

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-13040
December 19, 1988

R E S O L U T I O N

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

SUMMARY

Citizens Telephone Company of California (Citizens) proposed rescription of its 1988 depreciation rates for all telephone plant in May 1988. In a three-way meeting among Citizens, the staff of the Federal Communications Commission and the Division of Ratepayer Advocates (DRA) of the California Public Utilities Commission, an agreement was reached concerning appropriate depreciation rates. Following notification and a comment period for interested parties, the California Commission authorizes the 1988 straight-line remaining life depreciation rates for all telephone plant for Citizens as set forth in Table A.

BACKGROUND

In May 1988, Citizens filed with the California Public Utilities Commission and the Federal Communications Commission for rescription[1] of the depreciation rates for all telephone

[1] Rescription 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. Citizens requested reduction of service lives of its Central Office, Radio and Aerial Cable plant categories. In support of its request, Citizens stated that the service life reduction are warranted due to technological changes and obsolescence caused by these changes.

After reviewing Citizens projected replacement and retirement schedules and current investment in modern plant equipment, staff of both agencies 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 Citizens on July 14, 1988, an agreement was reached on 1988 depreciation rates. The proposed 1988 rates result in an estimated annual decrease in depreciation accrual of \$425,000. This estimate is based on investment amounts that have not been investigated or adopted by the Commission. Investment amounts for each class of plant are normally reviewed in general rate cases.

Citizens depreciation rates were last represcribed in 1985 by Resolution No. T-10999 and were technically updated in 1986 by Resolution No. T-11080.

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 gave notice of the proposed depreciation rates to interested parties by letter dated September 7, 1988. No protests or comments during the 30-day response period were received.

FINDINGS

1. The 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.

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 Citizens 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 December 19, 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

CITIZENS TELEPHONE COMPANY OF CALIFORNIA

COMPARISON OF DEPRECIATION RATES
(THOUSANDS OF DOLLARS)

ACCT #	CLASS OF PLANT	PROJECTED 1980 AVG PLANT A	PRESENT RATES		UTILITY REG.			AUTHORIZED		
			RATES	AMOUNTS	RATES	AMOUNTS	DIFFERENCE	RATES	AMOUNTS	DIFFERENCE
			B	C-A-B	D	E-A-D	F-E-C	G	H-A-G	I-H-C
2112.00	MOTOR VEHICLES	3,708	9.12 %	338	6.53 %	242	(96)	7.39 %	274	(64)
2114.00	SPECIAL PURPOSE VEHICLES	126	4.87 %	6	6.67 %	8	2	6.67 %	8	2
2115.00	GRADE WORK EQUIPMENT	163	2.23 %	4	17.42 %	28	25	14.91 %	24	21
2116.10	OTHER WORK EQUIPMENT	981	4.87 %	48	6.10 %	60	12	5.58 %	55	7
2121.00	BUILDINGS	22,968	2.23 %	512	2.90 %	666	154	2.24 %	514	2
2122.00	FURNITURE	1,315	3.36 %	44	5.87 %	77	33	4.24 %	56	12
2123.10	OFFICE SUPPORT EQUIPMENT	418	3.36 %	14	6.44 %	27	13	5.56 %	23	9
2123.20	COMPANY COMMUNICATION ED.	802	5.34 %	43	4.29 %	34	(8)	3.48 %	28	(15)
2124.00	GENERAL PURPOSE COMPUTERS	1,253	8.68 %	109	15.62 %	196	87	10.35 %	130	21
2211.00	ANALOG ELEC. SWITCHING	2,545	4.76 %	121	30.46 %	775	654	30.46 %	775	654
2212.00	DIGITAL ELEC. SWITCHING	29,738	4.76 %	1416	4.89 %	1455	39	4.58 %	1363	(54)
2215.10	STEP-BY-STEP SWITCHING	2,793	44.12 %	1232	0.00 %	0	(1,232)	0.00 %	0	(1,232)
2220.00	OPERATOR SYSTEM-GENERAL	560	4.76 %	26	11.16 %	61	35	11.06 %	61	35
2231.00	OTHER RADIO FACILITIES	9,190	5.94 %	546	6.82 %	627	81	7.65 %	703	157
2232.00	CIRCUIT EQUIPMENT	13,120	6.48 %	850	6.56 %	861	10	6.30 %	827	(24)
2351.00	PUBLIC TELEPHONE TERM. ED.	694	7.47 %	52	7.71 %	54	2	7.09 %	49	(3)
2352.00	OTHER TERMINAL ED.	141	10.27 %	14	7.72 %	11	(4)	7.72 %	11	(4)
2411.10	POLES	12,479	5.25 %	655	5.30 %	661	6	4.55 %	568	(87)
2421.00	AERIAL CABLE	29,814	4.99 %	1488	6.10 %	1819	331	5.53 %	1649	161
2422.00	UNDERGROUND CABLE	13,027	4.09 %	538	4.17 %	543	10	3.99 %	520	(13)
2423.00	BURIED CABLE	30,262	4.37 %	1322	4.29 %	1298	(24)	4.40 %	1332	9
2431.00	AERIAL WIRE	2,443	13.89 %	339	10.88 %	266	(74)	12.76 %	312	(28)
2441.00	OUTFIT SYSTEMS	9,436	1.80 %	170	1.99 %	188	18	1.80 %	177	8
	TOTAL	187,904		9,889		9,968	79		9,458	(425)
	COMPOSITE RATE		5.26%		5.30%			5.03%		