

DEC 4 1997

Decision 97-12-029 December 3, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Annual Depreciation Application
of Roseville Telephone Company (U 1015 C).

Application 97-06-051
(Filed June 30, 1997;
amended September 22, 1997)

OPINION

Background

Roseville Telephone Company (Roseville) has embarked into the competitive arena with its implementation of a new regulatory framework (NRF), pursuant to Decision (D.) 96-12-074. This NRF resulted in Roseville's rates being restructured with the rate design principles set forth in our Implementation Rate Design order (D.94-09-065, 56 CPUC2d 117). As part of the NRF, Roseville is required to file an annual depreciation application by June 30 of each year for approval of depreciation rates to become effective on January 1 of the following year. This is Roseville's first annual depreciation application.

Request

Roseville seeks authority to maintain its current depreciation rates effective January 1, 1998. Roseville does not propose any change to its depreciation rates because its depreciation rates had been adopted approximately six months ago prior to its filing of the instant application in its NRF proceeding after lengthy and detailed hearings. An integral part of that proceeding included the approval of Roseville's current depreciation rates, which had earlier been approved by the Commission in Resolution T-15698, on December 21, 1994. Absent any major additions or retirements to Roseville's telephone plant-in-service accounts since adoption of its NRF, Roseville finds no reason to change its currently authorized depreciation rates.

Subsequently, Roseville amended its application on September 22, 1997 to disclose pertinent information excluded from its initial application. This additional information included a discussion of Roseville's depreciation technical update and

reprscription review, required of all NRF utilities as set forth in D.89-10-031 (33 CPUC2d 43, 233 (1989)), and identification of the specific depreciation rates and accruals for which it seeks approval.

No protest to the application or amended application was filed. Hence, there is no need for an evidentiary hearing.

Discussion

Roseville used a two-prong criterion, consisting of significant dollar balances and the potential impact from technological changes, to select plant categories for its technical update review. This criterion resulted in Roseville including eight of its plant categories, representing more than 86% of its total plant in service, in its technical update review. These eight plant categories consisted of buildings, general purpose computers, digital switching equipment, digital circuit equipment, metallic aerial cable, metallic underground cable, metallic buried cable, and conduit systems.

Roseville's technical update review disclosed that, except for digital switching and digital circuit equipment, its plant accounts have not changed significantly since its 1994 depreciation study. The average annual increase for its digital switching equipment and digital circuit equipment account was 16% and 50%, respectively. However, these changes were anticipated and addressed in Roseville's last depreciation study, in which it expected to complete the replacement of its "GTD5" switch with a "5ESS" switch in 1996, as part of its transition into the next generation of digital switches and digital circuit equipment. The Commission previously considered and addressed these changes in its adoption of Roseville's depreciation rates during the course of Roseville's 1996 general rate case (D.96-12-074). Hence, Roseville recommends no change to its depreciation rates due to its technical update review.

Roseville's reprscription review consisted of an analysis of three plant categories (consisting of digital switching equipment, digital circuit equipment, and conduit systems plant) experiencing significant changes in plant investments. This review was based on Roseville's 1994 depreciation-rate-and-reserve study brought forward to reflect changes in the selected plant categories. Roseville concludes from its

comparison of the economic lives implicit in its proposed depreciation rates with the economic lives used by other major telephone companies, and generally accepted accounting principles, that a change in its service lives is not warranted.

Absent any protest, a public hearing is not necessary. Roseville's request to continue with its presently authorized depreciation rates, which does not affect the rates its customers pay for service, should be approved.

Findings of Fact

1. Roseville seeks approval to maintain its current depreciation rates effective January 1, 1998.
2. No party filed a protest to the application or amended application.
3. The rates Roseville charges its customers for telephone service will not change.
4. D.96-12-074 requires Roseville to file an annual depreciation application by June 30 of each year for approval of depreciation rates to become effective January 1 of the following year.
5. An evidentiary hearing is not necessary.

Conclusions of Law

1. Roseville's 1998 proposed depreciation rates for its individual plant accounts should be adopted.
2. In order that applicant may comply with D.96-12-074, this order should be made effective upon issuance.

O R D E R

IT IS ORDERED that:

1. Roseville Telephone Company (Roseville) is authorized to adopt the depreciation rates identified in its amended application for the calendar year 1998, as contained in Appendix A to this order.

A.97-06-051 ALJ/MFG/vdl/wgp

2. Application 97-06-051 is closed.

This order is effective today.

Dated December 3, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

EXHIBIT "A"
SUMMARY OF PROPOSED RATES

21-Sep-97

ACCOUNT	DESCRIPTION	AT PROPOSED RATES		
		GROSS PLANT 01/01/97	RATE %	ACCRUAL
2112 -0000	MOTOR VEHICLES	\$3,198,488	9.99%	\$319,529
2115 -0000	GARAGE WORK EQUIP.	209,385	9.57%	20,038
2116 -0000	OTHER WORK EQUIPMENT	2,396,029	8.19%	196,235
2121 -0000	BUILDINGS	55,706,134	3.13%	1,743,602
2122 -0000	FURNITURE	5,189,417	7.01%	363,778
2123 -0001	OFFICE EQ.-DATA HANDLING	527,550	18.32%	96,647
2123 -0002	OFFICE EQ.-OFFICIAL CPE	311,159	19.25%	59,898
2123 -0003	OFFICE EQ.-OTHER	811,894	9.40%	76,318
2124 -0000	GEN. PURPOSE COMPUTERS	8,078,515	19.99%	1,614,895
2212 -0001	DIGITAL SWITCH - STP COE (CAT 2)	5,707,033	7.52%	429,169
2212 -0100	DIGITAL SWITCH -AT&T #5ESS (CAT 3)	42,887,065	6.30%	2,701,885
2222 -0020	OPERATOR SYSTEMS #5ESS (CAT 2)	2,935,291	13.66%	400,961
2231 -0000	RADIO SYSTEMS-ANALOG	274,563	12.56%	34,485
2232 -0000	CIRCUIT EQ. - ANALOG	1,288,578	13.15%	169,448
2232 -0010	CIRCUIT EQ.-DIGITAL-NON-OPTICAL	25,764,835	10.45%	2,692,425
2351 -0000	PAYSTATIONS	n/a	n/a	n/a
2362 -0000	OTHER TERMINAL EQUIP.	519,462	12.97%	67,374
2411 -0000	POLE LINE	913,017	10.14%	92,580
2411 -0000	POLES-JOINT	1,050,977	8.97%	94,273
2421 -0000	AERIAL CABLE-METALLIC	11,489,071	8.65%	993,805
2421 -0000	AERIAL CABLE-NON METALLIC	159,576	4.33%	6,910
2422 -0000	UNDERGROUND CABLE-METALLIC	21,574,024	10.81%	2,332,152
2422 -0000	UNDERGROUND CABLE-NON METTALIC	5,707,811	4.59%	261,989
2423 -0000	BURIED CABLE-METALLIC	20,416,374	9.70%	1,980,388
2423 -0000	BURIED CABLE-NON METTALIC	1,527,954	3.38%	51,645
2426 -0000	INTRABLDG NETWORK CABLE-METALLIC	139,291	4.42%	6,157
2431 -0000	AERIAL WIRE	137,659	12.14%	16,712
2441 -0000	CONDUIT SYSTEMS	37,827,640	2.29%	866,253

TOTAL

\$256,748,791

6.89%

\$17,689,550

(END OF APPENDIX A)