

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CINCINNATI BELL)	
TELEPHONE COMPANY FOR CHANGES IN)	CASE NO. 91-378
ITS UTILITY PLANT DEPRECIATION)	
ACCOUNTS)	

O R D E R

On March 7, 1991, Cincinnati Bell Telephone Company ("CBT") filed its 1991 Depreciation Study ("Study") with the Commission. In its Study, CBT 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. CBT also filed its Study with the Federal Communications Commission ("FCC"), which has jurisdiction over the interstate portion of CBT's utility plant.

CBT's currently prescribed depreciation parameters result in a composite depreciation rate of 6.3 percent. In its Study, CBT proposed parameters which would result in a composite depreciation rate of 8.0 percent, and a combined (Intrastate and Interstate) annual increase in depreciation expense accrual of \$3,616,000, based upon plant account balances as of December 31, 1990, the end of the Study period.

Following review and analysis of the Study, a Commission staff proposal was issued by letter on April 26, 1991. The staff

proposal contained parameters which the staff recommended as appropriate for CBT. A "Three-Way" settlement meeting was subsequently held on May 8-9, 1991, at which time representatives of CBT, the FCC, and Commission staff reached agreement on changes in the depreciation parameters.

On August 13, 1991, CBT filed a letter with the Commission requesting approval of the parameters agreed-upon at the "Three-Way" settlement meeting. CBT also requested an effective booking date for the changed parameters of January 1, 1992. If approved by the Commission, the parameters would result in a composite depreciation rate of 6.9 percent, with an annual increase in depreciation expense accrual of \$1,342,000 on a combined basis, based upon plant account balances as of December 31, 1990.

Prior to considering this matter, the Commission sent notice of the agreed proposal on August 21, 1991, to all intervenors of record¹ in CBT's last general rate proceeding,² requesting comment, if any, within 30 days of the date of the notice. No comments were received.

¹ Office of the Attorney General, Utility and Rate Intervention Division; AT&T Communications, Inc.; Grant County Chamber of Commerce; and Mr. John M. Lloyd, a customer of CBT.

² Case No. 9353, The Application of Cincinnati Bell Telephone Company for Authority to Increase and Adjust Its Rates and Charges and to Change Regulations and Practices Affecting the Same.

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

1. The depreciation parameters filed by CBT on August 13, 1991, and attached as Appendix A to this Order, are reasonable for CBT's plant accounts and are approved.

2. CBT shall reflect the approved plant account parameters effective on and after January 1, 1992.

Done at Frankfort, Kentucky, this 4th day of November, 1991.

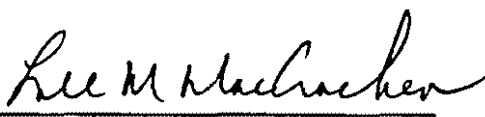
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director

APPENDIX A

**APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 91-378 DATED November 4, 1991.**

DATE: 6/12/91
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PUBLIC SERVICE
COMMISSION

COMPANY : CINCINNATI BELL TELEPHONE
STATE : KENTUCKY

STATEMENT A THREE-WAY MEETING AGREEMENT - PSCK

SUMMARY OF DEPRECIATION RATES
ALL VINTAGE RECOVERY

DEPRECIATION RATES IN EFFECT 12/31/90

RATES EFFECTIVE IN 1991

ACCT NUMBER	CLASS OR SUBCLASS OF PLANT	REM	FUTURE NET			REM	FUTURE NET		
		LIFE	RESERVE	SALVAGE	RATE	LIFE	RESERVE	SALVAGE	RATE
		YEARS	%	%	%	YEARS	%	%	%
		A	B	C	D	E	F	G	H
2112	MOTOR VEHICLES	4.9	27.1	14.0	12.0	3.8	34.2	10.0	14.7
2113	GARAGE WORK EQPT	10.9	10.0	5.0	7.8	9.0	0.5	2.0	10.8
2116	OTHER WORK EQPT	11.5	8.2	5.0	7.5	9.5	12.7	2.0	9.0
2121	BUILDINGS	26.0	34.0	-4.0	2.7	24.0	24.9	-5.0	3.3
2122	FURNITURE	10.8	14.5	5.0	7.5	9.3	15.4	7.0	8.3
2123	OFFICE EQUIPMENT								
	OFFICE SUPPORT EQPT	7.0	25.6	5.0	9.9	6.3	19.8	7.0	11.6
	COMPANY COMMUN EQPT	6.4	17.9	2.0	12.5	5.2	48.2	2.0	9.6
2124	GEN'L PUR. COMPUTERS	4.8	17.5	5.0	16.1	5.2	22.9	5.0	13.9
2211	ANALOG ELECTRONIC SW	9.4	28.7	3.0	7.3	8.1	36.3	2.0	10.1
2212	DIGITAL ELECTRONIC	14.7	15.8	3.0	5.3	11.2	21.7	3.0	6.7
2231	RADIO SYSTEMS	4.1	44.9	-6.0	14.9	6.6	65.4	-13.0	7.2
2232	CIRCUIT EQUIPMENT								
	DIGITAL CIRCUIT EQPT	8.1	26.3	0.0	9.1	7.5	32.4	4.0	8.5
	ANALOG CIRCUIT EQPT	6.5	39.7	-5.0	10.0	5.0	61.6	-5.0	8.7
2351	PUB TEL TERM EQPT	6.6	75.1	8.0	2.6	5.2	76.3	1.0	4.4
2362	OTHER TERMINAL EQPT	3.9	88.6	-4.0	3.9	4.6	74.7	-4.0	6.4
2411	POLES	18.4	27.3	-32.0	5.7	17.9	34.5	-51.0	6.5
2421	AERIAL CABLE								
	AERIAL CA: MET	17.6	38.1	-31.0	5.3	14.9	45.7	-52.0	7.1
	AERIAL CA: NON-MET	18.5	3.2	-10.0	5.8	18.7	2.6	-10.0	5.7
2422	UNDERGROUND CABLE								
	UNDERGROUND CA: MET	20.0	41.5	-46.0	5.2	17.8	52.5	-34.0	4.6
	UNDERGRD CA: NON-MET	20.0	4.3	-5.0	5.0	15.7	5.8	-10.0	6.6
2423	BURIED CABLE								
	BURIED CA: MET	23.0	21.0	-15.0	4.1	20.0	26.2	-10.0	4.2
	BURIED CA: NON-MET	24.0	3.1	-5.0	4.2	21.0	1.4	-5.0	4.9
2426	INTRABLD NETW CABLE								
	INTRABLD CA: MET	12.3	46.6	-60.0	9.2	12.0	48.9	-56.0	9.0
	INTRABLD CA: NON-MET	11.2	7.2	-10.0	9.2	11.1	7.1	-10.0	9.3
2431	AERIAL WIRE	11.4	44.2	-50.0	9.3	11.6	38.1	-51.0	9.7
2441	CONDUIT SYSTEMS	42.0	24.1	-15.0	2.2	40.0	26.7	-14.0	2.2

MAY 9, 1991

"THREE WAY MEETING RESULTS"

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COMPANY : CINCINNATI BELL TELEPHONE
STATE : KENTUCKY

PUBLIC SERVICE
COMMISSION
CHANGE IN ANNUAL DEPRECIATION ACCRUALS RESULTING FROM

CHANGES IN DEPRECIATION RATES
(\$000)

DEPRECIATION RATES IN EFFECT 12/31/90

RATES EFFECTIVE IN 1991

ACCNT NUMBER	CLASS OR SUBCLASS OF PLANT	1/1/91 INVT	RATE AMOUNT	AMORT AMOUNT	TOTAL	RATE AMOUNT	AMORT AMOUNT	TOTAL	CHANGES IN ACCRUALS
		I	J=D*I	K=J	L=J+K	M=H*I	N	O=M+N	P=O-L
2112	MOTOR VEHICLES	2,761	334	-17	317	409	-17	392	75
2115	GARAGE WORK EQPT	170	13	-3	10	18	-3	15	5
2116	OTHER WORK EQPT	877	66	-9	57	79	-9	70	13
2121	BUILDINGS	10,539	285	25	310	348	25	373	63
2122	FURNITURE	423	32	2	34	35	2	37	3
2123	OFFICE EQUIPMENT								
	OFFICE SUPPORT EQPT	176	17	1	19	20	1	22	3
	COMPANY COMMUN EQPT	683	85	-37	48	66	-37	28	-20
2124	GEN'L PUR. COMPUTERS	466	75	0	75	65	0	65	-10
2211	ANALOG ELECTRONIC SW	18,183	1,327	11	1,339	1,837	11	1,848	509
2212	DIGITAL ELECTRONIC	22,671	1,247	207	1,454	1,519	207	1,726	272
2231	RADIO SYSTEMS	351	52	2	55	25	2	28	-27
2232	CIRCUIT EQUIPMENT								
	DIGITAL CIRCUIT EQPT	28,737	2,615	84	2,699	2,443	84	2,526	-172
	ANALOG CIRCUIT EQPT	3,995	400	23	423	348	23	371	-52
2351	PUB TEL TERM EQPT	1,093	28	53	82	48	53	101	20
2362	OTHER TERMINAL EQPT	341	13	0	13	22	0	22	9
2411	POLES	11,616	662	-276	386	755	-276	479	93
2421	AERIAL CABLE								
	AERIAL CA: MET	33,667	1,784	-23	1,761	2,390	-23	2,367	606
	AERIAL CA: NON-MET	724	42	0	42	41	0	41	-1
2422	UNDERGROUND CABLE								
	UNDERGROUND CA: MET	18,658	970	475	1,445	858	475	1,333	-112
	UNDERGRD CA: NON-MET	2,507	125	0	125	165	0	165	40
2423	BURIED CABLE								
	BURIED CA: MET	24,164	991	1	992	1,015	1	1,016	24
	BURIED CA: NON-MET	6	0	0	0	0	0	0	0
2426	INTRABLD NETW CABLE								
	INTRABLD CA: MET	3,018	278	65	343	272	65	337	-6
	INTRABLD CA: NON-MET	47	4	0	4	4	0	4	0
2431	AERIAL WIRE	1,721	160	29	189	167	29	196	7
2441	CONDUIT SYSTEMS	14,501	319	93	412	319	93	412	0
	TOTALS	202,115	11,924	706	12,634	13,268	706	13,974	1,342
	COMPOSITES		5.9		6.3	6.6		6.9	

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"THREE WAY MEETING RESULTS"

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COMPANY : CINCINNATI BELL TELEPHONE
STATE : KENTUCKY

PUBLIC SERVICE
COMMISSION

STATEMENT C - RESERVES

THREE-WAY MEETING AGREEMENT - PSCB

SUMMARY OF RESERVES 1-1-91

ACCOUNT	CATEGORY	1-1-91 INVESTMENT	BOOK RESERVE		ADJUSTED BOOK RESERVE WITH AMORTIZATION		UNAMORTIZED BALANCE	THEORETICAL RESERVE	
			AMOUNT	PERCENT	AMOUNT	PERCENT		AMOUNT	PERCENT
		A	B	C=B/A	D	E=D/A	F=D-B	G	H=G/A
2112	MOTOR VEHICLES	2,781,169	967,473	34.8	950,691	34.2	-16,782	1,396,147	50.2
2115	GARAGE WORK EQPT	170,040	3,904	2.3	899	0.5	-3,005	32,818	19.3
2116	OTHER WORK EQPT	877,375	119,714	13.6	111,098	12.7	-8,616	200,919	22.9
2121	BUILDINGS	10,539,036	2,604,120	24.7	2,629,306	24.9	25,186	2,792,845	26.5
2122	FURNITURE	423,383	63,190	14.9	65,051	15.4	1,861	137,599	32.5
2123	OFFICE EQUIPMENT								
	OFFICE SUPPORT EQPT	176,206	33,791	19.2	34,930	19.8	1,139	47,928	27.2
	COMPANY COMMUN EQPT	682,618	366,141	53.6	328,941	48.2	-37,200	258,712	37.9
2124	GEN'L PUR. COMPUTERS	466,274	107,056	23.0	106,992	22.9	-64	71,340	15.3
2211	ANALOG ELECTRONIC SW	18,183,323	6,582,968	36.2	6,594,358	36.3	11,390	10,509,981	57.8
2212	DIGITAL ELECTRONIC	22,670,823	4,709,379	20.8	4,916,243	21.7	206,864	5,304,973	23.4
2231	RADIO SYSTEMS	350,756	226,821	64.7	229,221	65.4	2,400	141,355	40.3
2232	CIRCUIT EQUIPMENT								
	DIGITAL CIRCUIT EQPT	26,737,424	9,228,257	32.1	9,311,817	32.4	83,560	9,138,501	31.8
	ANALOG CIRCUIT EQPT	3,995,323	2,438,932	61.0	2,481,998	61.6	23,046	2,385,208	59.7
2351	PUB TEL TERM EQPT	1,092,727	780,629	71.4	833,825	76.3	53,196	534,344	48.9
2362	OTHER TERMINAL EQPT	340,632	254,439	74.7	254,439	74.7	0	123,649	36.3
2411	POLES	11,615,545	4,281,175	36.9	4,005,571	34.5	-275,604	5,238,611	45.1
2421	AERIAL CABLE								
	AERIAL CA: MET	33,667,127	15,399,743	45.7	15,376,863	45.7	-22,880	21,681,630	64.4
	AERIAL CA: NON-MET	723,550	19,052	2.6	19,052	2.6	0	24,601	3.4
2422	UNDERGROUND CABLE								
	UNDERGROUND CA: MET	18,657,904	9,324,621	50.0	9,799,501	52.5	474,880	9,684,794	51.8
	UNDERGRD CA: NON-MET	2,507,305	144,412	5.8	144,612	5.8	0	180,526	7.2
2423	BURIED CABLE								
	BURIED CA: MET	24,164,186	6,338,698	26.2	6,340,024	26.2	1,326	7,418,405	30.7
	BURIED CA: NON-MET	5,786	79	1.4	79	1.4	0	550	9.5
2426	INTRABLD NETW CABLE								
	INTRABLD CA: MET	3,016,103	1,397,714	46.3	1,463,213	48.5	65,499	1,569,414	52.0
	INTRABLD CA: NON-MET	46,914	3,344	7.1	3,344	7.1	0	2,205	4.7
2431	AERIAL WIRE	1,720,711	626,927	36.4	655,523	38.1	28,596	559,231	32.5
2441	CONDUIT SYSTEMS	14,500,912	3,775,124	26.0	3,868,124	26.7	93,000	3,857,243	26.6
	TOTAL	202,115,152	69,797,723	34.5	70,505,515	34.9	707,792	83,273,506	41.2

MAY 9, 1991

"THREE WAY MEETING RESULTS"

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COMPANY : CINCINNATI BELL TELEPHONE
STATE : KENTUCKY

PUBLIC SERVICE
COMMISSION

STATEMENT C - RESERVES

THREE-WAY MEETING AGREEMENT - PSCK

CALCULATION OF RESERVE REQUIREMENTS 1-1-91

ACCOUNT	CATEGORY	1-1-91	AVERAGE	AVERAGE	AVERAGE	FUTURE	RESERVE REQUIREMENT	
		INVESTMENT	SERVICE	REMAINING	NET	NET	PERCENT	AMOUNT
			LIFE	LIFE	SALVAGE	SALVAGE		
		A	B	C	D	E	$F = (100 - E) - ((100 - D) \times (C/B))$	G = F x A
2112	MOTOR VEHICLES	2,781,169	8.6	3.8	10.0	10.0	50.2	1,396,147
2115	GARAGE WORK EQPT	170,040	12.7	9.0	-11.0	2.0	19.3	32,818
2116	OTHER WORK EQPT	877,375	12.4	9.5	2.0	2.0	22.9	200,919
2121	BUILDINGS	10,539,036	33.0	24.0	-8.0	-5.0	26.5	2,792,845
2122	FURNITURE	423,383	14.6	9.3	5.0	7.0	32.5	137,599
2123	OFFICE EQUIPMENT							
	OFFICE SUPPORT EQPT	176,206	9.1	6.3	5.0	7.0	27.2	47,928
	COMPANY COMMUN EQPT	682,618	6.4	5.2	26.0	2.0	37.9	258,712
2124	GEN'L PUR. COMPUTERS	466,274	6.2	5.2	5.0	5.0	15.3	71,340
2211	ANALOG ELECTRONIC SW	18,183,323	12.9	6.1	15.0	2.0	57.8	10,509,961
2212	DIGITAL ELECTRONIC	22,670,823	14.3	11.2	6.0	3.0	23.4	5,304,973
2231	RADIO SYSTEMS	350,756	9.8	6.6	-8.0	-13.0	40.3	141,355
2232	CIRCUIT EQUIPMENT							
	DIGITAL CIRCUIT EQPT	28,737,424	11.1	7.5	5.0	4.0	31.8	9,138,501
	ANALOG CIRCUIT EQPT	3,995,323	11.8	5.0	-7.0	-5.0	59.7	2,385,208
2351	PUB TEL TERM EQPT	1,092,727	10.7	5.2	-3.0	1.0	48.9	534,344
2362	OTHER TERMINAL EQPT	340,632	5.3	4.6	22.0	-4.0	36.3	123,849
2411	POLES	11,615,545	24.0	17.9	-42.0	-31.0	45.1	5,238,611
2421	AERIAL CABLE							
	AERIAL CA: MET	33,667,127	25.0	14.9	-47.0	-52.0	64.4	21,681,630
	AERIAL CA: NON-MET	723,550	19.3	18.7	-10.0	-10.0	3.4	24,601
2422	UNDERGROUND CABLE							
	UNDERGROUND CA: MET	18,657,904	29.0	17.8	-34.0	-34.0	51.8	9,664,794
	UNDERGRD CA: NON-MET	2,507,305	16.8	15.7	-10.0	-10.0	7.2	180,526
2423	BURIED CABLE							
	BURIED CA: MET	24,164,186	28.0	20.0	-11.0	-10.0	30.7	7,418,405
	BURIED CA: NON-MET	5,786	22.0	21.0	0.0	-5.0	9.5	550
2426	INTRABLD NETW CABLE							
	INTRABLD CA: MET	3,018,103	18.0	12.0	-56.0	-56.0	52.0	1,569,414
	INTRABLD CA: NON-MET	46,914	11.7	11.1	-11.0	-10.0	4.7	2,205
2431	AERIAL WIRE	1,720,711	14.0	11.6	-43.0	-51.0	32.5	559,231
2441	CONDUIT SYSTEMS	14,500,912	54.0	40.0	-18.0	-14.0	26.6	3,857,243
	TOTAL	202,115,152					41.2	83,273,506

MAY 9, 1991

"THREE WAY MEETING RESULTS"

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COMPANY : CINCINNATI BELL TELEPHONE

AUG 19 1991

STATE : KENTUCKY

PARAMETER REPORT PUBLIC SERVICE
COMMISSION

THREE-WAY MEETING RESULTS-PSCK

CATEGORY	FIRST ELG YEAR	P.L. OR AYFR	AVG. NET SALV.	FUTURE NET SALV.	CURVE SHAPE PARAMETERS			COMMENTS
					C	G	S	
2112.00 MOTOR VEHICLES			10.0	10.0				
641C PASSENGER CARS	1983	7.0	9.0	9.0	0.2170000E+01	-0.6360010E-03	-0.6739885E-02	
641C SMALL TRUCKS	1983	8.0	12.0	12.0	0.1680000E+01	-0.3003434E-02	0.1481475E-02	
641C MEDIUM & LARGE TRUCKS	1983	10.0	8.0	8.0	0.1730000E+01	-0.9777128E-03	0.5256412E-03	
2115.00 GARAGE WORK EQPT	1983	15.0	-11.0	2.0	0.1130000E+01	-0.1985080E+00	0.2451485E-01	
2115.00 OTHER WORK EQPT	1983	16.5	2.0	2.0	0.9800000E+00	-0.5016146E+01	-0.1008594E+00	
2121.00 BUILDINGS			-8.0	-5.0				
10C LARGE	1983	48.0	-4.0	0.0	0.1184292E+01	-0.1014497E+00	0.1577689E-01	
10C SMALL EQPT & GARAGES	1983	28.0	-12.0	-14.0	0.1084611E+01	-0.2174951E+00	0.1198440E-01	
2122.10 FURNITURE	1983	17.0	5.0	7.0	0.9900000E+00	-0.1485115E+02	-0.1533760E+00	
2123.10 OFFICE SUPPORT EQPT	1983	12.0	5.0	7.0	0.2000000E+00	-0.2482222E-01	-0.5277449E-01	
2123.20 COMPANY COMMUN EQPT	0	8.0	26.0	2.0	0.1283404E+01	-0.3218471E-01	0.7891713E-02	
2124.00 GEN'L PURPOSE COMPUTER	1983	7.0	5.0	5.0	0.1300000E+01	-0.8860818E-02	0.2483960E-02	
2211.00 ANALOG ELEC. SWITCH	1983	13.0	15.0	2.0	0.1129389E+01	-0.2053725E-01	-0.1169328E-02	
2212.00 DIGITAL ELEC SWITCH	1983	19.0	6.0	3.0	BELL CURVE GM 2.00			
2231.20 RADIO SYSTEMS	1982	10.5	-8.0	-13.0	0.1100000E+01	-0.4157842E-01	0.3650127E-02	
2232.10 DIGITAL CIRCUIT EQPT	1982	13.0	5.0	4.0	0.1030000E+01	-0.1925527E+01	0.5689928E-01	
2232.20 ANALOG CIRCUIT EQPT	1982	11.0	-7.0	-5.0	0.1030000E+01	-0.1925527E+01	0.5689928E-01	
2351.00 PUBLIC TEL TERM EQPT	0	10.0	-3.0	1.0	0.1160000E+01	-0.8544539E-01	0.4074848E-03	
2352.00 OTHER TERMINAL EQPT	0	5.8	22.0	-4.0	0.8300000E+00	-0.6683081E+00	-0.1728008E+00	
2411.00 POLES	1982	30.0	-42.0	-51.0	0.1010000E+01	-0.1203906E+01	0.7438485E-02	
2421.11 AERIAL CABLE: MET	1982	27.0	-47.0	-52.0	0.1130000E+01	-0.2330327E-02	-0.2133439E-02	
2421.12 AERIAL CABLE: NON-MET	1982	30.0	-10.0	-10.0	0.1130000E+01	-0.2330327E-02	-0.2133439E-02	
2422.11 UNDERGROUND CA: MET	1982	29.0	-34.0	-34.0	0.1020000E+01	-0.1654695E+00	0.1295846E-02	
2422.12 UNDERGRD CA: NON-MET	1982	30.0	-10.0	-10.0	0.1020000E+01	-0.1654695E+00	0.1295846E-02	
2423.11 BURIED CABLE: MET	1982	31.0	-11.0	-10.0	0.1184287E+01	-0.1014497E+00	0.1557655E-01	
2423.12 BURIED CABLE: NON-MET	1982	30.0	0.0	-5.0	0.1184287E+01	-0.1014497E+00	0.1557655E-01	
2426.10 INTRAILO CA: MET	1985	20.0	-56.0	-56.0	0.1030000E+01	-0.1758147E+00	-0.1593226E-03	
2426.20 INTRAILO CA: NON-MET	1985	25.0	-11.0	-10.0	0.1030000E+01	-0.1758147E+00	-0.1593226E-03	
2431.00 AERIAL WIRE	0	15.0	-43.0	-51.0	0.1040000E+01	-0.1977824E+00	0.1967883E-02	
2441.00 CONDUIT SYSTEMS	1982	55.0	-16.0	-14.0	0.1716296E+01	-0.1146228E-02	0.3817339E-03	

CONTINUATION OF RIA OVER 5 YEARS, EFFECTIVE 01/01/87, FCC ORDER 88-14

MAY 9, 1991

"THREE WAY MEETING RESULTS"