

Decision 90 07 006 JUL 6 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Petition of Pacific Bell for Modification of Resolution F-626 to segregate items in the system of accounts that cost between \$200 and \$500 that had been capitalized prior to the change in expense limit.

ORIGINAL
Application 90-02-052
(Filed February 23, 1990)

O P I N I O N

By this application, Pacific Bell (Pacific) asks that the Commission modify Resolution F-626 to authorize Pacific to segregate, in the system of accounts, items costing between \$200 and \$500 that had been capitalized prior to the change in expense limit authorized by Resolution F-626. Pacific further requests that the Commission authorize the elimination of continuing property records and establish an eight-year amortization period for these embedded assets.

Background

The Federal Communications Commission (FCC), in July 1988, increased the expense limit for purchases of certain telephone support plant from \$200 to \$500. In November, 1989, the Commission issued Resolution F-626, granting Pacific's request to apply this FCC change to intrastate plant, effective January 1, 1989. At the time the Commission considered Pacific's request, the FCC had not authorized the segregation of the investment in embedded items affected by the expense limit increase, the elimination of continuing property records, and amortization of the embedded base of affected plant. In late November, the FCC formally provided for such treatment effective January 1, 1989. Pacific's petition requests the Commission adopt these same embedded asset requirements for intrastate plant.

Pacific's Request

Pacific states that it requests these accounting changes in order to affect the cost savings anticipated by the Commission in Resolution F-626. The requested changes will also allow the Commission to meet its stated objective of maintaining consistency with the FCC Part 32 Uniform System of Accounts (USOA).

According to Pacific, current accounting requirements result in dissimilar treatment for the same type of assets. If the Commission does not grant Pacific's request, Pacific states it will incur substantial administrative costs maintaining and tracking existing records, records which are not required.

Pacific proposes that embedded balances be accounted for in subsidiary records. The net value of those assets would be amortized over an eight-year period beginning January 1, 1989. This would be accomplished by monthly credits to the asset account subsidiary records and monthly debits to the accumulated depreciation subsidiary records. These monthly amounts would be determined by dividing the subsidiary record balances by the number of amortization months remaining. The difference between the debit and credit amounts so determined will be charged to Account 6565 (Amortization Expense - Other). At the end of the eight-year amortization period, the use of the subsidiary records would be discontinued. This approach is fully consistent with the FCC approach, according to the Pacific.

Pacific's request is reasonable. The accounting changes would make Commission accounting rules consistent with FCC Part 32 rules and affect certain administrative cost savings. No protest to the application has been received. We will therefore grant Pacific's request.

Findings of Fact

1. Resolution F-626 adopted the FCC Part 32 USOA expense limit change for intrastate purposes.

2. Resolution F-626 was not issued in time to consider the FCC's decision authorizing Pacific to segregate the investment in embedded items affected by the expense limit increase, eliminate continuing property records, and amortize the embedded base of affected plant.

3. No protest to this application has been received.

Conclusion of Law

Pacific's request to modify Resolution F-626 to bring Commission policy into conformity with the FCC's decision in Docket No. 87-135, released November 21, 1989, is reasonable and should be granted.

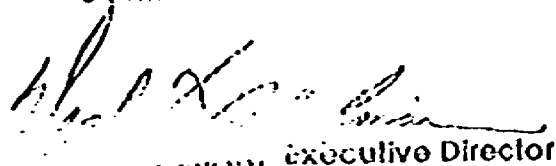
O R D E R

IT IS ORDERED that Pacific Bell's request to modify Resolution F-626 to bring Commission policy into conformity with Federal Communications Commission accounting rules in Part 32 is granted. Accordingly, Resolution F-626 is modified to permit (1) the segregation of the investment in the embedded base of the type of plant affected by Resolution F-626; (2) the elimination of continuing property records; and (3) the amortization of the embedded balances over an eight year period beginning January 1, 1989.

This order becomes effective 30 days from today.

Dated JUL 6 1990, at San Francisco, California.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


Executive Director

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OCHANIAN
PATRICIA M. ECKERT
Commissioners

