Federal Communications Commission
Washington, D.C. 20554

August 4, 2010

DA 10-1443

Mr. Gary B. Romig
Vice President, General Manager
Mid-Missouri Telephone Company
P.O. Box 38
Pilot Grove, MO 65276-0038

Re: October 29, 2009 Petition of Mid-Missouri Telephone Company for Commission Approval for Extraordinary Retirement Pursuant to Section 32.3000(g)(4) and (5)

Dear Mr. Romig:

By letter dated October 29, 2009, Mid-Missouri Telephone Company ("Mid-Missouri") requested approval, pursuant to section 32.2000(g)(4) and (5) of the Commission's rules,[1] to credit account 3212, Accumulated Depreciation, and debit account 1438, Deferred Maintenance and Retirements,[2] in association with the retirement of a 5ESS CDX central office switch, which it proposes to replace with a Metaswitch MG 3510 central office soft switch.[3]

Section 32.2000(g)(4)(i) of the Commission's rules states:

> (4) Plant Retired for Nonrecurring Factors not Recognized in Depreciation Rates.
> (i) A retirement will be considered as nonrecurring (extraordinary) only if the following criteria are met:
> (A) The impending retirement was not adequately considered in setting past depreciation rates.
> (B) The charging of the retirement against reserve will unduly deplete that reserve.
> (C) The retirement is unusual such that similar retirements are not likely to recur in the future.

In addition, section 32.1438(a)(1) of the Commission's rules states:

> (1) The unprovided-for loss in service value of telecommunications plant for extraordinary nonrecurring retirement not considered in depreciation and the cost of extensive replacements of plant normally chargeable to the current period Plant Specific Operations Expense accounts. These charges shall be included in this account only upon direction or approval from this Commission. However, the company's application to this Commission for such approval shall give full particulars concerning the property retired, the extensive replacements, the amount

[1] 47 C.F.R. § 32.4000(g)(4) and (5).
[2] 47 C.F.R. § 32.1438.
[3] Letter to Albert M. Lewis, Chief, Pricing Policy Division, Wireline Competition Bureau, Federal Communications Commission, from Gary B. Romig, Vice President and General Manager, Mid-Missouri Telephone Company, dated October 29, 2009 ("*October 29 Request*").

chargeable to operating expenses and the period over which in its judgment the amount of such charges should be distributed.

As discussed below, we find that Mid-Missouri has failed to demonstrate, as required by section 32.2000(g)(4)(i)(C), that the retirement is unusual such that similar retirements are not likely to recur in the future.[4] The criteria of section 32.2000(g)(4) are conjunctive, so failure to demonstrate that the retirement is unusual such that similar retirements are not likely to recur in the future is necessarily determinative and we need not address whether Mid-Missouri has met the other conditions for nonrecurring extraordinary retirement. Similarly, Mid-Missouri has failed to satisfy the requirements for approval to charge account 1438 for "unprovided-for loss in service value of telecommunications plant for *extraordinary nonrecurring* retirement."[5]

To support its claim that retirements similar to the retirement of the 5ESS switch are unlikely to recur, Mid-Missouri states that "the Company selected a soft switch capable of satisfying all current and anticipated switching requirements for the projected life of that switch. Thus the third criterion is met in that the retirement is unusual, such that similar retirements are not likely to recur in the future."[6] In the *October 29 Request,* Mid-Missouri also states that "[c]ompetitive 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."[7] That a company has chosen to replace an existing switch with a soft switch that it believes will satisfy all current and anticipated switching requirements for the projected life of the soft switch may be a prudent business decision, but it does not, on its face, make the retirement extraordinary.[8] Mid-Missouri provides no other relevant evidence to support its claim that this retirement was extraordinary and therefore has not made the showing required by the Commission's rules for extraordinary accounting treatment.[9]

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[4] 47 C.F.R. § 32.2000(g)(4)(i)(C).
[5] 47 C.F.R. § 32.1438(a)(1) (emphasis added).
[6] *October 29 Request* at 4-5.
[7] *Id.* at 2.
[8] For example, compare this business decision with retirements the Wireline Competition Bureau has found to be extraordinary in the past. *See, e.g.*, Letter from Albert M. Lewis, Chief, Pricing Policy Division, Wireline Competition Bureau, FCC, to Lisa Patton, Vice President, Shidler Telephone Company, DA 09-197 (Feb. 6, 2009) (authorizing Shidler Telephone Company to charge account 1438 for an extraordinary retirement associated with cable and wire facilities damaged in an ice storm); Letter from Albert M. Lewis, Chief, Pricing Policy Division, Wireline Competition Bureau, FCC, to Gail Pitzer, General Manager, Agate Mutual Telephone Cooperative Association, DA 09-671 (Mar. 25, 2009) (authorizing Agate Mutual Telephone Cooperative Association to charge account 1438 for an extraordinary retirement due to compliance obligations associated with the Communications Assistance to Law Enforcement Act).
[9] Mid-Missouri suggests that a Missouri Public Service Commission grant of "special amortization" for retirement of a switch in 1999 is justification for approval of its current request. That Missouri Public Service Commission action, however, is not relevant to whether the retirement of the 5ESS switch, the subject of its current request to this Commission, is extraordinary or nonrecurring. *See October 29 Request* at 6 (citing Missouri Public Service Commission Report and Order, Case No. TR-98-343, issued May 6, 1999).

Mid-Missouri has failed to demonstrate that the retirement meets the criteria set forth in sections 32.2000(g)(4) or 32.1438 of the Commission's rules.[10] Accordingly, pursuant to the authority delegated in the Commission's rules,[11] its request is denied.

Sincerely,

Albert M. Lewis

Albert M. Lewis
Chief, Pricing Policy Division
Wireline Competition Bureau

[10] 47 C.F.R. §§ 32.2000(g)(4), 32.1438.
[11] 47 C.F.R. §§ 0.91, 0.204, 0.291.