

ORIGINAL

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**TDS TELECOM**

*Retail Markets Group*

August 17, 1998

Ms. Blanca Bayo  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

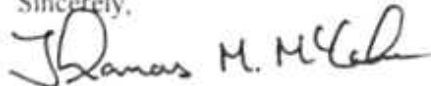
Dear Ms. Bayo:

Enclosed please find a diskette and one hard copy of TDS TELECOM/Quincy's executive overview. The executive summary and cost information provided in response to the Florida Public Service Commission's data request has been filed in the Gadsden County Library.

The executive summary is provided in Microsoft Word 95, version 7.0. A summary of the cost study is included in Excel.

If you have any questions, please contact me at (850) 875-5207

Sincerely,



Thomas M. McCabe  
Manager - External Relations  
TDS TELECOM

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**TDS TELECOM/Quincy Telephone Cost Study  
Florida Public Service Commission  
Dkt. # 980000A-SP: Undocketed Special Project:  
Fair and Reasonable Rates**

**Background**

Chapter 364, Florida Statutes, requires the Florida Public Service Commission (FPSC) to report to the Legislature by February 15, 1999 its conclusions as to the fair and reasonable Florida residential basic local telecommunications service rate. In its determination of a fair and reasonable rate, the FPSC is directed to consider affordability, the value of service, comparable residential basic local telecommunications rates in other states, and the cost of providing residential basic local telecommunications services in this state, including the proportionate share of joint and common costs. In addition, the FPSC is to study and report the relationship among the costs and charges associated with providing intrastate access, and other telecommunications services.

**Overview**

On June 19, 1998, the FPSC staff issued two sets of data requests, one from the Division of Auditing and Financial Analysis (AFAD) and another from the Division of Communications, requesting cost information for basic local exchange telecommunications service and other telecommunications services offered by local exchange companies.

The data request issued by AFAD sought information on an embedded-cost basis. The costing principles used in developing the company's "jurisdictional" (interstate and intrastate) costs are those adopted by the Federal Communications Commission (FCC) under Part 36 rules of the FCC Code. The study excludes certain costs and modifies some allocations as requested by the FPSC staff.

In addition to providing basic local exchange service, TDS Telecom/Quincy jointly provides telecommunications services for interstate and intrastate toll and access. Therefore, the company must allocate its costs between the interstate and intrastate jurisdictions in order to ensure proper recovery of its costs. The separation between interstate and intrastate costs are calculated through a process which allocates jointly provided costs to the various jurisdictions through complex allocation studies within the Part 36 process. Depending on the cost category, costs may be allocated to the appropriate jurisdiction through usage based studies, time and motion studies of its personnel, or through direct or fixed assignment of costs.

The 1997 annual costs based on the process prescribed by the Division of AFAD breaks down as follows:

Interstate Toll and Access	\$2.3 million
Intrastate Toll and Access	\$1.5 million
Local Exchange Service	\$5.4 million

Attached to the executive overview is a summary of TDS TELECOM/Quincy's embedded costs study as prescribed by the FPSC. In addition to the embedded cost study, copies of the company's financial income and balance sheets are included.

The Division of Communications' data request required a contribution analysis of basic residential and business local exchange service as well as other telecommunication services such as call waiting. The data request directed the company to perform the contribution analysis using a total service long-run cost (TSLRIC) study. TDS Telecom/Quincy does not have TSLRIC studies available for the services identified in the Division of Communications' data request. Without company specific TSLRIC studies, TDS Telecom/Quincy could not provide a meaningful contribution analysis.

#### **Confidential Information**

Although TDS Telecom/Quincy was unable to provide a contribution analysis in response to the Division of Communications data request, some information was provided in the company's response that is confidential in nature. Portions of this filing that have been excluded are deemed confidential, by Florida Statutes. Confidential information and other financial data have been filed in Special Project No. 980000A-SP at the Florida Public Service Commission.

1997 Summary of Costs of Quincy Telephone Company

LN	DESCRIPTION	Account	Interstate Costs Costs	Intrastate Toll and Access Costs	Exchange and F.A.N.C. Costs	Total Company Costs
INVESTMENT RELATED COSTS						
1	GENERAL SUPPORT FACILITIES	2110	972,107	307,296	1,957,206	2,936,610
2	CENTRAL OFFICE SWITCHING EQUIPMENT	2210	890,574	183,888	2,890,516	3,964,978
3	OPERATOR SYSTEMS EQUIPMENT	2220	-	-	-	-
4	CENTRAL OFFICE TRANSMISSION EQUIPMENT	2230	714,165	1,162,674	2,171,551	4,048,390
5	INFORMATION ORGANIZATION EQUIPMENT	2310	5,889	1,040	16,027	22,756
6	CABLE AND WIRE FACILITIES	2410	4,070,179	1,298,791	11,522,422	16,891,293
7	TANGIBLE ASSETS	2600	-	-	-	-
8	INTANGIBLE ASSETS	2630	-	-	-	-
9	TOTAL PLANT IN SERVICE - A.C. 2001		6,372,715	2,913,690	18,557,622	27,844,027
10	PROPERTY HELD FOR FUTURE USE	2002	1,377	630	4,010	6,017
11	PLANT UNDER CONSTR. - SHORT TERM	2003	313,313	143,251	912,382	1,368,946
12	PLANT UNDER CONSTR. - LONG TERM	2004	-	-	-	-
13	TELEPHONE PLANT ADJUSTMENT	2005	-	-	-	-
14	NONOPERATING PLANT	2006	-	-	-	-
15	GOODWILL	2007	-	-	-	-
16	TOTAL PROPERTY, PLANT & EQUIPMENT		6,687,405	3,057,571	19,474,014	29,218,990
17	ACCUM DEPRECIATION - PLANT IN SERVICE	3100	2,758,270	1,291,719	7,994,215	12,044,205
18	ACCUM DEPRECIATION - FUTURE USE	3200	-	-	-	-
19	ACCUM AMORTIZATION - TANGIBLE PROPERTY	3400	-	-	-	-
20	ACCUM AMORTIZATION - INTANGIBLE PROPERTY	3500	-	-	-	-
21	ACCUM AMORTIZATION - TEL PLANT ADJUSTMENT	3600	-	-	-	-
22	OPERATING DEFERRED INCOME TAX - NET	VAR	237,389	108,921	693,094	1,040,904
23	CUST. DEP. - OTHER DEF. CRS-NET & L-IAB		2,165	1,978	4,351	8,493
24	NET TELEPHONE PLANT		3,688,981	1,654,953	10,782,354	16,126,288
25	MATERIALS AND SUPPLIES	1220	0	0	1	2
26	INVESTMENT IN NON-AFFILIATED COS	1402	-	-	-	-
27	OTHER NONCURRENT ASSETS	1410	-	-	-	-
28	DEFERRED MAINTENANCE & RETIREMENTS	1438	-	-	-	-
29	EQU'M. ACCESS EQUIPMENT	1439	-	-	-	-
30	OTHER JURISDICTIONAL ASSETS	1500	-	-	-	-
31	CASH WORKING CAPITAL	XXXX	60,361	-	-	60,361
32	NET TEL. PLANT, M&S AND CASH WORKING CAPITAL		3,749,341	1,654,953	10,782,355	16,186,651

1997 Summary of Costs of Quincy Telephone Company

LN	DESCRIPTION	ACCOUNT	Interstate Costs Costs	Intrastate Toll and Access Costs	Exchange and EAS Costs	Total Company Costs
<b>OPERATING EXPENSE AND TAX SUMMARY</b>						
1	NETWORK SUPPORT EXPENSE	6110	\$ 4,949	\$ 2,263	\$ 14,411	\$ 21,622
2	GENERAL SUPPORT EXPENSE	6120	\$ 35,988	\$ 16,454	\$ 104,798	\$ 157,240
3	CENTRAL OFFICE EXPENSE	6210	\$ 46,251	\$ 38,332	\$ 144,100	\$ 228,683
4	INFORMATION ORIG/TERM EXPENSE	6310	\$ 1,551	\$ 284	\$ 4,370	\$ 6,205
5	CABLE AND WIRE FACILITIES EXPENSE	6410	\$ 81,193	\$ 25,111	\$ 229,849	\$ 336,152
6	OTHER PLANT EXPENSE	6510	\$ 8,395	\$ 3,838	\$ 24,447	\$ 36,680
7	NETWORK OPERATIONS EXPENSE	6530	\$ 129,195	\$ 59,070	\$ 376,222	\$ 564,487
8	ACCESS CHARGE EXPENSE	6540	\$ -	\$ -	\$ -	\$ -
9	MARKETING EXPENSE	6610	\$ 134,535	\$ 53,432	\$ 227,458	\$ 415,425
10	SERVICES EXPENSE	6620	\$ 320,551	\$ 475,487	\$ 451,724	\$ 1,247,762
11	EXECUTIVE AND PLANNING EXPENSE	6710	\$ 47,658	\$ 43,545	\$ 95,795	\$ 186,997
12	GENERAL AND ADMINISTRATIVE EXPENSE	6720	\$ 301,429	\$ 265,191	\$ 583,400	\$ 1,150,020
13	SUBTOTAL OPERATING EXPENSES		\$ 1,111,694	\$ 983,006	\$ 2,256,572	\$ 4,351,273
14	DEPRECIATION AND AMORTIZATION	6560	\$ 435,139	\$ 208,299	\$ 1,268,984	\$ 1,912,422
15	OTHER OPERATING TAX	7240	\$ 56,039	\$ 24,431	\$ 155,602	\$ 236,072
16	EQUAL ACCESS EXPENSE		\$ -	\$ -	\$ -	\$ -
17	INTEREST ON CUSTOMER DEPOSITS	7250	\$ -	\$ -	\$ -	\$ -
18	RENT REVENUES/ OTHER INC/ G+L	5240/7100/7500	\$ (6,434)	\$ (2,942)	\$ (18,738)	\$ (28,114)
19	TOTAL OPERATING EXPENSE AND TAX		\$ 1,596,438	\$ 1,212,794	\$ 3,662,421	\$ 6,471,653
<b>NON OPERATING EXPENSE</b>						
21	ABANDONED CONSTRUCTION	7370	\$ -	\$ -	\$ -	\$ -
22	CONTRIBUTIONS		\$ 5,179	\$ 4,580	\$ 10,076	\$ 19,835
23	OTHER NON OPERATING EXPENSE		\$ -	\$ -	\$ -	\$ -
24	TOTAL NON OPERATING EXPENSE		\$ 5,179	\$ 4,580	\$ 10,076	\$ 19,835