John Staurulakis
INCORPORATED

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November 24, 2009

FILED[3]
NOV 2 5 2009
Missouri Public
Service Commission

Via Overnight Mail

Mr. Steve Reed
Secretary/General Counsel
Missouri Public Service Commission
Governor Office Building
200 Madison Street-Post Office Box 360
Jefferson City, Missouri 65102-0360

Re: Application for Authority to Establish A Minimum Depreciation Rate for Account No. 2212 and To Record Depreciation Expense in Excess of Such Minimum Rate pursuant to §392.280.2, RSMo 2000, and 4 CSR 240-2.060

Dear Mr. Reed:

On behalf of Mid-Missouri Telephone Company, John Staurulakis, Inc. ("JSI") respectfully submits the attached Application of Gary Romig, Vice President of Mid-Missouri Telephone Company, ("Mid-Missouri or Company") in the matter described in the above caption, to the Missouri Public Service Commission. Mid-Missouri respectfully requests that the Commission act on this request as soon as possible, so that the Company might be able to effectuate this accounting change effective January 1, 2010. This filing is also being provided to the Missouri Office of the Public Counsel for informational purposes.

Furthermore, JSI has provided an additional copy of this filing marked "File Stamp Copy". Please provide the appropriate stamp on this letter denoting that this filing has been received by the Commission, and return that copy of the filing in the self addressed stamped envelope provided for this purpose.

Please direct any inquiries or requests regarding the Application to Mr. Gary Romig and Mr. Kenneth Cartmell as noted in the Application.

Sincerely,

Kenneth T. Cartmell
Senior Consultant-Regulatory

Echelon Building II, Suite 200
9430 Research Blvd.
Austin, Texas 78759
phone: 512-338-0473, fax: 512-346-0822

Eagandale Corporate Center, Suite 310
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547 South Oakview Lane
Bountiful, Utah 84010
phone: 801-294-4576,fax: 801-294-5124

KTC/mk
Attachment

cc: Lewis Mills, Office of the Public Counsel
Gary Romig, Mid-Missouri Telephone Company

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the Application of Mid-Missouri	)	
Telephone Company of Pilot Grove, Missouri	)	
To Authorize A Minimum Depreciation Rate	)	Case No._____
And to Record Depreciation Expense in Excess	)	
Of Such Minimum Rate.	)	

APPLICATION FOR AUTHORITY TO ESTABLISH A MINIMUM DEPRECIATION RATE FOR ACCOUNT NO. 2212 AND TO RECORD DEPRECIATION EXPENSE IN EXCESS OF SUCH MINIMUM RATE

Comes now Mid-Missouri Telephone Company of Pilot Grove, Missouri ("Mid-Missouri" or "Company") to hereby request that the Missouri Public Service Commission ("MPSC" or "Commission") grant its Application For Authority to Establish A Minimum Depreciation Rate for Account No. 2212 and To Record Depreciation Expense in Excess of Such Minimum Rate pursuant to §392.280.2, RSMo 2000, and 4 CSR 240-2.060. In support of this Application, the Company states as follows:

1. Mid-Missouri is a corporation duly organized and existing under the laws of the State of Missouri; its principal office and place of business is located at 215 Roe Street, Pilot Grove, Missouri, 65276. Its telephone number is (660) 834-3311, and its fax number is (660) 834-6632. Mid-Missouri currently provides telecommunications service to customers located in the state of Missouri in twelve exchanges pursuant to a Certificate of Public Convenience and Necessity issued by the Commission in Case No. TA-88-57. Mid-Missouri is a "telecommunications company" and a "public utility" as those terms are defined in §392.020, RSMo 2000, and thus, is subject to the jurisdiction, supervision, and control of the Commission. A copy of a Certificate of Corporate Good Standing from the Missouri Secretary of State's Office is attached as Exhibit 1.

2. Correspondence, orders and decisions in the matter should be addressed to:

Gary Romig
Mid-Missouri Telephone Company
P.O. Box 38
Pilot Grove, Missouri 65276

Kenneth T. Cartmell
John Staurulakis, Inc.
7852 Walker Drive, Suite 200
Greenbelt, Maryland 20770

3. Section 392.280.2, RSMo 2000, provides a method whereby the Commission may authorize minimum depreciation rates in lieu of fixed rates and allow a telecommunications company to record depreciation expense on the basis of rates in excess of such minimum rates. Mid-Missouri requests that the Commission authorize its current depreciation rate for Account No. 2212 of 6.7% as its "minimum" rate and authorize a depreciation rate in excess of the minimum rate to allow for accelerated depreciation of switch equipment that is scheduled to be placed in service later this year as more specifically described below.

4. On November 2, 2009, Mid-Missouri filed a request with the Federal Communications Commission ("FCC") seeking the approval pursuant to Section 32.2000(g)(4)[1] of the FCC's rules to make the journal entries necessary to complete, effective December 31, 2009,[2] an extraordinary retirement of their Lucent 5ESS CDX central office switch ("5ESS switch"). The 5ESS switch was booked and placed in service on March 31, 1997 and Mid-Missouri proposes to retire the 5ESS switch on December 31, 2009. Concurrently, the Company proposes to book and place the Metaswitch MG 3510 central office soft switch ("soft switch") into service on December 31, 2009.

5. For several years, Mid-Missouri has been working to improve its network, expand services, and increase penetration in its service territory. Additionally, Mid-

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[1] See 47 C.F.R. § 32.2000(g)(4).

[2] An effective date of December 31, 2009 will simplify the treatment of the extraordinary retirement in the Part 36/Part 69 jurisdictional separations/interstate access charge revenue requirement process. This simplification is discussed below.

Missouri has launched an aggressive plan to deploy a fiber network in its service territory. Competitive forces as well as technological advances have driven the Company's decision to replace their 5ESS switch with a soft switch capable of working with fiber and other advanced technologies, in order to allow the Company to provide more robust services. Market demands have required the Company's deployment of more access equipment, such as digital loop carriers, in the field so that customer loops are shortened and they are able to receive greater bandwidth; allowing a larger number of customers to gain access to broadband services such as DSL access. The investment in the new soft switch was necessary in order to facilitate these service developments.

6. The new soft switch will help to position the Company to use VoIP if it chooses to do so in the future, which could generate substantial cost savings for Mid-Missouri by virtue of anticipated reductions in related expenses. Additionally, there are enhanced customer features available through the soft switch, which are not available through the 5ESS switch, such as the find me follow me feature, simultaneous ring, and voice mail that can send messages to email. The new soft switch will also use less power, and increase Mid-Missouri's ability to achieve and maintain certain levels of service quality as required by the changing environment in the telecommunications marketplace.

7. The motivation for implementing the soft switch is driven by reduced cost, soft switch product maturity and the reluctance to invest additional capital in a dying circuit switch technology. Although this is the best investment choice based on the voice switching products available today, soft switch products, like all telecom products, will continue to evolve to become even more cost efficient products and add more customer solutions in the future. Due to the rapid advances in telecommunications technology, ten or twenty year depreciable lives for associated plant are no longer prudent. In order to remain competitive as well as continue to provide customers with the services that today's marketplace requires, the purchase of the new soft switch was a necessary fact of doing business. However, as this purchase was not a part of the Company's near term capital expenditures, extraordinary retirement treatment was requested in order to

minimize the financial affect of this retirement on Mid-Missouri's customers, and maintain the financial stability of the Company.

8. Obviously, a switch is a major investment for a telecommunications company, and therefore is not the type of investment that is made lightly, or frequently. The Company envisions the useful life of the new soft switch to be five (5) years, and is proposing to establish a depreciation rate for this soft switch that accounts for its useful life expectancy. In selecting the soft switch, the Company selected a soft switch capable of satisfying all current and anticipated switching requirements for the projected life of that switch. Consequently, the future retirement of the new soft switch is a planned event that will not trigger an extraordinary retirement scenario.

9. If the soft switch is installed and the 5ESS switch is retired on December 31, 2009, and no change is made to the existing authorized depreciation rate of 6.67%, then, as of December 31, 2009, Mid-Missouri estimates that it will have total switching investment of 380,000, and a negative depreciation reserve of $313,885 if the Company is forced to keep both switches on the books. In addition, if no change is made in the currently effective authorized depreciation rate of 6.67%, it will take fifteen years to fully depreciate the investment in the new soft switch, all other things being equal. This approach would place an unnecessary financial burden on the company. (See Exhibit 2 attached hereto.)

10. Mid-Missouri therefore requests that the Commission allow it to depreciate investment in this account at an accelerated rate. Mid-Missouri proposes that its investment in switching be depreciated at a rate of 20% for a period of five (5) years, beginning January 1, 2010. If Mid-Missouri is permitted to increase its rate of depreciation for this sub account to 20%, (and the soft switch is installed and the 5ESS switch is retired as of December 31, 2009) then, as of December 31, 2009, Mid-Missouri estimates its total investment in switching will be 380,000, and the associated reserve balance will be a credit balance of $3,416. (See Exhibits 2 attached hereto.) Accordingly, Mid-Missouri requests that the MPSC establish a minimum depreciation rate for Account No. 2212 of 6.67% and further authorizes Mid-Missouri to book

depreciation expense in excess of such minimum rate at a rate of 20% for a period of five years, effective January 1, 2010. In order to simplify the accounting treatment of the new soft switch, Mid-Missouri is proposing to book the new soft switch in a new separate sub-account, so that the new depreciation rate will only apply to the new soft switch and related equipment.

11. Mid-Missouri is also providing additional engineering data as provided by our consultants in support of the request for a new depreciation rate. (See Exhibit 3 attached hereto). From a technological perspective, the soft switch solution more closely resembles a computer network than a traditional circuit switch. Consequently, although a soft switch is treated as a switch for account categorization purposes, soft switches actually have a service life similar to a computer and therefore should be depreciated in a manner similar to general computer equipment. Accordingly, the five year depreciation life that Mid-Missouri is requesting in conjunction with the new soft switch is reasonable given the pace of technological advances and the associated rapid obsolescence of telecommunications equipment in the telecommunications marketplace.

12. Mid-Missouri does not have any pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of the Application.

13. Mid-Missouri does not have any annual report or assessment fees which are overdue.

WHEREFORE, Mid-Missouri respectfully requests that its Application for Authority to Establish Minimum Depreciation Rate for Account No. 2212 and to Record Depreciation Expense in Excess of Such Minimum Rate at 20% for five (5) years, effective January 1, 2010 be granted, and for any other relief appropriate under the circumstances.

Respectfully submitted,

Gary Romig V.P.
Gary Romig

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was served via overnight mail on this 24th day of November, 2009 to:

Mr. Lewis Mills, Public Counsel
Office of the Public Counsel
Governor Office Building
200 Madison Street-P.O. Box 2230
Jefferson City, MO 65102-2230

Mr. Steve Reed, General Counsel
Missouri Public Service Commission
Governor Office Building
200 Madison Street-P.O. Box 360
Jefferson City, MO 65102-0360

Kenneth T. Cartmell
Kenneth T. Cartmell

Exhibit 1

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

MID-MISSOURI TELEPHONE COMPANY
T00000530

was created under the laws of this State on the 18th day of May, 1928, 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 10th day of November, 2009

Secretary of State

Certification Number: 12283472-1 Reference:
Verify this certificate online at http://www.sos.mo.gov/businessentity/verification

SOS #30 (01-2005)

Exhibit 2

Mid-Missouri Telephone Company
Proposed New Depreciation Rate
Exhibit 2: Account Nos. 2212, 2213, and 2214 Trend Analysis
Page 1

Asset Account 2212.2000
Using current depreciation rate of 6.67%

	Date	Additions	Retirements	Balance	Notes
1	12/31/2008			1,510,332.67	
2	01/31/2009	2,100.00	-	1,512,432.67	
3	02/28/2009	-	-	1,512,432.67	
4	03/31/2009	-	-	1,512,432.67	
5	04/30/2009	-	-	1,512,432.67	
6	05/31/2009	-	-	1,512,432.67	
7	06/30/2009	-	(876.08)	1,511,556.59	
8	07/31/2009	-	-	1,511,556.59	
9	08/31/2009	-	-	1,511,556.59	
10	09/30/2009	-	-	1,511,556.59	
11	10/31/2009	-	-	1,511,556.59	
12	11/30/2009	-	-	1,511,556.59	
13	12/31/2009	-	(1,460,336.77)	51,219.82	Extraordinary
14	01/31/2010	-	-	51,219.82	retirement of 5E
15	02/28/2010	-	-	51,219.82	
16	03/31/2010	-	-	51,219.82	
17	04/30/2010	-	-	51,219.82	
18	05/31/2010	-	-	51,219.82	
19	06/30/2010	-	-	51,219.82	
20	07/31/2010	-	-	51,219.82	
21	08/31/2010	-	-	51,219.82	
22	09/30/2010	-	-	51,219.82	
23	10/31/2010	-	-	51,219.82	
24	11/30/2010	-	-	51,219.82	
25	12/31/2010	-	-	51,219.82	

Reserve Account 2213.2999
Using current depreciation rate of 6.67%

Date	Additions	Retirements	Balance
12/31/2008			1,046,495.21
01/31/2009	8,394.43	-	1,054,889.64
02/28/2009	8,406.10	-	1,063,295.74
03/31/2009	8,406.10	-	1,071,701.84
04/30/2009	8,406.10	-	1,080,107.94
05/31/2009	8,406.10	-	1,088,514.04
06/30/2009	8,406.10	(876.08)	1,096,044.06
07/31/2009	8,401.23	-	1,104,445.29
08/31/2009	8,401.23	-	1,112,846.52
09/30/2009	8,401.23	-	1,121,247.75
10/31/2009	8,401.23	-	1,129,648.98
11/30/2009	8,401.23	-	1,138,050.21
12/31/2009	8,401.23	(1,146,451.44)	-
01/31/2010	284.68	-	284.68
02/28/2010	284.68	-	569.36
03/31/2010	284.68	-	854.04
04/30/2010	284.68	-	1,138.72
05/31/2010	284.68	-	1,423.40
06/30/2010	284.68	-	1,708.08
07/31/2010	284.68	-	1,992.76
08/31/2010	284.68	-	2,277.44
09/30/2010	284.68	-	2,562.12
10/31/2010	284.68	-	2,846.80
11/30/2010	284.68	-	3,131.48
12/31/2010	284.68	-	3,416.16

Asset Account 2212.4000
Using current depreciation rate of 6.67%

	Date	Additions	Retirements	Balance	Notes
1	12/31/2009	380,000.00	-	380,000.00	Estimated cost of
2	01/31/2010	-	-	380,000.00	Metaswitch once
3	02/28/2010	-	-	380,000.00	installation is
4	03/31/2010	-	-	380,000.00	completed
5	04/30/2010	-	-	380,000.00	
6	05/31/2010	-	-	380,000.00	
7	06/30/2010	-	-	380,000.00	
8	07/31/2010	-	-	380,000.00	
9	08/31/2010	-	-	380,000.00	
10	09/30/2010	-	-	380,000.00	
11	10/31/2010	-	-	380,000.00	
12	11/30/2010	-	-	380,000.00	
13	12/31/2010	-	-	380,000.00	

Reserve Account 2214.2999
Using current depreciation rate of 6.67%

Date	Additions	Retirements	Balance
12/31/2008	-	-	-
01/31/2010	2,112.04	-	2,112.04
02/28/2010	2,112.04	-	4,224.08
03/31/2010	2,112.04	-	6,336.12
04/30/2010	2,112.04	-	8,448.16
05/31/2010	2,112.04	-	10,560.20
06/30/2010	2,112.04	-	12,672.24
07/31/2010	2,112.04	-	14,784.28
08/31/2010	2,112.04	-	16,896.32
09/30/2010	2,112.04	-	19,008.36
10/31/2010	2,112.04	-	21,120.40
11/30/2010	2,112.04	-	23,232.44
12/31/2010	2,112.04	-	25,344.48

Mid-Missouri Telephone Company
Proposed New Depreciation Rate
Exhibit 2: Account Nos. 2212, 2213, and 2214 Trend Analysis
Page 2

Asset Account 2212.2000
Using current depreciation rate of 6.67%

	Date	Additions	Retirements	Balance	Notes
1	12/31/2008			1,510,332.67	
2	01/31/2009	2,100.00	-	1,512,432.67	
3	02/28/2009	-	-	1,512,432.67	
4	03/31/2009	-	-	1,512,432.67	
5	04/30/2009	-	-	1,512,432.67	
6	05/31/2009	-	-	1,512,432.67	
7	06/30/2009	-	(876.08)	1,511,556.59	
8	07/31/2009	-	-	1,511,556.59	
9	08/31/2009	-	-	1,511,556.59	
10	09/30/2009	-	-	1,511,556.59	
11	10/31/2009	-	-	1,511,556.59	
12	11/30/2009	-	-	1,511,556.59	
13	12/31/2009	-	(1,460,336.77)	51,219.82	Extraordinary
14	01/31/2010	-	-	51,219.82	retirement of 5E
15	02/28/2010	-	-	51,219.82	
16	03/31/2010	-	-	51,219.82	
17	04/30/2010	-	-	51,219.82	
18	05/31/2010	-	-	51,219.82	
19	06/30/2010	-	-	51,219.82	
20	07/31/2010	-	-	51,219.82	
21	08/31/2010	-	-	51,219.82	
22	09/30/2010	-	-	51,219.82	
23	10/31/2010	-	-	51,219.82	
24	11/30/2010	-	-	51,219.82	
25	12/31/2010	-	-	51,219.82	

Reserve Account 2213.2999
Using current depreciation rate of 6.67%

Date	Additions	Retirements	Balance
12/31/2008			1,046,495.21
01/31/2009	8,394.43	-	1,054,889.64
02/28/2009	8,406.10	-	1,063,295.74
03/31/2009	8,406.10	-	1,071,701.84
04/30/2009	8,406.10	-	1,080,107.94
05/31/2009	8,406.10	-	1,088,514.04
06/30/2009	8,406.10	(876.08)	1,096,044.06
07/31/2009	8,401.23	-	1,104,445.29
08/31/2009	8,401.23	-	1,112,846.52
09/30/2009	8,401.23	-	1,121,247.75
10/31/2009	8,401.23	-	1,129,648.98
11/30/2009	8,401.23	-	1,138,050.21
12/31/2009	8,401.23	(1,146,451.44)	-
01/31/2010	284.68	-	284.68
02/28/2010	284.68	-	569.36
03/31/2010	284.68	-	854.04
04/30/2010	284.68	-	1,138.72
05/31/2010	284.68	-	1,423.40
06/30/2010	284.68	-	1,708.08
07/31/2010	284.68	-	1,992.76
08/31/2010	284.68	-	2,277.44
09/30/2010	284.68	-	2,562.12
10/31/2010	284.68	-	2,846.80
11/30/2010	284.68	-	3,131.48
12/31/2010	284.68	-	3,416.16

Asset Account 2212.4000
Using proposed depreciation rate of 20.0%

	Date	Additions	Retirements	Balance	Notes
1	12/31/2009	380,000.00	-	380,000.00	Estimated cost of
2	01/31/2010	-	-	380,000.00	Metaswitch once
3	02/28/2010	-	-	380,000.00	installation is
4	03/31/2010	-	-	380,000.00	completed
5	04/30/2010	-	-	380,000.00	
6	05/31/2010	-	-	380,000.00	
7	06/30/2010	-	-	380,000.00	
8	07/31/2010	-	-	380,000.00	
9	08/31/2010	-	-	380,000.00	
10	09/30/2010	-	-	380,000.00	
11	10/31/2010	-	-	380,000.00	
12	11/30/2010	-	-	380,000.00	
13	12/31/2010	-	-	380,000.00	

Reserve Account 2214.2999
Using proposed depreciation rate of 20.0%

Date	Additions	Retirements	Balance
12/31/2008	-	-	-
01/31/2010	6,333.33	-	6,333.33
02/28/2010	6,333.33	-	12,666.66
03/31/2010	6,333.33	-	18,999.99
04/30/2010	6,333.33	-	25,333.32
05/31/2010	6,333.33	-	31,666.65
06/30/2010	6,333.33	-	37,999.98
07/31/2010	6,333.33	-	44,333.31
08/31/2010	6,333.33	-	50,666.64
09/30/2010	6,333.33	-	56,999.97
10/31/2010	6,333.33	-	63,333.30
11/30/2010	6,333.33	-	69,666.63
12/31/2010	6,333.33	-	75,999.96

Exhibit 3

John Staurulakis
INCORPORATED

7852 Walker Drive, Suite 200
Greenbelt, Maryland 20770
phone: 301-459-7590, fax: 301-577-5575
internet: www.jsitel.com, e-mail: jsi@jsitel.com

November 24, 2009

Gary Romig
Vice President
Mid-Missouri Telephone Company
215 Roe Street
Pilot Grove, Missouri 65276

Dear Gary,

The attached paper summarizes JSI's recommendation for the depreciation rate of the new softswitch. The paper discusses the functions of the softswitch and the rational for recommending the an increase in the depreciation rate used for the new switching equipment.

Sincerely,

Valerie Wimer
Vice President – New Business Development

Mid-Missouri Softswitch Depreciation

Switching technology has had a major shift in the last few years. Packet based softswitches are quickly replacing the voice circuit switch. The new Softswitches are software based, have open architecture, and are very economical. For all of its advantages, Softswitches are still evolving rapidly.

In the next few months Mid-Missouri Telephone Company is going to deploy a softswitch as an alternative to their traditional voice switches to start offering the advantages of these product advancements to its customers. The motivation for implementing the softswitch is driven by reduced cost and the reluctance to invest additional capital in a dying circuit switch technology. Although this is the best investment choice based on the voice switching products available today, softswitch products, like all telecom products, will continue to evolve to become even more cost efficient products and add more customer solutions in the future.

Ultimately, the end user interface will migrate from a dedicated DSO circuit to a packet voice utilizing Ethernet/IP protocols. The full length of the call will be packet based like data and Internet traffic. Once both voice and data calls use the same protocols, switching and transport can truly be combined to bring benefits to end users. In the mean time, the Softswitch is an important transitioning technology that helps adopt existing telecom network architectures to support the situation where the majority of the end users are still served by circuit loop technologies but are starting to migrate to packet-switched technologies and services.

Network Evolution of Switching

The softswitch is the first voice switches that truly marry voice and data technology and functions. Circuit switches are multipurpose vehicles, which have a centralized control of the communications path between two end users. Introducing softswitch products and technology into existing telecom network architectures migrates the telecommunications switching closer to subscribers and provides more open interfaces. In the distributed softswitch architecture, each piece of equipment has a specific function; such as a gateway to other carriers, interface to end users, or to provide features to all the customers on the network. The softswitch architecture allows equipment to be specialized to bring efficiency and allow the Telephone Company to create "best-of-breed" networks by selecting each specialized equipment type from different vendors.

The softswitch architecture consists of a core call controller, routers or media gateway, a feature server and line interfaces. All of these components perform

software driven switching functions and as such will be considered part of the switching account.

Routers or media gateways are part of the switching architecture, which convert voice from analog into IP packets and forward them to the appropriate location in the network. Because these routers can accommodate optical interfaces they also perform functions that were traditionally considered transport. There could be a single router that performs the switching and transport functions or separate routers that use the same hardware but separate the switching and transport functions. The software loaded on these routers provide the instructions for switching functions of how to route the calls, provide quality of service, and perform protocol conversion, or transport functions of combining trunks on a single facility.

The call controller or call agent directs the switching activities of media gateways and feature servers. The call agent is typically provided by a softswitch vendor. The functions are similar to that of the central processor of a circuit switch. The call controller provides information that allows the set up and break down of calls, interfaces with the SS7 network, and obtains information from the feature server when required. The call controller coordinates all the intelligence in the other devices that make up the total switching package. Unlike a circuit switch the call controller is not required for the full duration of the call but is only employed when there is change in the call status. (setup, break down, call waiting, etc.)

The feature server provides the intelligence to add calling features to customer's lines. Because the feature server can now be separated from the core processing it is much more flexible than the features on a circuit switch. Although the current voice features are built into these devices, individual telephone companies, ISP's, or end users can develop their own features and control their own call routing using IP interfaces. This is in stark contrast to a circuit switch where neither the telephone company nor the customer could modify the proprietary vendor software.

The softswitch that will be deployed by Mid-Missouri will not have analog line cards to interface to individual customers. Traditional digital loop carrier (DLC) products interface with the softswitch through a standard TR303 or and Ethernet/IP interface that performs the traditional line card function. The line units can remain in place even when the switch is replaced.

All of these components of the softswitch solution together perform the switching functions that were previously supplied in a circuit switch that was provided through a single vendor with proprietary software. With the softswitch architecture, the Telephone Company is able to select different vendors for different components or continue to purchase all the components from a single vendor. The software

interfaces are standardized so customers can have the capability to dynamically customize features, reports, and call control directly in real time.

The softswitch offers cost savings today over continued maintenance and additions to existing circuit switches. However, the ultimate goal of a fully packetized voice network will not be realized until the external interfaces also evolve. The loop plant is still primarily circuit based. Most DLC products are able to packetize voice calls close to the customer and then pass the packets directly to the switching equipment. Some of Mid- Missouri's equipment has this feature but it is not yet utilized. The IXCs are starting to interface with Telephone Companies with packet-based trunking. NECA is about to file a tariff to allow IXCs to interface in an IP format. Even when IXCs change their interfaces it will take a few years before the entire network is transitioned to the new technology. Because the ultimate network is not yet implemented, softswitches (all components) will continue to evolve along with the other portions of the network. Once packet interfaces are available from LECs, IXCs will start to convert their trunks. Internally, DLCs will be upgraded to IP protocols. Softswitches themselves will migrate to accommodate new features and even more customer and end user control.

Depreciation

The multifaceted nature of the softswitch makes the technology very dynamic. Unlike digital circuit switch technology, softswitches are not a full matured technology. In addition, the softswitch is very software dependent. As with all software, there are constant upgrades and replacement. Already, several softswitch models/vendors have undergone major upgrades or have been totally discontinued, requiring replacement. In other cases a single component of the softswitch like the feature service has undergone complete replacement. Although softswitch technology is beyond the infancy stage, the expected life is not as long as the expected life of traditional circuit switch technology. Depreciation lives for switching equipment are also decreasing. Mid-Missouri has recently requested the FCC allow an accelerated depreciation of the circuit switch that will be replaced by the new softswitch. The new softswitch should have a much shorter depreciation life. For accounting purposes, Mid-Missouri will book the softswitch in a new subaccount so it will be kept separate from the old circuit switch. The new depreciation rate will apply only to the newly purchased softswitch equipment. Mid-Missouri requests a five (5) year depreciation life on the new softswitch. A five year depreciation rate is consistent with industry practices. Five years is also consistent with recent Missouri Public Service Commission decisions involving other Missouri Telephone companies.

In summary, Mid-Missouri requests a five year depreciation rate on new softswitch equipment purchased. The requested rate is consistent with industry practices and previous decisions made by the Missouri Public Service Commission on switching depreciation rates.