

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-13013
August 24, 1988

R E S O L U T I O N

Continental Telephone Company of California.
Order authorizing reprscription of 1988
straight-line remaining life depreciation rates
for all telephone plant.

SUMMARY

Continental Telephone Company of California (Continental) proposed reprscription of its 1988 depreciation rates for all telephone plant. In a three-way meeting between Continental, the Federal Communications Commission and the California Public Utilities Commission, an agreement was reached concerning appropriate depreciation rates. This resolution authorizes the proposed 1988 straight-line remaining life depreciation rates for all telephone plant for Continental as set forth in Table A.

BACKGROUND

In December 1987, Continental filed with the California Public Utilities Commission (CPUC) and the Federal Communications Commission (FCC) for reprscription[1] of the depreciation rates for all telephone plant. Continental requested substantial reduction of service lives of its Central Office and Outside

[1] Reprscription of depreciation rates includes review of depreciation rates to reflect changes in service life, future net salvage and retirement pattern due to technological changes and growth of telephone plant.

Plant accounts. In support of its request, Continental stated that,

"Continental, under increasing deregulation, is faced with the need for modern plant, updated with current technology if it is to survive in the face of intense competition for telecommunications services. To this end, the Company (Continental) is continuing its aggressive program of converting central offices to digital switches, and is beginning the replacement of copper cable with optical fiber cable. Complete replacement of copper is projected to occur in the early years of the next century."

After reviewing Continental's projected replacement and retirement schedules and current investment in modern plant equipment, staff of both agencies (FCC and CPUC) have recommended depreciation parameters which result in the proposed depreciation rates shown in Table A. In a three-way meeting between the staff of both agencies and Continental on February 11, 1988, an agreement was reached on 1988 depreciation rates. Further adjustments to the depreciation parameters and rates for outside plant accounts may be required at the time of technical update[2] if supported by additional retirements of old plant. The proposed 1988 rates result in an estimated annual increase in depreciation accrual of \$3.2 million. This estimate is based on estimated 1988 weighted average plant of \$559.7 million. The investment of each plant account and/or plant mix shown in Table A was not reviewed since that issue is normally undertaken in a general rate proceeding.

Continental's depreciation rates were last prescribed in 1985 by Decision No. 85-03-057 and were technically updated in November 14, 1986 by Resolution No. T-11079.

In accordance with the procedures for depreciation reviews adopted by the Commission on September 13, 1977, the Depreciation Group of the Division of Ratepayer Advocates (DRA) gave notice of the proposed depreciation rates to interested parties by letter dated May 19, 1988. No protests or comments during the 30-day response period were received.

[2] Technical update of depreciation rates reflects changes in depreciation reserves and changes in remaining life of plant due to passage of time.

FINDINGS

1. The proposed depreciation rates set forth in Table A of this resolution are appropriate for accounting purposes. However, this is not a finding of reasonableness for ratemaking purposes.
2. The review of investment for each class of plant and/or plant mix is normally done in a general rate case proceeding, therefore no finding of reasonableness concerning investment for each class of plant is made.
3. The depreciation parameters and rates for outside plant accounts may be adjusted at the time of technical update if supported by 1988 retirements of old plant.

IT IS ORDERED that:

1. Authority is granted to make the depreciation rate revisions shown in Table A of this resolution, effective for calendar year 1988 and subsequent years until Continental files a new depreciation study with the Commission.
2. The effective date of this resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 24, 1988. The following Commissioners approved it:

STANLEY W. HULETT
 President
 DONALD VIAL
 FREDERICK R. DUDA
 G. MITCHELL WILK
 JOHN B. OHANIAN
 Commissioners



Executive Director

TABLE A
Summary of Depreciation Rates
Continental Telephone Company

1988

(\$000)

Acct No.	Class of Plant	Investment	Present Rates					Proposed Rates					Change in Accruals
			Rem. Life Yrs.	Res. %	FNS	Depr. Rate %	Accrual	Rem. Life Yrs.	Res. %	FNS	Depr. Rate %	Accrual	
2112	Motor Vehicles	2,568	9.0	47.6	20.0	3.6	92	5.7	19.4	15.0	12.6	323	230
2113	Aircraft	1,240	2.0	12.1	48.0	20.0	247	4.5	39.3	50.0	2.4	29	(218)
2116	Other wrk eqpt	3,711	9.0	47.6	20.0	3.6	134	10.6	57.2	8.0	3.3	122	(12)
2121	Buildings	35,874	19.8	31.8	(4.0)	3.6	1,308	19.1	35.3	(8.0)	3.8	1,365	57
2122	Furniture	4,982	18.5	(4.5)	8.0	5.2	260	10.7	4.7	3.0	8.6	430	170
21232	Co Comm Equip	2,730	7.6	22.5	0.0	10.2	278	5.8	32.7	2.0	11.3	307	29
21233	Co Comm Eq-Esb	228	0.0	40.6	0.0	0.0	45 x	0.0	80.2	0.0	0.0	45 x	0
2124	Gen Purp Coop	6,661	5.1	7.8	0.0	10.1	1,204	3.1	29.2	5.0	21.2	1,414	210
2212	COE Digital	75,194	10.9	11.4	0.0	8.1	6,112	9.3	20.0	(1.0)	8.7	6,549	437
2212	COE Vldr	1,625	0.0	21.7	0.0	0.0	370 x	0.0	54.5	0.0	0.0	370 x	0
2215	Elect-Mech Sv	38,523	3.6	45.1	1.0	15.0	5768	2.3	69.5	(1.0)	13.7	5,278	(490)
2220	Oper Systems	2,528	2.6	89.6	(1.0)	4.4	111	1.3	61.0	(1.0)	30.8	778	667
2231	Radio Systems	31,777	8.2	38.5	(1.0)	7.6	2,422	13.6	39.6	(7.0)	5.0	1,575	(847)
2232	Circuit Equip	54,185	10.4	26.4	2.0	6.9	3,730	9.4	26.4	(1.0)	7.9	4,300	570
2321	Cust Prem Eq	18,804	0.0	41.4	0.0	0.0	1,920 x	0.0	61.7	0.0	0.0	1,920 x	0
2351	Public Tel	3,351	6.4	30.0	0.0	10.9	367	4.8	42.6	2.0	11.5	387	20
2362	Other Term Eq	2,240	7.0	17.8	0.0	11.7	263	5.2	29.0	5.0	12.7	284	21
2411	Poles	21,304	17.2	20.7	(20.0)	5.8	1,230	12.4	21.7	(23.0)	8.2	1,740	510
2421	Aerial Cable	79,472	12.8	32.5	(10.0)	6.1	4,812	11.8	35.3	(23.0)	7.4	5,907	1,095
2422	Undrgrnd Cable	25,121	23.0	19.8	(4.0)	3.7	920	18.8	19.8	(7.0)	4.6	1,165	246
2423	Buried Cable	129,755	21.0	18.3	(1.0)	3.9	5,110	20.0	21.4	(6.0)	4.2	5,489	379
2424	Submarine Cable	97	10.4	60.7	0.0	3.8	4	8.6	68.0	0.0	3.7	4	(0)
2431	Aerial Wire	1,324	2.6	22.5	(30.0)	41.3	547	2.4	61.7	(66.0)	43.5	575	28
2441	Conduit System	16,453	40.0	20.8	(5.0)	2.1	346	40.0	20.7	(23.0)	2.6	421	74
		559,747					37,600					40,777	3,176

* Amortization

Notes: Investment amounts have neither been reviewed or adopted by the Commission

Rem. = Remaining Res. = Reserve FNS = Future Net Salvage Depr. = Depreciation