

Mailed
DEC 16 1992

Decision 92-12-042 December 16, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
GTE California Incorporated
(U-1002-C), a corporation, for
approval of 1993 depreciation
rates.

ORIGINAL

Application 92-06-040
(Filed June 29, 1992)

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

Application 92-06-042
(Filed June 30, 1992)

INTERIM OPINION

Discussion

GTE California, Inc. (GTEC) and Pacific Bell filed separate applications to adjust their respective capital depreciation accounts effective January 1, 1993. These applications were filed pursuant to Decision (D.) 89-10-031, 33 CPUC 2d 43 at 138, the Phase II order in the telecommunications regulatory framework proceedings. The order requires the two utilities to file annual applications for approval of rescription¹ or technical update² of depreciation accounts to be effective on January 1 of the following year. Pursuant to a September 18, 1992 administrative law judge ruling, the applications were consolidated into one proceeding.

1 Rescription of depreciation rates is a review of depreciation rates to reflect any change in the service life, future net salvage and retirement pattern due to technical changes and growth of the utility plant.

2 Technical update is the review of depreciation rate changes made necessary due to changes in the composition of the utility plant and relative growth or decline in the depreciation reserve.

In its depreciation accrual accounts, GTEC initially proposed a \$7.9 million net increase in its annual depreciation expense based on year-end 1991 recorded plant investments. This increase resulted from a \$21.7 million increase in expenses due to rescription of rates for 14 plant accounts and a \$13.8 million decrease due to technical updates of rates for four plant accounts.

Pacific Bell proposed a \$5.5 million net increase in its annual depreciation expense based on beginning-of-year 1991 recorded plant investments. This increase resulted from a \$23.3 million increase in expense due to rescription of rates for 3 exchange metallic cable accounts and a \$17.8 million decrease due to technical updates of rates for fourteen plant accounts.

Both GTEC and Pacific Bell proposed the use of composite depreciation rates for their non-telecommunications equipment accounts such as motor vehicles, special purpose vehicles, and garage work equipment. In addition, GTEC requested that its application be approved on an ex parte basis. The proposed changes in depreciation rates will not affect the rates that customers pay for telecommunication services, pursuant to the alternative regulatory framework decision for local exchange carriers, id.

A response to both applications was filed by the Commission Division of Ratepayer Advocates (DRA) on August 3, 1992. DRA concurred with Pacific Bell's proposed depreciation rates. Except for GTEC's proposed depreciation rates for general support accounts and the conduit systems account, DRA concurred with GTEC's application. Adjustments to GTEC's application reflecting DRA's position would result in GTEC's requested \$7.9 million net increase in the annual depreciation expense being reduced to a \$1.9 million net decrease. DRA summarized in both responses that the applications should be granted on an ex parte basis, assuming that GTEC amends its application to incorporate DRA's position.

Similarly, the California Cable Television Association (CCTA) filed a response to the utilities' applications on

August 3, 1992. However, CCTA protested the applications specifically identifying concerns with the support accounts composite rate proposal and exchanged metallic cable accounts, among others. CCTA also opposed any ex parte processing of the applications.

Replies to CCTA's protests were filed by GTEC, Pacific Bell, and DRA. These reply comments unanimously recommended that CCTA's protests be rejected and that the applications, amended to reflect DRA's changes to GTEC's application, be approved ex parte.

Subsequent to the filing of reply comments to CCTA's protests, GTEC filed an amended application to modify its annual depreciation request consistent with DRA's reply comments. With these modifications, GTEC's annual accruals as applied to December 31, 1991 plant balances would result in a \$1.9 million net decrease in GTEC's annual depreciation expense.

A prehearing conference (PHC) was held on October 6, 1992 to discuss CCTA's protest and to determine the need for evidentiary hearings. All parties of record (GTEC, Pacific Bell, CCTA, and DRA) concurred that an interim decision should be issued adopting GTEC's amended and Pacific Bell's requested capital depreciation rates subject to adjustment for issues set for hearing on January 6, 1992. The issues set for evidentiary hearings were the implementation of a general support composite rate for both utilities and the reasonableness of depreciation rates for the following plant accounts:

| <u>GTEC</u> | <u>Pacific Bell</u> |
|----------------------------|----------------------------|
| Operator Systems | Aerial Cable Exchange |
| Circuit Equipment | Underground Cable Exchange |
| Metallic Cable-Underground | Buried Cable Exchange |
| Metallic Cable-Buried | |
| Conduit Systems | |

Conclusion

In D.89-10-031, *id.* at 138, we stated that annual approval of GTEC's and Pacific Bell's depreciation represetion and technical update reviews should be effective on January 1 of successive years. In D.90-12-116, 39 CPUC 2d 16 at 25, we stated that we must adhere to the general requirements of Rule 8.4 in order to meet the January 1st schedule. Rule 8.4 requires that specific facts must be alleged in a protest. In those instances where a protest does not comply with the rule, we are under no obligation to hold a hearing and may grant the applications by ex parte order.

In this consolidated proceeding, we have designated specific plant accounts in CCTA's protest for hearing. Therefore, consistent with D.89-10-031 and D.90-12-116, the utilities' proposed depreciation rates for plant accounts not so designated should be authorized via ex parte order. For those contested plant accounts identified in this order, capital depreciation rates should be implemented January 1, 1993, as contained in the applications, subject to adjustment by subsequent order following the results of an evidentiary hearing. In order that the utilities may implement such changes on January 1, 1993, this order will be made effective immediately.

Findings of Fact

1. DRA concurs with GTEC's amended application and Pacific Bell's application.
2. CCTA requested an evidentiary hearing be held on both applications.
3. A PHC established an evidentiary hearing to address the implementation of a general support composite rate for both GTEC and Pacific Bell, and the reasonableness of depreciation rates for specific plant accounts.
4. D.89-10-031 requires that approval of GTEC's and Pacific Bell's depreciation represetion and technical update reviews be

effective on January 1 of successive years with the next adjustment to be January 1, 1993.

5. GTEC, Pacific Bell, CCTA, and DRA concurred that an interim order should be issued authorizing GTEC and Pacific Bell to implement their respective depreciation requests on January 1, 1993, subject to subsequent adjustment following the results of an evidentiary hearing on specified topics.

6. The granting of 1993 proposed depreciation rates for GTEC and Pacific Bell will not change any rate they charge to ratepayers for telecommunication services.

Conclusions of Law

1. GTEC's and Pacific Bell's 1993 proposed depreciation rates should be adopted subject to subsequent adjustment of their composite depreciation proposals and specific plant accounts identified in the body of this order.

2. This interim order should be effective immediately.

INTERIM ORDER

IT IS ORDERED that:

1. GTE California, Inc. (GTEC) is authorized to adopt its proposed depreciation accounting changes as adjusted by its amended application for the 1993 calendar year, as contained in Appendix A. The composite depreciation rate for GTEC's general support accounts and the depreciation rates for the 5 plant accounts identified in this order shall be subject to adjustment by subsequent order following the results of evidentiary hearings.

2. Pacific Bell is authorized to adopt its proposed depreciation accounting changes for the 1993 calendar year, as contained in Appendix B. The composite depreciation rate for Pacific Bell's general support accounts and the depreciation rates for the 3 plant accounts identified in this order shall be subject

to adjustment by subsequent order following the results of evidentiary hearings.

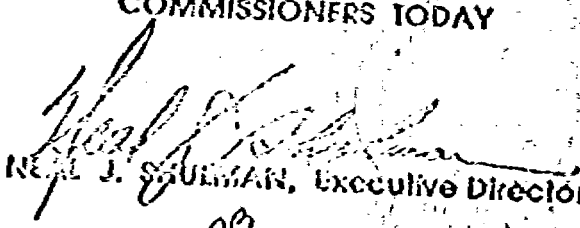
3. These proceedings shall be kept open to address in evidentiary hearings the composite depreciation rate proposals and the depreciation rates for the plant accounts specifically identified in the body of this order.

This order is effective today.

Dated December 16, 1992, at San Francisco, California.

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

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


NEAL J. SULLIVAN, Executive Director

OB

GTE CALIFORNIA

COMPARISON OF PRESENT AND PROPOSED
CAPITAL RECOVERY RATES
1993 RATE PRESCRIPTION
(IN THOUSANDS OF DOLLARS)

| ACCOUNT NO. | CLASS OF PLANT | ACTUAL 12-31-91 PLT BAL \$ | 1992 PRESENT | | 1993 PROPOSED | | DIFFERENCE (PROPOSED -PRESENT) \$ |
|--------------------|---------------------------------|-------------------------------------|--------------|---------------|---------------|---------------|--|
| | | | RATES % | ACCRUAL \$ | RATES % | ACCRUAL \$ | |
| 2112.00 | R MOTOR VEHICLE | 116068 | 6.01X | 6976 | 7.29X | 8461 | 1485 |
| 2113.00 | TO AIRCRAFT | 5285 | 7.00X | 370 | 7.00X | 370 | 0 |
| 2114-16 | R GARAGE WORK EQUIPMENT | 95920 | 6.02X | 5774 | 7.72X | 7405 | 1631 |
| 2121.00 | TO BUILDINGS | 574480 | 3.13X | 17981 | 4.06X | 23324 | 5343 |
| 2122.00 | R FURNITURE | 52666 | 3.88X | 2033 | 4.27X | 2249 | 216 |
| 2123.00 | TO OFFICE SUPPORT EQUIPMENT | 145535 | 10.40X | 15136 | 9.58X | 13913 | -1223 |
| 2124.00 | TO GENERAL PURPOSE COMPUTERS | 141797 | 10.75X | 15243 | 6.85X | 9713 | -5530 |
| 212X.00 | GENERAL SUPPORT ACCOUNTS | 1131751 | 5.61X | 63491 | 5.78X | 65435 | -1922 |
| 2211.00 | TO ANALOG SWITCHING EQUIP. | 301344 | 15.45X | 46558 | 9.40X | 28326 | -18232 |
| 2211.10 | ANALOG SWITCHING - RTU | 2802 | 20.00X | 560 | 20.00X | 560 | 0 |
| 2212.00 | TO DIGITAL SWITCHING EQUIP. | 1263166 | 7.07X | 89306 | 7.01X | 88548 | -758 |
| 2212.10 | DIGITAL SWITCHING - RTU | 98039 | 20.00X | 19608 | 20.00X | 19608 | 0 |
| 2220.00 | R OPERATOR SYSTEMS | 42630 | 7.12X | 3035 | 8.10X | 3453 | 418 |
| 2231.00 | RADIO EQUIPMENT | 31314 | 6.51X | 2039 | 6.51X | 2039 | 0 |
| 2232.11 | CIRCUIT EQUIPMENT - ANALOG | 97903 | 21.55X | 21098 | 21.55X | 21098 | 0 |
| 2232.21 | R CIRCUIT EQUIPMENT - DIGITAL | 562828 | 9.31X | 52399 | 8.26X | 46490 | -5909 |
| 2232.23 | TO CIRCUIT EQUIPMENT - LIGHTVW | 122914 | 10.09X | 12402 | 13.83X | 16999 | 4597 |
| 2351.00 | PUBLIC TELE EQUIP - COIN | 41665 | 8.13X | 3387 | 8.13X | 3387 | 0 |
| 2362.00 | NCTR, PAIR GAIN, & OTH TRES EQ. | 46244 | 10.57X | 4888 | 10.57X | 4888 | 0 |
| 2411.00 | POLES | 118735 | 5.28X | 6269 | 5.28X | 6269 | 0 |
| 2421.10 | TO METALLIC CABLE - AERIAL | 834932 | 6.73X | 56191 | 6.80X | 56775 | 584 |
| 2421.20 | NON-METALLIC CABLE - AERIAL | 1447 | 4.74X | 69 | 4.74X | 69 | 0 |
| 2422.10 | R METALLIC CABLE - UNDERGROUND | 1160214 | 9.53X | 110568 | 10.34X | 119966 | 9398 |
| 2422.20 | NON-METALLIC CBL - UNDERGROUND | 54519 | 4.61X | 2513 | 4.61X | 2513 | 0 |
| 2423.10 | R METALLIC CABLE - BURIED | 628275 | 4.42X | 27770 | 5.23X | 32859 | 5089 |
| 2423.20 | NON-METALLIC CABLE - BURIED | 1827 | 4.89X | 86 | 4.89X | 86 | 0 |
| 2424.00 | METALLIC CABLE - SUBMARINE | 908 | 5.82X | 53 | 5.82X | 53 | 0 |
| 2426.00 | INTRABUILDING CABLE - BTXK | 8685 | 3.53X | 307 | 3.53X | 307 | 0 |
| 2431.00 | AERIAL WIRE | 8688 | 5.37X | 467 | 5.37X | 467 | 0 |
| 2441.00 | R CONDUIT SYSTEMS | 594416 | 2.02X | 12007 | 2.17X | 12899 | 892 |
| TOTAL ALL ACCOUNTS | | 7155246 | 7.48X | 535971 | 7.45X | 533094 | -1999 |

R = REPRESCRIPTION
TU = TECHNICAL UPDATE

* Amount includes one-year amortisation in the amount of the technically updated reduction to Account 2124.

(END OF APPENDIX A)

APPENDIX B

COMPANY: PACIFIC BELL
STATE : CALIFORNIA

TABLE I

CHANGES IN ANNUAL DEPRECIATION ACCRUALS RESULTING FROM
CHANGES IN DEPRECIATION RATES
(000)

| ACCOUNT NUMBER | CLASS OR SUBCLASS OF PLANT | 1-1-92 INVESTMENT | 1-1-92 PRESENT RATES | | | PROPOSED RATES | | | CHANGES IN ACCRUALS |
|----------------|----------------------------|-------------------|----------------------|---------|-----------|----------------|---------|-----------|---------------------|
| | | | RATE % | OTHER # | ACCRUALS | RATE % | OTHER # | ACCRUALS | |
| | | A | B | C | D=(A*B)+C | E | F | G=(A*E)+F | H=G-D |
| 2112 | MOTOR VEHICLES | 273,057 | 10.7 | | 29,217 | 10.7 | | 29,217 | 0 |
| 2114 | SPECIAL PURPOSE VEHICLES | 1,633 | 3.8 | | 62 | 3.0 | | 49 | -13 |
| 2115 | GARAGE WORK EQUIPMENT | 14,394 | 10.8 | | 1,555 | 10.8 | | 1,555 | 0 |
| 2116 | OTHER WORK EQUIPMENT | 125,740 | 7.0 | | 8,802 | 8.0 | | 10,059 | 1257 |
| 2121 | BUILDINGS | 1,907,865 | 2.6 | | 49,604 | 3.0 | | 57,236 | 7632 |
| 2122 | FURNITURE | 30,865 | 4.7 | | 1,451 | 15.0 | | 4,630 | 3179 |
| 2123.1 | OFFICE SUPPORT EQUIPMENT | 46,501 | 8.8 | | 4,092 | 18.0 | | 8,370 | 4278 |
| 2123.2 | COMPANY COMMUN EQUIPMEN. | 134,293 | 16.6 | | 22,293 | 12.7 | | 17,655 | -5238 |
| 2124 | GEN PURPOSE COMPUTERS | 1,385,309 | 13.1 | | 181,475 | 12.3 | | 170,393 | -11082 |
| 2211 | ANALOG ELECT SWITCH | 2,648,508 | 7.8 | 49,889 | 256,473 | 7.8 | 49,889 | 256,473 | 0 |
| 2212 | DIGITAL ELECT SWITCH | 2,428,183 | 4.6 | 35,344 | 147,040 | 4.5 | 35,344 | 144,612 | -2428 |
| 2215.1 | STEP BY STEP @ | 2,621 | - | | 0 | - | | 0 | 0 |
| 2215.2 | CROSSBAR @ | 4,194 | - | | 0 | - | | 0 | 0 |
| 2220.2 | OPERATOR SYS-CROSSBAR | 96,813 | 9.3 | | 9,004 | 6.6 | | 6,390 | -2614 |
| 2220.3 | OPERATOR SYS-ANALOG | 14,695 | 29.5 | | 4,335 | 29.5 | | 4,335 | 0 |
| 2220.4 | OPERATOR SYS-DIGITAL | 20,579 | 8.8 | 909 | 2,720 | 7.7 | 909 | 2,494 | -226 |
| 2231 | RADIO SYSTEMS | 112,467 | 8.4 | | 9,447 | 8.4 | | 9,447 | 0 |
| 2232.11 | DIGITAL DATA SYSTEMS | 161,588 | 10.2 | | 16,482 | 10.2 | | 16,482 | 0 |
| 2232.12 | DIGITAL CIRCUIT-OTHER | 2,485,135 | 7.7 | 45,717 | 237,072 | 7.1 | 45,717 | 222,162 | -14910 |
| 2232.2 | ANALOG CIRCUIT-OTHER | 929,912 | 9.0 | 18,141 | 101,833 | 9.0 | 18,141 | 101,833 | 0 |
| 2351 | PUBLIC TEL TERM EQUIPMENT | 172,937 | 6.4 | | 11,068 | 5.9 | | 10,203 | -865 |
| 2362 | OTHER TERMINAL EQUIPMENT | 189,283 | 14.7 | | 27,825 | 16.6 | | 31,421 | 3596 |
| 2411 | POLES | 484,628 | 5.9 | | 28,593 | 5.9 | | 28,593 | 0 |
| 2421.1 | AERIAL CABLE-EXCHANGE | 1,809,700 | 5.5 | | 99,534 | 6.1 | | 110,392 | 10858 |
| 2421.2 | AERIAL CABLE-INTEROFFICE | 19,458 | 8.0 | | 1,557 | 8.0 | | 1,557 | 0 |
| 2422.1 | UNDERGROUND CABLE-EXCHAN | 2,429,219 | 4.6 | | 111,744 | 4.8 | | 116,603 | 4559 |
| 2422.2 | UNDERGROUND CABLE-INTEROF | 506,512 | 8.5 | | 43,054 | 8.5 | | 43,054 | 0 |
| 2423.1 | BURIED CABLE-EXCHANGE | 1,516,068 | 4.6 | | 69,739 | 5.1 | | 77,319 | 7580 |
| 2423.2 | BURIED CABLE-INTEROFFICE | 119,076 | 8.0 | | 9,526 | 8.0 | | 9,526 | 0 |
| 2424 | SUBMARINE CABLE | 10,800 | 10.4 | | 1,123 | 10.4 | | 1,123 | 0 |
| 2426 | INTRABUILDING NETWORK CABI | 578,446 | 5.8 | | 33,550 | 5.8 | | 33,550 | 0 |
| 2431 | AERIAL WIRE | 33,283 | 11.6 | | 3,861 | 10.6 | | 3,528 | -333 |
| 2441 | UNDERGROUND CONDUIT | 1,953,363 | 2.0 | | 39,067 | 2.0 | | 39,067 | 0 |
| | TOTALS | 22,647,125 | | 150,000 | 1,563,159 | | 150,000 | 1,568,728 | 5,530 |

#ORDERED IN RESOLUTION NO.13030
@SPECIAL SCHEDULE

(END OF APPENDIX B)