

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GTE SOUTH)
INCORPORATED FOR APPROVAL)
OF CHANGES IN ITS UTILITY PLANT) CASE NO. 97-045
DEPRECIATION RATES AND FOR)
WAIVER OF 807 KAR 5:064)

O R D E R

On January 28, 1997, GTE South Incorporated ("GTE South") filed a request for changes in certain of its utility plant depreciation rates with the Commission. Additionally, since GTE South's proposal was not filed in accordance with the requirements of 807 KAR 5:064, the utility requested a deviation from certain of the regulation's requirements.

GTE South's currently prescribed depreciation parameters result in a composite depreciation rate of 7.8 percent. In its filing, GTE South proposed changes in the following plant accounts:

<u>Account Number</u>	<u>Class or Subclass of Plant</u>
2212	Digital Electronic Switching
2232	Circuit Equipment
2421.1	Aerial Cable Metallic
2421.2	Aerial Cable Nonmetallic
2422.1	Underground Cable Metallic
2422.2	Underground Cable Nonmetallic
2423.1	Buried Cable Metallic
2423.2	Buried Cable Nonmetallic

GTE South did not propose any change to its remaining plant accounts.

If approved by the Commission, the proposed changes would have resulted in a composite depreciation rate of 9.9 percent, with an annual increase in intrastate depreciation expense accrual of \$24,700,000. These figures were based upon plant account balances as of December 31, 1996. GTE South requested an effective booking date of January 1, 1997.

GTE South did not file any type of detailed mortality study of its Kentucky plant. Instead, GTE South requested so-called "economic life" depreciation rates, based upon two documents filed with the application. The first was entitled, "Technology Forecast for GTE Telephone Operations," and the second was "Depreciation Lives for Telecommunications Equipment: Review and Update." If approved, the resultant changes would apply only to the Kentucky intrastate jurisdiction. Neither document provided any analysis of Kentucky-specific plant. On March 21, 1997, GTE South filed the testimony of John P. Blanchard and Allen E. Sovereion, employees of GTE Telephone Operations, in support of GTE South's application.

By Order dated April 8, 1997, the Commission dismissed GTE South's application without prejudice. The primary reason for the dismissal was that GTE South did not provide any analysis of Kentucky-specific plant or operations, relying instead upon national economic studies which did not properly reflect the specific makeup of the utility's Kentucky operation.

GTE South filed a motion for reconsideration of the Commission's decision on April 28, 1997. Additionally, the utility filed a letter in this case on May 8, 1997 wherein GTE South requested an Informal Conference with Commission Staff to further discuss

the matter. By Order dated May 19, 1997, the Commission granted rehearing and an Informal Conference was subsequently held on May 28, 1997.

At the Informal Conference, Staff reiterated the Commission's decision that any changes in GTE South's depreciation parameters should be based upon information specific to Kentucky rather than purely upon nationwide studies. The staff requested that GTE South calculate and provide depreciation lives based upon a weighted average of the utility's Kentucky territory classification ("extremely, highly, and moderately" competitive) as compared to the utility's national territory classification. This information would also include an amortization of the differential between the actual and theoretical reserve ratio resulting from the changed parameters. Additionally, the Staff requested that GTE South provide Kentucky-specific estimated additions and retirements for the years 1997-1999 in each of the subject plant accounts. Based upon this information, the utility also agreed to provide the estimated depreciation reserve ratio for each of those plant accounts as of December 31, 1999.

GTE South provided this information by filing of June 27, 1997. Based upon Commission Staff's request, GTE South's Remaining Life and Future Net Salvage parameters would result in a composite depreciation rate of 8.4 percent and an increase in annual intrastate depreciation expense of \$10,655,000. Additionally, the parameters would result in an intrastate reserve deficiency of \$40,071,000. GTE South proposed to amortize this deficiency over three years at \$13,357,000 per year. The resulting increase in intrastate depreciation expense would be \$24,012,000 per year.

Following further discussion between GTE South and Commission Staff, GTE South filed additional information on July 21, 1997. The information filed provided a revised calculation of the proposed depreciation expense utilizing a four-year amortization period for the depreciation reserve deficiency, while maintaining the 8.4 percent composite depreciation rate. The revised intrastate amortization would be \$10,017,000 per year for four years, which combined with the increased intrastate depreciation expense of \$10,655,000, would result in a total additional resultant intrastate depreciation expense of \$20,672,000 per year. These amounts are based upon account balances as of December 31, 1996.

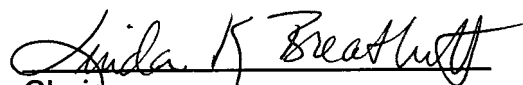
The Commission has reviewed all information filed in this matter and finds that GTE South's filing of July 21, 1997 properly reflects the utility's Kentucky operations, is reasonable, and should be approved.


IT IS HEREBY ORDERED that:

1. The depreciation parameters, attached as Appendix A and incorporated into this Order, are hereby approved.
2. GTE South shall enter the approved intrastate plant account parameters and reserve amortization effective on and after January 1, 1997.

Done at Frankfort, Kentucky, this 18th day of August, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 97-045 DATED AUGUST 18, 1997

09-Jul-97

COMPANY : GTE SOUTH
 STATE : KENTUCKY
 SUMMARY STATEMENT A - REMAINING LIFE

SUMMARY OF CHANGES IN DEPRECIATION RATES

ANNUAL PERCENTAGE RATES OF DEPRECIATION

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	RATES IN EFFECT 12-31-96				RATES PROPOSED 1997			
		AVG. REM. LIFE	RESERVE PCT	FUTURE NET SALV.	DEPR RATE	AVG. REM. LIFE	RESERVE PCT	FUTURE NET SALV.	DEPR RATE
		A	B	C	D	E	F	G	H
2112	MOTOR VEHICLES	3.8	42.3	19	10.2	3.8	57.7	19	10.2 *
2115	GARGAGE WORK EQ	7.5	56.6	0	5.8	7.5	40.2	0	5.8 *
2116	OTHER WORK EQ	7.6	51.0	5	5.8	7.6	48.4	5	5.8 *
2121	BUILDINGS	24.0	28.0	8	2.7	24.0	26.4	8	2.7 *
2122	FURNITURE	8.7	50.1	10	4.6	8.7	47.5	10	4.6 *
2123.1	OFFICE SUPPORT EQ	6.1	57.5	7	5.8	6.1	36.7	7	5.8 *
2123.2	COMPANY COMMUN EQ	5.7	57.2	10	5.8	5.7	49.6	10	5.8 *
2124	GEN PURPOSE COMPUTERS	2.8	79.3	5	5.6	2.8	40.1	5	5.6 *
2211	ANALOG ELECTRONIC SW	2.0	54.9	-1	23.1	2.0	99.2	-1	23.1 *
2212	DIGITAL ELECTRONIC SW	8.2	34.1	4	7.5	6.0	43.5	4	8.8
2215	ELECTROMECHANICAL SW	0.0	0.0	0	0.0	0.0	172.9	0	0.0 *
2220	OPERATOR SYSTEMS	5.8	3.3	-2	17.0	5.8	29.6	-2	17.0 *
2231	RADIO SYSTEMS	3.7	82.7	-2	5.2	3.7	92.1	-2	5.2 *
2232	CIRCUIT EQ	5.6	35.1	2	11.2	4.0	45.5	2	13.1
2351	PUBLIC TELE TERM EQ	4.9	64.7	2	6.8	4.9	66.0	2	6.8 *
2362	OTHER TERMINAL EQ	3.2	93.1	3	1.2	3.2	83.1	3	1.2 *
2411	POLES	14.4	39.2	-31	6.4	14.4	48.8	-31	6.4 *
2421.1	AERIAL CABLE METALLIC	13.1	44.2	-31	6.6	9.0	53.1	-31	8.7
2421.2	AERIAL CABLE NONMETAL	14.8	16.8	-12	6.4	15.0	25.8	-12	5.7
2422.1	UNDRGRD CABLE METALLIC	14.3	37.9	-10.0	5.0	9.0	46.7	-10.0	7.0
2422.2	UNDRGRD CABLE NONMETAL	17.8	9.3	-10.0	5.7	15.0	18.3	-10.0	6.1
2423.1	BURIED CABLE METALLIC	10.0	32.8	-3.0	7.0	9.0	44.9	-3.0	6.5
2423.2	BURIED CABLE NONMETAL	17.2	16.0	-1.0	4.9	15.0	21.5	-1.0	5.3
2426	INTRABUILDING CABLE	10.5	20.2	-10.0	8.6	10.5	42.4	-10.0	8.6 *
2431	AERIAL WIRE	2.8	94.9	-50	19.7	2.8	96.5	-50	19.7 *
2441	CONDUIT SYSTEMS	33	30.3	-1	2.1	33	35.2	-1	2.1 *

* NO CHANGE

09-Jul-97

COMPANY : GTE SOUTH
 STATE : KENTUCKY
 SUMMARY STATEMENT B - REMAINING LIFE

CHANGE IN ANNUAL DEPRECIATION EXPENSE
 RESULTING FROM CHANGES IN DEPRECIATION RATES AND AMORTIZATIONS
 (\$000)

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	INVESTMENT 1-1-97	CURRENTLY IN EFFECT 12-31-96			PROPOSED 1997			Total Change In Expense	Intrastate Change In Expense
			DEPR. ACCRUAL	AMORTI- ZATION	TOTAL	DEPR. ACCRUALS	AMORTI- ZATION	TOTAL		
			J=I*O	K	L=J+K	M=I*N	N	O=M+N		
2112	MOTOR VEHICLES	14,256	1,454	0	1,454	1,454	0	1,454	0	0
2115	GARGAGE WORK EQ	774	45	0	45	45	0	45	0	0
2116	OTHER WORK EQ	10,937	634	0	634	634	0	634	0	0
2121	BUILDINGS	65,279	1,763	0	1,763	1,763	0	1,763	0	0
2122	FURNITURE	2,123	98	0	98	98	0	98	0	0
2123.1	OFFICE SUPPORT EQ	879	51	0	51	51	0	51	0	0
2123.2	COMPANY COMMUN EQ	8,029	466	0	466	466	0	466	0	0
2124	GEN PURPOSE COMPUTERS	7,736	433	0	433	433	0	433	0	0
2211	ANALOG ELECTRONIC SW	4,798	1,108	0	1,108	1,108	0	1,108	0	0
2212	DIGITAL ELECTRONIC SW	294,074	22,056	0	22,056	25,879	0	25,879	3,823	3,234
2215	ELECTROMECHANICAL SW	2,053	0	0	0	0	0	0	0	0
2220	OPERATOR SYSTEMS	11,299	1,921	0	1,921	1,921	0	1,921	0	0
2231	RADIO SYSTEMS	4,522	235	0	235	235	0	235	0	0
2232	CIRCUIT EQ	185,221	20,745	0	20,745	24,264	0	24,264	3,519	2,368
2351	PUBLIC TELE TERM EQ	4,577	311	0	311	311	0	311	0	0
2362	OTHER TERMINAL EQ	10,863	130	0	130	130	0	130	0	0
2411	POLES	90,748	5,808	0	5,808	5,808	0	5,808	0	0
2421.1	AERIAL CABLE METALLIC	318,977	21,052	0	21,052	27,751	10,670	38,421	17,369	12,922
2421.2	AERIAL CABLE NONMETAL	32,611	2,087	0	2,087	1,859	0	1,859	(228)	(170)
2422.1	UNDRGRD CABLE METALLIC	39,916	1,996	0	1,996	2,794	924	3,718	1,722	1,281
2422.2	UNDRGRD CABLE NONMETAL	6,848	390	0	390	418	0	418	28	21
2423.1	BURIED CABLE METALLIC	104,696	7,329	0	7,329	6,805	1,871	8,676	1,347	1,002
2423.2	BURIED CABLE NONMETAL	4,428	217	0	217	235	0	235	18	13
2426	INTRABUILDING CABLE	637	55	0	55	55	0	55	0	0
2431	AERIAL WIRE	3,250	640	0	640	640	0	640	0	0
2441	CONDUIT SYSTEMS	20,477	430	0	430	430	0	430	0	0
	TOTALS	1,250,008	91,454	0	91,454	105,587	13,464	119,051	27,597	20,672
	COMPOSITE RATE		7.3		7.3	8.4		9.5		74.91%

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THIRD KENTUCKY CELLULAR)
CORP. D/B/A WIRELESS 2000 TELEPHONE COMPANY)
FOR ISSUANCE OF A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO PROVIDE) CASE NO. 96-610
PERSONAL COMMUNICATIONS SERVICE IN THE)
COMMONWEALTH OF KENTUCKY)

O R D E R

On March 25, 1997, the Commission granted Third Kentucky Cellular Corp. d/b/a Wireless 2000 Telephone Company ("Wireless 2000") the authority to construct and operate a Commercial Mobile Radio Service ("CMRS") within the Commonwealth of Kentucky. Prior to that date, the Federal Communications Commission ("FCC") granted Wireless 2000 rights to 30 megahertz of the personal communications service in the Basic Trading Area No. 98 ("BTA No. 98").

Subsequently, Wireless 2000's FCC Channel Block F authorization increased 10 megahertz in BTA No. 98 and Wireless 2000 also acquired the F Block authorization in BTA No. 295 and BTA No. 423. BTA No. 295 includes Bell, Harlan, and Letcher counties while BTA No. 423 includes Pulaski, Casey, McCreary, Wayne, and Russell counties.

Consequently, Wireless 2000, on June 6, 1997 filed with the Commission its Motion to reopen application and to modify authority to provide service ("Motion").

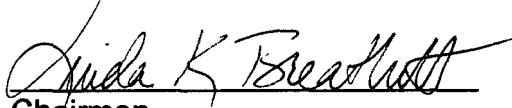
The Commission, having considered the Motion and being otherwise sufficiently advised, finds that said Motion should be granted.

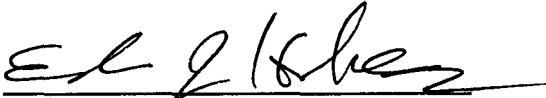
IT IS THEREFORE ORDERED that the Commission's March 25, 1997 Order is modified as follows:

1. Wireless 2000 is granted authority to construct and operate a CMRS within the expanded territories.
2. Wireless 2000 shall file an application with the Commission for the construction of all towers within the Commonwealth.
3. Within 60 days prior to commencement of service, Wireless 2000 shall file its service tariff sheets in accordance with Administrative Case No. 344.¹
4. Except as modified herein, the Commission's Order of March 25, 1997 shall remain in full force and effect.

Done at Frankfort, Kentucky, this 18th day of August, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Commissioner


Executive Director

¹ Administrative Case No. 344, Inquiry Into The Provision and Regulation of Cellular Mobile Telephone Service in Kentucky.