

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GTE TELEPHONE OPERATIONS)
FOR CHANGES IN ITS UTILITY PLANT) CASE NO. 94-215
DEPRECIATION ACCOUNTS)

O R D E R

On November 18, 1993, GTE Telephone Operations - South Area ("GTE") filed its 1994 Depreciation Study ("Study") for its Kentucky operations with the Commission. In its Study, GTE requested changes in the service life, salvage, and life curve shapes for its various plant accounts. This Study was filed in accordance with the requirements of Commission Regulation 807 KAR 5:064. GTE also filed its Study with the Federal Communications Commission ("FCC"), which has jurisdiction over the interstate portion of GTE's utility plant.

GTE's currently prescribed depreciation parameters result in a composite depreciation rate of 6.8 percent. In its Study, GTE proposed parameters which would result in a composite depreciation rate of 9.1 percent, with an annual increase in depreciation expense accruals of \$24,742,000 on a combined (intrastate and interstate) basis. These figures are based upon plant account balances as of December 31, 1993, the end of the Study period. GTE requested an effective booking date of January 1, 1995.

Following review and analysis of the Study, a Commission staff proposal was issued by letter on February 10, 1994. The staff

proposal contained parameters which the staff recommended as appropriate for GTE. The staff proposal resulted in a composite depreciation rate of 7.3 percent, and an increase in annual depreciation expense accrual of \$5,389,000 on a combined basis, again based upon plant account balances as of the end of the Study period. The staff also proposed that the effective booking date for the revised depreciation parameters be January 1, 1994 which would be consistent with the effective booking date for the interstate jurisdiction.

A "Three-Way" settlement meeting was subsequently held on February 22 and 23, 1994 at which time representatives of GTE, the FCC, and Commission staff were able to reach agreement on changes in GTE's plant account depreciation parameters. At the meeting, the parties also agreed to an effective booking date of January 1, 1994.

On March 7, 1994, GTE filed a letter with the Commission in which GTE requested approval of the parameters agreed upon at the "Three-Way" settlement meeting. If approved by the Commission, the new depreciation parameters would result in a composite depreciation rate of 7.8 percent and an annual increase in depreciation expense accrual of \$10,459,000 on a combined basis. The Kentucky intrastate portion of this combined total would be approximately 75 percent. These figures are based upon plant account balances as of December 31, 1993, the end of the Study period.

Prior to considering this matter, the Commission sent notice of the agreed proposal on March 24, 1994 to all intervenors of record in GTE's most recent rate proceeding,¹ requesting comment, if any, within 30 days of the date of the notice. No comments were received.

The Commission, having considered the record and being otherwise sufficiently advised, HEREBY ORDERS that:

1. The depreciation parameters agreed upon at the "Three-Way" settlement meeting, attached as Appendix A and incorporated into this Order, having been found reasonable for GTE's plant accounts are hereby approved.

2. GTE shall enter the approved plant account parameters effective on and after January 1, 1994.

3. GTE shall file with the Commission a copy of the FCC Order which approves the agreed parameters within 10 days of the date GTE receives such Order.

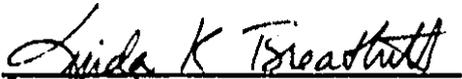
¹ Case No. 10117, Adjustment of Rates of GTE South Incorporated.

Done at Frankfort, Kentucky, this 27th day of May, 1994.

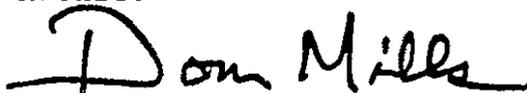
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:



Executive Director

APPENDIX A

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 94-215 DATED May 27, 1994**

DATE:
04-MAR-94
11:33 AM

STATE BASIS
THREE-WAY RESULTS
SUMMARY OF CHANGES IN
REMAINING LIFE DEPRECIATION RATES

COMPANY: GTE/CONTEL
STATE : KENTUCKY
STATEMENT A - RMNG LIFE

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	COMPOSITE GTE/CONTEL @ RATES IN EFFECT 12-31-93				EFFECTIVE 1994			
		RMNG LIFE (YRS)	RATE RESERVE (%)	FNS (%)	RL RATE (%)	RMNG LIFE (YRS)	RESERVE 1/1/94 **	FNS (%)	RL RATE (%)
		A	B	C	D	E	F	G	H
2112	MOTOR VEHICLES				5.3	3.8	42.3	19.0	10.2
2115	GARAGE WORK EQPT				4.1	7.5	56.6	0.0	5.8
2116	OTHER WORK EQPT				5.6	7.6	51.0	5.0	5.8
2121	BUILDINGS				2.6	24.0	28.0	8.0	2.7
2122	FURNITURE				4.8	8.7	50.1	10.0	4.6
2123.1	OFC SUPPORT EQPT				6.7	6.1	57.5	7.0	5.8
2123.2	CO COMM EQPT				8.6	5.7	57.2	10.0	9.8
2124	GEN PURP COMPUTERS				10.0	2.8	79.3	5.0	5.6
2211	ANALOG SWITCHING				18.4	2.0	54.9	-1.0	23.1
2212	DIGITAL ELECTRONIC SW				6.1	8.2	34.1	4.0	7.5
2215	ELECTROMECHANICAL SW				17.4				
2220	OPERATOR SYSTEMS				7.3	5.8	3.3	-2.0	17.0
2231	RADIO SYSTEMS				12.4	3.7	82.7	-2.0	5.2
2232	CIRCUIT EQUIPMENT				9.6	5.6	33.1	2.0	11.2
2351	PUBLIC TEL TERM EQPT				10.1	4.9	64.7	2.0	6.8
2362	OTHER TERM EQPT				15.5	3.2	93.1	3.0	1.2
2411	POLES				6.4	14.4	39.2	-31.0	6.4
2421.1	AERIAL CABLE-METALLIC				5.9	13.1	44.2	-31.0	6.6
2421.2	AERIAL CABLE-NON MET.				5.0	14.8	16.8	-12.0	6.4
2422.1	UGND CABLE-METALLIC				3.6	14.3	37.9	-10.0	5.0
2422.2	UGND CABLE-NON MET.				5.8	17.8	9.3	-10.0	5.7
2423.1	BURIED CABLE-METALLIC				6.6	10.0	32.8	-3.0	7.0
2423.2	BURIED CABLE-NON MET.				4.6	17.2	16.0	-1.0	4.9
2424	SUBMARINE CABLE				4.6	15.8	27.8	-1.0	4.6
2426	INTRABLDG NET CAB				6.5 *	10.5	20.2	-10.0	8.6
2431	AERIAL WIRE				48.3	2.8	94.9	-50.0	19.7
2441	CONDUIT SYSTEMS				1.8	33.0	30.3	-1.0	2.1

NOTES: @ RATE IS A DOLLAR WEIGHTED COMPOSITE OF CURRENTLY PRESCRIBED RATES FOR GTE AND CONTEL PROPERTIES, BASED ON YEAR END 1992 PLANT BALANCES.

* COMPOSITE OF METAL & FIBER

** INCLUDES UNAMORTIZED RESERVE AMORT. AT Y.E. '93

DATE:
04-Mar-94
11:33 AM

STATE BASIS
THREE-WAY RESULTS
CHANGE IN ANNUAL DEPRECIATION ACCRUALS
RESULTING FROM CHANGES IN DEPRECIATION RATES AND AMORTIZATION
(000)

COMPANY: QTE/COMTEL
STATE : KENTUCKY
STATEMENT B - ANNU LIFE

ACCOUNT NUMBER	DESCRIPTION	USING RATES IN EFFECT 12/93			EFFECTIVE 1994			CHANGE IN ANNUAL ACCRUALS P=O-L	
		1/1/94 INVESTMENT I	DEPR. ACCRUALS J=I*90	AMORT * K	TOTAL L=J+K	DEPR. ACCRUALS M=I*94	AMORT * N		TOTAL O=M+N
2112	MOTOR VEHICLES	17,227	913	(76)	637	1,757	(76)	1,681	844
2113	GARAGE WORK EQPT	534	22	0	22	31	0	31	9
2116	OTHER WORK EQPT	11,649	632	6	638	676	6	682	24
2121	BUILDINGS	61,679	1,604	316	2,120	1,665	316	2,181	61
2122	FURNITURE	2,924	140	37	177	135	37	172	(5)
2123.1	OFC SUPPORT EQPT	1,158	78	(9)	69	67	(9)	58	(11)
2123.2	CO COMM EQPT	7,075	608	(296)	312	410	(296)	114	(198)
2124	GEN PURP COMPUTERS	11,275	1,128	58	1,186	631	58	689	(497)
2211	ANALOG SWITCHING	8,203	1,509	(878)	631	1,895	(878)	1,017	384
2212	DIGITAL ELECTRONIC SW	250,125	15,258	284	15,542	18,759	284	19,043	3,501
2215	ELECTROMECHANICAL SW	10,814	1,882	(1,931)	(49)	0	2,777	2,777	2,826
2220	OPERATOR SYSTEMS	8,915	631	(3)	628	1,516	(3)	1,513	865
2231	RADIO SYSTEMS	5,117	635	(100)	535	266	(100)	166	(369)
2232	CIRCUIT EQUIPMENT	123,150	11,822	1,194	13,016	13,793	1,194	14,987	1,971
2351	PUBLIC TEL TERM EQPT	4,504	455	25	480	306	25	331	(149)
2362	OTHER TERM EQPT	9,301	1,442	(730)	712	112	(730)	(618)	(1,330)
2411	POLES	81,787	5,234	77	5,311	5,234	77	5,311	0
2421.1	AERIAL CABLE-METALLIC	275,606	16,261	3,207	19,468	18,190	3,207	21,397	1,929
2421.2	AERIAL CABLE- NON MET.	23,067	1,153	3	1,156	1,476	3	1,479	323
2422.1	UGHD CABLE-METALLIC	27,494	1,350	130	1,480	1,875	130	2,005	525
2422.2	UGHD CABLE-NON MET.	4,999	290	4	294	285	4	289	(5)
2423.1	BURIED CABLE-METALLIC	89,082	5,879	356	6,235	6,236	356	6,592	357
2423.2	BURIED CABLE-NON MET.	2,795	129	2	131	137	2	139	8
2424	SUBMARINE CABLE	6	0	0	0	0	0	0	0
2426	INTRABLDG NET CAB	674	44	(3)	41	58	(3)	55	14
2431	AERIAL WIRE	2,375	1,147	130	1,277	468	130	598	(679)
2441	CONDUIT SYSTEMS	19,569	352	30	382	411	30	441	59
	TOTALS	1,071,104	70,628	2,033	72,671	76,389	6,741	83,130	10,459
	COMPOSITES		6.6		6.8	7.1		7.8	

NOTES: * UNAMORTIZED JURISDICTIONAL RESERVE DIFFERENCE.
ALL AMORTIZATIONS WITH THE EXCEPTION OF ELECTROMECHANICAL SWITCHING (ACCOUNT 2215) END 12/31/94

COMMENT 1
 PROPOSAL : THREE-WAY RESULTS
 EFF. DATE: 1/1/94

PARAMETER REPORT

COMPANY: GTE/CONTEL
 STATE : KENTUCKY
 JURIS. : INTRASTATE

1ST ELG YEAR	P.L. OR AYFR	AVG NET SALV.	FUTURE NET SALV	CURVE SHAPE PARAMETERS			COMMENTS
				c	G	S	
2112	MOTOR VEHICLES	1983	8.0	16.0	19.0	L3	IOWA
2115	GARAGE WORK EQPT	1983	15.0	0.0	0.0	R3	IOWA
2116	OTHER WORK EQPT	1983	15.0	5.0	5.0	R1	IOWA
2121	BUILDINGS	1983	36.0	2.0	8.0	R3	IOWA
2122	FURNITURE	1983	17.0	12.0	10.0	R1	IOWA
2123.1	OPC SUPPORT EQPT	1983	12.0	7.0	7.0	R1	IOWA
2123.2	CO COMM EQPT	NO	8.8	56.0	10.0	L1	IOWA
2124	GEN PURP COMPUTERS	1983	7.0	5.0	5.0	R2	IOWA
2211	ANALOG SWITCHING	NO	1995.5	-2.0	-1.0	CRR	.00076495
2212	DIGITAL ELECTRONIC SW	1983	15.0	4.0	4.0	GM2.5	
2215	ELECTROMECHANICAL SW	36 MONTH NETBOOK AMORTIZATION					
2220	OPERATOR SYSTEMS	1989	10.0	-2.0	-2.0	L1.5	IOWA
2231	RADIO SYSTEMS	1983	10.5	-1.0	-2.0	R2	IOWA
2232	CIRCUIT EQUIPMENT	1983	11.0	3.0	2.0	R1	IOWA
2351	PUBLIC TEL TERM EQPT	NO	8.0	6.0	2.0	L1	IOWA
2362	OTHER TERM EQPT	NO	8.0	4.0	3.0	S1	IOWA
2411	POLES	1983	26.0	-30.0	-31.0	L0	IOWA
2421.1	AERIAL CABLE-METALLIC	1983	23.0	-29.0	-31.0	R1.5	IOWA
2421.2	AERIAL CABLE-NON MET.	1983	25.0	-12.0	-12.0	L1	IOWA
2422.1	UGHD CABLE-METALLIC	1983	26.0	-8.0	-10.0	R1	IOWA
2422.2	UGHD CABLE-NON MET.	1983	30.0	-10.0	-10.0	R1	IOWA
2423.1	BURIED CABLE-METALLIC	1983	18.0	-2.0	-3.0	R1	IOWA
2423.2	BURIED CABLE-NON MET.	1983	25.0	-1.0	-1.0	L2	IOWA
2424	SUBMARINE CABLE	1984	25.0	-1.0	-1.0	R2	IOWA
2426	INTRABLOG NET CAB	1983	20.0	-9.0	-10.0	L1	IOWA
2431	AERIAL WIRE	NO	5.5	-40.0	-50.0	L1	IOWA
2441	CONDUIT SYSTEMS	1983	50.0	1.0	-1.0	R3	IOWA

NOTES: