

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Northeast Florida Telephone	)	DOCKET NO. 890788-TL
Company, Inc.'s 1989 Depreciation Study	)	ORDER NO. 22414
<hr/>		ISSUED: 1-11-90

The following Commissioner participated in the disposition of this matter:

- MICHAEL McK. WILSON, Chairman
- THOMAS M. BEARD
- BETTY EASLEY
- GERALD L. GUNTER
- JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION

ORDER PRESCRIBING DEPRECIATION RATES  
AND A RECOVERY SCHEDULE

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission of its intent to approve the request of Northeast Florida Telephone Company, Inc. (Northeast) for new depreciation rates and a recovery schedule pursuant to Sections 350.127 and 364.03, Florida Statutes (1987), and Rule 25-4.175, Florida Administrative Code. This action is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029.

Rule 25-4.0175(7) requires telephone companies to periodically file a comprehensive depreciation study at least once every three years. In compliance with this rule, Northeast filed its triennial depreciation study (Study) on June 12, 1988, requesting our represcription of its depreciation rates. The Study represents a comprehensive review of all classes of equipment.

We will adopt an amortization schedule that covers circuit equipment planned for retirement during 1989. This equipment is composed of D-2 Channel Banks and Span Terminal Equipment that will be replaced with optic electronics associated with the fiber cable toll route being installed between Macclenny and Jacksonville. The amount of investment to be retired is \$66,450, the associated reserve is \$36,800 and the cost of

DOCUMENT NUMBER-DATE  
00333 JAN 11 1990  
FPSC-RECORDS/REPORTING

ORDER NO. 22414  
DOCKET NO. 890788-TL  
Page 2

removal is an estimated \$500. Therefore, the unrecovered capital to be expensed during 1989 is \$30,150.

As a result of our comprehensive review of the Study, we will prescribe the depreciation rates and components listed on Attachment 1. In most instances, the prescribed rates mirror those proposed by Northeast; however, there are six major differences between the Study's proposals and our Staff's recommendations, and these relate to the projected service lives and average remaining lives of some of the equipment and to rounding methodology.

For the Light Trucks Account, our Staff recommends a 7-year average service life as opposed to the 5.7-year life requested by the company. Further, while Northeast suggested a 25% net salvage for this account, our Staff recommends a 30% net salvage. We believe that current trends in this industry support our Staff's recommendations, and they will be approved.

With respect to Digital Switching Equipment, our Staff recommends a 20-year life span and a 1% interim retirement rate which results in an average service life of 17.6 years and an average remaining life of 13.4 years. We find this recommendation to be reasonable, and it will be approved.

According to Northeast, all digital and analog Circuit Equipment existing in the network after 1989 should remain in service. Our Staff's review of the expected additions and retirements in this account for the period 1989-1991 concluded that this activity will represent a 45% growth in the investment. Staff therefore recommends an average service life of 12 years, a remaining life of 8.8 years and a net salvage value of 7%. The remaining life represents a composite of the remaining life of the embedded investment, 6.9 years, with an appropriate life for the new investment, 12 years. We approve our Staff's recommendation.

The Study seeks an increase in the average service life of the Public Telephone Equipment Account from the 9 years currently authorized to 10.5 years. Staff's review of this account has ascertained that its investment has grown by 212% since 1985. Based on its belief that existing equipment could be rendered obsolete through this growth and by technological development, Staff recommends that the service life of 9 years which underlies the currently-prescribed remaining life rate be maintained. We approve this recommendation.

ORDER NO. 22414  
DOCKET NO. 890788-TL  
Page 3

Staff's recommendation with regard to Metallic Cable recognizes future developments and industry forecasts of substitution of fiber for copper conductors. It is premised on the belief that the impact on a smaller company will to be slower than on larger companies. In addition, Staff recommends that Drop and Block, Aerial, and Buried Cable investments be combined with their associated primary accounts. Also, since drop cables are considered to be minor items, Staff suggests that these investment no longer be maintained in separate subaccounts. We will adopt our Staff's recommendations.

The first interoffice fiber optic toll cable went into service between Macclenny and Jacksonville in early 1989. Fiber cable may eventually have a longer life than copper cable, but early generations should have shorter lives than later generations due to refinements in technology. We are aware of some replacement of the first generation fiber. Recognizing that in the past, estimates of the life of equipment whose technology is evolving have tended to be too long, a 20-year service life is recommended by our Staff. We adopt this recommendation for this equipment.

Northeast requested a January 1, 1989 implementation date for its newly-prescribed depreciation rates. All data and calculations submitted in the Study support this date. We believe this to be an appropriate effective date and will approve the requested implementation date.

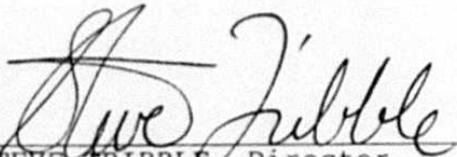
Now, therefore, in consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation rates and components and the amortization schedule of Northeast Telephone Company, Inc. are hereby adjusted and represcribed as set forth in the body of this Order and as more particularly identified in the attachments appended to this Order. It is further

ORDERED that this docket shall be closed at the expiration of the period established below if a proper protest has not been received.

ORDER NO. 22414  
DOCKET NO. 890788-TL  
Page 4

By ORDER of the Florida Public Service Commission,  
this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

  
\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

DLC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 1, 1990.

ORDER NO. 22414  
DOCKET NO. 890788-TL  
Page 5

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT 1NORTHEAST TELEPHONE COMPANY  
1989 STUDY  
Depreciation Rates and Components

ACCOUNT	COMMISSION APPROVED			
	AVERAGE REMAINING LIFE (yrs.)	NET SALVAGE (%)	BOOK RESERVE (%)	REMAINING LIFE RATE (%)
GENERAL SUPPORT ASSETS				
2112 VEHICLES				
Passenger Cars	4.2	20	31.14	11.6
Light Trucks	4.2	30	16.07	12.8
Heavy Trucks	3.5	10	62.77	7.8
Tract. & Trall.	6.6	30	35.01	5.3
2116 OTHER WORK EQUIPMENT 6 YEAR AMORTIZATION				
2121 BUILDINGS				
Central Office	32.0	0	16.77	2.6
Plant	32.0	0	22.47	2.4
2122 FURNITURE 9 YEAR AMORTIZATION				
2123 OFFICE SUPPORT EQUIP. 6 YEAR AMORTIZATION				
COMPANY COHM. EQUIP. 4 YEAR AMORTIZATION				
2124 COMPUTER EQUIPMENT 4 YEAR AMORTIZATION				
CENTRAL OFFICE ASSETS				
2212 DIGITAL SWITCHING 13.4 6 20.37 5.5				
2232 CIRCUIT EQUIPMENT				
Existing Equip.	8.8	7	58.7	3.9
Optics	10.0	0	---	10.0 *
INFORMATION ASSETS				
2351 PUBLIC TELEPHONE EQ. 5.8 0 36.52 10.9				
2362 OTHER TERMINAL EQ. 5.0 2 54.58 8.7				
CABLE & WIRE ASSETS				
2411 POLES 15.0 (60) 59.39 6.7				
2421 AERIAL CABLE				
Metallic Cable	15.8	(20)	42.08	4.9 **
Drop & Block	15.8	(20)	42.08	4.9 **
Fiber	20.0	(5)	---	5.3 *
2422 UNDERGROUND CABLE				
Metallic	18.4	(10)	23.8	4.7
Fiber	20.0	(5)	---	5.3 *
2423 BURIED CABLE				
Metallic Filled	19.9	(7)	27.09	4.0 **
Metallic Nonfilled	5.9	(7)	55.04	8.8
Fiber	20.0	(5)	---	5.3 *
Drop & Block	19.9	(7)	27.09	4.0 **
2441 CONDUIT SYSTEMS 45.0 (5) 12.4 2.1				

\* Denotes whole life rate

\*\* Represents the combination of Drop &amp; Block with associated cable