

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: INDIANTOWN TELEPHONE SYSTEM,	)	DOCKET NO. 891373-TL
INC. - 1990 Depreciation Study.	)	ORDER NO. 24005
_____	)	ISSUED: 1-22-91

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION  
ORDER CHANGING DEPRECIATION RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

The last comprehensive depreciation represcription for Indiantown Telephone Company, Inc. (Indiantown or the Company) was made in 1987. Pursuant to Rule 25-4.0175, Florida Administrative Code, Indiantown filed the study being considered in this docket. Rates prescribed in the 1987 study were remaining life rates with recovery schedules for the unrecovered cost of submarine cable and analog carrier planned for near-term retirement. In addition, the amortization period for inside wire was shortened to permit recovery by year-end 1988.

Upon review of the latest study, it is apparent that the Company should be allowed to revise its depreciation rates and recovery schedules. The processor portion of the Indiantown digital switch was replaced in early 1990. The changeout occurred as part of an upgrade from "release 14" software to "release 17." As a result, there was an unrecovered cost of \$58,402. We find that the apparent reserve surplus existing in the remaining digital switching account should be applied to offset this deficiency. In addition, there is a calculated reserve deficit associated with the Stuart West digital remote switch, and reserve deficiencies exist in the metallic cable accounts due to the impact of fiber

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extent technology is affecting the estimated life of equipment, the Company should be permitted to react accordingly and the deficits resulting from these shortened perceived lives should be written-off as fast as economically practicable. A three year write-off period for this net deficiency appears to be practicable for this company. The annual write-off amount will be \$37,477. As a result of the corrective action discussed above, each affected account's reserve is placed at its theoretically correct level as shown on Attachment 2, page 7.

The Company proposed to apply the deferred CIAC revenues from Order No. 21474 to the write-off of the net imbalance associated with only the retired processor and the filled metallic buried cable account. This action does not provide any corrective action for the calculated deficiencies associated with the metallic underground cable and the metallic non-filled buried cable accounts and would further bring the reserve associated with the filled buried cable account to an amount exceeding its calculated theoretically correct position. In addition, upon reviewing the earnings condition of the Company, we are of the opinion that it is not necessary to offset these resultant write-off expenses with the deferred CIAC revenues.

In the course of review of this study, the Company agreed on life and salvage parameters for all accounts. The only remaining issue relates to (1) the amount of reserve imbalance and its write-off method; and, (2) the January 1, 1990 statement of investment and reserve positions for the digital carrier and metallic filled buried cable accounts. For the later, during the course of review, it became apparent that \$72,301 had been inadvertently booked to the metallic filled buried cable account in 1989 rather than to the correct digital carrier account.

Life factors recommended reflect the prospective impacts of network upgrading throughout the State; an example is the effect of the move to the Synchronous Optical Network. The expected life of upgradable digital switches is problematic. The Technology Futures Study, for example, suggests that the current upgradable generation might live until about 2013-2014. That may be optimistic, it is not unusual for technologies to be superseded before expected. The pattern of upgrade retirements as projected by various sources varies because the time of upgrade is still ahead of us. A blending of projections of retirements comports with about 30% of

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the current embedded investments, including processor, having been retired by about 2004.

Stuart West is currently a remote digital switch homing on the host in Indiantown. In this area, new subdivisions and three hotels are planned. At the time the current study was submitted, it was anticipated that this remote would need to be replaced during 1990 to provide for the expected growth. At this time however, some lots have been sold, but no building has begun. The status of this situation should be monitored closely by the Company, and when circumstances change and plans are firmed up, the Company should petition for the appropriate recovery treatment for any anticipated unrecovered investment.

Life factors for the metallic cable accounts reflect the scenario of phasing out interoffice facilities by about 2000 and feeder by about 2014. Distribution facilities would be expected to have phased-out very few years later - possibly in the 2017 period. These projections are in general accord with the concept of fiber to the home (or curb) in the second decade of the 21st century.

A new direct buried fiber interoffice toll route was placed in service in November. This route goes from Indiantown to the Southern Bell tandem switch in West Palm Beach. The T-carrier serving this route was at capacity, leaving the Company the alternative of adding more T-carrier or replacing the facility with fiber. It was determined that the economical choice was to install fiber. The T-carrier facility was retired but will be reused for local service. According to the company, the fiber electronics equipment (multiplexing) installed is SONET compatible.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Indiantown Telephone Company, Inc. revise its depreciation rates and recovery schedules as generally described above and reflected more specifically in the attachments to this Order. It is further

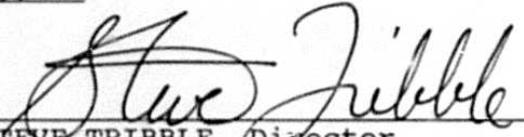
ORDERED that the revisions of the depreciation rates and recovery schedules be made effective January 1, 1990. It is further

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ORDERED that the corrective reserve measures illustrated in Attachment 2 be implemented and the net reserve imbalance of \$112,430 be written off over a three year period. It is further

ORDERED that this docket be closed at the conclusion of the protest period if no protests are filed pursuant to the requirement below.

By ORDER of the Florida Public Service Commission, this 22nd day of JANUARY, 1991.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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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

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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 12, 1991.

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.

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.

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INDIANTOWN TELEPHONE SYSTEM, INC.  
 1990 STUDY

ATTACHMENT 1

ACCOUNT	COMMISSION APPROVED			
	A.R.L. (yr)	NET SAL (%)	BK RES. (%)	R.L. RATE (%)
2112 VEHICLES				
Passenger cars	6.0	10	36.67	8.9
Light Trucks	4.9	7	35.74	11.7
2116 TOOLS & EQUIP.		7-Year Amortization		
2116.1 CONSTRUCTION EQUIP.	6.6	10	82.56	1.1
2121 BUILDINGS				
Office	23.0	10	32.94	2.5
Single Unit	24.0	0	16.16	3.5
Plant	29.0	5	17.57	2.7
2122 OFFICE FURN.		10-Year Amortization		
2123 OFFICE EQUIP.				
Office Machines		7-Year Amortization		
Official Telephones		7-Year Amortization		
2124 COMPUTER EQUIP.		5-Year Amortization		
2212 DIGITAL SWITCHING				
Digital Sw./Process.	12.6	0	20.62 ***	6.3
Digital Proces.(Emb)		1-Year Amortization		
Stuart West	3.0	0	81.10 ***	6.3
2232 CARRIER				
Analog Carrier	3.4	(5)	74.59	8.9
Digital Carrier	6.6	0	22.25	11.8
Fiber	10.0	0	0.00	10.0
2351 PUBLIC TELEPHONES	3.3	0	83.21	5.1
2362 DEVICES FOR THE DEAF	3.2	0	90.12	3.1
Terminating Equipment	6.0	0	41.76	9.7
2411 POLES	11.9	(60)	62.55	8.2
2421 AERIAL CABLE				
Metallic	12.9	(30)	43.57 ***	6.7
Fiber	20.0	(15)	0.00	5.8
2422 UNDERGROUND CABLE				
Metallic	13.9	(5)	31.33 ***	5.3
Fiber	20.0	(5)	0.00	5.3 ##
2423 BURIED CABLE				
Metallic Non-Filled	5.4	(5)	67.20 ***	7.0
Metallic Filled	14.3	(5)	27.78 ***	5.4
Fiber	20.0	(5)	0.00	5.3 ##
2441 CONDUIT	47.0	(5)	6.21	2.1

## Denotes whole life rate.

\*\*\* Denotes Staff Recommended restated reserve.

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INDIANTOWN TELEPHONE SYSTEM, INC.  
1990 STUDY  
CORRECTIVE RESERVE TRANSFERS

	<u>1/1/90 Book Reserve</u>	<u>Calculated Theoretical Reserve</u>	<u>Reserve Imbalance</u>	<u>Commission Approved Restated Reserve</u>
Digital Switch	\$263,129	\$194,800	\$ 68,329	\$194,800
Processor	65,416	123,617	(58,201)	123,617
Stuart West	24,097	66,008	(41,911)	66,008
Aerial Cable Metallic	30,126	23,533	6,593	23,533
Underground Cable Metallic	23,321	40,504	(17,183)	40,504
Buried Cable Metallic Air	274,859	285,558	(10,699)	285,558
Metallic Filled	795,757	855,115	<u>(59,358)</u>	875,200
Total Net Imbalance			(112,430)	