

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of
capital recovery schedules by
Northeast Florida Telephone
Company, Inc.

DOCKET NO. 971495-TL
ORDER NO. PSC-97-1580-FOF-TL
ISSUED: December 16, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

PROPOSED AGENCY ACTION ORDER
APPROVING CAPITAL RECOVERY SCHEDULES FOR SWITCH RETIREMENTS

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
substantially affected files a petition for a formal proceeding,
pursuant to Rule 25-22.029, Florida Administrative Code.

MUDLAKE AND CONNER SWITCHES

In 1994, the switching network plan of Northeast Florida
Telephone Company, Inc., (Northeast Florida) was to move from the
existing Stromberg-Carlson DCO switching platform to the new
Electronic Switching System-Digital (EWSD) Vision ONE-UP Platform
(Vision ONE) in Macclenny in 1995. The Vision ONE upgrade required
the retirement of the DCO processor and associated circuit
equipment and the installation of the EWSD. The DCO lines would
then be incorporated into the EWSD. Additionally, Siemens
Stromberg-Carlson told Northeast Florida that the existing Remote
Line Switching (RLS-4000 and 1000) equipment located in Blackwell,
Sanderson, Mudlake, and Conner would also interface with the EWSD.
The Vision ONE upgrade would allow Northeast Florida the ability to
offer services such as Integrated Services Digital Network (ISDN)

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and to add Advanced Intelligent Network (AIN) and Personal Communications Services (PCS) for an additional price. By Order No. PSC-95-0426-FOF-TL, issued March 29, 1995, in Docket No. 910731-TL, we found that the Vision ONE platform would introduce potential revenue sources that did not currently have a market demand and provide an advanced infrastructure with the potential to be an economic boost for the Northeast Florida service area. Further, we found that the upgrade was a logical progression of Northeast Florida's switching hierarchy, and therefore a reasonable investment.

During 1996, Northeast Florida installed an RLS-4000 switch at Glen St. Mary and the EWSD switch in the Macclenny host office. At the time the installation of the Glen St. Mary RLS-4000 was nearing completion, Northeast Florida learned that this new switch, as well as the existing RLS-4000 equipment at Blackwell and Sanderson, would not integrate with the new software as Siemens Stromberg-Carlson had informed it. Further, Northeast Florida learned that Siemens Stromberg-Carlson would no longer offer support for the RLS-4000s because of protocol problems. The only remote switching equipment that was compatible with the Vision ONE upgrade was Remote Control Unit (RCU) equipment and RLS-1000 equipment. Consequently, in order for service to continue to the Blackwell and Sanderson areas, Northeast Florida had to replace the existing RLS-4000 equipment with RCU equipment. We authorized recovery of the associated unrecovered cost in Order No. PSC-97-1498-FOF-TL, issued November 25, 1997, in Docket No. 971396-TL. Siemens Stromberg-Carlson replaced the Glen St. Mary RLS-4000 with an RCU at no additional charge.

The Mudlake and Conner remote offices are RLS-1000s and can interface with the new software. However, the new services provided by the EWSD cannot be provided through these remote switches unless they are replaced. Northeast Florida currently plans this replacement by year end 1997.

Under the present provision for depreciation, the net investments associated with the Mudlake and Conner remote switches as of December 31, 1997, will be \$20,370 and \$78,706, total company, respectively. Northeast Florida has proposed that these remaining unrecovered costs be recovered in 1997 to match the recovery of the invested capital with the retirement of the related equipment. This would correct the inherent reserve deficiency, which, upon retirement of the equipment, would relate to plant no longer serving the public. Deficiencies of this kind should be recovered as soon as possible, unless that recovery prevents the

company from earning a fair and reasonable return on its investments. Northeast Florida is projected to have sufficient earnings in 1997 to absorb this recovery and still earn within its authorized range. We find it appropriate, therefore, to allow the company to recover the remaining unrecovered costs associated with the 1997 retirement of the Mudlake and Conner remote switches in 1997. Accordingly, we grant our approval of the company's proposal.

MACCLENNY SWITCH

With the replacement of the RLS-1000 remote switches at Mudlake and Conner with RCUs, there will no longer be any need for Northeast Florida to continue maintaining the Macclenny DCO switch. The company currently plans to retire this switch in 1998. Under the present provision for depreciation, the net unrecovered investment associated with the DCO switch and related circuit equipment is estimated to be \$244,968, total company, as of December 31, 1997. Northeast Florida has proposed that this amount be recovered by year end 1998. This proposal matches the recovery of the investment with the remaining service period of the related equipment. It also allows flexibility relative to the amount to be booked in 1997 and in 1998. We find it appropriate, therefore, to grant our approval of the company's proposal to recover the remaining unrecovered costs associated with the retirement in 1998 of the Macclenny DCO switch by year end 1998.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Northeast Florida Telephone Company, Inc., shall be allowed to recover in 1997 the remaining unrecovered costs associated with the retirement in 1997 of its Mudlake and Conner remote switches. It is further

ORDERED that Northeast Florida Telephone Company, Inc., shall be allowed to recover by year end 1998 the remaining unrecovered costs associated with the retirement in 1998 of its Macclenny DCO switch. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee,

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Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 16th day of December, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

CJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 6, 1998.

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 substantially 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 wastewater 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.