Records and Reporting the original, five hard copies, and a diskette of the information required by Subsection (8) of this rule.

(5)+4) A company proposing basic life or salvage values outside of the ranges established in Paragraph (2) (a) of this rule ~~utility filing a depreciation study, regardless if a change in rates is being requested or not,~~ shall submit to the Division of Records and Reporting Commission Clerk's Office the original and five hard copies, and a diskette fifteen copies of the information required by Subsection (10) paragraphs (6) (a) through (6) (h) of this rule ~~and at least three copies of the information required by paragraph (6) (i).~~

(6)+5) After filing a petition for a change in depreciation rates, ~~Upon commission approval by order establishing an effective date,~~ the company utility may reflect on its books and records the preliminary implementation of the proposed rates as of the proposed effective date. These rates are subject to Commission approval

~~adjustment when final depreciation rates are approved.~~

(7) Any party protesting a Commission approved depreciation life or salvage value, shall carry the burden of proof in demonstrating that each protested value is unsupported by the operations and planning of each company.

~~(8)+6)~~ A depreciation filing study shall include:

(a) - (b) No Change.

~~(c) A comparison of annual depreciation expense resulting from current rates with the expense produced by the proposed rates allocated to interstate toll, intrastate toll and other, based on the 12-month average plant balance coinciding with the accounting period in which proposed depreciation rates are to become effective.~~

~~(c)+d)~~ Each recovery and amortization schedule currently in effect should be included with any new filing showing total amount amortized, effective date, length of schedule, annual amount amortized, and reason for the schedule.

~~(c) A comparison of the accumulated book reserve to the prospective theoretical reserve based on proposed rates and components for each category of depreciable plant to which depreciation rates are to be applied.~~

~~(d)+f)~~ A general narrative describing the service environment of the applicant company and the factors, e.g., growth, technology, and physical conditions necessitating a revision in rates.

(9) If a company's current average service life or salvage value for any given category of depreciable plant is not within the established range, the company must file the information in

Subsection (10) to justify its move into the range.

(10) For each account that the Company proposed life or salvage value is not within the established range, the depreciation filing shall include the information in Subsection (8) as well as the following:

(a)(g) An explanation and justification for each study category of depreciable plant defining the specific factors that justify the life or ~~and~~ salvage components and rates being proposed. Each explanation and justification shall include substantiating factors utilized by the company in the design of the depreciation rates for the specific category, e.g., company planning, growth, technology, physical conditions, and trends. The explanation and justification shall ~~discuss any proposed transfers of reserve between categories or accounts intended to correct deficient or surplus reserve balances.~~ It should also state any statistical or mathematical methods of analysis or calculation used in the design of the category rate.

(b)(h) The mortality and salvage data used by the company in the depreciation rate design must agree with activity booked by the utility. Unusual transactions not included in life or salvage studies, e.g., sales or extraordinary retirements, must be specifically enumerated and explained.

(c)(i) The filing shall contain all calculations, analysis and numerical basic data used in the design of the depreciation rate for each category of depreciable plant. ~~Numerical data shall include plant activity (gross additions, adjustments, retirements and plant balance at end of year) as well as reserve activity~~

~~(retirements, accruals for depreciation expense, salvage, cost of removal, adjustments or transfers and reclassifications, and reserve balance at end of year) for each year of activity from the date of the last submitted study to the date of the present study. To the degree possible, data involving retirements should be aged.~~

(11)(7)(a) Companies Utilities shall provide calculations of depreciation rates using either both the whole life method or and the remaining life method. The use of one of these methods is required for all depreciable categories. Companies may submit additional studies or methods for consideration by the Commission.

(b) Companies shall file an election to remain with the remaining life methodology or move to whole life methodology within 90 days of the effective date of this rule. Failure to file an election shall result in the company's use of remaining life methodology. Only one election regarding depreciation methodology will be permitted.

(12) When a company elects whole life methodology, no recovery of reserve imbalances will be considered for depreciation purposes. This methodology is not reserve sensitive.

(13) When a company elects remaining life methodology, the following apply:

(a) A company requiring the Commission staff's assistance in determining a remaining life based on its average service life selection, shall notify the Director of the Division of Auditing and Financial Analysis, by letter, three months prior to the company's filing date.

(b) No Change.



~~(8)(a) Each company shall file a study for each category of depreciable property for Commission review at least once every three years from the submission date of the previous study unless otherwise required by the Commission.~~

(c) It shall be a rebuttable presumption that in determining the average remaining life, the mortality curve shapes shall be those used by the Commission the last time it prescribed rates.

(14)(a)(b) A company utility proposing an effective date of the beginning of its fiscal year shall submit its petition for a change in depreciation rates ~~depreciation study~~ no later than the mid-point of that fiscal year.

(b)(e) A company utility proposing an effective date coinciding with the expected date of additional revenues initiated through a rate case proceeding shall submit its petition for a change in depreciation rates ~~depreciation study~~ no later than the filing date of its Minimum Filing Requirements.

(15)(9) Included as part of the annual report filed pursuant to Rule 25-4.135 ~~25-4.018~~, F.A.C., each company shall provide Schedule B-3 B-5a, Analysis of Plant In Service, and Schedule B-4 B-5b, Analysis of Accumulated Depreciation. Schedule B-3 B-5a shall include booked plant activity (plant balance at the beginning of the year, additions, adjustments, transfers, reclassifications, retirements, and plant balance at year end). Schedule B-4 B-5b shall include reserve activity (reserve balance at the beginning of the year, retirements, accruals, salvage, cost of removal, adjustments, transfers, reclassifications, and reserve balance at year end) for each category of investment for which a depreciation

rate, amortization schedule, or capital recovery schedule has been approved. ~~These schedules shall indicate for each category that (a) there has been no change of plans or utility experience requiring a revision of rates, amortization, or capital recovery schedules or (b) there has been a change requiring a revision of the rates, amortization, or capital recovery schedules. For each category where current conditions indicate a need for revision of depreciation rates, amortization, or capital recovery schedules and no revision is sought, the report shall explain why no revision is requested.~~

(16) (a) Prior to the date of retirement, the Commission may approve capital recovery schedules to correct calculated deficiencies where a utility demonstrates that replacement of an installation or group of installations is prudent, and the associated investment will not be recovered by the time of retirement through the existing depreciation rate.

(b) The Commission may approve a special capital recovery schedule when an installation is designed for a specific purpose or for a limited duration.

(c) Associated plant and reserve activity, balances, and the annual capital recovery schedule expense must be maintained as subsidiary records.

Specific Authority 350.127(2) FS.

Law Implemented 350.115, 364.03 FS.

History--New 9-8-81, Amended 4-28-83, 1-6-85, Formerly 25-4.175, Amended 4-27-88, 12-12-91, \_\_\_\_\_.

25-4.0176 Recovery Schedules to Promote an Economical and Efficient

Telecommunications Network. ~~The Commission encourages an efficient and economical telecommunications network. To foster this goal the following policies apply:~~

~~(1) Prior to the date(s) of retirement, the Commission may approve capital recovery schedules to correct calculated deficiencies where a utility demonstrates that (a) replacement of an installation or group of installations is prudent, and (b) the associated investment will not be recovered by the time of retirement through the normal depreciation process.~~

~~(2) The Commission may approve a special capital recovery schedule when an installation is designed for a specific purpose or for a limited duration.~~

~~(3) Associated plant and reserve activity, balances, and the annual capital recovery schedule expense(s) must be maintained as subsidiary records.~~

Specific Authority 350.127(2) FS.

Law Implemented 350.115, 364.03 FS.

History--New 9-8-81, Formerly 25-4.176, Repealed.

NAME OF PERSON ORIGINATING PROPOSED RULES: Pat Lee, Rhonda Hicks.

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULES:

Florida Public Service Commission.

DATE PROPOSED RULES APPROVED: June 25, 1996.

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually

makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

Rules 25-4.0174, 25-4.0175 & 25-4.0176  
Docket No. 960715-TL

**STATEMENT OF FACTS AND CIRCUMSTANCES  
JUSTIFYING RULE**

Section 364.052(2)(a), Florida Statutes was revised by the Legislature to require the Commission to establish by rule, ranges of basic factors for lives and salvage values to be used in developing depreciation rates for rate base, rate of return regulated companies.

**STATEMENT ON FEDERAL STANDARDS**

There is no federal standard on the same subject.

**STATEMENT OF IMPACT ON SMALL BUSINESS**

None.

**STATEMENT THAT THE AGENCY HAS CHOSEN THE REGULATORY ALTERNATIVE  
THAT IMPOSES THE LOWEST NET COST ALTERNATIVE TO SOCIETY**

An EIS was not prepared as the Commission determined that no substantial additional costs or significant adverse impacts have been identified.

The Commission has chosen the regulatory alternative that imposes the lowest net cost to society.