

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CINCINNATI BELL )  
TELEPHONE COMPANY FOR CHANGES ) CASE NO. 93-392  
IN ITS UTILITY PLANT DEPRECIATION )  
ACCOUNTS )

O R D E R

On October 21, 1993, Cincinnati Bell Telephone ("Cincinnati Bell") filed its 1994 Depreciation Study ("Study") for its Kentucky operations with the Commission. In its Study, Cincinnati Bell 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. Cincinnati Bell also filed its Study with the Federal Communications Commission ("FCC"), which has jurisdiction over the interstate portion of Cincinnati Bell's utility plant.

Cincinnati Bell's currently prescribed depreciation parameters result in a composite depreciation rate of 6.4 percent. In its Study, Cincinnati Bell proposed parameters which would result in a composite depreciation rate of 8.8 percent, with an annual increase in depreciation expense accruals of \$5,721,000 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.

In addition to proposed parameter changes, Cincinnati Bell requested an effective booking date of January 1, 1994 for both the

intrastate and interstate jurisdictions. In past depreciation rescriptions, the intrastate effective date has lagged the interstate date by one year. Because of this lag, a reserve imbalance of \$770,855 exists between the two jurisdictions. Cincinnati Bell proposed to amortize this balance over three years.

Following review and analysis of the Study, a Commission staff proposal was issued by letter on January 14, 1994. The staff proposal contained parameters which the staff recommended as appropriate for Cincinnati Bell. The staff agreed with the proposed effective booking date and with the reserve imbalance amortization. A "Three-Way" settlement meeting was subsequently held on January 25 and 26, 1994, at which time representatives of Cincinnati Bell, the FCC, and Commission staff reached agreement on changes in the depreciation parameters.

On February 15, 1994, Cincinnati Bell filed a letter with the Commission in which Cincinnati Bell 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 an annual increase in depreciation expense accrual of \$3,943,000, including the first year reserve amortization of \$259,000, on a Kentucky intrastate basis. 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 August 9, 1993 to all intervenors of

record in Cincinnati Bell's most recent rate proceeding,<sup>1</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 jurisdictional reserve imbalance amortization, agreed upon at the "Three-Way" settlement meeting, attached as Appendix A and incorporated into this Order, having been found reasonable for Cincinnati Bell's plant accounts are hereby approved.

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

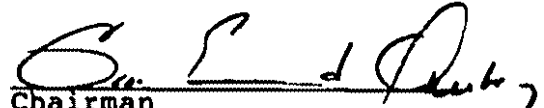
3. Cincinnati Bell shall file with the Commission a copy of the FCC Order which approves the agreed parameters within 10 days of the date Cincinnati Bell receives such Order.

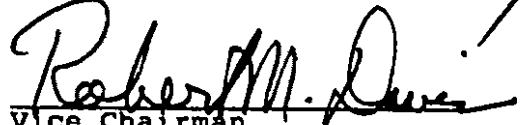
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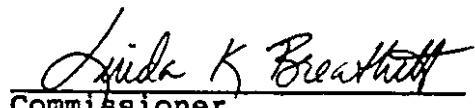
<sup>1</sup> Case No. 9131, Notice of Cincinnati Bell Telephone Company of a reduction in rates and inquiry regarding refunds to Kentucky customers.

Done at Frankfort, Kentucky, this 28th day of April, 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. 93-392 DATED APRIL 28, 1994.

02/07/94  
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 1993, ET, 04, PRESCRIBED  
 1994, PT, 02, 3-WAY MEETING AGREEMENT  
 QREF: 35

COMPANY: CINCINNATI BELL TELEPHONE  
 STATE: KENTUCKY  
 PAGE: 1 OF 1  
 STATEMENT A

PSCK FORMAT

SUMMARY OF DEPRECIATION RATES  
 ALL VINTAGE RECOVERY

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	DEPRECIATION RATES IN EFFECT 12/31/93				RATES EFFECTIVE IN 1994			
		REM LIFE YEARS	FUTURE NET RESERVE %	FUTURE NET SALVAGE %	FUTURE NET RATE %	REM LIFE YEARS	FUTURE NET RESERVE %	FUTURE NET SALVAGE %	FUTURE NET RATE %
		A	B	C	D	E	F	G	H
2112	MOTOR VEHICLES	3.8	34.2	10.0	14.7	4.0	45.9	10.0	11.0
2115	GARAGE WORK EQPT	9.0	0.5	2.0	10.8	8.1	31.4	-5.0	9.1
2116	OTHER WORK EQPT	9.5	12.7	2.0	9.0	9.3	30.1	5.0	7.0
2121	BUILDINGS	24.0	24.9	-5.0	3.3	26.0	19.0	-5.0	3.3
2122	FURNITURE	9.3	15.4	7.0	8.3	10.5	22.8	7.0	6.7
2123	OFFICE EQUIPMENT								
	OFFICE SUPPORT EQPT	6.3	19.8	7.0	11.6	6.2	32.5	7.0	9.8
	COMPANY COMMON EQPT	5.2	48.2	2.0	9.8	4.7	49.0	2.0	10.4
2124	GEN'L PUR. COMPUTERS	5.2	22.9	5.0	13.9	3.6	23.1	5.0	20.0
2211	ANALOG ELECTRONIC SW	6.1	38.3	2.0	10.1	2.2	25.4	1.0	33.5
2212	DIGITAL ELECTRONIC	11.2	21.7	3.0	6.7	9.5	3.5	3.0	9.8
2231	RADIO SYSTEMS	6.6	65.4	-13.0	7.2	5.0	74.3	-9.0	6.9
2232	CIRCUIT EQUIPMENT								
	DIGITAL CIRCUIT EQPT	7.5	32.4	4.0	8.5	5.9	33.6	4.0	10.6
	ANALOG CIRCUIT EQPT	5.0	61.6	-5.0	8.7	4.1	60.6	-5.0	10.8
2351	PUB TEL TERM EQPT	5.2	76.3	1.0	4.4	5.4	61.9	1.0	6.9
2362	OTHER TERMINAL EQPT	4.6	74.7	-4.0	6.4	4.4	19.0	-4.0	19.3
2411	POLES	17.9	34.5	-51.0	6.5	17.0	42.0	-69.0	7.5
2421	AERIAL CABLE								
	AERIAL CA: MET	14.9	45.7	-52.0	7.1	13.8	55.3	-42.0	6.3
	AERIAL CA: NON-MET	18.7	2.6	-10.0	5.7	16.5	13.7	-27.0	6.1
2422	UNDERGROUND CABLE								
	UNDERGROUND CA: MET	17.8	52.5	-34.0	4.6	14.1	58.6	-35.0	5.4
	UNDERGRD CA: NON-MET	15.7	5.8	-10.0	6.6	18.5	21.3	-13.0	5.0
2423	BURIED CABLE								
	BURIED CA: MET	20.0	26.2	-10.0	4.2	16.0	31.2	-10.0	4.4
	BURIED CA: NON-MET	21.0	1.4	-5.0	4.9	20.0	15.2	-5.0	4.5
2426	INTERRIAL NETW CABLE								
	INTERRIAL CA: MET	12.0	48.5	-56.0	9.0	10.6	63.0	-48.0	8.0
	INTERRIAL CA: NON-MET	11.1	7.1	-10.0	9.3	11.0	24.1	-10.0	7.8
2431	AERIAL WIRE	11.6	38.1	-51.0	9.7	10.2	48.1	-47.0	9.7
2441	CONDUIT SYSTEMS	40.0	28.7	-14.0	2.2	39.0	29.5	-15.0	2.2

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 PUBLIC SERVICE COMMISSION

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 1993,ET.04,PRESCRIBED  
 1994,PT.02.3-WAY MEETING AGREEMENT  
 XREF: 35

COMPANY: CINCINNATI BELL TELEPHONE  
 STATE: KENTUCKY  
 PAGE: 1 OF 1  
 STATEMENT B

PSCK FORMAT

CHANGE IN ANNUAL DEPRECIATION ACCRUALS  
 RESULTING FROM CHANGES IN DEPRECIATION RATES  
 (\$000)

ACCOUNT NUMBER	CLASS OR SUBCLASS OF PLANT	RATES EFFECTIVE 12/31/93				RATES EFFECTIVE IN 1994			CHANGES IN ACCRUALS
		1/1/94 INVT	RATE AMOUNT	AMORT AMOUNT	TOTAL	RATE AMOUNT	AMORT AMOUNT	TOTAL	
		I	J=D*I	K	L=J+K	M=H*I	N	O=M+N	
2112	Motor Vehicles	4,500	662	0	662	495	13	508	-154
2115	Garage Work Eqpt	194	21	0	21	18	1	19	-2
2116	Other Work Eqpt	1,345	121	0	121	94	3	97	-24
2121	Buildings	15,407	508	0	508	508	12	520	12
2122	Furniture	339	28	0	28	23	1	24	-4
2123	Office Equipment								
	Office Support Eqpt	185	21	0	21	18	1	19	-2
	Company Commn Eqpt	781	75	0	75	81	-4	77	2
2124	Gen'l Pur. Computers	1,456	202	0	202	291	-3	288	86
2211	Analog Electronic SW	11,288	1,140	0	1,140	3,781	102	3,883	2,743
2212	Digital Electronic	32,817	2,199	0	2,199	3,216	53	3,269	1,070
2231	Radio Systems	28	2	0	2	2	-10	-8	-10
2232	Circuit Equipment								
	Digital Circuit Eqpt	39,798	3,383	0	3,383	4,219	-32	4,187	804
	Analog Circuit Eqpt	3,244	282	0	282	350	-3	347	65
2351	Pub Tel Term Eqpt	1,532	67	0	67	106	4	110	43
2362	Other Terminal Eqpt	463	30	0	30	89	2	91	61
2411	Poles	13,456	875	0	875	1,009	17	1,026	151
2421	Aerial Cable								
	Aerial CA: MET	38,611	2,741	0	2,741	2,432	105	2,537	-204
	Aerial CA: NON-MET	1,615	92	0	92	99	0	99	7
2422	Underground Cable								
	Underground CA: MET	20,516	944	0	944	1,108	-16	1,092	148
	Undergrod CA: NON-MET	3,305	218	0	218	165	8	173	-45
2423	Buried Cable								
	Buried CA: MET	30,236	1,270	0	1,270	1,330	5	1,335	65
	Buried CA: NON-MET	6	0	0	0	0	0	0	0
2426	Infernal Netw Cable								
	Infernal CA: MET	3,493	314	0	314	279	-1	278	-36
	Infernal CA: NON-MET	84	8	0	8	7	0	7	-1
2431	Aerial Wire	2,069	201	0	201	201	1	202	1
2441	Conduit Systems	15,943	351	0	351	351	0	351	0
	TOTALS	242,711	15,755	0	15,755	20,272	259	20,531	4,776
	COMPOSITES				6.5			8.5	

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 1994,PT.02,3-WAY MEETING AGREEMENT  
 XREF: 35

COMPANY: CINCINNATI BELL TELEPHONE  
 STATE: KENTUCKY  
 STATEMENT C - RESERVES

CALCULATION OF RESERVES 1-1-94

PSCK FORMAT

ACCOUNT CATEGORY	1-1-94 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
2112 MOTOR VEHICLES	4,499,913	2,023,930	45.0	2,066,118	45.9	40,168	1,943,982	43.2
2115 GARAGE WORK EQPT	194,181	57,951	29.8	60,882	31.4	2,921	90,780	41.6
2116 OTHER WORK EQPT	1,344,764	397,240	29.5	403,133	30.1	7,893	403,429	30.0
2121 BUILDINGS	15,407,023	2,899,413	18.8	2,934,884	19.0	35,471	2,788,671	18.1
2122 FURNITURE	339,394	75,507	22.2	77,469	22.8	1,962	129,309	38.1
2123 OFFICE EQUIPMENT								
OFFICE SUPPORT EQPT	184,825	58,382	31.6	60,030	32.5	1,648	57,298	31.0
COMPANY COMMUN EQPT	781,407	393,948	50.4	382,675	49.0	-11,073	289,902	37.1
2124 GEN'L PUR. COMPUTERS	1,435,544	346,857	23.8	336,551	23.1	-10,306	537,096	36.9
2211 ANALOG ELECTRONIC SW	11,287,699	2,564,741	22.7	2,670,697	25.4	303,936	8,601,227	76.2
2212 DIGITAL ELECTRONIC	32,818,880	1,004,560	3.1	1,162,934	3.5	158,374	7,350,981	22.4
2231 RADIO SYSTEMS	27,903	50,171	179.8	20,724	74.3	-29,447	28,237	94.1
2232 CIRCUIT EQUIPMENT								
DIGITAL CIRCUIT EQPT	39,797,924	13,477,312	33.9	13,382,449	33.6	-94,663	15,163,009	38.1
ANALOG CIRCUIT EQPT	3,244,393	1,975,436	60.9	1,966,031	60.6	-9,385	1,943,391	59.9
2351 PUB TEL TERM EQPT	1,532,008	938,425	61.3	949,072	61.9	10,647	733,384	48.0
2362 OTHER TERMINAL EQPT	462,625	83,407	18.0	87,942	19.0	4,535	159,606	34.5
2411 POLES	13,456,249	5,607,771	41.7	5,657,403	42.0	49,632	8,746,582	65.0
2421 AERIAL CABLE								
AERIAL CA: MET	38,611,188	21,025,288	54.5	21,341,734	55.3	316,466	25,637,829	66.4
AERIAL CA: NON-MET	1,615,168	222,513	13.8	221,990	13.7	-525	243,890	15.1
2422 UNDERGROUND CABLE								
UNDERGROUND CA: MET	20,515,566	12,062,056	58.8	12,013,394	58.6	-48,662	13,437,696	65.5
UNDERGRD CA: NON-MET	3,304,756	681,339	20.6	704,274	21.3	22,935	594,836	18.0
2423 BURIED CABLE								
BURIED CA: MET	30,235,891	9,432,156	31.2	9,447,269	31.2	15,113	10,038,316	33.2
BURIED CA: NON-MET	6,323	942	14.9	963	15.2	21	316	5.0
2426 INTRABLE NEW CABLE								
INTRABLE CA: MET	3,493,373	2,205,308	63.1	2,202,448	63.0	-3,060	1,977,249	56.6
INTRABLE CA: NON-MET	83,739	20,142	24.1	20,168	24.1	26	17,083	20.4
2431 AERIAL WIRE	2,069,073	991,774	47.9	995,373	48.1	3,599	900,047	43.5
2441 CONDUIT SYSTEMS	15,942,802	4,707,029	29.5	4,707,639	29.5	610	4,607,470	28.9
TOTAL	242,710,613	83,305,830	34.3	84,076,686	34.6	770,856	106,411,594	43.8



02/07/94  
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 1994,PT.02,3-WAY MEETING AGREEMENT  
 XREF: 35

COMPANY: CINCINNATI BELL TELEPHONE  
 STATE: KENTUCKY  
 STATEMENT C - THEORETICAL RESERVE

CALCULATION OF RESERVE REQUIREMENTS 1-1-94

PSCK FORMAT

ACCOUNT CATEGORY	1-1-94 INVESTMENT	AVERAGE	AVERAGE	AVERAGE	FUTURE	RESERVE REQUIREMENT	
		SERVICE LIFE	REMAINING LIFE	NET SALVAGE	NET SALVAGE	PERCENT	AMOUNT
	A	B	C	D	E	F	G
2112 MOTOR VEHICLES	4,499,913	7.7	4.0	10	10	43.2	1,943,982
2115 GARAGE WORK EQPT	194,183	13.8	8.1	-8	-5	41.6	80,780
2116 OTHER WORK EQPT	1,344,764	13.6	9.3	5	5	30.0	403,429
2121 BUILDINGS	15,407,023	32.0	26.0	-7	-5	18.1	2,788,871
2122 FURNITURE	339,394	15.3	10.5	20	7	38.1	129,309
2123 OFFICE EQUIPMENT							
OFFICE SUPPORT EQPT	184,825	9.3	6.2	7	7	31.0	57,296
COMPANY COMMON EQPT	781,407	7.1	4.7	8	2	37.1	289,902
2124 GEN'L FUR. COMPUTERS	1,435,544	5.7	3.6	8	5	38.9	537,098
2211 ANALOG ELECTRONIC SW	11,287,699	8.1	2.2	16	1	78.2	8,601,227
2212 DIGITAL ELECTRONIC	32,816,880	12.1	9.5	5	3	22.4	7,350,981
2231 RADIO SYSTEMS	27,903	14.8	5.0	56	-9	94.1	26,237
2232 CIRCUIT EQUIPMENT							
DIGITAL CIRCUIT EQPT	39,797,924	10.3	5.9	-1	4	38.1	15,163,009
ANALOG CIRCUIT EQPT	3,244,393	10.1	4.1	-11	-5	59.9	1,943,391
2351 PUB TEL TERM EQPT	1,532,008	10.8	5.4	-2	1	48.0	735,384
2382 OTHER TERMINAL EQPT	482,625	5.0	4.4	21	-4	34.5	159,606
2411 POLES	13,456,249	25.0	17.0	-53	-69	65.0	8,746,562
2421 AERIAL CABLE							
AERIAL CA: MET	38,611,188	25.0	13.8	-37	-42	66.4	25,637,829
AERIAL CA: NON-MET	1,615,168	21.0	18.5	-27	-27	15.1	243,890
2422 UNDERGROUND CABLE							
UNDERGROUND CA: MET	20,515,566	27.0	14.1	-33	-35	65.5	13,437,696
UNDERGRD CA: NON-MET	3,304,756	22.0	18.5	-13	-13	18.0	594,856
2423 BURIED CABLE							
BURIED CA: MET	30,235,891	26.0	18.0	-11	-10	33.2	10,038,316
BURIED CA: NON-MET	6,323	21.0	20.0	-5	-5	5.0	318
2426 INTRABLE NEW CABLE							
INTRABLE CA: MET	1,493,373	17.4	10.6	-50	-48	56.6	1,977,249
INTRABLE CA: NON-MET	83,739	13.5	11.0	-10	-10	20.4	17,083
2431 AERIAL WIRE	2,069,073	13.9	10.2	-41	-47	43.5	900,047
2441 CONDUIT SYSTEMS	15,942,802	53.0	39.0	-17	-15	28.9	4,607,470
TOTAL	242,710,613					43.8	106,411,594

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 1994,PT, 2, 35

COMPANY : CINCINNATI BELL TELEPHONE  
 STATE : KENTUCKY

PARAMETER REPORT

PSCK FORMAT

THREE-WAY AGREEMENT - PSCK

CATEGORY	FIRST	P.L.	AVG.	FUTURE	CURVE SHAPE PARAMETERS			COMMENTS
	YR	OR	NET	NET	C	G	S	
	YEAR	AYFR	SALV.	SALV.				
2112.00 MOTOR VEHICLES	1983	7.8	10	10	0.1390000E+01	-0.3578191E-01	0.2459161E-01	
2115.00 GARAGE WORK EQPT	1983	15.0	-8	-3	0.1080000E+01	-0.6948284E+00	0.4955755E-01	
2116.00 OTHER WORK EQPT	1983	16.5	5	5	0.1010000E+01	-0.2396448E+02	0.3402181E+00	
2121.00 BUILDINGS			-7	-5				
100 LARGE	1983	48.0	-8.9	-5.0	0.1186292E+01	-0.1014497E+00	0.1577689E-01	
100 SMALL EQPT & GARAGES	1983	28.0	-4.0	-5.0	0.1064611E+01	-0.2174551E+00	0.1198440E-01	
2122.10 FURNITURE	1983	17.0	20	7	0.1430000E+01	-0.5580337E-02	-0.3613927E-02	
2123.10 OFFICE SUPPORT EQPT	1983	12.0	7	7	0.9600000E+00	0.2022490E+00	-0.2371559E-01	
2123.20 COMPANY COMMON EQPT	0	8.0	8	2	0.1430000E+01	-0.5580337E-02	-0.3613927E-02	
2124.00 GEN'L PURPOSE COMPUTER	1983	6.5	8	5	0.1080000E+01	-0.1216775E+01	0.9321192E-01	
2211.00 ANALOG ELEC. SWITCH	0	1995.7	16	1	CONSTANT RETIREMENT RATE 1.0			
2212.00 DIGITAL ELEC SWITCH	1983	15.5	5	3	BELL CURVE CM 2.50			
2231.20 RADIO SYSTEMS	1982	5.5	58	-9	0.6600000E+00	0.5062202E-01	-0.9033092E-01	
2232.10 DIGITAL CIRCUIT EQPT	1982	11.5	-1	4	0.9100000E+00	-0.7526336E+00	-0.6830103E-01	
2232.20 ANALOG CIRCUIT EQPT	1982	8.0	-11	-5	0.9200000E+00	-0.5908865E+00	-0.5270955E-01	
2351.00 PUBLIC TEL TERM EQPT	0	10.0	-2	1	0.1160000E+01	-0.8544539E-01	0.4074848E-03	
2382.00 OTHER TERMINAL EQPT	0	5.3	21	-4	0.1130000E+01	-0.5276586E-01	-0.2081233E-01	
2411.00 POLES	1982	30.0	-53	-59	0.1030000E+01	-0.1078749E+00	-0.7165226E-03	
2421.11 AERIAL CABLE: MET	1982	26.0	-37	-42	0.1120000E+01	-0.2892326E-02	-0.3038166E-02	
2421.12 AERIAL CABLE: NON-MET	1982	30.0	-27	-27	0.1120000E+01	-0.2892326E-02	-0.3038166E-02	
2422.11 UNDERGROUND CA: MET	1982	26.0	-33	-35	0.1030000E+01	-0.1015600E+00	0.1583998E-02	
2422.12 UNDERGRD CA: NON-MET	1982	30.0	-13	-13	0.1030000E+01	-0.1015600E+00	0.1583998E-02	
2423.11 BURIED CABLE: MET	1982	29.0	-11	-10	0.1070000E+01	-0.1484545E-01	-0.1940213E-03	
2423.12 BURIED CABLE: NON-MET	1982	30.0	-5	-5	0.1070000E+01	-0.1484545E-01	-0.1940213E-03	
2426.10 INTRABLE CA: MET	1985	18.0	-50	-48	0.8500000E+00	-0.9248359E-01	-0.1423474E-01	
2426.20 INTRABLE CA: NON-MET	1985	25.0	-10	-10	0.8500000E+00	-0.9248359E-01	-0.1423474E-01	
2431.00 AERIAL WIRE	0	14.0	-41	-47	0.1040000E+01	-0.1977824E+00	0.1967883E-02	
2441.00 CONDUIT SYSTEMS	1982	55.0	-17	-15	0.1716296E+01	-0.1146226E-02	0.3817339E-03	