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Decision 95-11-009 November 8, 1995

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 95-06-010 (Filed June 19, 1995)

In the Matter of the Application of GTE California Incorporated (U-1002-C), a corporation, for approval of 1996 depreciation rates. Application 95-06-057 (Filed June 30, 1995)

OPINION

ORIGINAL

Pacific Bell seeks approval of a change in its individual

Background

Pacific Bell and GTE California Incorporated (GTEC) filed separate applications to adjust their respective capital depreciation accounts effective January 1, 1996. These applications were filed pursuant to Decision (D.) 89-10-031 (33 CPUC2d 43 at 138), the Phase II order in the telecommunications regulatory framework proceeding, which requires these utilities to file applications and supporting testimony annually for approval of rescription or technical update of depreciation rates.

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. 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 declines in the depreciation reserve.

Pacific Bell and GTEC filed their applications with the Commission's Docket Office on June 19, 1995 and June 30, 1995, respectively. Notice of Pacific Bell's and GTEC's application appeared in the Commission's Daily Calendar of June 26 and July 14,

1995, respectively. Although no party protested the applications, the Division of Ratepayer Advocates (DRA) filed separate responses to inform us that DRA does not oppose the applications.

Consolidated Proceeding
Rule 55 of the Commission's Rules of Practice and Procedure allows for applications involving related questions of law or fact to be consolidated into one proceeding. Because both Pacific Bell's and GTEC's application address similar questions and facts related to rescription and technical updates of depreciation, Application (A.)-95-06-010 and A.95-06-057 should be consolidated into one proceeding.

Pacific Bell's Requests
Pacific Bell seeks approval of a change in its individual plant account depreciation rates for its 1996 calendar year, resulting in a \$42.489 million decrease in its depreciation expense. Its request is based on a technical update of its depreciation rates as required by D.89-10-031, except where the depreciation reserve for an account is below its theoretical level. In those instances, Pacific Bell proposes to retain the currently ordered depreciation rate if the technical update produced a lower rate. A detail analysis of Pacific Bell's study is attached to its application.

Absent any protest, Pacific Bell's request, which does not affect the rates its customers pay for service, should be approved for the 1996 calendar year.

GTEC's Requests
GTEC also seeks approval of a change in its individual plant account depreciation rates for the 1996 calendar year. GTEC's proposed rates will result in a \$4.5 million decrease in its depreciation expense, approximately \$1.6 million more than the \$2.9 million decrease identified in GTEC's application. As explained by GTEC in its August 17, 1995 clarification letter, of which official notice is taken, the \$2.9 million reduction

identified in GTEC's application resulted from the use of incorrect 1995 depreciation rates for four plant accounts (Account Nos. 2113, 2114, 2124, and 2362) in GTEC's supporting schedules attached to the application. Other than a change in the overall reduction in depreciation expense from \$219 million to \$47.6 million, the errors has no impact on GTEC's proposed 1996 depreciation rates or on their supporting data contained in GTEC's depreciation study served on Bell

Similar to Pacific Bell's request is based on a technical update of its depreciation rates required by D 89-10-031. GTEC's detail analysis of its plant accounts results in its request for a technical update of 22 plant accounts and a re-identification of four plant accounts. A copy of the detailed study is attached to the application. Absent any protest, GTEC's request which does not affect the rates its customers pay for service, should also be approved for the 1996 calendar year. If further record is needed, a Service List

Ordering Paragraph 6 of D 89-10-031 required Pacific Bell and GTEC to serve a copy of their annual depreciation applications on the current service list for Investigation (I) 87-11-033, totaling approximately 130 parties. In D. 94-12-003 we recognized that although Pacific Bell and GTEC have faithfully served a copy of their annual depreciation filings on the entire 87-11-033 service list that less than five of these more than 130 interested parties have participated and on an infrequent basis in their annual depreciation filings. Hence, Pacific Bell and GTEC were requested to address the merits and to make recommendations on Pacific continuing with the perpetual service list. All parties on the 87-11-033 service list were served a copy of D 94-12-003 so that they would be aware that the service list would be addressed in applicants' next annual depreciation filing.

Both Pacific Bell and GTEC addressed the service list with issue in the body of their applications which were served on the

entire 1987-11-033 service list other than Pacific Bell and GTEC, no other party commented on the service list issue. Pacific Bell believes that it is neither necessary nor cost-effective to continue sending copies of its yearly applications and depreciation studies to over a hundred parties placed on a service list established in 1987. For example, Pacific Bell served a complete copy of its prepared application and testimony in this proceeding including 101 pages of its 2

Depreciation Rate Study on the entire 1987-11-033 service list. Although DRA provided comments on the application, none of the more than 130 parties protested or commented on the application. Pacific Bell recommends that the service list be shortened for future depreciation applications. Specifically, it recommends that a new official service list be established in this proceedings to include all parties participating in this proceeding and any other party who requests in writing to be included on the service list. It further recommends that parties not on the new service list review the Commission's Daily Calendar to be kept abreast of such annual filings and give a copy of their application and GTEC also proposes to shorten the service list for its annual depreciation filing. Similar to Pacific Bell, GTEC served a copy of its application and supporting testimony consisting of approximately 13 pages to the entire 1987-11-033 service list. Copies of GTEC's complete depreciation study of approximately 180 pages were mailed to DRA, the Commission's Advisory and Compliance Division (ACD), the Commission's Legal Division, Pacific Bell, and made available to any other party requesting a copy. Although DRA commented on the application, none of the more than 130 interested parties on the dated service list protested or commented on the application. They were aware that the service list would be shortened.

GTEC recommends that a new service list be established with parties interested in being placed on the service list to notify the Commission by July 31, 1995. Thereafter, the Commission

and GTEC to serve a copy of their application and GTEC also proposes to shorten the service list for its annual depreciation filing. Similar to Pacific Bell, GTEC served a copy of its application and supporting testimony consisting of approximately 13 pages to the entire 1987-11-033 service list. Copies of GTEC's complete depreciation study of approximately 180 pages were mailed to DRA, the Commission's Advisory and Compliance Division (ACD), the Commission's Legal Division, Pacific Bell, and made available to any other party requesting a copy. Although DRA commented on the application, none of the more than 130 interested parties on the dated service list protested or commented on the application. They were aware that the service list would be shortened.

GTEC recommends that a new service list be established with parties interested in being placed on the service list to notify the Commission by July 31, 1995. Thereafter, the Commission

could issue a revised formal service list for the annual depreciation filings. Those parties not on the new service list could be kept informed of the annual depreciation filings by reading the Commission's Daily Calendar.

There is no dispute that use of the I.87-11-033 service list for Pacific Bell's and GTEC's annual depreciation filings is neither productive nor cost effective. To continue this practice would only promote ineffective regulation. The I.87-11-033 service list has outlived its usefulness for annual depreciation filings. Pacific Bell and GTEC should use the service list established in this consolidated proceeding for their next annual depreciation filing, which consists of Pacific Bell, GTEC, and DRAI. Any other party wanting to be included on the service list for the next annual depreciation filing should notify the Commission's Process Office in writing that it wants to be included in the A.95-06-010 and A.95-06-057 service list. Other parties may be kept informed of annual depreciation filings by reviewing the Commission's Daily Calendar.

Henceforth, a new service list should be established on a yearly basis. For example, Pacific Bell and GTEC should use the service list established in this consolidated 1995 proceeding for their 1996 depreciation filing and the service list to be established in their 1996 proceeding for their 1997 depreciation filing. It is Pacific Bell's and GTEC's responsibility to obtain an updated service list from the Commission's Process Office prior to tendering their annual depreciation filings.

Findings of Fact

1. In separate applications, Pacific Bell and GTEC request accounting adjustments to certain depreciation accounts to reflect technical updates and prescriptions for the 1996 calendar year.

2. Pacific Bell proposes a \$42,489 million decrease in its 1996 depreciation accrual, based on individual plant account adjustments.

3. GTEC proposes a \$415 million decrease in its 1996 depreciation accrual based on individual plant accounts adjustments which would be kept in force if the annual depreciation filing is not made.

4. Rule 55 allows for the consolidation of proceedings involving related questions of law or fact if there is no other party.

5. No protests to the applications were received for the 1996 Orderings Paragraph 6 of D:89-10-031 required Pacific Bell and GTEC to serve a copy of their annual depreciation applications on the current service list for 1987-11-033.

6. D:94-12-003 required Pacific Bell and GTEC to address the merits and to make recommendations on continuing with the perpetual 1987-11-033 service list which consists of Pacific Bell and GTEC. All parties on the 1987-11-033 service list were served a copy of D:94-12-003 so that they would be aware that the service list issue would be addressed in applicants' next annual depreciation filing. Other service list issues are A.95-06-010 and A.95-06-057.

7. Other than Pacific Bell and GTEC, no party commented on the service list issue.

Conclusion of Law

The separate applications of Pacific Bell and GTEC should be consolidated into one proceeding in this case.

2. Pacific Bell's 1996 proposed depreciation rates for its individual plant accounts should be adopted in their 1996 depreciation filing. GTEC's 1996 proposed depreciation rates for its individual plant accounts should be adopted in its 1996 depreciation filing.

4. Use of the 1987-11-033 service list for annual depreciation filings has outlived its usefulness. A new service list for annual depreciation filings should be established on a yearly basis.

5. In order that applicants may comply with D:89-10-031, this order should be effective upon issuance.

6. Depreciation accrual, based on individual plant accounts adjustments.

ORDER

IT IS ORDERED that:

1. Application (A.) 95-06-010 and A.95-06-057 are consolidated into one proceeding.

2. Pacific Bell is authorized to adopt the depreciation accounting changes proposed in its application for the calendar year 1996 as contained in Appendix A to this order.

3. GTE California, Incorporated (GTEC) is authorized to adopt the depreciation accounting changes proposed in its application for the calendar year 1996 as contained in Appendix B to this order.

4. Pacific Bell and GTEC shall no longer use the service list established in Investigation (I.) 87-11-033 for annual depreciation filings. Pacific Bell and GTEC shall use the service list established in this consolidated proceeding for their next annual depreciation filing. Any other party wanting to be included on the service list shall notify the Commission's Process Office in writing that it wants to be included in A.95-06-010 and A.95-06-057 service list. Pacific Bell and GTEC shall be responsible for obtaining an updated service list prior to tendering their next annual depreciation filing. A new service list for annual depreciation filings shall be established each year.

5. A copy of this order shall be served on all parties listed on the I.87-11-033 perpetual service list.

6. This consolidated proceeding of A.95-06-010 and A.95-06-057 is closed.

This order is effective today.

Dated November 8, 1995 at San Francisco, California.

accounting changes proposed in its application for the calendar year 1996 as contained in Appendix A to this order.

the department of the State of California (DTEC) is authorized to adopt the accounting changes proposed in its application for the calendar year 1996 as contained in Appendix B to this order.

DTEC shall no longer use the service list established in Regulation (I.) 87-11-033 for annual depreciation filings. Pacific Bell and GTEC shall use the service list established in this consolidated proceeding for their next annual depreciation filing. Any other party wanting to be included on the service list shall notify the Commission's Process Office in writing that it wants to be included in A.95-06-010 and A.95-06-057 service list. Pacific Bell and GTEC shall be responsible for obtaining an updated service list prior to tendering their next annual depreciation filing. A new service list for annual depreciation filings shall be established each year.

DANIEL Wm. FESSLER
 President
 P. GREGORY CONLON
 JESSIE J. KNIGHT, JR.
 HENRY M. DUQUE
 JOSIAH L. NEPPER
 Commissioners

APPENDIX A

COMPANY: PACIFIC BELL
STATE: CALIFORNIATABLE 1
CHANGES IN ANNUAL DEPRECIATION ACCRUALS RESULTING FROM
CHANGES IN DEPRECIATION RATES
(000)

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	1-1-95 CURRENT RATES			PROPOSED RATES			CHANGES IN ACCRUALS H=G-D	
		1-1-95 INVESTMENT A	RATE % B	OTHER # C	RATE % E	OTHER # F	ACCRUALS G=(A'E)+F		
2112	MOTOR VEHICLES	290,755	10.7		31,111	8.4	24,423	(6,688)	
2114	SPECIAL PURPOSE VEHICLES	1,641	1.4		23	0.8	13	(10)	
2115	GARAGE WORK EQUIPMENT	15,283	10.8		1,651	10.8	1,651	0	
2116	OTHER WORK EQUIPMENT	172,441	8.0		13,795	8.0	13,795	0	
2121	BUILDINGS	2,181,505	3.0		65,445	3.0	65,445	0	
2122	FURNITURE	38,042	15.0		5,706	4.0	1,522	(4,184)	
2123.1	OFFICE SUPPORT EQUIPMENT	65,200	18.0		11,736	6.3	4,108	(7,628)	
2123.2	COMPANY COMMUN EQUIPMENT	36,220	14.9		5,397	15.4	5,578	181	
2124	GEN PURPOSE COMPUTERS	1,506,141	12.3		185,255	12.3	185,255	0	
2211	ANALOG ELECT SWITCH	1,553,076	*	50,000	248,442	*	50,000	248,442	0
2212	DIGITAL ELECT SWITCH	3,370,330	5.4		181,998	5.5	185,368	3,370	
2215.1	STEP BY STEP	327	.		0	.	0	0	
2215.2	CROSSBAR	861	.		0	.	0	0	
2220.2	OPERATOR SYS-CROSSBAR	124,375	3.2		3,980	2.4	2,985	(995)	
2220.3	OPERATOR SYS-ANALOG	12,207	20.2		2,466	0.0	0	(2,466)	
2220.4	OPERATOR SYS-DIGITAL	21,392	6.8		1,455	6.1	1,305	(150)	
2231	RADIO SYSTEMS	122,669	8.4		10,304	8.4	10,304	0	
2232.11	DIGITAL DATA SYSTEMS	162,252	7.4		12,007	6.3	10,222	(1,785)	
2232.12	DIGITAL CIRCUIT-OTHER	3,167,320	6.6		209,043	6.4	202,708	(6,335)	
2232.2	ANALOG CIRCUIT-OTHER	632,001	6.3		39,816	4.8	30,336	(9,480)	
2351	PUBLIC TEL TERM EQUIPMENT	172,482	4.3		7,417	3.4	5,864	(1,553)	
2362	OTHER TERMINAL EQUIPMENT	222,720	16.3		36,303	14.7	32,740	(3,563)	
2411	POLES	545,400	6.8		37,087	6.8	37,087	0	
2421.11	AER CA METALLIC-EXCH	2,107,981	6.6	40,000	179,127	6.6	40,000	179,127	0
2421.21	AER CA METAL-INTEROFC	11,128	17.1		1,903	17.1	1,903	0	
2421	AERIAL CA NONMETAL	19,250	3.8		732	3.7	712	(20)	
2422.11	UG CA METALLIC-EXCH	2,829,575	5.4	30,000	182,797	5.4	30,000	182,797	0
2422.21	UG CA METAL-INTEROFC	322,293	10.9		35,130	10.9	35,130	0	
2422	UG CA NONMETALLIC	342,555	3.8		13,017	3.6	12,332	(685)	
2423.11	BURIED CA METAL-EXCH	1,717,628	5.4	30,000	122,752	5.4	30,000	122,752	0
2423.21	BUR CA METAL-INTEROFC	80,749	11.3		9,125	11.3	9,125	0	
2423	BURIED CA NONMETAL	35,259	3.3		1,164	3.1	1,093	(71)	
2424	SUBMARINE CABLE	7,712	1.7		131	0.8	62	(69)	
2426.2	INTRABLDG NETWORK CA-NONM	4,104	3.7		152	3.7	152	0	
2431	AERIAL WIRE	35,780	9.5		3,399	8.5	3,041	(358)	
2441	UNDERGROUND CONDUIT	2,127,957	2.0		42,559	2.0	42,559	0	
	TOTALS	24,056,611		150,000	1,702,425		150,000	1,659,936	(42,489)

ORDERED IN RESOLUTION NO. 13030
* ORDERED IN D93-12-042

(END OF APPENDIX A)

APPENDIX B

COMPANY : GTE
STATE: CALIFORNIA

TABLE 1

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

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	1-1-95 RATES			PROPOSED RATES		CHANGES IN ACCRUALS H=G-D
		1-1-95 INVESTMENT A	RATE % B	ACCRUALS D=(A*B)*C	RATE % E	ACCRUALS G=(A'E)+F	
2112	MOTOR VEHICLES	106,667	5.8	6,144	6.1	6,507	363
2113	AIRCRAFT	7,410	7.0	517	10.7	793	
2114	SPECIAL PURPOSE VEHICLES	76	6.5	5	3.3	3	(2)
2115	GARAGE WORK EQUIPMENT	3,363	6.5	220	3.8	128	(92)
2116	OTHER WORK EQUIPMENT	92,300	6.5	6,027	6.4	5,907	(120)
2121	BUILDINGS	622,037	2.7	16,919	2.7	16,795	(124)
2122	FURNITURE	29,409	3.4	997	3.6	1,059	62
2123	OFFICE SUPPORT EQUIPMENT	100,496	12.3	12,371	14.8	14,873	2,502
2124	GEN PURPOSE COMPUTERS	67,522	12.8	8,629	13.6	9,183	554
2211	ANALOG ELECT SWITCH	110,712	0.4	443	2.4	2,657	2,214
2212	DIGITAL ELECT SWITCH	1,604,974	7.4	119,571	7.3	117,163	(2,408)
2220	OPERATOR SYSTEMS	41,378	34.2	14,151	16.4	6,786	(7,365)
2231	RADIO SYSTEMS	31,367	6.8	2,136	5.0	1,568	(568)
2232	CIRCUIT EQUIPMENT	1,023,201	8.9	91,065	8.3	84,926	(6,139)
2351	PUBLIC TEL TERM EQUIPMENT	43,366	3.0	1,318	2.5	1,084	(234)
2362	OTHER TERMINAL EQUIPMENT	68,308	8.4	5,738	7.4	5,055	(683)
2411	POLES	130,197	4.6	6,002	4.2	5,468	(534)
2421	AER CA METALLIC-EXCH	931,390	3.3	76,933	9.3	86,619	9,686
2421	AERIAL CA NONMETAL	5,931	4.6	271	4.8	285	14
2422	UG CA METALLIC-EXCH	1,312,696	8.7	113,811	7.9	103,703	(10,108)
2422	UG CA NONMETALLIC	97,661	4.7	4,600	4.7	4,590	(10)
2423	BURIED CA METALLIC	702,021	6.7	46,755	7.8	54,758	8,003
2423	BURIED CA NONMETALLIC	5,931	4.8	286	4.9	291	5
2424	SUBMARINE CABLE	897	4.8	43	4.1	36	(7)
2426	INTRABLDG CABLE	8,407	3.5	296	3.4	286	(10)
2431	AERIAL WIRE	9,275	6.1	567	6.0	557	(10)
2441	UNDERGROUND CONDUIT	697,002	2.2	15,055	2.2	15,334	279
	TOTALS	7,853,984		550,870		546,414	(4,456)

(END OF APPENDIX B)