

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-14042
January 24, 1990

R E S O L U T I O N

Resolution T-14042. GTE California. Order authorizing represcription of 1990 straight-line remaining life depreciation rates for all telephone plant.

SUMMARY

GTE California (GTEC) proposed represcription of its 1990 depreciation rates for all telephone plant in June 1989. Based on its review for reasonableness, the California Public Utilities Commission (CPUC) staff reached an agreement with GTEC concerning appropriate depreciation rates. Following notification and a comment period for interested parties, the California Commission authorizes the 1990 straight-line remaining life depreciation rates for all telephone plant for GTEC set forth in Table A.

BACKGROUND

On June 2, 1988, GTEC filed with CPUC for represcription^[1] of depreciation rates for telephone plant. GTEC requested shorter

[1] Represcription 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.

depreciation lives for electronic switching equipment, circuit equipment and cable accounts based on increasing technological obsolescence. We are not convinced that technological advances have impacted the useful lives of such equipments to the extent GTEC has claimed in its request. The Commission will, however, consider in detail the impact of any policy changes adopted in the Phase II decision D.89-10-031 of our ongoing investigation, OII.87-11-033, on the depreciation lives of such accounts in the future.

The depreciation rates of GTEC were last rescribed by Decision No. 87-12-070 and technically updated by Resolution T-13050 on February 24, 1989. Technical update reflects changes in the composition of the utility plant and relative growth or decline in the depreciation reserve.

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 September 7, 1989.

PROTEST AND DISCUSSION

API, by letter dated October 6, 1989, protests GTEC's depreciation rates that were reviewed by the Commission staff. API's protest is predicated on Finding of Fact No.53 of the proposed Phase II Decision in I.87-11-033. Finding of Fact No.53, as adopted in D.89-10-031, states:

"53. We will not entertain applications from Pacific or GTEC seeking ratemaking adjustments based on accounting changes to, for example, reduce the so-called reserve deficiency or shorten amortization periods, which could whittle away at sharable earnings."

In its reply comment dated October 16, 1989, GTEC states that Finding of Fact No.53 is inapplicable to normal depreciation rescriptions and only applies to proposals by either GTEC or Pacific Bell seeking ratemaking adjustments changes. It further states that this rescription was submitted to the Commission pursuant to the procedures in effect prior to the issuance of D.89-10-031 and that D.89-10-031 clearly reaffirmed that these procedures are still applicable to rescription filings for the year 1990.

We agree with GTEC that Finding of Fact No.53 is not applicable to this depreciation rescriptions which is authorized for accounting purposes only. Therefore, API's protest is denied.

January 24, 1990

FINDINGS

1. The depreciation rates set forth in Table A are reasonable, and should be adopted for accounting purposes only.
2. No finding is made concerning the reasonableness or unreasonableness of investment for each class of plant for ratemaking purposes.
3. API's protest should be denied.

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 1990.
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 January 24, 1990. The following Commissioners approved it:

G. MITCHELL WILK
President
FRANKYCK R. DUDA
STEPHEN W. WUETT
JOHN D. CHWANAN
PATRICIA M. ECKERT
Commissioners

Wesley Franklin

WESLEY FRANKLIN
Acting Executive Director

TABLE-A

GTE CALIFORNIA

CAPITAL RECOVERY RATES
1990 RATE PRESCRIPTION
(DOLLARS IN THOUSANDS)

ACCOUNT NO. FCC	CLASS OF PLANT	1989 AVERAGE PLANT \$	1990 AUTHORIZED	
			RATES %	ACCRUAL \$
2112.00	MOTOR VEHICLE	126448	6.95%	8788.14
2115.00	GARAGE WORK EQUIPMENT	83009	6.23%	5171.46
2121.00	BUILDINGS	503991	3.24%	16329.31
2122.00	FURNITURE	50205	4.11%	2063.43
2123.00	OFFICE EQUIPMENT	97009	11.58%	11233.64
2124.00	COMPUTERS	94531	25.68%	24275.56
2211.00	ANALOG SW EQUIPMENT	503182	18.93%	95252.35
2211.10	ANALOG SW - RTU	2802	20.00%	560.40
2212.00	DIGITAL SW EQUIPMENT	869837	6.96%	60540.66
2212.10	DIGITAL SW.-RTU	98039	20.00%	19607.80
2215.00	ELECTROMECH.-AMORTIZATION	126722	0.00%	0.00
2220.00	OPERATOR SYSTEMS	26716	7.77%	2075.83
2231.00	RADIO	54277	10.19%	5530.83
2232.10	CIRCUIT-ANALOG	161109	7.18%	11567.63
2232.21	CIRCUIT-DIGITAL	761104	12.21%	92930.80
2232.23	CIRCUIT-LIGHTWAVE	78427	9.09%	7129.01
2321.00	INSIDE WIRE	415641	10.00%	41564.10
2351.00	PUBLIC TELE-COIN	38125	9.04%	3446.50
2362.00	OTHER TERMINAL EQUIPMENT	32196	13.18%	4243.43
2411.00	POLES	105877	5.05%	5346.79
2421.10	AERIAL CABLE- METALIC	732661	6.50%	47622.97
2421.20	AERIAL CABLE- NON METALIC	294	5.52%	16.23
2422.10	UNDERGROUND CABLE- METALIC	883246	5.32%	46988.69
2422.20	UNDERGROUND CABLE- NONMETA	19333	4.08%	788.79
2423.10	BURIED CABLE-METALIC	553720	5.65%	31285.18
2423.20	BURIED CABLE- NONMETALIC	132	5.12%	6.76
2424.00	SUBMARINE CABLE	859	5.82%	49.99
2426.00	INTRABULDING CABLE	6824	2.90%	197.90
2431.00	AERIAL WIRE	9365	10.38%	972.09
2441.00	CONDUIT	437738	2.01%	8798.53
	TOTAL ALL ACCOUNTS	\$6,873,419		\$554,385

(End of Table-A)