

**BEFORE THE PUBLIC SERVICE COMMISSION**

**STATE OF MISSOURI**

**In the Matter of the Application of                    )**  
**Northeast Missouri Rural Telephone                )**  
**Company for Accounting Authority                )**     **Case No. \_\_\_\_\_**  
**Order Regarding Depreciation Rates.            )**

**Verified Application for Accounting Authority Order**  
**Regarding Depreciation Rates**

Comes now Northeast Missouri Rural Telephone Company (“Northeast”), Applicant, and hereby submits this Application, pursuant to § 392.280.2 RSMo and 4 CSR 240-2.060, for a 1986 HB 360 accounting authority order permitting Applicant to book depreciation rates on new equipment in excess of depreciation rates in effect for ratemaking purposes.

In support of this Application, Applicant states as follows:

1.       Northeast is a certificated small rural incumbent local exchange company providing local and exchange access services in several exchanges in northeast Missouri. Northeast is a Missouri Corporation in good standing and authorized to do business in Missouri, as reflected in Appendix 1.

2.       Copies of all communications and pleadings in this proceeding should be served upon:

Gary Godfrey  
Manager  
Northeast Missouri Rural Telephone Company  
P.O. Box 98  
Green City, MO 63545  
(660) 874-4111  
(660) 874-4100 fax

and

Craig S. Johnson, Atty.  
1648-A East Elm St.  
Jefferson City, MO 65101  
(573) 632-1900  
(573) 634-6018 (fax)

3. On November 20, 2001 in Case No. TA-2002-61, the Commission provided an Accounting Authority Order to Northeast permitting Northeast to utilize depreciation rates in excess of minimum depreciation rates for equipment in account 2362. Northeast is not here requesting a change of the authorized depreciation rates for account 2362. The November 20, 2001 Accounting Order is the most recent Accounting Authority Order for Northeast.

Request for a new depreciation rate for Account 2232

4. Northeast is in the process of upgrading telephone plant in order to improve service to its customers. In order to have the capacity to continue adding new ADSL broadband customers and in order to provide better voice and data services to all customers, Northeast's Board of Directors and management have decided to install approximately \$1,400,000 of new Occam access equipment. The new access equipment will replace equipment with an original cost of approximately \$6,000,000 in account 2232. At year end 2006, account 2232 carried a depreciation reserve of approximately 46% of the original cost.

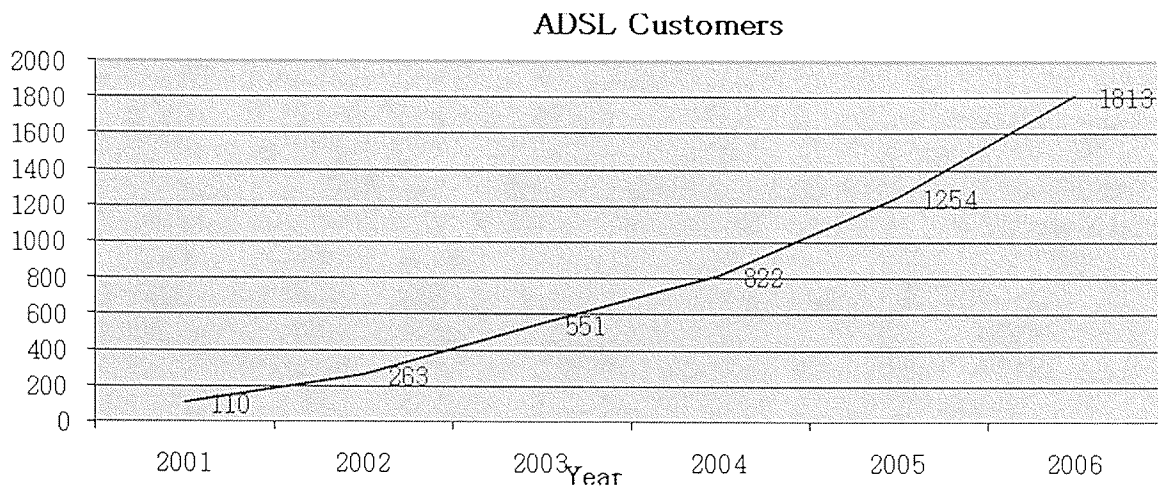
5. The technology of electronic equipment used in communications services is changing rapidly. The current annual depreciation rate of 10.3% for account 2232 is not sufficient to allow for technological obsolescence. Therefore Northeast Missouri

Rural Telephone Company respectfully requests that the annual depreciation rate for book purposes for account 2232 be changed to 20.0% effective July 1, 2007.

Justification for New Rate

6. Demand for high speed internet by Northeast subscribers has increased by about 500 customers per year the past two years, as shown by the graph below.

Approximately one third of Northeast's 6,000 members currently have ADSL. Northeast forecasts that this number will increase to one half of Northeast's members by the end of 2008. Numerous 12 and 24 port DSLAM's will need to be changed out to accommodate this growth.



7. Customer demand for broadband will require Northeast to change out numerous DSLAM's (Digital Subscriber Line Access Multiplexer) for higher capacity units. Realizing that many DSLAM's would have to be replaced because of growth, Northeast began an analysis of how best to perform this upgrade. In 2006 Northeast Plant personnel conducted an extensive evaluation of access equipment manufactured by Pannaway, Adtran, Calix, Zhone, Telstrat and Occam.

8. After several months of testing and analysis, Occam ADSL 2+ access equipment has been selected for the DSLAM upgrade. This equipment is capable of carrying voice, data and video on a single port. The Occam equipment has a GUI interface maximizing management efficiency of service orders, billing, disconnection, and customer account changes. There are other technological advantages to the Occam equipment that will replace both the AFC and DSLAM equipment.

Replaced Equipment, Unrealized Depreciation

9. Northeast began installing AFC Digital Loop Carrier in 1997 and continued upgrading exchanges with fiber fed AFC's and a maximum of 18,000 feet of copper in the loop. AFC Digital Loop Carrier has been booked in sub-account 2232.33. Upgrades used AFC access equipment through the year 2004. In 2004 and 2005 Northeast upgraded its last 2 exchanges using Telstrat DLC's. Northeast has a total of 131 AFC digital loop remote carrier systems that will be retired in 2007.

10. Northeast introduced ADSL broadband service in 2001. AFC ADSL equipment was booked into sub-account 2232.06. AFC's broadband solution proved unacceptable so 12 port micro DSLAM's manufactured by Net to Net were installed in the AFC cabinets when customers fed by that cabinet requested ADSL service. Since then Net to Net sold to Paradyne, and subsequently Paradyne has sold to Zhone. All 131 AFC cabinets are now equipped with either Net to Net or Paradyne DSLAM's. All the Net to Net and Paradyne DSLAM's in the AFC cabinets will be retired in 2007 as the cabinet is retrofitted with new Occam equipment.

11. In 2002 Northeast installed Allied Telesyn GIG fiber ring

terminal equipment. In 2005 and 2006 Northeast moved all its voice and data traffic off the Allied Telesyn equipment and on to a new Turin OC-192 fiber ring. The Allied Telesyn equipment is still in service carrying the local high schools ITV traffic, but its useful life is very limited. This equipment has been booked in Fiber Optic Terminal Equipment-Account 2232.01.

12. Northeast's DMS-10 switches will be fully depreciated in June, 2007. This equipment was booked in account 2212.00. In 2007 ten of Northeast's switches will be replaced with Occam access equipment that will connect via "GR-303" to the Green City switch. This Occam access equipment will be booked in account 2232.33. Eliminating these ten switches will reduce maintenance and eliminate the need to constantly install software generics in small offices that serve as few as 130 access lines. Occam equipment in our Central Offices and remote cabinets will improve system management, and will facilitate the introduction of new services.

#### Effect of Requested Rate

13. Attachment 2 depicts the asset balances in Account 2232, the depreciation reserves, the annual depreciation expense, and the averaged depreciation rate, for the year that ended December 31, 2006, and the projected effect of the requested 20% rate, effective July 1, 2007, on the years ending December 31, 2007 and December 31, 2008.

14. Northeast makes these requests solely as matters of accounting authority, and not for purposes of ratemaking. Northeast understands that, should the authority requested in this Application be granted, it will not be binding upon Northeast or the Commission in any ratemaking proceeding.

15. Northeast has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court involving customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application.

16. No annual reports or assessment fees are overdue on behalf of Northeast.

Wherefore, Northeast respectfully requests that the Commission enter an accounting authority order permitting Northeast to book, effective July 1, 2007, a depreciation rate of 20% per year for equipment in Account Number 2232, and for such other relief as is reasonably necessary or ancillary to the relief requested herein.



Craig S. Johnson, Atty.  
Mo Bar # 28179  
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(573) 632-1900  
(573) 634-6018 (fax)  
[craig@csjohnsonlaw.com](mailto:craig@csjohnsonlaw.com)  
**ATTORNEY FOR APPLICANT**

#### **CERTIFICATE OF SERVICE**

The undersigned does hereby certify that a true and accurate copy of the foregoing was electronically mailed this 29th day of March, 2007, to Staff General Counsel Kevin Thompson, and to Office of Public Counsel Michael Dandino.



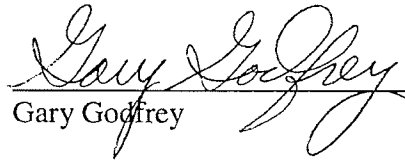
Craig S. Johnson MO Bar No. 28179

**VERIFICATION**

State of Missouri

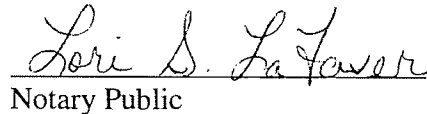
County of Sullivan

Comes now the undersigned, Gary Godfrey, Manager of Northeast Missouri Rural Telephone Company, Applicant, and, being on his oath, states and deposes that he has read and approved the filing of this Application, that the filing thereof with the Missouri Public Service Commission is an authorized act on behalf of Northeast Missouri Rural Telephone Company, and that the filing of same by Craig S. Johnson, Attorney, on behalf of Northeast Missouri Rural Telephone Company, is authorized.

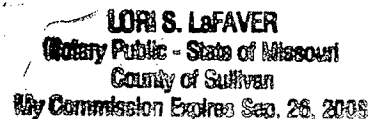
  
Gary Godfrey

(seal)

In my presence Gary Godfrey, a person known to me, signed this Verification for this Application this 28th day of March, 2007.

  
Notary Public

My commission expires: 9/26/08.

  
**LORI S. LaFAVER**  
Notary Public - State of Missouri  
County of Sullivan  
My Commission Expires Sep. 26, 2008

# STATE OF MISSOURI



Robin Carnahan  
Secretary of State

## CORPORATION DIVISION CERTIFICATE OF GOOD STANDING

I, ROBIN CARNAHAN, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

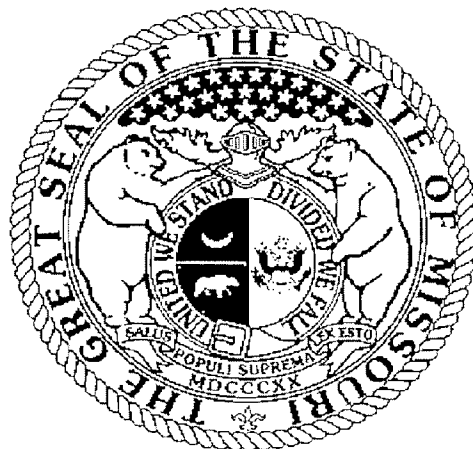
**NORTHEAST MISSOURI RURAL TELEPHONE COMPANY  
T00000571**

was created under the laws of this State on the 20th day of October, 1952, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 29th day of March, 2007

A handwritten signature in cursive script that reads "Robin Carnahan".

Secretary of State



Certification Number: 9568347-1    Reference:  
Verify this certificate online at <http://www.sos.mo.gov/businessentity/verification>



**Northeast Missouri Rural Telephone Company**  
**Analysis of Account 2232.XX Depreciation Rate**  
**2007**

3/29/2007

**Depreciation and Reserve at Current Annual Depr. Rate of**

| Description                           | Account | 10.3%                       |                            |                        |
|---------------------------------------|---------|-----------------------------|----------------------------|------------------------|
|                                       |         | 12/31/2006<br>Asset Balance | 12/31/2006<br>Depr Reserve | 2006<br>Depreciation   |
| Fiber Optic Terminal Equipment        | 2232.01 | \$ 2,792,902.91             | \$ 1,670,824.80            | \$ 287,669.00          |
| Private Line Circuit Equipment        | 2232.02 | \$ 164,990.27               | \$ 153,811.18              | \$ 16,994.00           |
| ADSL Equipment                        | 2232.06 | \$ 2,566,733.24             | \$ 782,842.03              | \$ 264,373.52          |
| School Fiber Optic Terminal Equipment | 2232.11 | \$ 6,643.44                 | \$ 222.33                  | \$ 684.27              |
| COE Toll Carrier Equipment            | 2232.31 | \$ 23,174.10                | \$ 23,174.10               | \$ -                   |
| COE-Suscriber Carrier Equipment       | 2232.32 | \$ 8,985.83                 | \$ 8,985.83                | \$ -                   |
| Digital Subscriber Carrier Equipment  | 2232.33 | \$ 7,949,781.08             | \$ 3,544,902.58            | \$ 818,827.45          |
|                                       |         | <b>\$ 13,513,210.87</b>     | <b>\$ 6,184,762.85</b>     | <b>\$ 1,388,548.25</b> |

**Depreciation to be taken if New Annual Depr. Rate is Increased on July 1, 2007**

| Description                           | Account | 15.2%                     |                            |                                |
|---------------------------------------|---------|---------------------------|----------------------------|--------------------------------|
|                                       |         | 1/1/2007<br>Asset Balance | 12/31/2007<br>Depr Reserve | Projected 2007<br>Depreciation |
| Fiber Optic Terminal Equipment        | 2232.01 | \$ 2,792,902.91           | \$ 2,095,346.04            | \$ 424,521.24                  |
| Private Line Circuit Equipment        | 2232.02 | \$ 164,990.27             | \$ 164,990.27              | \$ 11,179.09                   |
| ADSL Equipment                        | 2232.06 | \$ 2,566,733.24           | \$ 1,172,985.48            | \$ 390,143.45                  |
| School Fiber Optic Terminal Equipment | 2232.11 | \$ 6,643.44               | \$ 1,232.13                | \$ 1,009.80                    |
| COE Toll Carrier Equipment            | 2232.31 | \$ 23,174.10              | \$ 23,174.10               | \$ -                           |
| COE-Suscriber Carrier Equipment       | 2232.32 | \$ 8,985.83               | \$ 8,985.83                | \$ -                           |
| Digital Subscriber Carrier Equipment  | 2232.33 | \$ 7,949,781.08           | \$ 4,753,269.30            | \$ 1,208,366.72                |
|                                       |         | <b>\$ 13,513,210.87</b>   | <b>\$ 8,219,983.16</b>     | <b>\$ 2,035,220.31</b>         |

**Early Retirements to Be Booked on December 31, 2007**

| Description                           | Account | Asset Balance            | Depr Reserve           |
|---------------------------------------|---------|--------------------------|------------------------|
| Fiber Optic Terminal Equipment        | 2232.01 | \$ (42,053.00)           | \$ 42,053.00           |
| Private Line Circuit Equipment        | 2232.02 |                          |                        |
| ADSL Equipment                        | 2232.06 | \$ (1,450,376.00)        | \$ 1,450,376.00        |
| School Fiber Optic Terminal Equipment | 2232.11 |                          |                        |
| COE Toll Carrier Equipment            | 2232.31 |                          |                        |
| COE-Suscriber Carrier Equipment       | 2232.32 |                          |                        |
| Digital Subscriber Carrier Equipment  | 2232.33 | \$ (4,461,815.00)        | \$ 4,461,815.00        |
|                                       |         | <b>\$ (5,954,244.00)</b> | <b>\$ 5,954,244.00</b> |

**Northeast Missouri Rural Telephone Company**  
**Analysis of Account 2232.XX Depreciation Rate**  
**2007**

3/29/2007

**New Equipment to Be Booked on December 31, 2007**

| <b>Description</b>                    | <b>Account</b> | <b>Asset Balance</b>   | <b>Depr Reserve</b> |
|---------------------------------------|----------------|------------------------|---------------------|
| Fiber Optic Terminal Equipment        | 2232.01        |                        |                     |
| Private Line Circuit Equipment        | 2232.02        |                        |                     |
| ADSL Equipment                        | 2232.06        | \$ 700,000.00          |                     |
| School Fiber Optic Terminal Equipment | 2232.11        |                        |                     |
| COE Toll Carrier Equipment            | 2232.31        |                        |                     |
| COE-Suscriber Carrier Equipment       | 2232.32        |                        |                     |
| Digital Subscriber Carrier Equipment  | 2232.33        | \$ 700,000.00          |                     |
|                                       |                | <b>\$ 1,400,000.00</b> | <b>\$ -</b>         |

**Depreciation to be taken in 2008 if New Annual Depr. Rate is Increased to**

| <b>Description</b>                    | <b>Account</b> | <b>20.0%</b>           |                        |                        |
|---------------------------------------|----------------|------------------------|------------------------|------------------------|
|                                       |                | <b>1/1/2008</b>        | <b>12/31/2008</b>      | <b>Projected 2008</b>  |
|                                       |                | <b>Asset Balance</b>   | <b>Depr Reserve</b>    | <b>Depreciation</b>    |
| Fiber Optic Terminal Equipment        | 2232.01        | \$ 2,750,849.91        | \$ 2,603,463.02        | \$ 550,169.98          |
| Private Line Circuit Equipment        | 2232.02        | \$ 164,990.27          | \$ 164,990.27          | \$ -                   |
| ADSL Equipment                        | 2232.06        | \$ 1,816,357.24        | \$ 85,880.93           | \$ 363,271.45          |
| School Fiber Optic Terminal Equipment | 2232.11        | \$ 6,643.44            | \$ 2,560.82            | \$ 1,328.69            |
| COE Toll Carrier Equipment            | 2232.31        | \$ 23,174.10           | \$ 23,174.10           | \$ -                   |
| COE-Suscriber Carrier Equipment       | 2232.32        | \$ 8,985.83            | \$ 8,985.83            | \$ -                   |
| Digital Subscriber Carrier Equipment  | 2232.33        | \$ 4,187,966.08        | \$ 1,129,047.52        | \$ 837,593.22          |
|                                       |                | <b>\$ 8,958,966.87</b> | <b>\$ 4,018,102.50</b> | <b>\$ 1,752,363.33</b> |

*Appendix 2, page 2*