

Exhibit Number:
Issue(s): Depreciation Rates
Witness: Paul W. Adam
Sponsoring Party: MoPSC Staff
Case Number: TR-98-373

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

Seneca Telephone Company

TR-98-373

DIRECT TESTIMONY

OF

PAUL W. ADAM

**JEFFERSON CITY, MISSOURI
AUGUST, 1998**

FILED
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Missouri Public
Service Commission

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Direct Testimony of
Paul W. Adam

1 From 1991 to 1993 I managed a concrete products plant in northwest Missouri. In 1994 I
2 accepted my current position.

3 Q. Have you ever testified before the Commission?

4 A. Yes.

5 Q. Please state the purpose of your testimony in this case.

6 A. The purpose of my testimony in this case is to present the Public Service
7 Commission Staff's (Staff's) position on Seneca Telephone Company's depreciation rates.

8 Q. What is your position on depreciation rates for Seneca Telephone Company
9 (Company)?

10 A. My position is that the Company's telephone plant is standard to the industry.
11 Therefore, the "small telephone company" depreciation rates established by Staff should be
12 applied.

13 Q. How were these "small telephone company" depreciation rates established?

14 A. The Depreciation Department studied data by plant account from November 1994
15 through January 1995 from the four largest phone companies in the state: Southwestern Bell,
16 United, GTE North, and Contel. Staff created a database for each of these companies of life and
17 salvage parameters underlying currently ordered depreciation rates, rates proposed by each of the
18 companies during normal 1993 and 1994 depreciation filings with Staff, and current Staff's
19 proposed rates in response to each company's presentation.

20 Roundtable discussions between depreciation Staff then ensued regarding each large telco
21 life and salvage parameter in consideration of and in contrast to probable future experience for
22 the small telcos. The "Small Telephone Company Depreciation Rate" table lists rates with

Direct Testimony of
Paul W. Adam

1 underlying salvage and life parameters which were concluded by Staff to be appropriate without
2 further company and account specific data information.

3 Q. Why is company specific data not used with the small telephone companies?

4 A. Company specific data was not used because the small telecommunications companies
5 do not have sufficient churn of plant to study so that the Depreciation Department can come to
6 statistically valid conclusions from historical records of life and salvage indications. There
7 was a need, though, to create an account by account depreciation rate list that could be applied
8 in a consistent manner to all small telephone companies in the state that utilize standard types
9 of telephone plant. The large Missouri telephone companies that use standard types of plant were
10 the logical source of historical plant life data.

11 Q. What is done to determine depreciation rates for non-standard plant?

12 A. Engineering judgment must be applied. This includes understanding the
13 construction installation and application of the plant. This information and any other data that
14 may be a resource in determining life and net salvage is combined with past experience to assign
15 an estimated life and net salvage from which a depreciation rate is calculated. In these
16 situations it may be necessary to revisit the accounts depreciation rate and accrual balance some
17 years after installation to refine the originally assigned values of life and net salvage.

18 Q. What is your proposal for depreciation rates?

19 A. I propose that the depreciation rates as attached to the stipulation agreed to by
20 Staff and the Company become the ordered depreciation rates.

21 Q. Does this conclude your testimony?

22 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

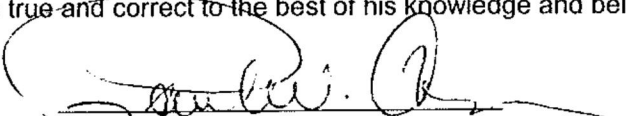
IN THE MATTER OF THE INVESTIGATION)
INTO THE EARNINGS OF SENECA TELEPHONE)
COMPANY AND GOODMAN TELEPHONE COMPANY)

Case No. TR-98-373

AFFIDAVIT OF PAUL W. ADAM

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

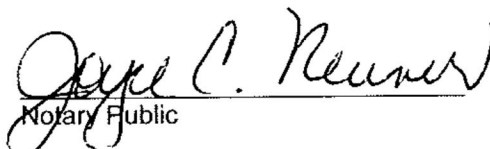
Paul W. Adam, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of X3 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Paul W. Adam

Subscribed and sworn to before me this 6th day of August, 1998.

My Commission Expires: _____

Joyce C. Neuner
Notary Public, State of Missouri
County of Osage
My Commission Exp. 08/18/2001


Notary Public