

Decision 97-12-030 December 3, 1997

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.

**ORIGINAL**  
Application 97-06-048  
(Filed June 30, 1997)

Pacific Telesis Legal Group, by James B. Young, Attorney at Law, for Pacific Bell, applicant.

Glen Stover, Attorney at Law, for AT&T Communications of California, Inc., protestant.

Thomas Long, Attorney at Law, for The Utility Reform Network, interested party.

Rufus G. Thayer, Jr., Attorney at Law, for the Office of Ratepayer Advocates.

**OPINION**

**Background**

Pursuant to Ordering Paragraph 6 of Decision (D.) 89-10-031 (33 CPUC2d 43, at 233 (1989)), the Phase II order in the New Regulatory Framework proceeding, Pacific Bell is required to file an application and supporting testimony no later than June 30 of each year for approval of represcription or technical update of its depreciation rates, to become effective on January 1 of the following year. Represcription of depreciation rates is a review of depreciation rates to reflect changes in the service life, future net salvage and retirement pattern of assets due to technical changes and growth of utility plant. The technical update reflects depreciation-rate changes necessary because of changes in the composition of utility plant and growth or decline in the depreciation reserve.

### **Pacific Bell's Request**

Pacific Bell seeks approval of a change in its plant account depreciation rates for the 1998 calendar year, resulting in a \$34.453 million increase in its depreciation expense and no change in the rates Pacific Bell charges its customers for telephone service. This request is based on a detailed technical update study of 26 of Pacific Bell's total 36 plant accounts, as shown in Attachment 1 to the application.

The 10 plant accounts which Pacific Bell excluded from its detailed technical update study are part of its asset impairment claim (stranded or unrecoverable investment) in the franchise impacts phase of the local exchange competition proceeding (Rulemaking (R.) 95-04-043/Investigation (I.) 95-04-044). Pursuant to D.96-09-089 in the local exchange competition proceeding, Pacific Bell is authorized to file an application no earlier than January 1, 1997, to determine whether our new regulatory program deprives Pacific Bell of the opportunity to earn a fair return on its regulated assets. GTE-California will be afforded the same opportunity, per that same order. Pacific Bell has chosen to exclude from this application any adjustments to the plant accounts that would be subject to any application authorized by D.96-09-089. The excluded plant accounts are: Digital Switches; Digital Circuits; Analog Circuits; Aerial Cable Metallic-Exchange; Aerial Cable Nonmetallic; Underground Cable Metallic-Exchange; Underground Cable Nonmetallic; Buried Cable Metallic-Exchange; Buried Cable Nonmetallic; and Underground Conduit.

### **Procedural Filings**

Pacific Bell filed its annual depreciation application with the Docket Office on June 30, 1997. The application was noticed in the Daily Calendar of July 7, 1997. The Office of Ratepayer Advocates (ORA) filed a response to the application on August 4, 1997, stating that ORA does not oppose the application. AT&T Communications of California, Inc. (AT&T-C) filed a protest to the application on August 5, 1997, alleging that Pacific Bell is seeking to increase its depreciation rates on a selective basis. After consultation with Pacific Bell, AT&T-C withdrew its protest on September 10, 1997. Hence, the application is without protest.

Absent protest, a public hearing is not necessary. Pacific Bell's request to change its depreciation rates for the 1998 calendar year, which does not affect the rates its customers pay for service, should be approved.

**Findings of Fact**

1. Pacific Bell seeks a \$34.453 million increase in its 1998 depreciation accrual, based on a change in 26 of its 36 plant account depreciation rates.
2. The 10 accounts for which Pacific Bell seeks no change are implicated in the Commission's future review of this utility's franchise-impacts claims, which will be conducted in accordance with D.96-09-089.
3. The rates Pacific Bell charges to its customers for telephone service will not change.
4. AT&T-C filed a protest to the application. However, it subsequently withdrew its protest.
5. D.89-10-031 requires that approval of Pacific Bell's depreciation represetion and technical update reviews be effective January 1 of successive years.
6. An evidentiary hearing is not necessary.

**Concluslons of Law**

1. Pacific Bell's 1998 proposed depreciation rates for its individual plant accounts should be adopted.
2. In order that applicant may comply with D.89-10-031, this order should be made effective upon issuance.

**O R D E R**

**IT IS ORDERED that:**

1. Pacific Bell is authorized to adopt the depreciation accounting change proposed in its application for the calendar year 1998, as set forth in Appendix A to this order.

A.97-06-048 ALJ/MFG/sid

2. Application 97-06-048 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

## APPENDIX A

1997 COMPANY PROPOSED  
WITH ACTUAL PLANT & BOOK RES%  
CPUC BASIS

COMPANY: PACIFIC BELL  
STATE : CALIFORNIA  
STATEMENT B

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

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	WITH 1996 PRESCRIBED RATE				WITH 1997 PROPOSED RATES			CHANGES IN ACCRUALS
		1-1-97	RATE	OTHER	TOTAL	RATE	OTHER	TOTAL	
		INVESTMENT	AMOUNT	#	ACCRUALS	AMOUNT	#	ACCRUALS	
		I	J=I'D	K	L=J+K	M=I'H	N	O=M+N	P=O-L
2112	MOTOR VEHICLES	282,839	22,627	0	22,627	27,153	0	27,153	4,526
2114	SPECIAL PURPOSE VEHICLES	1,588	98	0	98	98	0	98	0
2115	GARAGE WORK EQUIPMENT	17,455	1,885	0	1,885	1,885	0	1,885	0
2116	OTHER WORK EQUIPMENT	197,593	15,807	0	15,807	15,807	0	15,807	0
2121	BUILDINGS	2,386,659	71,600	0	71,600	71,600	0	71,600	0
2122	FURNITURE	42,385	848	0	848	1,823	0	1,823	975
2123.1	OFFICE SUPPORT EQUIPMENT	75,084	3,679	0	3,679	5,331	0	5,331	1,652
2123.2	COMPANY COMMUN EQPT	40,182	6,188	0	6,188	6,188	0	6,188	0
2124	GEN PURPOSE COMPUTERS	1,670,481	272,288	0	272,288	277,300	0	277,300	5,012
2211	ANALOG ELECT SWITCH *	1,031,739	198,442	50,000	248,442	198,442	50,000	248,442	0
2215.1	STEP BY STEP	-	-	-	-	-	-	-	-
2215.2	CROSSBAR	-	-	-	-	-	-	-	-
2220.2	OPERATOR SYS-CROSSBAR	94,078	6,491	0	6,491	6,868	0	6,868	377
2220.3	OPERATOR SYS-ANALOG	2,573	0	0	0	0	0	0	0
2220.4	OPERATOR SYS-DIGITAL	11,696	713	0	713	1,018	0	1,018	305
2231	RADIO SYSTEMS	115,838	9,730	0	9,730	7,645	0	7,645	-2,085
2232.11	DIGITAL DATA SYSTEMS	150,384	9,474	0	9,474	12,331	0	12,331	2,857
2351	PUBLIC TEL TERM EQUIPMENT	165,001	5,610	0	5,610	14,355	0	14,355	8,745
2362	OTHER TERMINAL EQUIPMENT	303,810	40,103	0	40,103	50,736	0	50,736	10,633
2411	POLES	569,907	38,754	0	38,754	38,754	0	38,754	0
2421.2	AER CA METAL-INTEROFC	10,366	1,773	0	1,773	1,773	0	1,773	0
2422.2	UG CA METAL-INTEROFC	302,032	32,921	0	32,921	32,921	0	32,921	0
2423.2	BUR CA METAL-INTEROFC	80,668	9,115	0	9,115	9,115	0	9,115	0
2424	SUSMARINE CABLE	7,744	372	0	372	372	0	372	0
2426.2	INTRABLOG NETWK CA-NONME	4,395	136	0	136	136	0	136	0
2431	AERIAL WIRE	37,337	3,174	0	3,174	4,630	0	4,630	1,456
	TOTAL	7,601,834	751,828	50,000	801,828	786,281	50,000	836,281	34,453
2212	DIGITAL ELECT SWITCH	4,051,711	222,844	0	222,844	222,844	0	222,844	0
2232.12	DIGITAL CIRCUIT-OTHER	3,763,954	240,893	0	240,893	240,893	0	240,893	0
2232.2	ANALOG CIRCUIT-OTHER	473,629	32,207	0	32,207	32,207	0	32,207	0
2421.1	AER CA METALLIC-EXCH	2,265,381	149,515	40,000	189,515	149,515	40,000	189,515	0
2421	AERIAL CA NONMETAL	28,030	1,037	0	1,037	1,037	0	1,037	0
2422.1	UG CA METALLIC-EXCH	3,041,018	164,215	30,000	194,215	164,215	30,000	194,215	0
2422	UG CA NONMETALLIC	424,668	15,288	0	15,288	15,288	0	15,288	0
2423.1	BURIED CA METAL-EXCH	1,825,065	98,554	30,000	128,554	98,554	30,000	128,554	0
2423	BURIED CA NONMETAL	38,585	1,196	0	1,196	1,196	0	1,196	0
2441	UNDERGROUND CONDUIT	2,233,789	44,676	0	44,676	44,676	0	44,676	0
	TOTAL	18,145,831	970,425	100,000	1,070,425	970,425	100,000	1,070,425	0
	GRAND TOTAL	25,747,665	1,722,253	150,000	1,872,253	1,756,706	150,000	1,906,706	34,453

\* 5 YEAR AMORTIZATION BEGAN 1-1-94  
# ORDERED IN RESOLUTION NO. 13030

(END OF APPENDIX A)