

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Telecommunications BranchRESOLUTION NO. T-13065  
April 26, 1989**RESOLUTION**

**GTE CALIFORNIA. ORDER GRANTING GTE CALIFORNIA ADVICE LETTER REQUEST TO REDUCE ITS ANNUAL REVENUE REQUIREMENTS FOR TECHNICAL UPDATE AND LIMITED REPRESCRIPTION OF 1989 DEPRECIATION RATES.**

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SUMMARY

This resolution grants GTE California's (GTEC) request to reduce its annual revenue requirement by \$2,248,000 for technical update and limited represcription of 1989 depreciation rates. GTEC will refund this amount by an incremental billing surcredit of 0.19% beginning May 1, 1989 through December 31, 1989. GTEC will reflect the on-going effect of technical update by an incremental billing surcredit of 0.13% beginning January 1, 1990.

In addition, this resolution grants GTEC's request to refund \$676,017 for the change in billing of directly assigned WATS by an incremental surcredit of 0.13% applied only to local services. GTEC's request to refund \$81,000 for the correction in revenue impact of 1986 Tax Reform Act on the 1987 revenue requirement by an incremental billing surcredit of 0.01% is also granted. The incremental billing surcredits will become effective on May 1, 1989.

BACKGROUND

GTEC included in its 1989 operational attrition filing the impact of its proposed 1989 technically updated depreciation rates. GTEC's depreciation rates were authorized by Decision No. 87-12-070 in GTEC's 1988 rate case. Technical update adjusts these depreciation rates to reflect changes in the average remaining life of telephone plant due to the passage of time.

Since GTEC's 1989 technically updated depreciation rates had not been adopted by the Commission in GTEC's 1989 attrition, Resolution No. T-13036, issued December 19, 1988, directed GTEC to make a separate advice letter filing subsequent to Commission approval of its 1989 technical update of depreciation rates.

By Resolution No. T-13050, dated February 24, 1989, the Commission adopted technically updated and represcribed depreciation rates for GTEC's telephone plant. GTEC was directed to make an advice letter filing to reflect the

revenue requirement impact of technical update thirty days after the resolution's effective date.

In accordance with Ordering Paragraph No. 2 of Resolution No. T-13050, GTEC filed Advice Letter No. 5207 on March 27, 1989 and Supplemental Advice Letter No. 5207A on April 18, 1989, requesting authority to reflect the revenue requirement impact of technical update by implementing a billing surcredit on access, intralATA toll, and exchange services effective May 1, 1989.

Also in this filing, GTEC proposes to refund \$676,017 of increased toll settlement revenues for 1987, 1988 and 1989 due to the change in billing for directly assigned WATS by an incremental billing surcredit of 0.13% on exchange services only. In addition, GTEC proposes to refund \$81,000 by an incremental billing surcredit of 0.01% on access, intralATA toll, and exchange services to reflect the correction in revenue impact of the 1986 Tax Reform Act on the 1987 revenue requirement. These incremental billing surcredits will become effective May 1, 1989.

#### DISCUSSION

GTEC's intrastate depreciation expense of \$460,031,000 for 1989 attrition year was adopted by this Commission in Resolution No. T-13036, dated December 19, 1988. The depreciation expense was calculated based on depreciation rates approved in Decision No. 87-12-070, dated December 22, 1987, and 1989 attrition year plant. GTEC's technically updated and represetcribed depreciation rates were approved by Resolution No. T-13050, dated February 24, 1989. GTEC's technical update advice letter filing reflects the change in depreciation expense due to the change in depreciation rates.

To calculate the new depreciation expense, technically updated depreciation rates should be applied to 1989 attrition year plant based on adopted plant mix. However, information on adopted plant mix was not available. Instead, 1988 projected plant mix, as shown in Table A of Resolution No. T-13050, was used as a substitute for adopted plant mix.

Applying the technically updated depreciation rates to the 1989 attrition year plant based on 1988 projected plant mix yields an intrastate depreciation expense of \$457,467,000, or a reduction of \$2,564,000. Taking into account the associated changes in depreciation reserve, deferred tax, and income taxes, the impact of technical update is an annual revenue requirement reduction of \$2,248,000.

GTEC proposes to refund this annual amount by an incremental surcredit of 0.19% applied to access, intralATA toll, and exchange services from May 1, 1989 through December 31, 1989. Beginning January 1, 1990, the annual revenue requirement reduction will be reflected by an incremental billing surcredit of 0.13%.

#### FINDINGS

- (1) GTEC's technically updated and represetcribed depreciation rates were approved in Resolution No. T-13050, dated February 24, 1989.

- (2) The use of 1988 projected plant mix as a substitute for adopted plant mix is appropriate in this case.
- (3) The impact of technical update on GTEC's 1989 revenue requirement is a reduction of \$2,248,000.
- (4) GTEC's request to refund this amount by an incremental billing surcredit of 0.19% from May 1, 1989 through December 31, 1989 is reasonable.
- (5) GTEC's request to reflect the on-going effect of technical update by an incremental billing surcredit of 0.13% beginning January 1, 1990 is reasonable.

IT IS ORDERED that:

- (1) Authority is granted to make the above tariff revisions contained in Advice Letter No. 5207A effective May 1, 1989.
- (2) All tariff sheets filed under Advice Letter No. 5207A shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission of the State of California No. T-13065.
- (3) 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 April 26, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners



Executive Director

