

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GTE SOUTH INCORPORATED )  
FOR CHANGES IN ITS UTILITY PLANT ) CASE NO. 91-467  
DEPRECIATION ACCOUNTS )

O R D E R

On April 13, 1991, GTE South Incorporated ("GTE") filed its 1991 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. GTE also requested to amortize its depreciation reserve deficiency over a three-year period, as more specifically described in its Study. 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 7.1 percent. In its Study, GTE proposed parameters which, including the proposed amortization, would result in a composite depreciation rate of 8.2 percent, and a combined (Intrastate and Interstate) annual increase in depreciation expense of \$8,405,000, 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 July 5, 1991. The staff proposal contained parameters which the staff recommended as appropriate for GTE. A "Three-Way" settlement meeting was subsequently held on July 17-18, 1991, at which time representatives of GTE, the FCC, and Commission staff reached agreement on changes in the depreciation parameters.

On October 21, 1991, GTE filed a letter with the Commission requesting approval of the parameters agreed-upon at the "Three-Way" settlement meeting. GTE has requested an effective parameter booking date of January 1, 1991, or concurrent with the effective interstate booking date as directed by the FCC, but not later than January 1, 1992. GTE further requested an effective date of January 1, 1992, to begin the amortization of its depreciation reserve deficiency over a period of three years.

If approved by the Commission, the new depreciation parameters would result in a composite depreciation rate of 7.4 percent, an increase of \$1,808,000 on a combined basis. The depreciation reserve deficiency amortization would be \$3,188,000 on a combined basis, for a total of \$4,996,000 and a total annual depreciation rate of 7.8 percent, based upon plant account balances as of the end of the Study period.

Prior to considering this matter, the Commission sent notice of the agreed proposal on November 6, 1991, to all intervenors of

record<sup>1</sup> in GTE's last general rate proceeding,<sup>2</sup> 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 and depreciation reserve deficiency amortization requested by GTE on October 21, 1991, and attached as Appendix A and incorporated herein to this Order, are reasonable for GTE's plant accounts and are approved.

2. GTE shall reflect the approved plant account parameters effective on and after January 1, 1991, or concurrent with the effective interstate booking date as directed by the FCC, but not later than January 1, 1992.

3. GTE shall begin the amortization of its depreciation reserve deficiency for a period of three years beginning on and after January 1, 1992.

4. GTE shall file with the Commission a copy of the FCC Order which approves the effective interstate booking date within 10 days of the date GTE receives such Order.

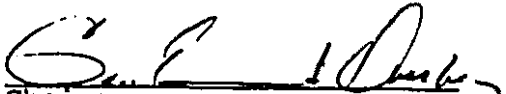
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<sup>1</sup> Office of the Attorney General, Utility Rate and Intervention Division; Lexington-Fayette Urban County Government; AT&T Communications of the South Central States, Inc.; and MCI Telecommunications.

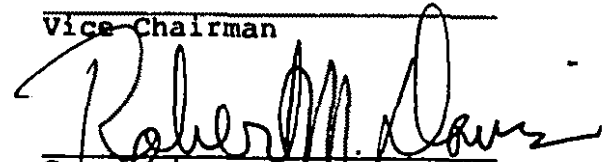
<sup>2</sup> Case No. 10117, Adjustment of Rates of GTE South Incorporated.

Done at Frankfort, Kentucky, this 20th day of December, 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. 91-467 DATED December 20, 1991.**

DATE:  
26-Jul-91  
01:39 PM

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

GTE SOUTH  
KENTUCKY  
STATEMENT A - RMNG LIFE

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	RATES IN EFFECT 12-31-90				THREE WAY AGREEMENT			
		RMNG LIFE (YRS)	12/31/86 RESERVE (%)	FNS (%)	RL RATE (%)	RMNG LIFE (YRS)	12/31/90 RESERVE (%)	FNS (%)	RL RATE (%)
		A	B	C	D	E	F	G	H
2112	MOTOR VEHICLES	4.5	40.3	12.0	10.6	3.5	63.9	19.0	4.3
2115	GARAGE WORK EQPT	6.9	22.4	0.0	11.2	8.3	66.2	0.0	4.1
2116	OTHER WORK EQPT	11.0	22.8	0.0	7.0	9.6	45.9	0.0	5.6
2121	BUILDINGS	27.0	20.9	8.0	2.6	25.0	27.1	8.0	2.6
2122	FURNITURE	13.7	21.2	10.0	5.0	8.3	41.1	19.0	4.8
2123	COMPANY COMM EQPT								
.1X	OFC SUPPORT EQPT	7.1	3.8	10.0	12.1	6.8	49.3	7.0	6.4
.2X	CO COMM EQPT	6.3	31.1	4.0	10.3	5.9	50.7	0.0	8.4
2124	GEN PURP COMPUTERS	4.3	9.7	7.0	19.4	3.5	62.2	5.0	9.4
2211	ANALOG SWITCHING	4.1	35.5	0.0	15.7	3.0	44.7	0.0	18.4
2212	DIGITAL ELECTRONIC SW	12.7	11.1	0.0	7.0	11.3	25.8	5.0	6.1
2215	ELECTROMECHANICAL SW	4.1	35.5	0.0	15.7	3.6	31.2	0.0	19.1
2220	OPERATOR SYS (OLD)	9.5	38.6	-2.0	6.7				
2220	OPERATOR SYS (NEW)	9.5	38.6	-2.0	6.7	13.0	5.0	0.0	7.3
2231	RADIO SYSTEMS	11.9	34.3	0.0	5.5	3.7	52.9	0.0	12.7
2232	CIRCUIT EQUIPMENT	8.4	26.6	3.0	8.4	6.5	36.7	1.0	9.6
2351	PUBLIC TEL TERM EQPT	7.0	42.8	3.0	7.7	5.1	47.2	0.0	10.4
2362	OTHER TERM EQPT	7.4	24.5	3.0	9.8	2.9	49.9	3.0	16.2
2411	POLES	16.3	26.8	-25.0	6.0	15.3	28.4	-21.0	6.1
2421	AERIAL CABLE								
.10	METALLIC	16.1	27.0	-25.0	6.1	13.4	38.5	-20.0	6.1
.20	NON-METALLIC	23.0	2.4	-2.0	4.3	18.3	8.7	0.0	5.0
2422	UNDERGROUND CABLE								
.10	METALLIC	23.0	24.3	0.0	3.3	18.5	32.9	0.0	3.6
.20	NON-METALLIC	23.0	1.2	-2.0	4.4	17.5	4.7	-7.0	5.8
2423	BURIED CABLE								
.10	METALLIC	12.1	22.3	5.0	6.0	9.4	26.6	0.0	7.8
.20	NON-METALLIC	12.1	22.3	5.0	6.0	22.0	9.8	-6.0	4.4
2424	SUBMARINE CABLE	14.0	0.0	-5.0	7.5	16.4	25.1	0.0	4.6
2426	INTRABLOG NET CAB								
.10	METALLIC		27.0		6.1	11.2	46.1	-20.0	6.6
.20	NON-METALLIC		27.0		6.1	18.7	8.0	-10.8	5.5
2431	AERIAL WIRE	4.4	44.9	-45.0	22.8	3.6	-64.2	-45.0	58.1
2441	CONDUIT SYSTEMS	43.0	21.9	-1.0	1.8	40.0	27.3	-1.0	1.8

NOTES: Operator Systems(old) 2 yr. amortization.

JULY 18, 1991  
THREE-WAY AGREEMENT

DATE:  
26-JUL-91  
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STATE BASIS  
THREE-WAY AGREEMENT  
CHANGE IN ANNUAL DEPRECIATION ACCRUALS  
RESULTING FROM CHANGES IN DEPRECIATION RATES AND AMORTIZATION  
(000)

OTE SOUTH  
KENTUCKY  
STATEMENT B - LONG LIFE

ACCOUNT NUMBER	DESCRIPTION	CURRENTLY IN EFFECT 12/31/90			THREE-WAY AGREEMENT			CHANGE IN ANNUAL ACCRUALS P=O-L	
		1/1/91 INVESTMENT I	DEPR. ACCRUALS J=I*90	AMORT K	TOTAL L=J+K	DEPR. ACCRUALS M=I*91	AMORT N		TOTAL O=M+N
2112	MOTOR VEHICLES	16,956	1,797		1,797	729	(76)	653	(1,144)
2115	GARAGE WORK EQPT	376	42		42	15	(0)	15	(27)
2116	OTHER WORK EQPT	8,773	614		614	491	6	497	(117)
2121	BUILDINGS	52,058	1,354		1,354	1,354	516	1,870	516
2122	FURNITURE	2,446	123		123	118	37	155	32
2123	COMPANY COMM EQPT								
.1X	OFC SUPPORT EQPT	841	102		102	54	(9)	45	(57)
.2X	CO COMM EQPT	10,398	1,071		1,071	873	(296)	577	(494)
2124	GEN PURP COMPUTERS	9,028	1,751		1,751	849	58	907	(844)
2211	ANALOG SWITCHING	23,285	3,456		3,456	4,284	(878)	3,406	(250)
2212	DIGITAL ELECTRONIC SW	154,853	10,840		10,840	9,446	284	9,730	(1,110)
2215	ELECTROMECHANICAL SW	30,030	4,715		4,715	5,736	(1,931)	3,805	(910)
2220	OPERATOR SYS (OLD)	0	0		0	0	1,155	1,155	1,155
2220	OPERATOR SYS (NEW)	1,528	102		102	112	(3)	109	7
2231	RADIO SYSTEMS	9,127	502		502	1,159	(100)	1,059	557
2232	CIRCUIT EQUIPMENT	109,493	9,197		9,197	10,511	1,194	11,705	2,508
2351	PUBLIC TEL TERM EQPT	2,898	223		223	301	25	326	103
2362	OTHER TERM EQPT	8,033	787		787	1,301	(730)	571	(216)
2411	POLES	54,600	3,276		3,276	3,331	77	3,408	132
2421	AERIAL CABLE								
.10	METALLIC	185,645	11,326		11,326	11,326	3,207	14,533	-3,207
.20	NON-METALLIC	10,352	445		445	518	3	521	76
2422	UNDERGROUND CABLE								
.10	METALLIC	33,306	1,099		1,099	1,199	130	1,329	230
.20	NON-METALLIC	2,919	128		128	169	4	173	45
2423	BURIED CABLE								
.10	METALLIC	37,496	2,250		2,250	2,925	356	3,281	1,031
.20	NON-METALLIC	1,549	81		81	59	2	61	(20)
2424	SUBMARINE CABLE	4	0		0	0	0	0	0
2426	INTRABLDG NET CAB								
.10	METALLIC	1,147	70		70	76	(3)	73	3
.20	NON-METALLIC	75	5		5	4	(0)	4	(1)
2431	AERIAL WIRE	1,202	274		274	698	130	828	554
2441	CONDUIT SYSTEMS	17,706	319		319	319	30	349	30
TOTALS		785,967	56,169	0	56,169	57,957	3,188	61,145	4,996
COMPOSITES			7.1		7.1	7.4		7.8	

NOTES: Operator Systems(old) 2 yr. amortization.

JULY 18, 1991

THREE-WAY AGREEMENT