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April 2, 2007

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
PO Box 3265
Harrisburg, PA 17105

P-00001854F1000

Dear Secretary McNulty:

Enclosed please find an original and three copies, plus one expurgated copy, of Verizon North Inc.'s third biennial update to its Network Modernization Plan under Chapter 30 and Act 183.

Please do not hesitate to contact us if you have any questions.

Very truly yours,

R. F. Weigel

Attachments

SECRETARY'S BUREAU
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Verizon North Inc.

Chapter 30

Network Modernization Plan

2007 Biennial Update

April 2, 2007

DOCUMENT
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Expurgated Version

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Executive Summary

In accordance with its Network Modernization Plan, Verizon North is meeting or exceeding its commitments to accelerate modernization of its network and increase broadband capability as it moves toward the goal of universal broadband availability by December 31, 2015. This filing covers Verizon North's third biennial status report detailing the progress of its Network Modernization Plan under Chapter 30 for the biennial period ending December 31, 2006.

Utilizing state-of-the-art technologies, Verizon North has deployed digital and broadband switching, intelligent network services and is continuing to deploy fiber optic interoffice, feeder and distribution facilities, and DSL infrastructure, along with a wide range of broadband services in its network. Verizon North continues to increase its capital investment in broadband infrastructure as it aggressively deploys broadband provisioning equipment in the network. This advanced broadband network and the advanced services provisioned on it enhance the quality of life for all Pennsylvanians, including those with disabilities.

Key Plan Components

Verizon North's NMP Key Plan Components and results are shown in the table below.

NMP Key Requirement	Objective	Status at Time of Original NMP	2003 Update Report Status	2005 Update Report Status	2007 Update Report Status
Digital Switching	-	100%	100%	100%	100%
Intelligent Network Signaling	100% by 2002	92%	100%	100%	100%
Class Services Availability	100% by 2002	-	100%	100%	100%
Broadband Interoffice facilities	100% by 2005	94%	96.6%	99.6%	100%
Broadband Availability 10 Days	35% by 2005 65% by 2010 100% by 2015	22.8%	44.5%	50.6%	55.9%
Broadband Deployment Reasonably Balanced	Narrow the gap between urban and rural as the plan progresses	~80%	23.4%	18.2%	14.6%

These results demonstrate that Verizon North has met or exceeded all of its NMP key requirements to date. They are discussed in detail in sections that follow.

Broadband Availability

Verizon North is deploying broadband capability at speeds of 1.544 Mbps and greater, within 10 days of customer request, in the distribution network at a rate that is making DSL available to its customers far ahead of schedule. The table below shows Verizon North's progress, as of year-end 2006, in meeting its broadband availability commitments using DSL technology at speeds of at least 1.544 Mbps.

	2000	2002	2004	2005	2006	2010	2015
Target	-	-	-	35%	-	65%	100%
Actual Broadband Availability	22.8%	44.5%	50.6%	-	55.9%		

As stated in its approved NMP, Verizon North may utilize other existing and future technologies to meet its broadband availability commitments as circumstances may warrant or permit.

Chapter 30 Biennial Update Reporting Guidelines

Guidelines have been established for reporting in Chapter 30 Biennial Updates.

In compliance with those guidelines, Verizon North reports the following:

- 1. The biennial updates required pursuant to 66 Pa. C.S. § 3003(b)(6) should provide specific information on how many customers are buying broadband services. This information should be provided both by class of customer, i.e., business, residential, and institutional, and by region or geographic area within each service territory of the filing local exchange carrier ("LEC").**

DSL is the primary broadband service being purchased by end users in Pennsylvania. However, Internet Service Providers (ISPs) and Content Providers (CPs) purchase DSL from Verizon and as such, are Verizon North's customers (e.g., ISPs resell VZ's DSL service to end users). End users – *i.e.*, individual households and businesses – do not purchase DSL directly from Verizon North, but instead purchase retail DSL directly from the ISPs and CPs. The total number of ISPs and CPs with connections to Verizon North's DSL network is **(Begin Proprietary) (End Proprietary)**. Verizon North does not have access to non-regulated and unaffiliated ISP and CP records to provide data on the number of their end users.

Although Verizon North's NMP states that DSL technology would be the primary initial means to provide broadband service, business customers also purchase other types of broadband services. A breakdown of the number of these broadband customers by bandwidth in rural and urban areas is as follows:

(Begin Proprietary)

Rural Broadband Customer Counts				
Broadband speed	Retail	Resale	Wholesale	Total
DS1 - 1.544 Mbps				
DS3 - 45 Mbps				
10 Mbps				
100 Mbps				
OC-3 - 155 Mbps				
OC-12 - 622 Mbps				
OC-48 - 2.488 Mbps				
Totals				

Urban Broadband Customer Counts				
Broadband speed	Retail	Resale	Wholesale	Total
DS1 - 1.544 Mbps				
DS3 - 45 Mbps				
10 Mbps				
100 Mbps				
1Gbps				
OC-3 - 155 Mbps				
OC-12 - 622 Mbps				
OC-48 - 2.488 Mbps				
Totals				

Notes:

(End Proprietary)

2. **Using the same quantity, class, and geographic breakdown outlined in Paragraph No. 1 above, the biennial updates should report the type of broadband services customers are actually subscribing to, including information on the speed of each broadband service being offered by the LEC.**

The Company's commitment to universal broadband availability is dependent upon the deployment of broadband capability in its interoffice and distribution networks, as required under Chapter 30. The following provides information on the broadband services, and their respective speeds, that customers purchase:

DIGITAL SUBSCRIBER LINE (DSL):

DSL provides high speed Internet access. ISPs can purchase DSL at the following downstream/upstream speeds:

	Downstream Bandwidth*	Upstream Bandwidth*
Residential	768 Kbps	128 Kbps
	3 Mbps	768 Kbps
Business	768 Kbps	128 Kbps
	1.544 Mbps	128 Kbps
	1.544 Mbps	384 Kbps
	3 Mbps	768 Kbps
	7.1 Mbps	768 Kbps
	192 Kbps	192 Kbps
	384 Kbps	384 Kbps
	768 Kbps	768 Kbps
	1.1 Mbps	1.1 Mbps
	1.5Mbps	1.5Mbps

*Actual throughput speed will vary based on network and Internet congestion, among other factors.

FRAME RELAY:

Frame Relay is a broadband-switched data communications service that provides data connectivity between/among widely distributed locations. Frame Relay is offered at a variety of bandwidths including low speed options, 1.544 Mbps, 4 Mbps, 6 Mbps, 10 Mbps, 22 Mbps and 45 Mbps.

ASYNCHRONOUS TRANSFER MODE (ATM):

ATM Cell Relay Service (CRS) is a telecommunications transport and switching service that provides for high-speed broadband connectivity between customer-designated locations. ATM CRS is available at speeds of 1.544 Mbps (DS1), 45 Mbps (DS3), 155 Mbps (OC-3c) and 622 Mbps (OC-12c).

ISDN PRIMARY RATE INTERFACE (PRI):

ISDN PRI is an alternative for individual local exchange access loop services, such as Direct Inward Dialing (DID), Direct Outward Dialing (DOD), Wide Area Telecommunications Services (WATS), Toll Free Service and business dial tone lines. ISDN PRI is provisioned on the 1.544 Mbps bandwidth using ISDN architecture. It provides the customer with the capability for simultaneous access, transmission and switching of voice, data and imaging services.

TRANSPARENT LAN SERVICE (TLS)

TLS is a high-speed data service that uses a shared high-speed fiber optic backbone to allow for the interconnection of Local Area Networks (LANs) across selected metropolitan areas. Using TLS, users at one site can quickly access information and online services located at another site. Customers may choose a TLS operating speed of 10 Mbps, 100 Mbps or 1Gbps.

HIGH CAPACITY DIGITAL SERVICE:

Verizon North's High Capacity Digital Service is a digital private line service that has the capacity for two-way transmission of data at speeds of 1.544 Mbps (DS1), 45 Mbps (DS3) and 89.472 Mbps (FT3C). This transmission service is designed for exchanging heavy volumes of digital information, and for applications that demand high bandwidth between two or more business sites.

SYNCHRONOUS OPTICAL NETWORK (SONET)

SONET is a family of fiber optic transmission rates that provides the flexibility to transport many digital signals with different capacities. Various applications exist for SONET, including LAN interconnections, private networks, disaster avoidance, call centers, data imaging/mirroring, distance learning, multimedia, Internet access, finance/banking, engineering, research, healthcare, government, education, criminal justice, economic development and telemedicine. SONET can be configured for point-to-point data transmission or in ring configurations, providing redundancy and survivability. SONET transport is offered at bandwidths of 1.544 Mbps (DS1), 45 Mbps (DS3), 155 Mbps (OC-3), 622 Mbps (OC-12), 2.48 Gbps (OC-48) and 9.95 Gbps (OC-192).

- 3. The biennial updates should report present and projected upgrades to switches, fiber deployment, and intelligent signaling.**

Digital Switching

Verizon North's network currently utilizes 100% digital switching technology as required under Chapter 30. Verizon North also continues to deploy increasingly higher speed broadband switching capabilities. The table below shows the tremendous growth in

broadband switching over the past two years to accommodate the significant increase in broadband traffic.

(Begin Proprietary)

Switch Functionality	Number of Switches in Service (BOY02)	Number of Switches in Service (BOY04)	Number of Switches in Service (BOY 06)
Totals			

(End Proprietary)

Verizon North will continue to upgrade switching hardware and software as network technology advances and broadband demand on the network increases.

Fiber Deployment

The table below shows the extensive fiber deployment that has taken place each year since approval of the Verizon North NMP. This increased deployment in fiber has taken place not only in interoffice facilities, but in feeder and distribution cable as well.

	2002	2003	2004	2005	2006
Sheath Miles	1,910	2,025	2,082	2,132	2,284
Conductor Miles	61,825	68,634	66,846	73,034	84,508

Intelligent Network Signaling Capability

Intelligent Network Signaling technology enables a variety of call management and call processing services. Verizon North currently serves 100% of its access lines with intelligent network signaling. As a result, CLASS services are currently available to 100% of the access lines in Verizon North's service area.

Interoffice Trunking

The deployment of broadband-capable facilities in the interoffice network, connecting Verizon North switching centers, is essential in order to meet the commitment of universal broadband availability. As of December 31, 2005, Verizon North met its commitment for broadband facilities in all of the interoffice routes within its control.

(Begin Proprietary)

(End Proprietary)

The table below demonstrates that Verizon North achieved its commitment in the utilization of broadband facilities in 100% of its interoffice trunking network.

Fiber IOF Circuits	2000	2002	2004	2005
Target	-	95%	99%	100%
Actual	94.3%	96.6%	99.6%	100%

- 4. The biennial updates should explain the LEC's planned architecture for its broadband network. If the LEC's architecture has been revised substantially from the last biennial update because of changing technology or market environment, the LEC should provide a specific description of the new architecture and the reasons for the change.**

In compliance with the Network Modernization Plan approved by this Commission, Verizon North continues to rely primarily on xDSL technology as the means of complying with broadband availability requirements. DSL is being deployed from central offices, remote switches and remote terminals (to customers too distant from the central office for CO-based DSL). DSL operates at speeds of 1.544 Mbps downstream on cable loop lengths of 12,000 feet or less. Only lines meeting that loop length criteria has been used to calculate broadband availability.

Verizon North is deploying alternative broadband technologies to make other broadband services available. Verizon North is beginning to deploy fiber to the customer's premises (FTTP) to provide broadband capability and expects to include FiOS high speed Internet service (the broadband service it provides on fiber) in its broadband availability calculations in the 2009 NMP biennial update.

Compliance with Chapter 30 does not require deployment of a specific technology. Verizon North may utilize other existing and future technologies to meet its broadband commitments as circumstances warrant or permit.

- 5. The biennial updates should project the LEC's deployment schedule.**

(Begin Proprietary)

(End Proprietary)

If technological changes permit the provision of broadband service without the deployment of remote terminals, these deployment plans may change and Verizon North will so inform this Commission.

- 6. The biennial updates should identify broadband availability in or adjacent to public rights-of-way abutting health care facilities, public schools, and industrial parks. For reporting purposes, “public schools” shall include all public school districts within the Commonwealth of Pennsylvania, all intermediate units, all charter schools, and all area vocational-technical schools.**

Verizon North has facilities in place in the public rights-of-way capable of providing broadband service to all public schools (including all intermediate units,

charter schools and vo-tech schools), industrial parks and health care facilities throughout its territory.

- 7. The biennial updates should describe how the LEC is meeting the commitment made in its Chapter 30 network modernization plan to achieve reasonably balanced broadband availability to urban, suburban, and rural areas within its service territory consistent with each company's approved Chapter 30 plan.**

In its approved October 2002 NMP, Verizon North committed to a plan to "satisfy its obligation to reasonably balance future deployment under Chapter 30 by narrowing the difference between rural and urban broadband deployment as the Plan is implemented."

The table below shows the number and percentage of urban and rural lines with access to broadband service as of June 2002 and at year-end 2002, 2004 and 2006.

Begin Proprietary

	June-02		EOY 2002		EOY 2004		EOY 2006	
	Broadband Avail Lines	% of Total Lines	Broadband Avail Lines	% of Total Lines	Broadband Avail Lines	% of Total Lines	Broadband Avail Lines	% of Total Lines
Urban		39.9%		47.9%		53.7%		58.4%
Rural		2.2%		24.5%		35.5%		43.8%
Difference		37.7%		23.4%		18.2%		14.6%

* Indicative of the access line loss occurring across Verizon

End Proprietary

As demonstrated above, Verizon North continues to narrow the gap between urban and rural broadband availability, consistent with the company's NMP commitment.

- 8. Consistent with the reporting obligations contained in 52 Pa. Code §§ 73.1-73.9, for LEC's providing telephone service with over 50,000 access lines or which have grossed intrastate operating revenues in excess of \$20 million per year, the biennial updates should provide the level of capital investment being made to develop the broadband network. Specifically, information regarding the**

historical, current, and projected levels of capital investment in the network as well as updated depreciation report information should be provided. A LEC may coordinate its reporting obligations required by Chapter 73 to comply with this paragraph so long as the LEC complies with the notification requirement contained in 52 Pa. Code § 73.8(6).

Begin Proprietary

2003	2004	2005	2006

End Proprietary

The 2007 Verizon North depreciation report is being filed with this NMP biennial update. Depreciation information for 2005 and 2006 is contained in Attachment A.

9. For LEC's providing telephone service with less than 50,000 access lines or which have gross intrastate operating revenues less than \$20 million per year, the biennial updates should contain information similar to what is required under 52 Pa. Code §§ 73.4 and 73.8. These small LECs may meet with Commission Staff to determine the precise information to be provided so as to balance the Commission's specific informational needs with the LEC's need to minimize any administrative burdens created by the production of this information.

Not Applicable

10. The biennial updates should report on joint ventures.

Verizon deployed a fixed wireless broadband service solution in Emmaus with its separate affiliate, Verizon Avenue (now known as Verizon Enhanced Communities ("VEC")). Early in 2005, Verizon and VEC installed network upgrades, transmitters and receivers. Customers subscribing to this service continue to receive high-speed Internet access with downstream speeds reaching 1.5 Mbps.

Verizon North is partnering with several other companies to provide DSL service to end-users. The current list of Internet Service Providers and Content Providers utilizing Verizon North DSL service to provide high speed Internet access to their customers is as follows:

Begin Proprietary

- Distinctive Ringing: Hear varied ringing patterns to differentiate incoming calls for hearing impaired customers. With special equipment, customers can distinguish between callers and identify whether an incoming call is a voice or TTY call.
- Select call forward: Sends calls from specified numbers to someone that can assist a disabled customer with it, assuring that important calls are not missed.
- *69, allows customers to hear and, in some cases, redial the last number that called them.
- Speed dialing: provides one or two digit dialing for frequently called numbers.
- Call Intercept: prompts callers to announce who they are before the phone rings.
- Preferred telephone number: lets customers customize their own telephone numbers so it may be more easily remembered.
- Call waiting ID: with special equipment, this service visibly announces incoming TTY calls when a customer is already on the phone so they can determine if they want to take the call.
- The deployment of DSL to the residence market benefits homebound people providing services including instant messaging, email, video conferencing and high speed Internet access.
- Verizon North offers relay service allowing people who are deaf, hard of hearing or speech-impaired to communicate with anyone who does not use a TTY.
- For the visually impaired, Verizon North provides alternate bill formats, including Braille and Large Print.

Verizon maintains a website specifically tailored to customers with special needs. A portfolio of products and services for those with disabilities can be accessed at www.verizon.com/disabilities.

As demonstrated in each section above, Verizon North is meeting, and exceeding, the commitments made under its Chapter 30 Network Modernization Plan.

Company: Verizon North Inc.
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VERIZON NORTH INC.
2007 DEPRECIATION REPORT

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VERIZON NORTH INC

2007 DEPRECIATION REPORT

Narrative – Executive Summary

Verizon North Inc is filing this Depreciation Report with the Network Modernization Plan (NMP) biennial report consistent with §§ 3014(f)(1); 3015(e)(1)

Prior to 2005, 52 PA Code 73.1 through 73.9 required an Annual Depreciation Report (ADR), as well as, a Triennial Depreciation Service Life Study (SLS). Pursuant to the elimination of certain reporting requirements as set forth in PTA Member Bulletin 05-24 re: Act 183 Filing Requirements, the ADR and SLS requirements have been eliminated. The depreciation information contained in this filing, filed concurrent with the Company's NMP filing, replaces the previous ADR and SLS separate submissions, and will be filed with the LEC's NMP biennial report consistent with §§ 3014(f)(1); 3015(e)(1).

Verizon's goal is to have the current network architecture evolve to meet the demand for new telecommunications services from our customers and to meet our regulatory commitments. This requires both the addition of new capacity and the modernization of current facilities. To recover the original cost of plant by the end of its useful life, depreciation rates must take into account the current and future operating environment of the Company. We have reviewed our network architecture relative to the current and projected forces in the marketplace and have developed construction plans that conform to Pennsylvania's customer and regulatory requirements as well as anticipated technological advances.

Each year the Company reviews the depreciation rates, the underlying useful lives and salvage values, and the current and projected reserve levels to determine if any changes are necessary. Usually, adjustments to lives and salvage changes are warranted to keep the depreciation reserve at the appropriate level. To reflect those adjustments, the Company adjusts the current state depreciation rates as allowed under Chapter 73 of the PUC's regulations. Verizon North, Inc.'s 2005 and 2006 depreciation parameters, changes in depreciation rates, and resultant impacts, are shown in detail by account on Pages 4 and 5. Also included on Page 6 is a Key providing descriptions for the column headings contained on the worksheets.

As in prior years, the Company used the standard remaining life depreciation methodology that has been approved by the Federal Communication Commission ("FCC") and the Pennsylvania Public Utility Commission ("PUC"). The depreciation rate for each account is based on an estimated remaining life that is composed of Equal Life Group (ELG) and Vintage Group (VG) vintages, using gross plant weighting and estimated future net salvage. The remaining life depreciation rate is calculated as follows:

$$\text{Remaining Life Rate (\%)} = \frac{100\% - \text{Future Net Salvage \%} - \text{Depreciation Reserve \%}}{\text{Average Remaining Life}}$$

The 2005 and 2006 depreciation rates for Verizon North Inc. are shown by account in Column L of the respective Worksheets.

With the elimination of the ADR and SLS reporting requirements pursuant to PTA Member Bulletin 05-24 re: Act 183 Filing Requirements, the 2005 and 2006 depreciation rates are provided in this NMP biennial report consistent with §§ 3014(f)(1); 3015(e)(1).

Entity: Verizon North Inc
 Juris: Pennsylvania

CHANGES IN INTRASTATE DEPRECIATION RATES - EFFECTIVE 1 / 1 / 2005

ACCT	DESCRIPTION	1/1/2005 INVESTMENT	1/1/2005 RESERVE	2004 RATE	ANNUAL DEPR ACCRUAL	2005 DEPRECIATION RATE PARAMETERS					ANNUAL DEPR ACCRUAL	CHANGE IN ACCRUAL	
						LIFE	GM CURVE	RL	RR	FNS			2005 RATE
a	b	c	d	e	f	g	h	i	j	k	l	m	n
2112	MOTOR VEHICLES												
2113	AIRCRAFT												
2114	TOOLS & OTHER WORK EQ												
2121	BUILDINGS												
2122	FURNITURE												
2123.1	OFFICE SUPPORT EQ												
2123.2	COMPANY COMMUN EQ												
2124	GEN PURPOSE COMPUTERS												
2212	DIGITAL ELECTRONIC SW												
2220	OPERATOR SYSTEMS												
2231	RADIO SYSTEMS												
2232	CIRCUIT EQ												
2362	OTHER TERMINAL EQ												
2411	POLES												
2421.1	AERIAL CABLE METALLIC												
2421.2	AERIAL CABLE NONMETAL												
2422.1	UNDRGRD CABLE METALLIC												
2422.2	UNDRGRD CABLE NONMETAL												
2423.1	BURIED CABLE METALLIC												
2423.2	BURIED CABLE NONMETAL												
2424	SUBMARINE CABLE												
2426	INTRABLDG CABLE												
2441	CONDUIT SYSTEMS												
	TOTAL												

Note: Intrabuilding Cable is studied as one account.

Entity: Verizon North Inc
 Juris: Pennsylvania

CHANGES IN INTRASTATE DEPRECIATION RATES - EFFECTIVE 1 / 1 / 2006

<u>ACCT</u>	<u>DESCRIPTION</u>	<u>1/1/2006</u> <u>INVESTMENT</u>	<u>1/1/2006</u> <u>RESERVE</u>	<u>2005</u> <u>RATE</u>	<u>ANNUAL</u> <u>DEPR</u> <u>ACCRUAL</u>	<u>2006 DEPRECIATION RATE PARAMETERS</u>					<u>ANNUAL</u> <u>DEPR</u> <u>ACCRUAL</u>	<u>CHANGE</u> <u>IN</u> <u>ACCRUAL</u>	
						<u>LIFE</u>	<u>GM</u> <u>CURVE</u>	<u>RL</u>	<u>RR</u>	<u>FNS</u>			<u>2006</u> <u>RATE</u>
a	b	c	d	e	f	g	h	i	j	k	l	m	n
2112	MOTOR VEHICLES												
2113	AIRCRAFT												
2114	TOOLS & OTHER WORK EQ												
2121	BUILDINGS												
2122	FURNITURE												
2123.1	OFFICE SUPPORT EQ												
2123.2	COMPANY COMMUN EQ												
2124	GEN PURPOSE COMPUTERS												
2212	DIGITAL ELECTRONIC SW												
2220	OPERATOR SYSTEMS												
2231	RADIO SYSTEMS												
2232	CIRCUIT EQ												
2362	OTHER TERMINAL EQ												
2411	POLES												
2421.1	AERIAL CABLE METALLIC												
2421.2	AERIAL CABLE NONMETAL												
2422.1	UNDRGRD CABLE METALLIC												
2422.2	UNDRGRD CABLE NONMETAL												
2423.1	BURIED CABLE METALLIC												
2423.2	BURIED CABLE NONMETAL												
2424	SUBMARINE CABLE												
2426	INTRABLDG CABLE												
2441	CONDUIT SYSTEMS												
	TOTAL												

Entity: Verizon North Inc
 Juris: Pennsylvania

VERIZON VERIZON NORTH INC
 DEPRECIATION WORKSHEET DESCRIPTION KEY

Column	Description	Formula
a	Account Number	
b	Account Description	
c	Beginning of Year Investment Balance	
d	Beginning of Year Depreciation Reserve Balance	
e	Prior Depreciation Rate Percent	
f	Annual Depreciation Accrual based on Prior Depreciation Rate and Beginning of Year Investment Balance	columns c * e
g	Projected Account Plant Life	
h	Retirement Dispersion Curve	
i	Average Remaining Account Plant Life	
j	Accumulated Depreciation Reserve Ratio Percent	columns d / c
k	Future Net Salvage Percent	
l	New Depreciation Rate Percent - Calculated using traditional remaining life formula	$(100 - k - j) / i$
m	Annual Depreciation Accrual based on New Depreciation Rate and Beginning of Year Investment Balance	columns c * l
n	Change in Depreciation Accruals Resulting From Differences in Accruals from Old Rate to New Rate.	columns m - f