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DEC 20 1991

Decision 91-12-047 December 18, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA:

In the Matter of the Application of Pacific Bell (U 1001 C), a corporation, for approval of changes to capital depreciation rates.

Application 91-06-057 (Filed June 27, 1991)

ORIGINAL

In the Matter of the Application of GTE California Incorporated (U 1002 C), a corporation, for approval of 1992 depreciation rates.

Application 91-06-002 (Filed June 3, 1991)

OPINION

Background

On June 3 and 27, 1991, GTE California Incorporated (GTEC) and Pacific Bell (Pacific) filed separate applications for their respective second annual review of capital depreciation rates pursuant to the new regulatory framework established by Decision 89-10-031. The new regulatory framework decision requires that we annually review Pacific's and GTEC's depreciation rates to ensure their continued reasonableness. Pacific and GTEC are ordered to file annual applications no later than June 30 of each year, beginning in 1990, for approval of rescription or technical update of depreciation rates to become effective on January 1 of the following year (33 CPUC 2d 43 at 233). In addition to its application, GTEC filed a motion to have its depreciation study, attached to its application as Exhibit C, admitted under seal.

Pacific's and GTEC's applications are consolidated for the purpose of rendering one decision. However, each application is herein considered individually.

In the respective applications, Pacific seeks an increase in depreciation accrual of \$25.235 million and GTEC initially seeks a decrease in depreciation accrual of \$6.627 million.

2/1/92

The proposed decision of Administrative Law Judge (ALJ) Bennett, which approved Pacific and GTEC's 1992 depreciation adjustments and denied GTEC's motion, was mailed on October 31, 1991. Pacific and GTEC duly filed comments. We herein revise the proposed decision to correct a recording error made by Pacific in its application and to make clerical corrections suggested by GTEC.

GTEC's Application

On July 3 the Division of Ratepayer Advocates (DRA) responded to GTEC's application. DRA indicates that GTEC accepts DRA's recommendation to revise GTEC's reduction in depreciation accrual from \$6.627 million to \$6.967 million, or \$340,000 higher than GTEC's request. DRA recommends this adjustment because it disagrees that sufficient fiber cable retirement data is available to justify a change in the life estimates of three cable accounts. DRA recommends that no such changes be made until further convincing evidence is available. GTEC agrees that DRA's position is reasonable. DRA attaches as Appendix A to its response a chart of the agreed reduction in depreciation accrual in each plant category. DRA attaches as Appendix B to its response the signed acceptance of DRA's revisions by GTEC's witness, Carl R. Lanterman.

On July 9, 1991, the California Cable Television Association (CCTA) replied to DRA's response to GTEC's application. CCTA was informed of the negotiations between GTEC and DRA and discussed its position with them. While not in total agreement with the recommended lives for fiber cable proposed by DRA and accepted by GTEC, CCTA agrees with DRA that it is premature to change life estimates for fiber cable accounts in the absence of sufficient retirement data. CCTA indicates that it will not protest GTEC's amended request. However, CCTA states that it has not abandoned its position that depreciation filings should not generally be approved without hearings and will continue to protest such requests which are, in its opinion, unreasonable.

DRA and CCTA filed no response to GTEC's motion to have its depreciation study admitted under seal. However, after review of the depreciation study, ALJ Bennett concluded that it contained much information which is not confidential, such as the names and descriptions of plant accounts, plant depreciation balances, and statistics and commentary regarding industry trends relevant to the remaining lives of existing plant. ALJ Bennett concluded that Pacific has submitted the same information as a public document. Therefore, in the absence of specific allegations explaining the difference between GTEC's and Pacific's depreciation study, GTEC's motion is denied.

In its comments on the proposed decision, GTEC provided more information regarding the confidential and proprietary nature of its 1992 depreciation study. GTEC explained that it submitted data and narrative which is more specific than Pacific about its future modernization plans in order to satisfy DRA's requirement of supporting proposed depreciation lives. GTEC cited various pages within the study where this information appears. GTEC also contends that the entire study points to a velocity in modernization which supports GTEC's application.

GTEC admits that its claim of confidential and proprietary information is general. However, it argues that its motion should be granted because a similar 1991 study was admitted under seal in last year's annual depreciation proceeding. GTEC believes since there is no opposition to its motion in this proceeding, it should not be denied. GTEC also contends that CCTA has gathered this type of sensitive information from GTEC filings and used it in violation of its 1991 nondisclosure agreement. Therefore, GTEC argues it should not be required to make such information public, especially so late in this proceeding.

In addition to its request to admit its 1992 depreciation study under seal, GTEC agrees to work with DRA to develop a

depreciation study for future proceedings which may be filed as a public document. We agree that GTEC's initial confidential and proprietary assertions were vague, general, and properly rejected. Furthermore, we do not find GTEC's expanded discussion in its comments to the decision justifies a reversal of this decision. GTEC bears the burden of justifying its request for proprietary treatment. GTEC has not provided any specific information on the potential harm to GTEC if the depreciation study is made public. GTEC infers that CCTA will discover the velocity of GTEC's replacement of copper with fiber from this study, but does not elaborate as to what damage this information may impose on GTEC's business. GTEC observes that CCTA is interested in this information, but does not elaborate as to why this interest is harmful to GTEC. The fact that CCTA may have violated a prior nondisclosure agreements which covered a 1991 Depreciation Rate Prescription Study does not automatically justify sealing the depreciation documents in this case.

We allowed the depreciation study to be admitted under seal last year when GTEC's application was protested, parties engaged in discovery and signed nondisclosure agreements, and hearings were conducted. Our preference is that all applications be available for public inspection, especially documents attached to the application which provide the entire support for an application.

#### Pacific's Application

On July 10, 1991, DRA filed its response to Pacific's application. DRA began to review Pacific's application when Pacific filed an application for represcription with the Federal Communications Commission (FCC) on March 28, 1991. During the FCC review period, DRA, Pacific, and the FCC agreed to revisions in Pacific's FCC application. The application pending before this Commission reflects this three-way agreement. Therefore, DRA does

not oppose Pacific's Commission application. Since no other protests to Pacific's application have been filed, DRA recommends that it be approved without hearings.

In its comments on the proposed decision, Pacific indicates that the recording of \$909,000 under Account 2220.3 in Appendix A attached to the proposed decision is an error derived from Table 1 of Pacific's application. Pacific indicates this amount should be recorded under Account 2220.4, and corresponding accrual columns should be adjusted. We herein make this correction.

We find reasonable Pacific's corrected application because it is based upon a three-way agreement between Pacific, the FCC, and DRA.

**Findings of Fact**

1. In separate applications, Pacific and GTEC request accounting adjustments effective January 1, 1992 to certain depreciation accounts to reflect technical updates and reclassification.

2. Pacific proposes a total increase in its depreciation accrual of \$25.235 million based upon the individual plant account adjustments shown in Appendix A.

3. GTEC revises its application to propose a total reduction in depreciation accrual of \$6.967 million based upon the individual plant account adjustments in Appendix B.

4. In its comments to the proposed decision, Pacific corrects a minor recording error contained in Table 1 of its application which also appears in Appendix A to the proposed decision. Therefore, it is reasonable to correct Appendix A in the final decision.

5. Pacific's corrected application and GTEC's revised application are unopposed and the depreciation amounts are reasonable.

6. In its motion to admit its depreciation study under seal, GTEC made only a general claim that the entire document attached to its application as Exhibit C is confidential and proprietary. In its comments, GTEC contends that Exhibit C contains more specific information about future modernization plans which, if made public, may impact GTEC's position that the CCTA violated their non-disclosure agreement on the 1991 Depreciation Rate Prescription. GTEC contends that the entire study supports the requested velocity in modernization.

7. GTEC's contentions that CCTA is interested in this study and would discover how rapidly GTEC is modernizing do not establish whether GTEC would be harmed by this disclosure.

8. GTEC has not established what specific harm is incurred if the 1992 Depreciation Rate Prescription Study is not under seal.

Conclusions of Law

1. Pacific's corrected application and GTEC's application, as revised by DRA, should be approved for accounting purposes in 1992.

2. GTEC's direct showing and comments on the proposed decision provide inadequate justification to have its depreciation study admitted under seal and the motion should be denied.

3. This decision should be effective immediately.

ORDER

IT IS ORDERED that:

1. GTE California Incorporated's (GTEC) motion to have its depreciation study admitted seal is hereby denied. In future annual depreciation applications, GTEC shall include a depreciation study which may be filed as a public document.

2. Pacific Bell is authorized to adopt the depreciation accounting changes proposed in its application for the calendar year 1992 as contained in Appendix A.

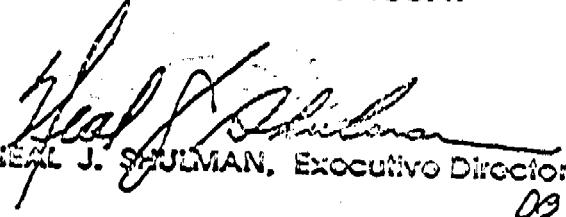
3. GTEC is authorized to adopt the depreciation accounting changes proposed in its application for the calendar year 1992 as contained in Appendix B.

This order is effective today.

Dated December 18, 1991, at San Francisco, California.

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

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

  
NEAL J. SCHULMAN, Executive Director

APPENDIX A  
PACIFIC BELL  
1992 CHANGES IN ANNUAL DEPRECIATION ACCRUALS RESULTING FROM  
CHANGES IN DEPRECIATION RATES  
(S000)

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	1-1-91 PRESENT RATES				PROPOSED RATES			CHANGES IN ACCRUALS
		1-1-91 INVESTMENT	RATE %	OTHER †	ACCRUALS	RATE %	OTHER †	ACCRUALS	
		A	B	C	D=(A*B)+C	E	F	G=(A*E)+F	
2112	MOTOR VEHICLES	271,306	9.9		26,859	10.7		29,030	2,171
2114	SPECIAL PURPOSE VEHICLES	1,654	4.2		69	3.8		63	(6)
2115	GARAGE WORK EQUIPMENT	13,037	10.6		1,382	10.8		1,408	26
2116	OTHER WORK EQUIPMENT	128,535	7.3		9,383	7.0		8,997	(386)
2121	BUILDINGS	1,784,387	2.0		35,688	2.6		46,394	10,706
2122	FURNITURE	86,018	4.8		4,129	4.7		4,043	(86)
2123.1	OFFICE SUPPORT EQUIPMENT	52,680	9.0		4,741	8.8		4,636	(105)
2123.2	COMPANY COMMON EQUIPMENT	132,463	17.7		23,446	16.6		21,989	(1,457)
2124	GEN PURPOSE COMPUTERS	1,339,514	11.2		150,026	13.1		175,476	25,450
2211	ANALOG ELECT SWITCH	2,652,029	7.4	49,889	246,139	7.8	49,889	256,747	10,608
2212	DIGITAL ELECT SWITCH	2,104,070	4.3	35,344	125,819	4.6	35,344	132,131	6,312
2215.1	STEP BY STEP †	34,138	‡		10,000	‡		0	(10,000)
2215.2	CROSSBAR †	77,210	‡		26,000	‡		0	(26,000)
2220.2	OPERATOR SYS-CROSSBAR	90,730	11.0		9,980	9.3		8,438	(1,542)
2220.3	OPERATOR SYS-ANALOG	15,297	6.7		1,025	29.5		4,513	3,488
2220.4	OPERATOR SYS-DIGITAL	19,110	6.7	909	2,189	8.8	909	2,591	402
2231	RADIO SYSTEMS	96,672	7.3		7,057	8.4		8,120	1,063
2232.11	DIGITAL DATA SYSTEMS	159,238	9.1		14,491	10.2		16,242	1,751
2232.12	DIGITAL CIRCUIT-OTHER	2,251,656	7.8	45,717	221,346	7.7	45,717	219,095	(2,251)
2232.2	ANALOG CIRCUIT-OTHER	968,391	8.9	18,141	104,328	9.0	18,141	105,296	968
2351	PUBLIC TEL TERM EQUIPMENT	160,832	8.1		13,027	6.4		10,293	(2,734)
2362	OTHER TERMINAL EQUIPMENT	181,006	12.6		22,807	14.7		26,608	3,801
2411	POLES	462,859	6.1		28,234	5.9		27,309	(925)
2421.1	AERIAL CABLE-EXCHANGE	1,743,734	5.3		92,418	5.5		95,905	3,487
2421.2	AERIAL CABLE-INTEROFFICE	19,183	11.6		2,225	8.0		1,535	(690)
2422.1	UNDERGROUND CABLE-EXCHANGE	2,303,987	4.5		103,679	4.6		105,983	2,304
2422.2	UNDERGROUND CABLE-INTEROFF	501,074	8.2		41,088	8.5		42,591	1,503
2423.1	BURIED CABLE-EXCHANGE	1,452,838	4.1		59,566	4.6		66,831	7,265
2423.2	BURIED CABLE-INTEROFFICE	116,514	9.2		10,719	8.0		9,321	(1,398)
2424	SUBMARINE CABLE	11,187	5.0		559	10.4		1,163	604
2426	INTRABUILDING NETWORK CAB	560,204	6.0		33,612	5.8		32,492	(1,120)
2431	AERIAL WIRE	32,001	12.9		4,128	11.6		3,712	(416)
2441	UNDERGROUND CONDUIT	1,889,604	2.4		45,350	2.0		37,792	(7,558)
	TOTALS	21,713,156		150,000	1,481,509		150,000	1,506,744	25,235

† SPECIAL DEPRECIATION SCHEDULE  
‡ ORDERED IN RESOLUTION NO.13030

(END OF APPENDIX A)



APPENDIX B

Page 1

GTE CALIFORNIA  
1992 RATE PRESCRIPTION  
SUMMARY OF CHANGES IN CAPITAL RECOVERY RATES

ANNUAL PERCENTAGE RATE CHANGES OF CAPITAL RECOVERY

ACCOUNT NO.	CLASS OF PLANT	EFFECTIVE IN 1991					PROPOSED IN 1992				
		EST FUTURE SAL %	EST SVC LIFE YRS	EST REM LIFE YRS	12/89 DEPRE RRS %	DEPRE RATE %	EST FUTURE SAL %	EST SVC LIFE YRS	EST REM LIFE YRS	12/90 DEPRE RRS %	DEPRE RATE %
2112.00	MOTOR VEHICLE	20.0%	8.50	3.70	58.56%	5.79%	20.0%	8.50	3.70	57.78%	6.01%
2114.2115 & 2116.00	ALL WORK EQUIPMENT	5.0%	15.00	10.80	28.04%	6.20%	5.0%	15.00	10.40	32.44%	6.02%
2121.00	BUILDINGS	0.0%	34.00	22.80	27.35%	3.19%	0.0%	34.00	22.40	29.90%	3.13%
2122.00	FURNITURE	3.0%	16.00	12.40	45.91%	4.12%	3.0%	16.00	12.30	49.49%	3.86%
2123.00	OFFICE SUPPORT EQUIPMENT	3.0%	7.00	4.07	49.76%	11.61%	3.0%	7.00	3.91	57.37%	10.40%
2124.00	* GENERAL PURPOSE COMPUTERS	3.0%	5.00	2.40	37.72%	24.70%	3.0%	7.00	3.90	55.06%	10.75%
2211.00	ANALOG SWITCHING EQUIP.	1.0%	13.00	1.97	60.91%	19.34%	-1.0%	13.00	1.86	70.27%	15.45%
2211.10	ANALOG SWITCHING - RTU	1.0%	5.00	3.00	20.00%	20.00%	1.0%	5.00	3.00	40.00%	20.00%
2212.00	DIGITAL SWITCHING EQUIP.	2.0%	19.00	11.76	17.13%	6.98%	2.0%	19.00	11.01	20.19%	7.07%
2212.10	DIGITAL SWITCHING - RTU	2.0%	5.00	3.00	20.00%	20.00%	2.0%	5.00	3.00	40.00%	20.00%
2220.00	OPERATOR SYSTEM	-5.0%	15.00	8.97	54.22%	5.77%	-6.0%	15.00	7.90	49.73%	7.12%
2231.00	RADIO	-1.0%	9.00	3.50	71.88%	8.32%	-1.0%	9.00	3.40	78.86%	6.51%
2232.11	CIRCUIT EQUIPMENT - ANALOG	-2.0%	10.00	1.97	58.46%	22.10%	-2.0%	10.00	1.86	61.92%	21.55%
2232.21	CIRCUIT EQUIPMENT - DIGITAL	-2.0%	10.00	5.10	49.97%	10.20%	-2.0%	10.00	4.50	60.11%	9.31%
2232.23	CIRCUIT EQUIPMENT - LIGHTING	-2.0%	11.00	8.80	12.38%	10.18%	-2.0%	11.00	8.50	16.25%	10.06%
2251.00	PUBLIC TALK EQUIP. - COIN	1.0%	9.00	3.97	65.60%	8.41%	1.0%	9.00	3.54	69.40%	8.13%
2262.00	NOTCH PAIR GAIN. & OTH TERN	5.0%	7.00	3.33	54.17%	12.26%	5.0%	7.00	3.01	62.20%	10.57%
2411.00	POLES	-35.0%	28.00	15.80	52.32%	5.23%	-35.0%	28.00	15.30	54.29%	5.29%
2421.10	METALLIC CABLE - AERIAL	-15.0%	20.00	14.10	23.03%	6.52%	-15.0%	20.00	13.50	24.10%	5.73%
2421.20	* NON-METALLIC CABLE - AERIAL	-15.0%	25.00	19.30	12.06%	5.33%	-20.0%	25.00	23.00	10.90%	4.74%
2422.10	* METALLIC CABLE - UNDERGROUND	-7.0%	21.50	14.30	23.65%	5.83%	-7.0%	15.00	8.50	25.06%	9.53%
2422.20	* NON-METALLIC CABLE - UNDERG	-7.0%	25.00	22.50	14.67%	4.09%	-20.0%	25.00	22.50	16.33%	4.51%
2423.10	* METALLIC CABLE - BURIED	-6.0%	19.00	13.40	30.65%	5.62%	-6.0%	22.00	16.50	33.19%	4.42%
2423.20	* NON-METALLIC CABLE - BURIED	-6.0%	25.00	19.80	11.53%	4.77%	-20.0%	25.00	23.50	9.79%	4.55%
2424.00	METALLIC CABLE - SUBMARINE	0.0%	20.00	10.50	38.63%	5.79%	0.0%	20.00	10.20	40.63%	5.82%
2425.00	INTRABUILDING CABLE - WTWK	0.0%	20.00	13.30	55.76%	3.25%	0.0%	20.00	13.10	53.70%	3.53%
2431.00	AERIAL WIRE	-20.0%	10.00	6.47	78.24%	6.45%	-20.0%	10.00	6.25	83.18%	5.37%
2441.00	CONDUIT SYSTEMS	-5.0%	53.00	44.50	15.16%	2.02%	-5.0%	53.00	44.20	15.76%	2.02%
SUB-TOTAL	COMPOSITE				31.6%					33.8%	
2321.00	STA. CONN. - INSIDE WIRE	0.0%	10.00	0.75	82.5%	7.50%	0.0%	10.00	0.00	92.5%	0.30%
TOTAL	COMPOSITE				34.5%					37.5%	

\* PROPOSED RATES REFLECT REPRESCRIPTION OF PARAMETERS

## GTX CALIFORNIA

COMPARISON OF PRESENT AND PROPOSED  
CAPITAL RECOVERY RATES  
1992 RATE PRESCRIPTION  
(IN THOUSANDS OF DOLLARS)

ACCOUNT NO. FCC	CLASS OF PLANT	ACTUAL	1991 PRESENT		1992 PROPOSED		DIFFERENCE (PROPOSED -PRESENT)
		12-31-90 PLN BAL \$	RATES %	ACCUMULATED \$	RATES %	ACCUMULATED \$	
2112.00	MOTOR VEHICLE	111235	5.79%	6441	6.01%	6685	244
2115.00	GARAGE WORK EQUIPMENT	90247	6.20%	5595	6.02%	5433	-162
2121.00	BUILDINGS	556907	3.19%	17765	3.13%	17431	-334
2122.00	FURNITURE	51892	4.12%	2138	3.86%	2003	-135
2123.00	OFFICE SUPPORT EQUIPMENT	136997	11.61%	15905	10.40%	14248	-1657
2124.00	* GENERAL PURPOSE COMPUTERS	131820	24.70%	32550	10.75%	14171	-18389
2211.00	ANALOG SWITCHING EQUIP.	362093	19.34%	70029	15.45%	55943	-14086
2211.10	ANALOG SWITCHING - RTU	2802	20.00%	550	20.00%	550	0
2212.00	DIGITAL SWITCHING EQUIP.	1103888	6.98%	75947	7.07%	78045	2098
2212.10	DIGITAL SWITCHING - RTU	98039	20.00%	19508	20.00%	19508	0
2220.00	OPERATOR SYSTEMS	29818	5.77%	1720	7.12%	2123	403
2231.00	RADIO	43189	8.32%	3593	6.51%	2812	-781
2232.11	CIRCUIT EQUIPMENT - ANALOG	73247	22.10%	16188	21.55%	15725	-463
2232.21	CIRCUIT EQUIPMENT - DIGITAL	760098	10.20%	77530	9.31%	70765	-6765
2232.23	CIRCUIT EQUIPMENT - LIGHTWV	80724	10.18%	8218	10.09%	8145	-73
2251.00	PUBLIC TRNK EQUIP - COIN	41496	8.41%	3490	8.13%	3374	-116
2262.00	WCTR. PAIR GAIN. & OTH TERM YQU	43123	12.26%	5287	10.57%	4553	-729
2411.00	POLES	113073	5.23%	5914	5.28%	5970	56
2421.10	* METALLIC CABLE - AERIAL	792313	6.52%	51659	6.73%	53323	1664
2421.20	* NON-METALLIC CABLE - AERIAL	775	5.32%	41	4.74%	37	-4
2422.10	* METALLIC CABLE - UNDERGROUND	1063377	5.83%	61995	9.53%	101340	39345
2422.20	* NON-METALLIC CABLE - UNDERGROU	46364	4.09%	1896	4.51%	2137	241
2423.10	* METALLIC CABLE - BURIED	608355	5.62%	34190	4.42%	25889	-7301
2423.20	* NON-METALLIC CABLE - BURIED	668	4.77%	32	4.59%	31	-1
2424.00	METALLIC CABLE - SUBMARINE	922	5.79%	53	5.82%	54	1
2426.00	INTRABUILDING CABLE - STW	8117	3.25%	254	3.52%	287	33
2431.00	AERIAL WIRE	9824	6.45%	534	5.37%	528	-106
2441.00	CONDUIT SYSTEMS	545826	2.02%	11026	2.02%	11026	0
				0			
	SUB-TOTAL (EXCL. COIN)	6907229	7.58%	530278	7.58%	523311	-6967
2321.00	STA. CONN. - INSIDE WIRE	415652	7.50%	31174	0.00%	0	-31174
	TOTAL ALL ACCOUNTS	7322891		561452		523311	-38141
	COMPOSITE RATE		7.67%		7.15%		

\* RATES EXCEPT PRESCRIPTION OF DEPRECIATION PARAMETERS

(END OF APPENDIX B)