

Company: PRTC
 Service Area: Puerto Rico
 Account: 2212
 Category: Digital Switching

**TABLE A
 ANNUAL RETIREMENTS
 GROSS SALVAGE AND COST OF REMOVAL**

YEAR	PLANT IN SERVICE DEC 31 (\$) A	PLANT RETIRED (\$) B	GROSS SALVAGE AMOUNT (\$) C	PERCENT C/B D	COST OF REMOVAL AMOUNT (\$) E	PERCENT E/B F	NET SALVAGE AMOUNT 1/ (\$) G	PERCENT D-F H
1974	0	0	0	0.00%	0	0.00%	0	0.00%
1975	0	0	0	0.00%	0	0.00%	0	0.00%
1976	0	0	0	0.00%	0	0.00%	0	0.00%
1977	0	0	0	0.00%	0	0.00%	0	0.00%
1978	0	0	0	0.00%	0	0.00%	0	0.00%
1979	5,821	0	0	0.00%	0	0.00%	0	0.00%
1980	4,719,414	0	0	0.00%	0	0.00%	0	0.00%
1981	19,165,085	973,479	819,408	84.17%	843	0.09%	818,565	84.09%
1982	36,433,203	6,000	800	13.33%	4,049	67.48%	(3,249)	-54.15%
1983	47,335,049	1,371,160	1,222,618	89.17%	4,013	0.29%	1,218,603	88.87%
1984	60,833,082	1,620,007	1,396,448	86.20%	28,883	1.78%	1,367,563	84.41%
1985	71,875,486	1,719,336	1,540,202	89.58%	25,116	1.46%	1,515,086	88.12%
1986	97,988,892	47,258	45,758	96.83%	5,551	11.75%	40,207	85.08%
1987	164,298,276	1,328,422	1,203,000	90.70%	28,969	2.18%	1,174,031	88.51%
1988	221,625,083	1,410,576	1,284,598	91.07%	34,548	2.45%	1,250,050	88.62%
1989	256,904,983	1,035,029	37,672	3.63%	23,378	2.26%	14,196	1.37%
1990	276,448,887	7,307,896	880,427	12.05%	43,236	0.59%	837,191	11.46%
1991	308,589,423	15,603,233	(864,401)	-5.54%	80,882	0.52%	(945,263)	-6.06%
1992	338,198,838	1,596,285	417,045	26.13%	73,559	4.61%	343,486	21.52%
1993	378,477,766	3,368,037	272,711	8.10%	80,472	2.39%	192,239	5.71%
1994	430,883,168	35,371,384	(131,447)	-0.36%	110,653	0.30%	(242,100)	-0.67%
1995	400,321,350	62,492,187	508,611	0.81%	272,026	0.44%	236,586	0.38%
1988-1995		130,556,097	3,653,874	2.80%	753,251	0.58%	2,900,623	2.22%
Grand Total		136,246,169	8,633,348	6.34%	818,155	0.60%	7,817,191	5.74%

1/ Where gross salvage and cost of removal are not available separately, Col. G divided by Col. B.

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DEVELOPMENT OF RETIREMENT RATIOS
 TOTAL RETIREMENTS

END OF YEAR	PLANT BALANCE A	AVERAGE PLANT BALANCE B=(A+PREV A)/2	SINGLE YEAR RETIREMENTS C	RETIREMENT RATIO D=C/B	3 YEAR BAND E	AVERAGE PLANT BALANCE F	3 YEAR BAND RETIREMENTS G	3 YEAR BAND RETIREMENT RATIO H=G/F
1974	0	NA	0					
1975	0	0	0	0.00000				
1976	0	0	0	0.00000	75-77	0	0	0.00000
1977	0	0	0	0.00000	76-78	0	0	0.00000
1978	0	0	0	0.00000	77-79	2,911	0	0.00000
1979	5,821	2,911	0	0.00000	78-80	2,365,528	0	0.00000
1980	4,719,414	2,362,618	0	0.00000	79-81	14,307,778	973,479	0.06804
1981	19,185,085	11,942,250	973,479	0.08152	80-82	42,104,011	979,479	0.02326
1982	35,433,203	27,799,144	6,000	0.00022	81-83	81,625,520	2,350,639	0.02880
1983	47,335,049	41,884,126	1,371,160	0.03274	82-84	123,767,336	2,967,257	0.02422
1984	60,833,082	54,084,066	1,620,097	0.02996	83-85	162,322,466	4,710,593	0.02902
1985	71,875,466	66,354,274	1,719,336	0.02591	84-86	206,370,519	3,386,691	0.01649
1986	97,988,892	84,932,179	47,258	0.00066	85-87	282,430,037	3,093,016	0.01095
1987	164,298,276	131,143,584	1,326,422	0.01011	86-88	409,037,433	2,784,256	0.00681
1988	221,625,063	192,961,670	1,410,576	0.00731	87-89	563,370,277	3,772,027	0.00670
1989	256,904,983	239,265,023	1,035,029	0.00433	88-90	698,902,527	9,763,300	0.01396
1990	276,446,667	260,675,835	7,307,695	0.02740	89-91	796,458,913	23,945,957	0.02999
1991	308,589,423	292,518,055	15,603,233	0.05334	90-92	882,588,019	24,507,193	0.02777
1992	338,198,836	323,394,130	1,596,296	0.00484	91-93	974,250,486	20,565,535	0.02111
1993	378,477,766	358,338,301	3,366,037	0.00939	92-94	1,086,412,898	41,333,697	0.03805
1994	430,883,168	404,680,467	36,371,394	0.08988	93-95	1,178,621,027	102,229,618	0.08674
1995	400,321,350	415,602,259	62,492,187	0.15037				

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ACCOUNT INVESTMENT SUMMARY

YEAR	PLANT IN SERVICE FOY	ADDITIONS	RETIREMENTS	RECLASS	ADJUSTMENTS	PLANT IN SERVICE FOY
1974	0	0	0	0	0	0
1975	0	0	0	0	0	0
1976	0	0	0	0	0	0
1977	0	0	0	0	0	0
1978	0	0	0	0	0	0
1979	0	0	0	0	5,821	5,821
1980	5,821	4,713,593	0	0	0	4,719,414
1981	4,719,414	15,322,660	973,479	96,400	0	19,165,085
1982	19,165,085	17,274,118	6,000	0	0	36,433,203
1983	36,433,203	12,223,164	1,371,180	49,842	0	47,335,049
1984	47,335,049	15,114,990	1,620,097	3,140	0	60,833,082
1985	60,833,082	12,756,255	1,719,336	5,465	0	71,875,466
1986	71,875,466	26,126,262	47,258	34,422	0	97,968,892
1987	97,968,892	49,238,252	1,326,422	18,397,554	0	184,298,276
1988	184,298,276	58,282,520	1,410,578	454,843	0	221,625,063
1989	221,625,063	31,996,676	1,035,029	4,316,074	0	256,904,963
1990	256,904,963	28,135,131	7,307,695	(1,285,733)	0	276,448,667
1991	276,448,667	49,073,687	15,603,233	(1,329,718)	0	308,589,423
1992	308,589,423	30,799,834	1,596,265	405,845	0	338,198,836
1993	338,198,836	43,210,036	3,366,037	434,830	1	378,477,766
1994	378,477,766	37,290,620	36,371,394	467,328	51,018,848	430,883,168 1/
1995	430,883,168	38,576,523	62,492,187	(8,646,164)	0	400,321,350

1/ Includes transfer from CCPR

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RESERVE SUMMARY

YEAR	BALANCE EOY	ACCRUALS	RETIREMENTS	NET SALVAGE	ADJUSTMENTS	RESERVE BALANCE EOY
1974	0	0	0	0	0	0
1975	0	0	0	0	0	0
1976	0	0	0	0	0	0
1977	0	0	0	0	0	0
1978	0	0	0	0	0	0
1979	0	7	0	0	0	7
1980	7	44,260	0	0	0	44,267
1981	44,267	422,043	973,479	818,565	0	311,398
1982	311,398	1,181,313	6,000	(3,249)	(2)	1,483,458
1983	1,483,458	1,571,449	1,371,180	1,218,603	(1,334)	2,901,018
1984	2,901,018	2,587,948	1,620,097	1,367,583	0	5,246,430
1985	5,246,430	3,210,560	1,719,336	1,515,088	50	8,252,790
1986	8,252,790	4,018,983	47,258	40,207	2,128	12,266,850
1987	12,266,850	8,540,459	1,326,422	1,174,031	7,365,082	26,019,980
1988	26,019,980	10,078,570	1,410,576	1,250,050	6,900,061	42,836,085
1989	42,836,085	12,908,928	1,035,029	14,198	3,118,770	57,840,948
1990	57,840,948	15,277,118	7,307,695	837,191	2,736,850	69,384,412
1991	69,384,412	16,888,192	15,603,233	(945,263)	190,554	69,712,683
1992	69,712,683	19,069,466	1,598,265	343,486	355,043	87,904,391
1993	87,904,391	26,076,336	3,365,037	182,239	172,061	110,978,991
1994	110,978,991	29,034,948	36,371,394	(242,100)	35,289,328	138,669,774 1/
1995	138,669,774	38,228,912	62,492,187	236,588	0	115,643,084

1/ Includes transfer from CCPR.

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 Account : O.S.P. General

A. Description

At the end of 1995, PRTC's investment in outside plant facilities of all types was \$1,357,696,719. A breakdown of the investment is as follows:

	<u>Investment</u> <u>12-31-95</u>	<u># of Units</u> <u>or</u> <u>Sheath KM</u> <u>12-31-94</u>
Poles	\$119,109,023	258,208
Aerial Cable		
Metallic	479,426,926	19,607
Non-Metallic	7,272,437	533
Underground Cable		
Metallic	169,648,204	3,113
Non-Metallic	16,196,954	553
Buried Cable		
Metallic	361,488,758	5,168
Non-Metallic	31,197,555	650
Intrabuilding Network Cable		
Metallic	7,146,536	
Non-Metallic	111,045	
Aerial Wire	1,891,607	
Conduit Systems	<u>164,207,670</u>	
Total O.S.P	<u>\$1,357,696,719</u>	

B. Forces Impacting the Economic Life of Existing Plant

Although PRTC has introduced fiber-optic cables in its interoffice trunking system, it does not expect this to produce significant retirements in the near term, as the engineering department has taken this opportunity to reuse the replaced interoffice cables where ever possible, to provide feeder cable relief in congested areas which are located along the trunk cable routes. Currently PRTC has four major fiber rings in place. These rings provide redundant connection to most of PRTC's switching centers. (See the maps

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of the fiber routes at the end of this section.) Also, for reference a map of the major transmission connections on the island is being included on the last page of this section.

In the near term, technological obsolescence by itself will not be the principal cause of outside plant replacements, but technology will be required to provide the future improved customer service for PRTC at a reasonable cost. The entry of Lambda and AT&T into the island's local exchange market, along with the introduction of PCS service, will accelerate the replacement of the existing outside plant facilities significantly.

1. Competition and service requirements:

The 1996 Telecommunications Act is expected to have a significant impact on PRTC. Two companies, AT&T and Lambda Communications, Inc. are actively positioning themselves to provide local exchange telephone service with Lambda expected to have the most impact. Lambda's affiliated companies were awarded the PCS franchise and also own the island's largest cable provider, Cable TV of Greater San Juan. Lambda has a fiber ring already in place and is in the process of spending at least \$100 million on an expanded fiber optic network.¹ Currently its affiliates has the infrastructure in place to reach between 700,000 and 750,000 customers on the island. Also, Lambda's affiliates have an established customer service, billing operations and field personnel in place and they have now applied to provide local service. These new alternative local service providers are not subject to the same regulatory restrictions that have been previously imposed on PRTC.²

The Telecommunications Act also specifies that to facilitate local competition, action must be taken to provide interconnect service to other LECs. If PRTC is to accomplish this interconnection efficiently, it must adapt its transmission network to the new SONET formats. This will require significant replacement of its existing facilities.

2. Technological Factors:

The technology used to furnish telephone service on Puerto Rico is by no means peculiar to the island. PRTC employs the same state-of-the-art technology as the major

¹Some reports estimate these expenditures to be in the \$200 million range.

²Attachment A to the General Section contains various articles regarding competition in Puerto Rico.

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mainland telephone companies. As a result, the forces of obsolescence driving the retirement of existing plant follow much the same pattern. These forces are:

- The introduction of fiber optic transmission cables for high volume trunk service in place of copper wire pair cables, coaxial cables, and radio microwave systems.
- The introduction of remote concentrators and subscriber carrierization equipment in the distribution system.

3. Environmental Factors

Puerto Rico's tropical climate includes rainfall averaging over 60 inches per year, and during the summer months, it is not uncommon to have some 30 inches of rainfall on the island in only a few days. Often the result is devastating floods which can severely damage telephone cables. High winds from tropical storms and hurricanes, erosion and resulting landslides, the near-constant high humidity and salt air combine to create an environment that accelerates the degradation of many outside plant facilities. Even the most recent 1995 hurricane caused extensive damage to the eastern side of the island, prompting an acceleration in the replacement of aerial facilities.

The impact of climate on the condition of outside plant is reflected in the amount PRTC has budgeted for its Outside Plant Engineering and Construction Program. Over the next five years, over one third of the total \$745.7 million outside plant construction budget is earmarked for rehabilitation and service improvement. As an example, the devastation to outside plant experienced by PRTC during the September 1989 onslaught of Hurricane Hugo is evidence of how important a variable this is. The most immediately visible result of an intense hurricane is outright destruction of plant. However, the more insidious damage is not immediately evident. That is, the stress of sustained wind, torrential rain and flash flooding takes a heavy toll on the life of outside plant. If the damage caused by Hugo is indicative of the level of destruction and stress that will be experienced by PRTC's outside plant, the "hurricane factor" is an important consideration in PRTC's retirement plans and depreciation requirements.

In addition, the hurricane risks requires that PRTC maintain a full complement of emergency equipment, such as emergency power plants and back-up cooling systems, be available and capable of operating for long periods of time. The stress that disaster situations place on emergency equipment must also be considered. For example, in the aftermath of Hurricane Hugo, PRTC operated 173 emergency power plants for an aggregate of 20,600 hours. One of the Company's most isolated sites operated on

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emergency power for 41 consecutive days. PRTC's experience with recovery from Hugo has prompted the Company to consider upgrading its emergency equipment including the replacement of four of its older emergency power plants.³

D. Life Selection

The life selected for the metallic cables is based on the authorized ranges for the adoption of Uniform Accounting System for Provision of Regulated Cable Service in the Second Report and Order FCC 95-502 released January 26, 1996. The distribution plant life range authorized by the FCC for cable companies is from 10 to 15 years. For the outside plant cable accounts, PRTC selected the high end of the range for its metallic cables. The life range established for distribution plant represented 97 percent of the lives used by 600 community cable companies who filed form 1220s with the FCC.

For the fiber optic cable investment a 25 year projection life was selected based on the FCC's life range for telephone companies in CC Docket No. 92-296 and subsequent Orders 94-174 and 94-256. These two lives were composited together to develop a weighted projection life. This weighted projection life was then used in combination with the age distributions and mortality curves to calculate an average remaining life for each cable account.

A life from the FCC's life range for telephone companies was used for outside plant structure accounts.

E. Salvage Parameter Selection

In every case, the future net salvage parameter selected was within the FCC's salvage range which was specified for streamline accounting for telephone companies.

³Newland, Robert, "Dealing With Disaster: How the Puerto Rico Telephone Company coped with Hurricane Hugo," Caribbean Telecommunications Council Newsletter, May 1990.

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 Account: 2421
 Category: Aerial Cable

ACCOUNT PARAMETER SUMMARY

ELG START YEAR: 1990

DESCRIPTION	<u>Prescribed</u> (\$)	<u>Proposed</u> (\$)
INVESTMENT BALANCE (\$)		
FORM M	362,225,473	486,699,362
ADJUSTMENT	0	0
STUDY	362,225,473	486,699,362
% OF TOTAL DEPRECIATION PLANT	20.3%	18.9%
DEPR. RESERVE (\$)	147,199,970	253,643,678
(%)	40.6%	52.1%
PLIFE/AYFR (YR)	14.5	14.2
CURVE	S2.0	L1.5
WHOLE LIFE (YR.)	12.2	13.6
AVG. NET SALVAGE (%)	-24.0	-33.0
WL RATE (%)	10.2	9.8
COMPOSITE REM LIFE (YR.)	8.5	8.0
FUTURE NET SALV. (%)	-26.0	-35.0
COMPOSITE RL RATE (%)	10.0	10.4
INTERSTATE FACTOR	0.19774	0.24959
THEORETICAL RESERVE (%)	39.8%	56.8%
THEORETICAL RESERVE (\$)	143,465,040	276,273,461

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Category : Aerial Cable

NARRATIVE

Physical Description

This account includes the original cost of aerial cable and drop or block wires served by aerial cables, as well as the cost of other material used in the construction of this plant. PRTC currently has four major fiber rings in place, as well as several smaller rings. Maps of these fiber rings can be found in the Outside Plant General Section. All of the interoffice trunk facilities have been replaced with fiber. Some of the previous interoffice metallic cable has been temporarily reassigned to provide feeder facility relief.

Investment and Reserve Statistics

Investment in this category was \$486,699,362 as of December 31, 1995, constituting 18.9 percent of total depreciable plant. The reserve balance at December 31, 1995 was \$253,643,678 or 52.1 percent of category investment.

The investment in this account as of 12/31/95 was as follows:

	<u>Investment</u>	<u>Percent</u>
Metallic Cable	\$479,426,926	98.5
Non-Metallic (fiber)	<u>7,272,436</u>	<u>1.5</u>
	\$486,699,362	100.0

PROJECTION LIFE, CURVE AND SALVAGE

The past depreciation study retained a 14.5 year projection life with an S2.0 curve and a negative 26 percent future net salvage from previous depreciation studies. There has been a wide variance in the historic life indications for this account. This category of plant is subject to storm impact, which can have a significant impact on the economic life of the existing plant. The 1995 hurricane season had a significant impact on the eastern side of the island, resulting in renewed efforts to remove all of the island's aerial plant facilities. Competition and interconnection requirements will be the driving forces behind the need to replace the existing metallic cable with fiber, even more than the Company's effort to place transmission facilities underground.

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The 1996 Telecommunications Act is expected to have a significant impact on PRTC. Two companies, AT&T and Lambda Communications, Inc. are actively positioning themselves to provide local exchange telephone service with Lambda expected to have the most impact. Lambda affiliated companies have the PCS franchise and the island's largest cable television provider, Cable TV of Greater San Juan. Lambda has a fiber ring already in place and is in the process of spending an additional \$100 million on an expanded fiber optic network. Currently its affiliates have the infrastructure in place to reach between 700,000 and 750,000 customers on the island. Also, Lambda's affiliates have an established customer service division, billing operations and field personnel in place and they have now applied to provide local service. These new alternative local service providers are not subject to the same regulatory restrictions that have been previously imposed on PRTC.

In Docket 93-215, the FCC, in an effort to establish a uniform accounting system for regulated cable television service, analyzed the Forms 1220s filed with the Commission by 600 system communities. Ninety seven percent of the company lives for distribution systems (trunks, drops, etc.) fell within the 10 to 15 year useful life guidelines established in the Second Report and Order (FCC 95-502) which was released on January 26, 1996. Lambda and its affiliates will be subject to this Order. For PRTC to compete effectively for future local exchange service, it must be given the same flexibility in establishing its depreciation rates as the FCC has given its competitors. PRTC is proposing to use a 14 year projection life for its metallic cable in this account, which is within the Docket 93-215 guide line range as specified in Second Report and Order (FCC 95-502).

The FCC's Second Report and Order (FCC 94-174) which was released on June 28, 1994 established the life range for non-metallic cable as 25 to 30 years. PRTC is proposing to use 25 years as the useful life for this category of investment. Below is the composite life calculation reflecting these two Orders:

	<u>Investment</u>	<u>Life</u>	<u>Weight</u>
Metallic Cable	\$479,426,926	14.0	6,711,976,964
Non-Metallic Cable	<u>7,272,437</u>	<u>25.0</u>	<u>181,810,925</u>
	\$486,699,363	14.2	6,893,787,889

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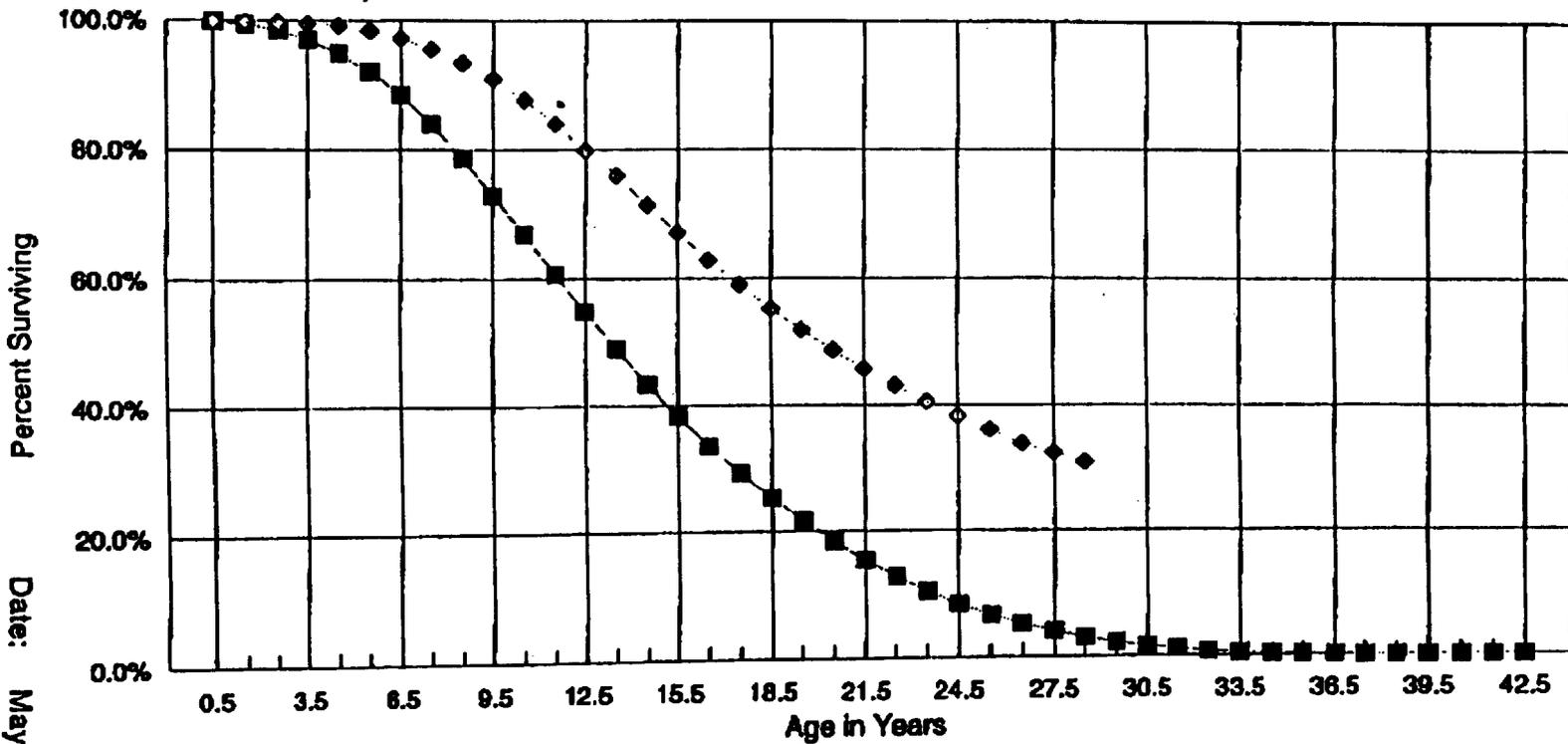
PRTC is proposing to use a 14.2 year projected life with its 8.0 year average remaining life and a negative 35 percent future net salvage for this account. The salvage depreciation parameter is within the basic factor salvage range of negative 35 percent to negative 10 percent as ordered for this category of investment in the FCC's Third Report and Order (CC Docket 92-296).

The curve shape selected is an Iowa L1.5 based on an analysis of the most recent band of historical mortality data for this account.

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OBSERVED LIFE TABLE AND IOWA CURVE 14.20-L1.5

Account: 2421 - Aerial Cable; Band: 1951 - 1995

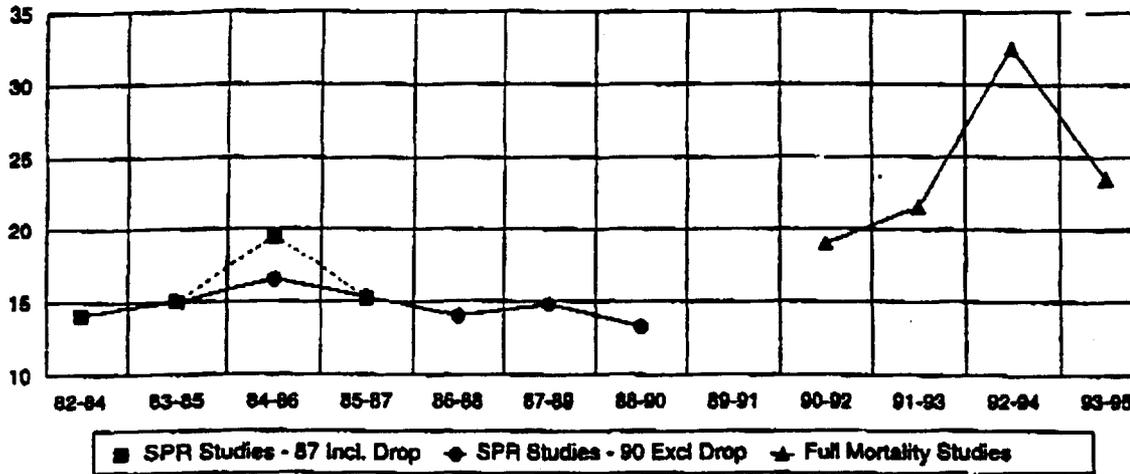


■ Iowa 14.20 - L1.5 ◆ Observed Life Table

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LIFE INDICATIONS
 Aerial Cable



SPR Studies

Full Mortality Studies

Band	1987 (Incl. Drop) Three-Year Life & Curve Indication		1990 (Excl. Drop) Three-Year Life & Curve Indication	
	Life	Curve	Life	Curve
82-84	14.1	S1.0	14.1	S1.0
83-85	15.0	R2.0	15.0	R2.0
84-86	19.5	R0.5	16.5	R1.5
85-87	15.2	S1.0	15.3	L2.0
86-88			14.0	S2.0
87-89			14.8	L2.0
88-90			13.3	S2.0
89-91				
90-92				
91-93				
92-94				
93-95				

Band	Life	Curve
90-92	19.0	L1.0
91-93	21.5	L1.0
92-94	32.5	O3.0
93-95	23.5	L1.5

Full Band Data: 22.0 L1.5

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Category : Buried Cable

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Location Listing/AYFR Calculation	N/A
Replacement Date-Order, Ship Cutover Dates	N/A
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 Category: Buried Cable

ACCOUNT PARAMETER SUMMARY

ELG START YEAR: 1990

DESCRIPTION	Prescribed (\$)	Proposed (\$)
INVESTMENT BALANCE (\$)		
FORM M	186,896,679	403,813,998
ADJUSTMENT	0	(11,127,686)
STUDY	186,896,679	392,686,312
% OF TOTAL DEPRECIATION PLANT	10.5%	15.2%
DEPR. RESERVE (\$)	54,185,561	112,778,442
(%)	29.0%	28.7%
PLIFE/AYFR (YR)	24.0	15.8
CURVE	S1.5	L1.0
WHOLE LIFE (YR.)	22.1 —	14.5 ✓
AVG. NET SALVAGE (%)	-18.0	-11.0
WL RATE (%)	5.3	7.7
COMPOSITE REM LIFE (YR.)	16.4 —	9.1 —
FUTURE NET SALV. (%)	-15.0	-10.0
COMPOSITE RL RATE (%)	5.2 —	8.9 —
INTERSTATE FACTOR	0.19774	0.24959
THEORETICAL RESERVE (%)	27.4%	40.3%
THEORETICAL RESERVE (\$)	51,273,962	158,401,534

Company : PRTC
 Service Area : Puerto Rico
 Account : 2423
 Category : Buried Cable

NARRATIVE

Physical Description

This account includes the original cost of buried cable and material used in construction of buried cable. This account also includes the cost of trenching and burying cable not classifiable to Account 2441, Conduit Systems. PRTC currently has four major fiber rings in place, as well as several smaller rings. Maps of these fiber rings can be found in the Outside Plant General Section. All of the interoffice trunk facilities have been replaced with fiber. Some of the previous interoffice metallic cable has been temporarily reassigned to provide feeder facility relief.

Investment and Reserve Statistics

Investment in this category was \$392,686,312 (\$403,813,998 before an adjustment was made to correct for a classification error of \$11,127,686 which was recorded as an addition to this account which should have been recorded to the Underground Conduit Account 2441 in 1995) as of December 31, 1995, constituting 22.6 percent of total depreciable plant. The reserve balance at December 31, 1995 was \$112,776,442 or 28.7 percent of category investment.

The investment in this account as of 12/31/95 was as follows:

	<u>Investment</u>	<u>Percent</u>
Metallic Cable	\$361,488,758	92.1
Non-Metallic (fiber)	<u>31,197,554</u>	<u>7.9</u>
	\$392,686,312	100.0

PROJECTION LIFE, CURVE AND SALVAGE

The past depreciation study was based on a 24 year projection life with an S1.5 curve and a negative 15 percent future net salvage. Recent life indications are not meaningful, given the extraordinary change which is taking place within PRTC's serving area. Competition and interconnection requirements will be the driving forces behind the need to replace the existing metallic cable with fiber more than the actual physical deterioration of the cable.

Date: May 20, 1996
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Company : PRTC
 Service Area : Puerto Rico
 Account : 2423
 Category : Buried Cable

The 1996 Telecommunications Act is expected to have a significant on PRTC. Two companies, AT&T and Lambda Communications, Inc., are actively positioning themselves to provide local exchange telephone service with Lambda expected to have the most impact. Lambda affiliated companies have the PCS franchise and the island's largest cable television provider, Cable TV of Greater San Juan. Lambda has a fiber ring already in place and is in the process of spending an additional \$100 million on an expanded fiber optic network. Currently its affiliates has the infrastructure in place to reach between 700,000 and 750,000 customers on the island. Also, Lambda's affiliates have an established customer service division, billing operations and field personnel in place and they have now applied to provide local service. These new alternative local service providers are not subject to the same regulatory restrictions that have been previously imposed on PRTC.

In Docket 93-215, the FCC, in an effort to establish a uniform accounting system for regulated cable television service, analyzed the Forms 1220s filed with the Commission by 600 system communities. Ninety seven percent of the company lives for distribution systems (trunks, drops, etc.) fell within the 10 to 15 year useful life guidelines established in the Second Report and Order (FCC 95-502) which was released on January 26, 1996. Lambda and its affiliates will be subject to this Order. For PRTC to compete effectively for future local exchange service, it must be given the same flexibility in establishing its depreciation rates as the FCC has given its competitors. PRTC is proposing to use a 15 year projection life for its metallic cable in this account, which are within the Docket 93-215 guide line range.

The FCC's Second Report and Order (FCC 94-174) which was released on June 28, 1994 established the life range for non-metallic cable as 25 to 30 years. PRTC is proposing to use 25 years as the useful life for this category of investment. Below is the life composite calculation reflecting these two Orders:

	<u>Investment</u>	<u>Life</u>	<u>Weight</u>
Metallic Cable	\$361,488,758	15.0	5,422,331,370
Non-Metallic Cable	<u>31,197,554</u>	<u>25.0</u>	<u>779,938,875</u>
	\$392,686,312	15.8	6,202,270,245

PRTC is proposing to use a 15.8 year projected life with its 9.1 year average remaining life and a negative 10 percent future net salvage for this account. The salvage depreciation parameter is less negative than the historical average but it is within the basic factor salvage range of negative 10 percent to 0 percent as ordered for this category of investment in the FCC's Third Report and Order (CC Docket 92-296).

Company : PRTC
Service Area : Puerto Rico
Account : 2232.1
Category : Digital Circuit
Equipment

NARRATIVE

Physical Description

This account includes the original cost of equipment used to reduce the number of physical pairs required to serve a given number of subscribers by using carrier systems, concentration stages or a combination of both. This account includes the electronics associated with pair gain devices, fiber optic cable transmitters digital circuit cellular radio and paging.

Investment and Reserve Statistics

Investment in this category' was \$210,971,321 as of December 31, 1995, constituting 8.2 percent of total depreciable plant. The reserve balance at December 31, 1995 was \$132,435,335 or 62.8 percent of category investment.

PROJECTION LIFE, CURVE AND SALVAGE

In the prior depreciation study a 13 year O1.0 curve was used in conjunction with a 0 percent future net salvage to depreciate this category of investment. Recent retirements in this account have been limited due to the emphasis on central office replacement and the effort to reduce held orders due to facility congestion. The improvement in transmission routes will continue with the use of SONET technology and the installation of additional fiber cables. The Metro Trunking Plan includes the deployment of fiber optic cables in the San Juan Metro Area and the replacement of copper facilities. It also includes the replacement of feeder cables in all areas over 12,000 feet from the central office. The 1996 through 2000 service improvement program calls for the installation of 166,273 digital central office lines, of which 129,745 will be used to replace first generation digital lines while the remainder will be used for growth.

Recent life indications for this category of investment have been rather high because of the need of the Company to focus its resources in other areas. With the increased emphasis on providing new network access technology, the future retirements are expected to increase significantly. An 11 year projected life with its 5.3 year average remaining life and a negative 5 percent future net salvage is being proposed for this account. The life depreciation parameter is within the basic factor life range of 11 to 13 as

Date: May 20, 1996

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Company : PRTC
Service Area : Puerto Rico
Account : 2423
Category : Buried Cable

The curve shape selected is an Iowa L1.0 based on an analysis of the most recent bands of historical mortality data for this account.

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Generation Arrangement Table 1-VG/ELG
 Company Name: Puerto Rico Telephone Company
 Area: Puerto Rico

Account Code: 242300000
 Account Category: Buried Cable

Generation Arrangement
 Development of Average Service Life and Remaining Life

lowa Curve: L1
 Average Service Life = 15.8

Generation Arrangement	Vintage	Age	Amount Surviving	Proportion Surviving	Realized Life	Remaining Life	Vintage Avg. Life	Average Life Weights	Remaining Life Weights
ELG	1995	0.50	47,777,450	1.00000	0.50	9.91	10.41	4,591,692	45,481,810
ELG	1994	1.50	34,360,650	0.99994	1.50	9.61	11.11	3,082,771	29,721,500
ELG	1993	2.50	31,271,770	0.99975	2.50	9.21	11.71	2,669,813	24,597,240
ELG	1992	3.50	27,532,100	0.99890	3.50	8.63	12.33	2,232,966	19,716,710
ELG	1991	4.50	38,008,900	0.99897	4.50	8.49	12.99	2,772,559	23,532,380
ELG	1990	5.50	34,230,180	0.99858	5.50	8.19	13.69	2,499,747	20,481,570
VG	1989	6.50	34,214,010	0.98595	6.49	10.94	17.27	1,981,070	21,663,010
VG	1988	7.50	21,145,730	0.97875	7.47	10.45	17.70	1,194,908	12,483,290
VG	1987	8.50	18,578,110	0.97858	8.45	10.01	18.25	1,018,139	10,193,020
VG	1986	9.50	18,376,450	0.98030	9.43	9.61	18.85	974,821	9,368,918
VG	1985	10.50	8,568,481	0.97103	10.41	9.23	19.37	442,457	4,082,910
VG	1984	11.50	10,170,000	0.96383	11.37	8.86	19.91	510,794	4,524,676
VG	1983	12.50	8,842,970	0.94807	12.33	8.60	20.39	482,788	4,103,966
VG	1982	13.50	7,201,553	0.91935	13.26	8.16	20.76	346,870	2,828,608
VG	1981	14.50	11,759,670	0.82574	14.19	7.82	21.43	548,862	4,292,800
VG	1980	15.50	7,177,338	0.90204	15.10	7.50	21.98	328,294	2,461,590
VG	1979	16.50	4,467,318	0.89918	16.00	7.19	22.45	198,988	1,429,804
VG	1978	17.50	3,433,051	0.88282	16.88	6.88	22.97	149,490	1,028,792
VG	1977	18.50	3,030,666	0.86738	17.78	6.59	23.48	129,075	850,570
VG	1976	19.50	3,389,459	0.85571	18.63	6.30	24.02	141,111	869,424
VG	1975	20.50	1,308,788	0.84847	19.48	6.03	24.59	83,222	320,721
VG	1974	21.50	2,751,705	0.83472	20.32	5.76	25.13	109,518	630,521
VG	1973	22.50	2,040,463	0.82564	21.15	5.50	25.69	79,434	436,542
VG	1972	23.50	1,722,092	0.81661	21.97	5.24	26.25	65,600	343,838
VG	1971	24.50	2,360,391	0.80620	22.78	4.99	26.81	88,048	439,696
0	PRE-197	0	8,967,134	0.78064	0.00	0.00	0.00	334,656	1,383,323

Total All Vintages	392,688,312	27,037,680	247,288,800
Total All VG Vintages	181,505,272	9,178,120	83,755,750
Total All ELG Vintages	211,181,040	17,859,560	163,531,000

All Vintages VG Vintages ELG Vintages

Average Service Life =	14.52367	19.77587	11.82464
Average Remaining Life =	9.14801	9.12559	9.15650

Computed Gross Additions - All Vintages = 405,025,828

Average Proportion Surviving = 0.96953

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Company Name: Puerto Rico Telephone Company
 Area: Puerto Rico
 Account Code: 242300000
 Account Category: Buried Cable

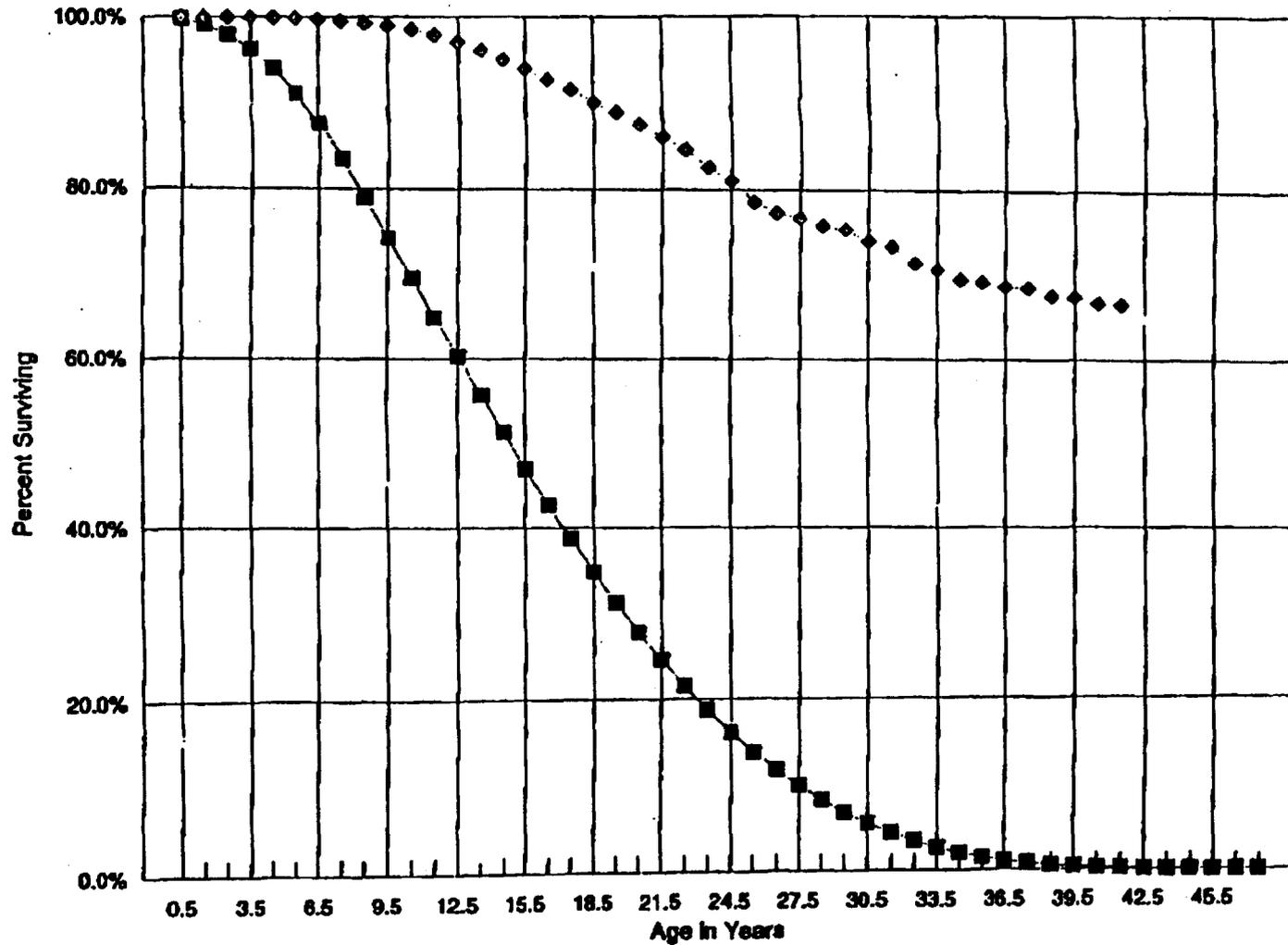
Development of Equal Life Group
 Average Service Life and Remaining Life by Age

Iowa Curve: L1
 Average Service Life = 15.5

Age	Amount in Service	Amount Retired	Retirement Age	Annual Accruals		Average Service Life	Remaining Life	
				Life Group	Remaining Life		ELG	VG
0.00	100000.00	208.05	0.50	416.09	10006.68	9.99	9.99	16.30
0.50	99791.96	668.59	1.00	668.59	9590.59	10.41	9.91	15.33
1.50	99123.37	1107.97	2.00	553.98	8922.00	11.11	9.61	14.43
2.50	98015.40	1659.47	3.00	553.16	8368.02	11.71	9.21	13.59
3.50	96355.93	2287.78	4.00	571.95	7814.86	12.33	8.83	12.81
4.50	94068.15	2940.38	5.00	588.08	7242.92	12.99	8.49	12.11
5.50	91127.77	3563.82	6.00	593.97	6654.84	13.69	8.19	11.49
6.50	87563.94	4096.00	7.00	585.14	6060.87	14.45	7.95	10.94
7.50	83467.95	4481.24	8.00	560.16	5475.73	15.24	7.74	10.45
8.50	78986.71	4683.23	9.00	520.36	4915.57	16.07	7.57	10.01
9.50	74303.47	4712.00	10.00	471.20	4395.21	16.91	7.41	9.61
10.50	69591.47	4685.99	11.00	426.00	3924.01	17.73	7.23	9.23
11.50	64905.48	4634.61	12.00	386.22	3498.01	18.55	7.05	8.86
12.50	60270.87	4558.52	13.00	350.66	3111.80	19.37	6.87	8.50
13.50	55712.36	4459.20	14.00	318.51	2761.14	20.18	6.68	8.16
14.50	51253.16	4337.32	15.00	289.15	2442.63	20.98	6.48	7.82
15.50	46915.84	4194.16	16.00	262.14	2153.47	21.79	6.29	7.50
16.50	42721.67	4032.93	17.00	237.23	1891.34	22.59	6.09	7.19
17.50	38688.74	3854.29	18.00	214.13	1654.11	23.39	5.89	6.88
18.50	34834.45	3660.27	19.00	192.65	1439.98	24.19	5.69	6.59
19.50	31174.18	3454.32	20.00	172.72	1247.33	24.99	5.49	6.30
20.50	27719.86	3238.71	21.00	154.22	1074.62	25.80	5.30	6.03
21.50	24481.15	3015.16	22.00	137.05	920.39	26.60	5.10	5.76
22.50	21465.98	2788.15	23.00	121.22	783.34	27.40	4.90	5.50
23.50	18677.83	2558.49	24.00	106.60	662.12	28.21	4.71	5.24
24.50	16119.33	2328.30	25.00	93.13	555.51	29.02	4.52	4.99

OBSERVED LIFE TABLE AND IOWA CURVE 15.80-L1.0

Account: 2423 - Buried Cable; Band: 1954 - 1995

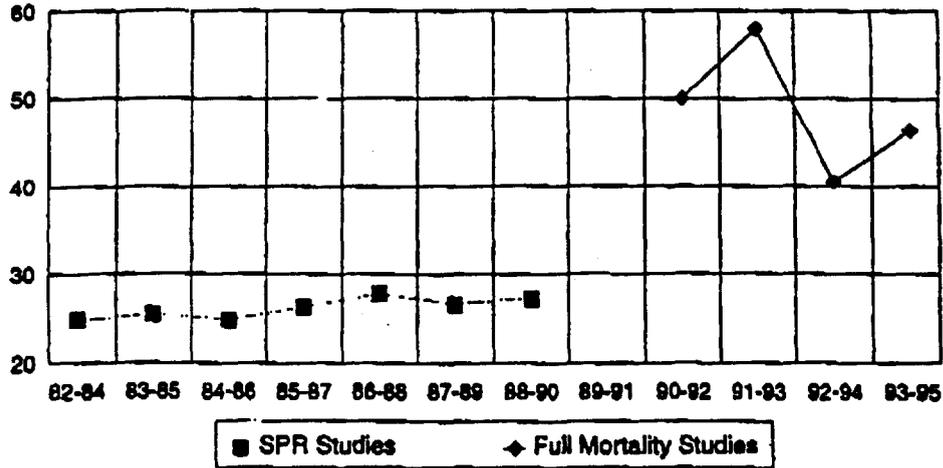


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■ Iowa 15.80-L1.0 ◆ Observed Life Table

Company : PRTC
 Service Area : Puerto Rico
 Account : 2423
 Category : Buried Cable

LIFE INDICATIONS
Buried Cable



SPR Studies		
Band	Three-Year Life & Curve Indication	
82-84	24.8	R2.0
83-85	25.4	L2.0
84-86	24.8	S1.5
85-87	26.2	S2.0
86-88	27.7	S1.5
87-89	26.6	S1.5
88-90	27.2	S2.0
89-91		
90-92		
91-93		
92-94		
93-95		

Full Mortality Studies		
Band	Three-Year Life & Curve Indication	
90-92	50.0	S0.0
91-93	58.0	S0.0
92-94	40.5	L1.0
93-95	46.5	L1.0

Full Data Band: 50.0 S0.0

Company: PRTC
 Service Area: Puerto Rico
 Account: 2423
 Category: Burled Cable

AVERAGE NET SALVAGE

PLANT RETIRED	GROSS SALVAGE		COST OF REMOVAL		NET SALVAGE
	PERCENT	WEIGHT	PERCENT	WEIGHT	PERCENT
A	%	(\$)	%	(\$)	%
	B	C=(A*B)/100	D	E=(A*D)/100	F=(B-D)
PAST 1/	12,339,516				-54.2% 2/
FUTURE	392,686,313				-10.0%
	<u>405,025,829</u>				<u>-11.0%</u>

1/ Difference from Computed Gross Additions - All Vintages and Total All V on Generation Arrangement.
 2/ Table A.

Company: PRTC
 Service Area: Puerto Rico
 Account: 2423
 Category: Buried Cable

**TABLE A
 ANNUAL RETIREMENTS
 GROSS SALVAGE AND COST OF REMOVAL**

YEAR	PLANT IN SERVICE DEC. 31 (\$) A	PLANT RETIRED (\$) B	GROSS SALVAGE AMOUNT (\$) C	PERCENT C/B D	COST OF REMOVAL AMOUNT (\$) E	PERCENT E/B F	NET SALVAGE AMOUNT 1/ (\$) G	PERCENT D-F H
1974	14,894,033	58,595	0	0.00%	0	0.00%	2,510	4.28%
1975	15,967,711	75,120	0	0.00%	0	0.00%	(3,872)	-5.15%
1976	18,846,283	99,801	0	0.00%	0	0.00%	1,354	1.36%
1977	21,394,990	98,518	0	0.00%	0	0.00%	(2,529)	-2.57%
1978	24,092,139	141,533	0	0.00%	0	0.00%	(38,585)	-27.25%
1979	27,374,222	174,982	0	0.00%	0	0.00%	1,803	1.03%
1980	32,899,378	406,889	0	0.00%	0	0.00%	(11,531)	-2.84%
1981	40,860,567	148,631	0	0.00%	0	0.00%	(27,238)	-18.58%
1982	48,546,978	192,308	12,863	6.69%	27,915	14.52%	(15,052)	-7.83%
1983	52,065,406	227,237	2,678	1.18%	4,696	2.07%	(2,018)	-0.89%
1984	74,210,373	125,047	0	0.00%	302,777	242.13%	(302,777)	-242.13%
1985	78,830,088	48,895	0	0.00%	472,224	968.76%	(472,224)	-968.76%
1986	85,689,960	109,097	0	0.00%	369,285	338.49%	(369,285)	-338.49%
1987	90,732,148	295,880	2,804	0.88%	580,002	189.27%	(557,388)	-188.39%
1988	98,907,503	457,818	0	0.00%	44,268	9.46%	(44,268)	-9.46%
1989	108,900,548	783,082	1,092	0.14%	47,009	6.16%	(45,917)	-6.02%
1990	106,710,952	336,374	1,824	0.48%	66,813	16.89%	(54,989)	-16.35%
1991	128,593,541	166,976	714	0.43%	29,869	17.89%	(29,156)	-17.46%
1992	148,000,603	1,233,708	22,665	1.84%	89,263	7.24%	(66,599)	-8.40%
1993	214,048,050	415,761	88,432	20.79%	778,508	186.77%	(690,076)	-165.96%
1994	345,847,091	2,768,108	130,805	4.73%	1,034,662	37.39%	(904,077)	-32.66%
1995	392,688,313	927,228	95,416	10.29%	1,495,901	161.33%	(1,400,485)	-151.04%
1986-1995		7,484,033	341,352	4.56%	4,503,601	60.18%	(4,162,249)	-55.62%
Grand Total		9,277,967	N/A	N/A	N/A	N/A	(5,032,388)	-54.24%

1/ Where gross salvage and cost of removal are not available separately, Col. G divided by Col. B.

Company: PRTC
 Service Area: Puerto Rico
 Account: 2423
 Category: Buried Cable

TABLE B
FIVE YEAR OVERLAPPING BANDS OF ANNUAL RETIREMENTS
GROSS SALVAGE AND COST OF REMOVAL

CENTER YEAR	PLANT IN SERVICE DEC.31 (\$) A	PLANT RETIRED (\$) B	GROSS SALVAGE AMOUNT (\$) C	GROSS SALVAGE PERCENT C/B D	COST OF REMOVAL AMOUNT (\$) E	COST OF REMOVAL PERCENT E/B F	NET SALVAGE AMOUNT 1/ (\$) G	PERCENT D-F H
1976	95,195,156	473,366	0	0.00%	0	0.00%	(41,102)	-8.66%
1977	107,675,345	589,752	0	0.00%	0	0.00%	(41,809)	-7.09%
1978	124,807,010	920,301	0	0.00%	0	0.00%	(49,468)	-5.38%
1979	146,421,294	967,331	0	0.00%	0	0.00%	(78,060)	-8.07%
1980	171,573,282	1,061,123	12,863	1.21%	27,915	2.63%	(90,583)	-8.54%
1981	199,546,549	1,146,827	15,541	1.36%	32,811	2.84%	(54,036)	-4.71%
1982	246,382,700	1,096,892	15,541	1.42%	335,368	30.58%	(958,616)	-32.69%
1983	292,113,412	739,918	15,541	2.10%	807,612	109.15%	(819,309)	-110.73%
1984	337,142,805	702,384	15,541	2.21%	1,176,897	167.56%	(1,161,356)	-165.34%
1985	381,327,975	805,956	5,282	0.66%	1,708,984	212.04%	(1,703,702)	-211.39%
1986	428,170,072	1,046,537	2,604	0.25%	1,748,556	167.06%	(1,745,952)	-166.83%
1987	462,860,247	1,654,572	3,696	0.22%	1,482,788	88.62%	(1,489,092)	-88.40%
1988	490,941,111	1,872,251	5,320	0.27%	1,077,177	54.62%	(1,071,856)	-54.35%
1989	533,844,692	2,030,130	6,034	0.30%	737,761	36.34%	(731,727)	-36.04%
1990	589,113,146	2,967,969	26,095	0.88%	267,023	9.00%	(240,928)	-8.12%
1991	704,253,694	2,915,902	112,527	3.86%	999,263	34.27%	(886,736)	-30.41%
1992	941,200,236	4,920,928	242,240	4.92%	1,987,136	40.38%	(1,744,896)	-35.46%
1993	1,227,175,597	5,511,782	336,032	6.10%	3,428,424	62.17%	(3,090,392)	-56.07%

1/ Where gross salvage and cost of removal are not available separately, Col. G divided by Col. B.

Company: PRTC
 Service Area: Puerto Rico
 Account: 2423
 Category: Buried Cable

DEVELOPMENT OF RETIREMENT RATIOS
 TOTAL RETIREMENTS

END OF YEAR	PLANT BALANCE A	AVERAGE PLANT BALANCE B=(A+PREV A)/2	SINGLE YEAR RETIREMENTS C	RETIREMENT RATIO D=C/B	3 YEAR BAND E	AVERAGE PLANT BALANCE F	3 YEAR BAND RETIREMENTS G	3 YEAR BAND RETIREMENT RATIO H=G/F
1974	14,894,039	N/A	58,595					
1975	15,967,711	15,430,872	75,120	0.00487				
1976	18,846,283	17,408,997	99,601	0.00572	75-77	52,958,506	273,237	0.00516
1977	21,394,990	20,120,637	98,518	0.00490	76-78	60,271,198	339,850	0.00564
1978	24,092,139	22,743,595	141,533	0.00622	77-79	68,597,382	415,031	0.00605
1979	27,374,222	25,733,181	174,882	0.00680	78-80	78,613,544	722,184	0.00919
1980	32,899,376	30,136,799	405,669	0.01346	79-81	92,649,951	727,282	0.00785
1981	40,660,557	36,779,972	146,631	0.00399	80-82	110,520,543	744,608	0.00674
1982	46,546,978	43,603,773	192,308	0.00441	81-83	129,689,936	566,176	0.00437
1983	52,065,406	49,306,192	227,237	0.00461	82-84	155,047,854	544,592	0.00349
1984	74,210,373	63,137,890	125,047	0.00198	83-85	188,884,312	400,979	0.00212
1985	78,630,088	76,420,231	48,695	0.00064	84-86	221,718,144	282,839	0.00128
1986	85,689,960	82,160,024	109,097	0.00133	85-87	246,791,309	453,672	0.00184
1987	90,732,148	88,211,054	295,680	0.00335	86-88	265,190,904	872,795	0.00329
1988	98,907,503	94,819,826	467,818	0.00493	87-89	286,934,908	1,826,780	0.00632
1989	108,900,548	103,904,026	763,082	0.00734	88-90	308,529,601	1,567,274	0.00511
1990	106,710,952	107,805,750	336,374	0.00312	89-91	329,362,022	1,268,432	0.00385
1991	128,593,541	117,652,246	166,976	0.00142	90-92	362,755,068	1,737,059	0.00479
1992	146,000,803	137,297,072	1,233,708	0.00899	91-93	434,973,645	1,818,446	0.00418
1993	214,048,050	180,024,326	415,761	0.00231	92-94	597,268,969	4,417,578	0.00740
1994	345,847,091	279,947,571	2,768,108	0.00989	93-95	829,238,599	4,111,097	0.00496
1995	392,686,313	369,266,702	927,228	0.00251				

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ACCOUNT INVESTMENT SUMMARY

YEAR	PLANT IN SERVICE BOY	ADDITIONS	RETIREMENTS	RECLASS	ADJUSTMENTS	PLANT IN SERVICE EOY
1974	12,440,794	2,511,834	58,585	0	0	14,894,033
1975	14,894,033	1,148,797	75,120	0	1	15,967,711
1976	15,967,711	3,024,274	99,601	(46,100)	(1)	18,846,283
1977	18,846,283	2,654,171	98,516	(6,848)	0	21,394,990
1978	21,394,990	2,838,683	141,533	0	(1)	24,092,139
1979	24,092,139	3,457,068	174,982	0	(1)	27,374,222
1980	27,374,222	5,930,821	405,669	0	2	32,899,376
1981	32,899,376	7,918,662	148,631	(10,840)	0	40,660,567
1982	40,660,567	6,078,718	192,308	0	0	46,546,978
1983	46,546,978	5,747,248	227,237	(1,593)	0	52,065,406
1984	52,065,406	5,849,389	125,047	16,420,626	(1)	74,210,373
1985	74,210,373	4,473,670	48,695	(5,260)	0	78,630,088
1986	78,630,088	7,203,136	109,087	(34,167)	0	85,689,960
1987	85,689,960	9,816,218	295,880	(4,278,150)	0	90,732,148
1988	90,732,148	8,615,693	467,818	27,480	0	98,907,503
1989	98,907,503	10,755,841	763,082	286	0	108,900,548
1990	108,900,548	14,418,365	336,374	(16,272,587)	0	108,710,952
1991	106,710,952	22,049,565	166,976	0	0	128,593,541
1992	128,593,541	18,824,372	1,233,708	16,397	1	146,000,803
1993	146,000,803	27,828,931	415,761	40,640,234	(3,958)	214,048,050
1994	214,048,050	32,708,468	2,768,108	318	101,858,365	345,847,091 1/
1995	345,847,091	58,893,962	927,228	(11,127,513)	0	392,686,313

1/ Includes transfer from CCPR.

Company: PRTC
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RESERVE SUMMARY

YEAR	BALANCE EOY	ACCRUALS	RETIREMENTS	NET SALVAGE	ADJUSTMENTS	RESERVE BALANCE EOY
1974	360,828	346,379	58,595	2,510	0	651,122
1975	651,122	612,722	75,120	(3,872)	(2)	1,184,850
1976	1,184,850	690,532	99,601	1,354	(1)	1,777,134
1977	1,777,134	806,427	98,516	(2,529)	(1)	2,482,516
1978	2,482,516	1,012,159	141,533	(38,565)	(2)	3,314,574
1979	3,314,574	1,163,499	174,982	1,803	(1)	4,304,893
1980	4,304,893	1,333,839	405,669	(11,531)	11	5,221,543
1981	5,221,543	1,577,166	146,631	(27,238)	1	6,624,841
1982	6,624,841	1,910,758	192,308	(15,052)	(2)	8,328,237
1983	8,328,237	2,149,871	227,237	(2,018)	(1)	10,248,852
1984	10,248,852	3,667,714	125,047	(302,777)	1,194,587	14,683,329
1985	14,683,329	3,344,203	48,695	(472,224)	0	17,506,613
1986	17,506,613	3,597,834	109,097	(369,285)	1	20,826,066
1987	20,826,066	5,239,828	295,880	(557,398)	(36,000)	24,976,716
1988	24,976,716	5,719,880	467,818	(484,030)	0	29,764,748
1989	29,766,774	6,372,269	903,881	(471,972)	3,447	34,766,657
1990	34,766,625	7,193,089	365,995	(731,009)	0	40,862,710
1991	40,862,710	8,208,166	184,087	(816,932)	0	48,069,857
1992	48,069,857	8,362,402	1,380,341	(863,265)	(3,094)	54,185,559
1993	54,185,559	10,301,508	698,999	(890,076)	0	63,097,992
1994	63,097,992	11,783,448	2,760,650	(904,077)	25,832,432	97,049,145 1/
1995	97,049,145	18,057,005	927,228	(1,400,485)	4	112,778,442

1/ Includes transfer from CCPR.