

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the Application) Application No. C-908
of Curtis Telephone Company,)
Curtis, Nebraska which seeks) GRANTED
authority to amortize certain) AS AMENDED
undepreciated balances in central)
office equipment accounts.) Entered: January 29, 1992

BY THE COMMISSION:

The applicant, Curtis Telephone Company, Curtis, Nebraska, (Curtis) filed an application November 4, 1991 seeking authority to amortize undepreciated balances in two of its central office equipment accounts. Notice of the application was published in the Omaha Daily Record November 5, 1991. No protests were filed. The application is therefore processed by modified procedure pursuant to Title 291, *Neb. Admin. Regs.*, Ch. 1, Rule 018. At the outset, the Commission notes that depreciation schedules are governed by Commission Guideline Depreciation Rates (Application No. C-664, effective April 14, 1987). To deviate from the Guideline requires approval from the Commission.

O P I N I O N A N D F I N D I N G S

The applicant operates two central office switches in Curtis, Nebraska. One switch is a Stromberg Carlson ESC-3 (Account 2211.00) and the other is a Stromberg Carlson Digital Central Office (DCO) (Account 2212.00) installed in 1976 and 1983, respectively. In their present configuration, the switches are incapable of providing Equal Access, SS-7, Interchangeable NPA's and NXX's, as well as other advanced telecommunications services. Curtis included in the application copies of correspondence supporting modernization efforts received from the University of Nebraska College of Technical Agriculture and Tele-Systems Associates, Inc., a developer of two-way interactive television networking.

After considering the technical and financial implications, Curtis determined the best course of action is to phase out both switches and install a new central office switch because a phase-out of only the older ESC-3 while upgrading the DCO would be cost prohibitive in comparison. After soliciting bids, Curtis expects the new switch will be in service on or about December 31, 1992.

By December 31, 1992, neither of the old switches will be fully depreciated. Therefore, Curtis essentially seeks to accelerate recovery of the two switches' undepreciated balances. In the initial application, Curtis sought to depreciate the switches over a 24 month period from January 1,

1991 to December 31, 1992. Subsequently, Curtis amended the application December 26, 1991 by proposing to extend the depreciation period of the newer DCO by an additional 12 months. Curtis supported its amendment with an affidavit from its General Manager January 13, 1992.

An analysis of its financial position shows Curtis' 1990 rate of return was 9.95%. The ESC switch, as of January 1, 1991, has a plant balance of \$372,280 and a reserve balance of \$298,726. The net plant value is therefore \$73,554. The current annual depreciation expense for the ESC is \$29,782 (\$2,432 per month). The proposed annual depreciation expense for 1991 and 1992 is \$36,780 (\$3,065 per month).

The DCO switch, as of January 1, 1991, has a plant balance of \$485,785 and a reserve balance of \$194,746. The net plant value is therefore \$291,039. The DCO's current annual depreciation is \$34,005 (\$2,834 per month). The DCO switch's depreciation over three years, as proposed by the amendment to the application, results in a proposed annual depreciation expense of \$97,013 (\$8,084 per month). Based on the 1990 data, granting the application will reduce Curtis' annual rate of return to approximately 7.2%.


The proposed acceleration of the Curtis Telephone Company's level of depreciation expense for the two switches described above is a reasonable proposal in light of the planned modernization of Curtis' equipment. The application should be granted as amended.

O R D E R

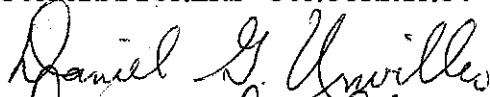

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the applicant be, and it is hereby, granted authority to amortize its undepreciated balances in the two central office equipment accounts (1211.00 and 1212.00) in the manner described above.

MADE AND ENTERED at Lincoln, Nebraska this 29th day of January, 1992.

NEBRASKA PUBLIC SERVICE COMMISSION


Chairman

COMMISSIONERS CONCURRING:

ATTEST:


Executive Director

//s//Frank E. Landis, Jr.
//s//James F. Munnelly
//s//Eric Rasmussen