**FLORIDA PUBLIC SERVICE COMMISSION**

**Fletcher Building**

**101 East Gaines Street**

**Tallahassee, Florida 32399-0850**

**M E M O R A N D U M**

**May 6, 1993**

**TO : DIRECTOR OF RECORDS AND REPORTING**

**FROM : DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MEEKS, C. ROMIG, JOHE)**

**DIVISION OF COMMUNICATIONS (REITH)**

**DIVISION OF LEGAL SERVICES (KURLIN)**

**RE : DOCKET NO. 920755-TL, ALLTEL FLORIDA, INC. - 1992 DEPRECIATION STUDY**

**AGENDA : MAY 18, 1993 - PROPOSED AGENCY ACTION - CONTROVERSIAL - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\920755.RCM**

**R:ALLTEL1.WK3 - ATTACHMENTS A-C**

**R:ALLTEL2.WK3 - ATTACHMENT D**

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the current depreciation rates and recovery schedules for ALLTEL Florida, Inc. (ALLTEL or Company) be changed?

**RECOMMENDATION:** Yes. A review of Company plans and the status of life, salvage and reserve parameters presented in the study indicate the need for a revision of depreciation rates. (MEEKS)

**STAFF ANALYSIS:** The last comprehensive depreciation review for ALLTEL was filed in Docket No. 891026-TL (Order No. 23833) with an effective date of January 1, 1990. As part of the last review, a reserve imbalance for the metallic cable accounts was calculated and placed on a five year amortization. In Docket No. 911108-TL, Order No. PSC-92-0028-FOF-TL issued March 10, 1992, the Company was ordered to record additional amortization expenses in 1992 in the amount of $218,124 to account for excess 1992 earnings. This action resulted in the full recovery of ALLTEL's cable reserve deficit in 1992.

To meet current and future needs of its customers, capital programs have been implemented or planned to enhance ALLTEL's network. Several examples are switch processor upgrades, adding SS7 (Signaling System Version 7) to the network primarily for call set-up, providing CLASS (Customer Local Area Signaling Service) capability, completing adoption (i.e., implementation) of SONET (Synchronous Optical Network) Standards, and replacing buried air core cables. Further, ALLTEL has plans to install several fiber optic interoffice routes during the next few years. This changing environment makes it necessary for a review and implementation of revised depreciation rates where appropriate. In addition, since the time of the last review, net plant balances have changed and technological impacts on life and salvage have changed further indicating a need for a review and revised rates where appropriate.

**ISSUE 2:** What should be the date of implementation for new rates?

**RECOMMENDATION:** Staff recommends approval of ALLTEL's proposed January 1, 1993 date of implementation for the new depreciation rates. (MEEKS)

**STAFF ANALYSIS:** Company data and related calculations abut the January 1, 1993 date. This is the recommended date of implementation, being the earliest practicable date for utilizing the revised rates.

**ISSUE 3:** Are the Company's planned switching retirements for 1993-1995 reasonable?

**RECOMMENDATION:** Yes. (REITH)

**STAFF ANALYSIS:** ALLTEL is planning to reconfigure the Alachua area switching network. The present architecture is a satellite switching configuration with Alachua as the hub and High Springs, Lake Butler, Raiford, Brooker and Fort White being the satellite offices. Presently, these exchanges all have Northern Telecom DMS-10s installed.

The Company is experiencing an increasing need to upgrade and redesign this area of its network. Southern Bell is currently serving the Gainesville area nearby with a DMS-100 which is a more advanced digital switch than ALLTEL's DMS-10s. With the proximity of Alachua to Gainesville, customer growth, needs and expectations are expanding. Biotechnology laboratories and other types of high tech industry are locating their offices in Alachua. Business and residential customers are requesting the same grade of service and feature availability that are obtainable from the Gainesville office.

The current architecture of the Alachua area has limited flexibility and is becoming increasingly expensive to meet the customers' needs. One solution is to install a DMS-100 in the Alachua office and keep the embedded DMS-10s satellite configuration. All administration and recording would then be centralized to the Alachua hub. The disadvantage is that the satellite offices will not be able to share the sophistication of the DMS-100. For example, if a new feature package were to be purchased for the DMS-100, additional packages will have to be purchased for each DMS-10 provided these switches have this ability.

ALLTEL's proposed remedy is to have the Alachua office home off of Live Oak's DMS-100. This will allow the Alachua area switches to act as remotes and share the capabilities and sophistication of the DMS-100 without having to purchase another DMS-100. In order to take advantage of this sharing arrangement, the DMS-10s in the Alachua, High Springs, Lake Butler, Raiford, Brooker and Fort White offices will all have to be changed out to Remote Switching Centers (RSC). This will result in long term savings and benefits to the Company through:

A decrease in trunks needed for the area.

CLASS AND CCS7 software will only have to be purchased for the Live Oak host switch. The remote offices will have access to CLASS and CCS7 services from the host.

An annual savings in linkage charges for call setup through the CCS7 network. Each DMS-10 would need its own link. The new architecture will only require linkage to the DMS-100.

The utilization of common feature and switching operations for the entire Alachua area.

Staff has reviewed ALLTEL's central office plans, cost and economic studies; we believe the Company proposed switching retirements for the 1993-1995 timeframe to be reasonable and acceptable.

**ISSUE 4:** What are the appropriate recovery schedules?

**RECOMMENDATION:** Staff recommended recovery schedules are shown on Attachment D, page 20. These recovery schedules are designed to recover the net investments related with certain digital equipment planned for retirement during 1993-1995. The recovery period will be the remaining period the associated equipment will be serving the public. The monthly expense for these schedules should be obtained by dividing the net plant for the month by the number of months remaining in the recovery period. All activity relating to these schedules should be booked to these schedules, and not to another depreciation category or account. (MEEKS)

**STAFF ANALYSIS:** The recommended recovery schedules reflect 1) the most current Company plans regarding the near term retirement of digital switching equipment and 2) recovery of the existing negative reserve for the retired radio systems and associated towers.

As discussed in Issue 3, the most current Company plans are to retire six switches within the 1993-1995 time period. As provided by Rule 25-4.0176, F.A.C., a recovery schedule will result in the recovery of these switching installations over the remaining time that they are in service to the public. This will provide a matching of capital consumption with expense for this retiring equipment. The planned retirements for 1993 will be recovered during 1993; 1994 retirements will be recovered during 1993 and 1994; 1995 retirements will be recovered during 1993, 1994 and 1995. This method assures that this associated equipment will be fully recovered at the time of retirement.

As we understand it, the Company is reusing several of these switches within the ALLTEL system which accounts for the high amount of estimated net salvage shown on Attachment D, page 20. In fact, Fort White, scheduled for retirement in 1994, has enough estimated net salvage to more than account for its net unrecovered investment. The reserve for this location as shown on Attachment D, page 20, reflects the recommended transfer of the inferred surplus to offset the net unrecovered investment of Alachua.

The Company disagrees with the Staff recommendation primarily due to the bifurcation of the account. ALLTEL does not believe that an amortization schedule is appropriate at this time and has stated in its response to the Staff Report, that such a schedule implies a level of certainty that is not compatible with the ALLTEL operating environment. It is the Company's contention that a recovery schedule is more rigid and less adaptable to change than a depreciation rate. However, we believe that the design of the recommended recovery schedules is flexible because the recovery period for these schedules will be the remaining period the equipment will be in service. The monthly expense of the schedules should be calculated by dividing the net amount remaining to be recovered by the months remaining for recovery. This mechanism will automatically adjust for any additions, interim retirements, actual salvage and any shifts in retirement dates.

In the last review, the Company plans were to replace existing microwave radio systems and associated towers by year end 1992. As such, these net investments were placed on a three year recovery schedule ending December 31, 1992. Due to higher removal costs being incurred than anticipated, the reserve balance for this schedule is now a negative $40,970. The Company proposes to amortize this negative reserve during 1993. Staff finds this to be acceptable.

**ISSUE 5:** Should any corrective reserve measures be made?

**RECOMMENDATION:** Yes. Staff recommends that the corrective reserve measures shown on Attachment A, page 16, be made. This action will correct the negative reserve associated with the retirement of the Circuit Analog Subscriber Carrier equipment and will bring the Motor Vehicles-Heavy Trucks account to its calculated theoretical level. (MEEKS)

**STAFF ANALYSIS:** As of January 1, 1993, there are existing negative reserves for the Circuit Analog Subscriber Carrier account and the Motor Vehicles-Heavy Trucks account. These reserve deficits are the result of unforeseen retirements taking place since the last depreciation review. Consequently, currently prescribed depreciation rates were inadequate to provide recovery for these retiring investments.

ALLTEL was ordered in Docket No. 911108-TL to refund excess earnings for 1991. As a result, the Company now has $6,301 in unclaimed refunds (depreciation effect $8,401 Total Company). Staff recommends the use of the $8,401 to offset the reserve deficit of $5,078 for Circuit Analog Subscriber Carrier with the remaining $3,323 used to offset the reserve deficit in the Heavy Trucks account. Further, Staff recommends the transfer of $3,979 from the perceived reserve surplus in the Light Trucks account to bring the reserve for Heavy Trucks to its calculated theoretical reserve level. Staff recommends these corrective reserve transfers as they correct the reserve imbalances for these accounts and result in more correct depreciation rates and depreciation expenses for the plant actually serving the public.

As Staff understands it, ALLTEL has no lease agreements with an affiliate or non affiliate for these accounts. In light of the possible impact of reserve transfers on cost allocations and jurisdictional separations, the Company should make corresponding entries to the related depreciation expense accounts.

**ISSUE 6:** What are the appropriate lives, net salvages, reserves and resultant depreciation rates for each account?

**RECOMMENDATION:** The Staff recommended lives, net salvages, reserves and resultant depreciation rates are shown on Attachment B, page 17. This results in an increase in annual depreciation expense of approximately $1.4 million based on January 1, 1993 investments as shown on Attachment C, pages 18-19. (MEEKS)

**STAFF ANALYSIS:** Staff's recommendations are the result of a comprehensive review of the Company's depreciation study. Attachment B shows a comparison of the currently approved, Company revised proposed, and Staff recommended rate parameters (lives, salvages, and reserves). Attachment C shows a comparison of resultant expenses based on January 1, 1993 investments.

In the course of reviewing this study, the Company and Staff agree on life and salvage parameters for all accounts but Digital Switching. The main difference between the positions of Staff and Company is basically due to Staff's withdrawing the investment subject to near term retirement and placing its associated net unrecovered investment on a recovery schedule.

Amortizations

Certain general support asset account investments are being amortized under Rule 25-4.0178 Florida Administrative Code. The embedded investments for each of these equipment types are shown on page 18, as well as the associated amortization period as set forth in the Rule and the resultant expense.

Depreciation Rates

A. General Support Assets

1. Motor Vehicles - As discussed in Issue 5, there is a negative reserve for the Heavy Trucks account. This negative reserve is a result of the Company's reduction in its heavy truck fleet. As we understand it, the current Company policy is to primarily use outside contractors for all large construction jobs. This policy greatly reduces the Company's need for the related large construction type vehicles. These heavy vehicles were retired as a combination of this Company policy plus the normal age and mileage limitations. Company plans are to retain only those vehicles necessary for small jobs and maintenance. The Company proposed life and salvage factors for the motor vehicle accounts are reasonable and are in line with current industry averages.

2. Buildings - The Company developed lives for the building categories using the Shell-Short Lived approach. Service life estimates were developed for each current building by considering the structure type and developing a composite which considers the life expectancy of the shell as well as recognized that service components such as electrical, plumbing, heating, air conditioning, and interior partitions and finish work generally have a shorter service life. This approach recognizes that not all investment can be expected to survive until the shell is retired. Staff agrees with this mechanism and finds the Company proposals as reasonable and acceptable.

B. Central Office Assets

1. Digital Switching - As noted in the depreciation study data, digital switches require upgrades in both hardware and software to keep pace with services and features. ALLTEL Florida's objective is to configure its network to be able to provide services and features requested by its customers. In the last review, the Company was prescribed a remaining life and depreciation rate based on an interim retirement pattern which simulated the period of major changeout of components for these switches. The Company finds this same interim retirement pattern to still be reasonable and applicable. This pattern is also in concert with what we are hearing from the industry regarding the possible retirements associated with upgrading these switches to essentially "next generation." If it is found, however, that the next generation switch will require even more major software and hardware changeouts, it may be found to be more economical to retire existing switches rather than to update. This account should be carefully monitored for significant developments.

As discussed in Issue 4, Staff is recommending a recovery schedule for six DMS-10 switches that are retiring in the near term (1993-1995). For the remaining switches, the average date of final retirement is 2002 with a resultant average remaining life of 8.5 years. The Company proposed 7.5 year average remaining life is based on a final retirement date of 2000.8 for the total account.

2. Mobile Radio - As was the case in the previous review, no additions are forecasted for this account in the near future. All of this account's investment has been retired and the current reserve position shows full recovery. However, a depreciation rate is recommended to be used in the case that there are additions made between now and the next depreciation study.

3. Circuit Equipment - This account includes separate categories for analog, digital and fiber circuit equipment. The digital and analog circuit categories are being impacted by new technologies. As a result, since the last review, Analog Trunk Carrier and Analog Subscriber Carrier have retired. The Analog Trunk Carrier investment was retired in conjunction with the retirement of the electromechanical switchers. During the last review, this investment was placed on a three year recovery schedule and is fully recovered. The retirement of the Analog Subscriber Carrier investment was primarily as a result of the Alachua reconfiguration as discussed in Issue 3. This leaves seven different categories of circuit - Analog Line Treatment, Analog Private Line Special Service, Digital Trunk Carrier, Digital Subscriber Carrier, Fiber Optic Carrier, Digital Pair Gain and Digital Private Line Special Service. The Company's proposals for these remaining seven categories reflects the introduction of fiber optics and advances in digital technology. Staff finds the Company's proposals reasonable and acceptable.

C. Information Origination/Termination Assets

1. Private Line Network Terminating Equipment - The investment in this account represents devices at the subscriber premise used to interface the network for transmission of other than standard message telephone service. The Company proposal represents simply an update of age since the last review. This is reasonable and acceptable to Staff.

2. Public Telephone Terminal Equipment - The investment in this account represents coinless, coin-operated, booths and other equipment associated with pay station installations. The Company proposal represents an update of age and accounting activity since the last review. The Company proposed life and salvage parameters are reasonable and acceptable to Staff.

3. Devices for the Deaf - This account's investment includes specialized communications equipment provided to meet the needs of the disabled. The Company proposal represents an update of age since the last review with no change in life or salvage parameters. The Company proposal is reasonable and acceptable to Staff.

D. Cable and Wire Assets

1. Metallic Cable (Aerial, Underground, Buried) - Due to the economic recession and the fact that the prices on photonic technology have not materialized as predicted in 1989-1990, current industry projections now are for a general phase-out for copper cables by about the 2013-2015 period. With this in mind, interoffice facilities are expected to be phased-out by the year 2000; feeder cable between 2005-2012; distribution facilities between 2013-2015. Staff finds that the Company-proposed lives for these accounts are in line with these phase-out periods.

2. Fiber Cable (Aerial, Underground, Buried) - The recommended lives for these accounts reflect each account's updated age and accounting activity since the last review. In Staff's opinion, these lives are reasonable and acceptable.

3. Poles, Aerial Wire, Conduit - Staff finds the Company- proposed life and salvage parameters for these accounts to be reasonable and acceptable. Generally, the changes in remaining lives reflect each account's updated age and accounting activity since the last review.

**ISSUE 7:** Should the current amortization of investment tax credits (ITCs) and the flowback of excess deferred income taxes be revised to reflect the approved depreciation rates and recovery schedules?

**RECOMMENDATION:** Yes. The current amortization of ITCs and the flowback of excess deferred income taxes should be revised to reflect the approved depreciation rates and recovery schedules. Also, the utility should be required to file detailed calculations of the revised ITC amortization and flowback of excess deferred taxes at the same time it files its third quarterly Rate of Return Report in 1993. (C. ROMIG)

**STAFF ANALYSIS:** In issues previously addressed and as detailed on Attachment B, page 17 and Attachment D, page 20, Staff recommends revisions to ALLTEL'S depreciation rates and capital recovery schedules, to become effective January 1, 1993. Revising a utility's depreciation rate usually results in a change in its rate of ITC amortization and a change in its flowback of deferred taxes.

Regarding ITC amortization, Section 46(f)(6) of the Internal Revenue Code (IRC) states that the amortization of ITCs should be determined by the period of time used in computing depreciation expense for purposes of reflecting regulated operating results of the utility.

Regarding the flowback of excess deferred taxes, Section 203(e) of the Tax Reform Act of 1986 (TRA) prohibits rapid write-back of protected (depreciation related) deferred taxes. Moreover, Rule 25-14.013, Florida Administrative Code (F.A.C.), prohibits (without good cause shown) excess deferred income taxes (protected

and unprotected) associated with temporary differences, from being reversed any faster than allowed under either the average rate assumption method of Section 203(e) of the TRA or Revenue Procedure 88-12, whichever is applicable. Therefore, both the TRA and Rule 25-14.013, F.A.C., prohibit faster write-off of protected excess deferred taxes. Consequently, Staff believes that the flowback of excess deferred taxes should be altered to comply with the TRA and Rule 25-14.013.

ALLTEL states that when depreciation rates are altered, it also alters its ITC amortization rate and the rate of flowback of excess deferred taxes to reflect the new depreciation rates. Further, ALLTEL states that it is its intention to make similar revisions following the final decision in this proceeding. However, to date, no calculations of the tax effect have been requested or provided.

Consequently, Staff recommends that the utility be ordered to submit detailed calculations of the tax impact, to include amortization of ITCs and flowback of deferred taxes. The detailed calculations should be submitted at the same time it files its third quarterly Rate of Return Report in 1993.

**ISSUE 8:** Should this docket be closed?

**RECOMMENDATION:** Yes, assuming no protests are filed to the Proposed Agency Action Order. (MEEKS)

**STAFF ANALYSIS:** In Staff's opinion, no further Commission action is necessary if no protests to the PAA Order are filed.

ALLTEL FLORIDA, INC.

1992 DEPRECIATION STUDY

RECOMMENDED RESERVE ALLOCATIONS

BOOK THEORETICAL RESERVE RESTATED

ACCOUNT RESERVE RESERVE TRANSFERS RESERVE

($) ($) ($) ($)

CIRCUIT‑

ANALOG SUBSCRIBER CARRIER (5,078) 0 5,078 0

MOTOR VEHICLES‑

HEAVY TRUCKS (4,980) 2,322 7,302 2,322

MOTOR VEHICLES‑

LIGHT TRUCKS 391,389 344,186 (3,979) 387,410

UNCLAIMED REFUND 8,401 \* 0 (8,401) 0

TOTALS 389,732 0 389,732

\*Denotes depreciation effect of unclaimed refund as a result of Order No. PSC‑92‑0028‑FOF‑TL

ALLTEL FLORIDA, INC.

1992 STUDY

COMPARISON OF RATES AND COMPONENTS

CURRENT COMPANY REVISED PROPOSAL STAFF RECOMMENDATION

AVERAGE REMAINING AVERAGE REMAINING AVERAGE REMAINING

**ACCOUNT** REMAINING NET LIFE REMAINING NET LIFE REMAINING NET LIFE

LIFE SALVAGE RESERVE RATE LIFE SALVAGE RESERVE RATE LIFE SALVAGE RESERVE RATE

GENERAL SUPPORT ASSETS (YRS.) (%) (%) (%) (YRS.) (%) (%) (%) (YRS.) (%) (%) (%)

Motor Vehicles‑Passenger Cars 2.0 15.0 76.53 4.2 4.6 10.0 23.3 14.5 4.6 10.0 23.35 14.5

Motor Vehicles‑Light Trucks 3.6 10.0 48.45 11.5 4.6 10.0 35.9 11.8 4.6 10.0 35.55 \*\* 11.8

Motor Vehicles‑Heavy Trucks 3.8 10.0 65.43 6.5 8.8 10.0 (13.7) 11.8 8.8 10.0 6.40 \*\* 9.5

Buildings‑Remote/Conc. 14.8 2.0 11.9 5.8 12.3 2.0 30.9 5.5 12.3 2.0 30.87 5.5

Buildings‑Central Office 21.0 2.0 42.55 2.6 17.1 2.0 36.0 3.6 17.1 2.0 36.02 3.6

Buildings‑Main Office 21.0 8.0 28.66 3.0 20.0 8.0 30.3 3.1 20 8.0 30.33 3.1

Buildings‑Warehouse 17.9 0.0 50.3 2.8 14.1 0.0 49.4 3.6 14.1 0.0 49.37 3.6

OWE‑Tools and OWE 7 Year Amortization 7 Year Amortization 7 Year Amortization

OWE‑Bur. Cable Tools & Work Eq. 7 Year Amortization 7 Year Amortization 7 Year Amortization

OWE‑Maint. Channel Mob. Radio 7 Year Amortization 7 Year Amortization 7 Year Amortization

Furn. & Fixtures 10 Year Amortization 10 Year Amortization 10 Year Amortization

OE‑Office Machines 7 Year Amortization 7 Year Amortization 7 Year Amortization

OE‑Company Comm. Eqpt. 5 Year Amortization 5 Year Amortization 5 Year Amortization

OE‑Centrex Systems 5 Year Amortization 5 Year Amortization 5 Year Amortization

Computers & Data Eqpt. 5 Year Amortization 5 Year Amortization 5 Year Amortization

GPC‑Personal Computers 5 Year Amortization 5 Year Amortization 5 Year Amortization

CENTRAL OFFICE ASSETS

Digital Switching 12.8 0.0 24.5 5.9 7.5 0 24.5 10.1 8.5 0.0 21.41 \*\* 9.2

Crossbar Switching 100.0 100.00

Radio Sys.‑Mobile Radio New Adds 12.0 0.0 0.00 8.3 \* 12 0 0.0 8.3 \* 12.0 0.0 0.00 8.3 \*

Circuit‑CO Line Treatment 4.4 (5.0) 51.66 12.1 5.1 0 65.1 6.8 5.1 0.0 65.11 6.8

Circuit‑Analog Private Line Spec. Svc. 4.4 (5.0) 51.66 12.1 6.0 (5) 45.6 9.9 6.0 (5.0) 45.62 9.9

Circuit‑Digital Trunk Carrier 5.0 5.0 47.73 9.5 5.1 5 63.4 6.2 5.1 5.0 63.36 6.2

Circuit‑Digital Subscriber Carrier 6.4 0.0 18.43 12.7 5.8 0 26.2 12.7 5.8 0.0 26.21 12.7

Circuit‑Fiber Optic Carrier 7.8 0.0 19.3 10.3 7.2 3 39.9 7.9 7.2 3.0 39.86 7.9

Circuit‑Digital Pair Gain 8.7 0.0 51.43 5.6 6.9 5 35.6 8.6 6.9 5.0 35.59 8.6

Circuit‑Digital Private Line Spec. Svc. 4.4 (5.0) 51.66 12.1 6.4 (5) 14.2 14.2 6.4 (5.0) 14.16 14.2

INFORMATION ORIG/TERM ASSETS

P. L. Network Term Eqpt. 4.9 0.0 72.16 5.7 4.0 0.0 89.1 2.7 4.0 0.0 89.15 2.7

Pub. Tel. Terminal Eqpt. 3.7 0.0 76.09 6.5 4.8 0.0 42.0 12.1 4.8 0.0 41.95 12.1

OTE‑Reg. Devices for the Deaf 5.3 0.0 31.21 13.0 4.7 0.0 58.0 8.9 4.7 0.0 57.96 8.9

CABLE & WIRE FACILITIES

Poles 13.5 (35.0) 24.68 8.2 13.4 (32.0) 24.5 8.0 13.4 (32.0) 24.50 8.0

Aerial Cable ‑ Metallic 11.7 (38.0) 57.27 6.9 10.9 (30.0) 62.9 6.2 10.9 (30.0) 62.94 6.2

Aerial Cable ‑ Fiber 17.8 (5.0) 12.94 5.2 15.5 (5.0) 22.2 5.3 15.5 (5.0) 22.21 5.3

Undgd. Cable ‑ Metallic 10.8 (12.0) 45.04 6.2 10.2 (20.0) 51.2 6.7 10.2 (20.0) 51.16 6.7

Undgd. Cable ‑ Fiber 17.7 (5.0) 11.07 5.3 16.6 (5.0) 14.0 5.5 16.6 (5.0) 14.00 5.5

Buried Cable‑Metallic‑Filled 12.6 (7.0) 32.66 5.9 11.9 (7.0) 36.4 5.9 11.9 (7.0) 36.44 5.9

Buried Cable‑Metallic‑Nonfilled 6.4 (7.0) 66.68 6.3 5.7 (7.0) 78.9 4.9 5.7 (7.0) 78.95 4.9

Buried Cable ‑ Fiber 18.3 (5.0) 8.93 5.2 16.7 (5.0) 16.4 5.3 16.7 (5.0) 16.43 5.3

Aerial Wire 6.3 (55.0) 61.59 14.8 6.4 (41.0) 79.0 9.7 6.4 (41.0) 79.03 9.7

Conduit 40.0 (5.0) 19.56 2.1 42.0 (5.0) 17.0 2.1 42.0 (5.0) 17.05 2.1

\*Denotes Whole Life Rate \*\*Denotes restated reserve

ALLTEL FLORIDA, INC.

1992 STUDY

COMPARISON OF EXPENSES

CURRENT COMPANY REVISED PROPOSAL STAFF RECOMMENDATION

CHANGE CHANGE

**ACCOUNT** 1/1/93 1/1/93 IN IN

INVESTMENT RESERVE RATE EXPENSES RATE EXPENSES EXPENSES RATE EXPENSES EXPENSES

GENERAL SUPPORT ASSETS ($) ($) (%) ($) (%) ($) ($) (%) ($) ($)

Motor Vehicles‑Passenger Cars 299,980 70,044 4.2 12,599 14.5 43,497 30,898 14.5 43,497 30,898

Motor Vehicles‑Light Trucks 1,089,887 387,410 \*\* 11.5 125,337 11.8 128,607 3,270 11.8 128,607 3,270

Motor Vehicles‑Heavy Trucks 36,290 2,322 \*\* 6.5 2,359 11.8 4,282 1,923 9.5 3,448 1,089

Buildings‑Remote/Conc. 451,068 139,246 5.8 26,162 5.5 24,809 (1,353) 5.5 24,809 (1,353)

Buildings‑Central Office 2,543,704 916,127 2.6 66,136 3.6 91,573 25,437 3.6 91,573 25,437

Buildings‑Main Office 2,501,255 758,739 3.0 75,038 3.1 77,539 2,501 3.1 77,539 2,501

Buildings‑Warehouse 194,548 96,044 2.8 5,447 3.6 7,004 1,557 3.6 7,004 1,557

OWE‑Tools and OWE 699,330 387,315 Amort. 107,888 Amort. 107,888 0 Amort. 107,888 0

OWE‑Bur. Cable Tools & Work Eq. 429,265 284,860 Amort. 51,140 Amort. 51,140 0 Amort. 51,140 0

OWE‑Maint. Channel Mob. Radio 33,135 14,150 Amort. 9,442 Amort. 9,442 0 Amort. 9,442 0

Furn. & Fixtures 152,713 51,799 Amort. 28,954 Amort. 28,954 0 Amort. 28,954 0

OE‑Office Machines 31,996 10,122 Amort. 11,139 Amort. 11,139 0 Amort. 11,139 0

OE‑Company Comm. Eqpt. 139,189 131,800 Amort. 71,165 Amort. 71,165 0 Amort. 71,165 0

OE‑Centrex Systems 29,917 8,207 Amort. 14,680 Amort. 14,680 0 Amort. 14,680 0

Computers & Data Eqpt. 244,919 134,235 Amort. 80,257 Amort. 80,257 0 Amort. 80,257 0

GPC‑Personal Computers 45,507 23,905 11,861 Amort. 11,861 0 Amort. 11,861 0

Subtotal 8,922,703 3,416,325 699,604 763,837 64,233 763,003 63,399

CENTRAL OFFICE ASSETS

Digital Switching 22,536,878 4,824,084 \*\* 5.9 1,329,676 10.1 2,276,225 946,549 9.2 2,073,393 743,717

Crossbar Switching 375,597 375,597 0 0 0 0 0

Circuit‑CO Line Treatment 2,831,549 1,843,755 12.1 342,617 6.8 192,545 (150,072) 6.8 192,545 (150,072)

Circuit‑Analog Private Line Spec. Svc. 386,189 176,191 12.1 46,729 9.9 38,233 (8,496) 9.9 38,233 (8,496)

Circuit‑Digital Trunk Carrier 3,296,410 2,088,612 9.5 313,159 6.2 204,377 (108,782) 6.2 204,377 (108,782)

Circuit‑Digital Subscriber Carrier 734,834 192,569 12.7 93,324 12.7 93,324 0 12.7 93,324 0

Circuit‑Fiber Optic Carrier 3,113,222 1,240,945 10.3 320,662 7.9 245,945 (74,717) 7.9 245,945 (74,717)

Circuit‑Digital Pair Gain 7,259,028 2,583,788 5.6 406,506 8.6 624,276 217,770 8.6 624,276 217,770

Circuit‑Digital Private Line Spec. Svc. 50,237 7,114 12.1 6,079 14.2 7,134 1,055 14.2 7,134 1,055

Subtotal 40,583,944 13,332,655 2,858,752 3,682,059 823,307 3,479,227 620,475

INFORMATION ORIG/TERM ASSETS

P. L. Network Term Eqpt. 142,148 126,724 5.7 8,102 2.7 3,838 (4,264) 2.7 3,838 (4,264)

Pub. Tel. Terminal Eqpt. 265,879 111,543 6.5 17,282 12.1 32,171 14,889 12.1 32,171 14,889

OTE‑Reg. Devices for the Deaf 52,863 30,641 13.0 6,872 8.9 4,705 (2,167) 8.9 4,705 (2,167)

Subtotal 460,890 268,908 32,256 40,714 8,458 40,714 8,458

CABLE & WIRE FACILITIES

Poles 1,295,403 317,419 8.2 106,223 8.0 103,632 (2,591) 8.0 103,632 (2,591)

Aerial Cable ‑ Metallic 6,147,155 3,868,979 6.9 424,154 6.2 381,124 (43,030) 6.2 381,124 (43,030)

Aerial Cable ‑ Fiber 178,422 39,620 5.2 9,278 5.3 9,456 178 5.3 9,456 178

Undgd. Cable ‑ Metallic 1,735,098 887,731 6.2 107,576 6.7 116,252 8,676 6.7 116,252 8,676

Undgd. Cable ‑ Fiber 155,017 21,705 5.3 8,216 5.5 8,526 310 5.5 8,526 310

Buried Cable‑Metallic‑Filled 69,456,007 25,307,183 5.9 4,097,904 5.9 4,097,904 0 5.9 4,097,904 0

Buried Cable‑Metallic‑Nonfilled 6,068,706 4,791,189 6.3 382,328 4.9 297,367 (84,961) 4.9 297,367 (84,961)

Buried Cable ‑ Fiber 5,045,348 829,123 5.2 262,358 5.3 267,403 5,045 5.3 267,403 5,045

Aerial Wire 213,179 168,483 14.8 31,550 9.7 20,678 (10,872) 9.7 20,678 (10,872)

Conduit 1,021,511 174,162 2.1 21,452 2.1 21,452 0 2.1 21,452 0

Subtotal 91,315,846 36,405,594 5,451,039 5,323,794 (127,245) 5,323,794 (127,245)

Depreciation Rate Total 141,283,383 53,423,482 9,041,651 9,810,404 768,753 9,606,738 565,087

ALLTEL FLORIDA, INC.

1992 STUDY

COMPARISON OF EXPENSES

CURRENT COMPANY REVISED PROPOSAL STAFF RECOMMENDATION

CHANGE CHANGE

1/1/93 1/1/93 IN RECOVERY IN

ACCOUNT INVESTMENT RESERVE RATE EXPENSES RATE EXPENSES EXPENSES SCHEDULE EXPENSES EXPENSES

($) ($) (%) ($) (%) ($) ($) ($) ($)

Digital Switching 5,209,229 1,984,748 5.9 307,345 10.1 526,132 218,787 3 Year 1,129,787 822,442

Rec. Sch.

Radio and Towers 0 (40,970) 1 Yr. 40,970 40,970 1 Year 40,970 40,970

Rec. Sch. Rec. Sch.

RECOVERY SCHEDULE TOTAL 5,209,229 1,943,778 307,345 567,102 259,757 1,170,757 863,412

DEPRECIATION RATE TOTAL 141,283,383 53,423,482 9,041,651 9,810,404 768,753 9,606,738 565,087

GRAND TOTAL 146,492,612 55,367,260 9,348,996 10,377,506 1,028,510 10,777,495 1,428,499

ALLTEL FLORIDA, INC.

1992 STUDY

SUMMARY OF RECOMMENDED RECOVERY SCHEDULES

1‑1‑93 1‑1‑93 EST. EXPECTED NET TO BE PERIOD OF 1993 1994 1995

INVESTMENT RESERVE ADDS. SALVAGE RECOVERED RECOVERY EXPENSE EXPENSE EXPENSE

(000) (000) (000) (000) (000) (Yrs.) (000) (000) (000)

**Digital Switching**

1993 Retirements

Alachua 1,880 661 0 499 720 1 Yr. 720 0 0

Total 1,880 661 0 499 720 720 0 0

1994 Retirements

Fort White 501 106 0 395 0 2 Yr. 0 0 0

Total 501 106 0 395 0 0 0 0

1995 Retirements

Dowling Park 268 129 0 (5) 144 3 Yr.

Florahome 618 238 0 0 380

High Springs 1,335 577 6 182 582

Wellborn 608 275 20 230 123

Total 2,829 1,219 26 407 1,229 410 410 409

Radio & Towers

Negative Reserve 0 (41) 0 0 41 1 Yr. 41

TOTALS 5,210 1,945 26 1,301 1,990 1,171 410 409

The monthly expense for each recovery schedule shall be calculated by dividing the net amount to be

recovered by the months remaining for recovery. This will take care of additions and interim

retirements, as well as actual salvage experienced, and any shifts in retirement dates. All activity relating

to these schedules shall be recorded to these schedules and not to another depreciation category or account.