

Service Date

February 7, 1997 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<p><b>IN THE MATTER OF ALBION TELEPHONE COMPANY'S, CAMBRIDGE TELEPHONE COMPANY'S, MIDVALE TELEPHONE EXCHANGE, INC.'S, ROCKLAND TELEPHONE COMPANY'S, RURAL TELEPHONE COMPANY'S, AND SILVER STAR TELEPHONE COMPANY'S PETITION FOR APPROVAL OF REVISED DEPRECIATION RATES.</b></p>	<p>) <b>CASE NO.</b>  <b>GNR-T-97-</b>  <b>1</b>    <b>ORDER</b>  <b>NO. 26788</b></p>
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On December 31, 1996, a Petition for Approval of Revised Depreciation Rates was filed by six independent telephone companies: Albion Telephone Company, Cambridge Telephone Company, Midvale Telephone Exchange, Inc., Rockland Telephone Company, Rural Telephone Company, and Silver Star Telephone Company, hereinafter collectively referred to as Petitioners or Companies. The Petitioners are independently-owned local telephone companies that provide local exchange and other telecommunication services in the state of Idaho. Each Company is subject to the regulatory jurisdiction of the Commission pursuant to Titles 61 and 62, *Idaho Code*.

The Petitioners request an Order from the Commission approving revised depreciation rates for accounting purposes. The Companies state that their existing depreciation rates are no longer reasonable in a competitive environment and that the onset of competition requires that depreciation rates more closely match the retirement of capital assets. The Petitioners are not requesting any changes in customer rates or charges as a result of the revised depreciation rates, and specifically acknowledge that any change in revenue requirements or customer rates will require a general rate case. Petitioners request that the Commission issue an Order prior to February 15, 1997, authorizing an effective date for the new rates of January 1, 1996.

The Commission issued a Notice of Petition and Notice of Modified Procedure on January 7, 1997, establishing a comment period that expired on January 28, 1997. Written comments were filed by GTE Northwest Incorporated (GTE), U S WEST Communications, Inc. (U S WEST), AT&T Communications of the Mountain States, Inc. (AT&T), Commission Staff, and the Petitioners. Only AT&T opposed the proposal to revise the depreciation rates, and requested a hearing. On January 29, MCI Telecommunications Corp. filed a letter concurring in the comments filed by AT&T. The Petitioners subsequently filed comments in response to AT&T's comments.

In its comments, GTE stated that "as a result of rapidly changing technology and a competitive environment, traditional depreciation practices and procedures are no longer relevant." GTE's comments support the Petitioners' request for depreciation rates that closely match the retirement of capital assets to ensure the financial health and viability of the Petitioners. U S WEST also supports the Petition, stating that "the depreciation lives allowed by the independent companies in Idaho need to be revised." In its comments, Staff expressed some reservations about the rationale provided by the Petitioners in support of shorter lives. However, Staff is not opposed "to the Companies recording shorter depreciation lives and larger depreciation charges on its books effective January 1, 1996, with the clear understanding that approval of an accounting change does not constitute approval of the proposed increases in

depreciation rates for ratemaking purposes." The Petitioners filed comments "to make clear that Commission approval of the proposed depreciation rates will have no impact on Idaho ratepayers." Instead, the Companies "are merely seeking authority to book the proposed rates as of January 1, 1996." The Petitioners recognize that in future rate proceedings all parties will have an opportunity to litigate the appropriateness of depreciation rates to be used by the Companies for ratemaking purposes.

In its comments, AT&T stated several reasons for its opposition to the Petitioners' request, including a present lack of competition in Idaho's local exchange market, particularly in the exchanges operated by the Petitioners. Although AT&T recognizes the Petitioners are not requesting adjustments to customer rates at this point, AT&T asserts, "if the Application is approved, customers will incur an increase in the future resulting directly from this revision of the depreciation rates." AT&T also asserts that the proposed depreciation rates are significantly higher than the Federal Communications Commission's prescribed rates for U S WEST in Idaho. Finally, noting that the Federal-State Joint Board reviewing changes to the federal USF support levels has recommended freezing support levels at 1996 per access line levels, AT&T stated that it "is imperative that the Petitioners use realistic depreciation rates for 1996 financials." AT&T recommended that the Commission deny the Petitioners' Application, or schedule this matter for a hearing.

In their responsive comments, the Petitioners stated that "AT&T repeatedly mischaracterizes the Petitioners' filing." According to the Petitioners, AT&T is incorrect in arguing that "customers will incur an increase in the future resulting directly from this revision of the depreciation rates." The Petitioners contend that the effect on revenue requirements, and the depreciation rates themselves, are "matter[s] to be resolved if and when the Petitioners make a rate filing."

Based on our review of the Petition and the record in this case, we find that the Petition for Approval of Revised Depreciation Rates should be approved. It is clear from the Petition and written comments that the proposed depreciation rate adjustments are solely for booking purposes and will have no impact on customer rates unless and until each Company files a general rate case. In that event, any party can litigate issues relating to the depreciation rates, including those identified by AT&T in its comments.

## **ORDER**

IT IS HEREBY ORDERED that the Petition filed by Albion Telephone Company, Cambridge Telephone Company, Midvale Telephone Exchange, Inc., Rockland Telephone Company, Rural Telephone Company, and Silver Star Telephone Company to revise depreciation schedules is approved. Commission approval of the proposed schedules for accounting purposes only does not constitute approval of the depreciation rates for ratemaking purposes.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* • 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this day of February 1997.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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