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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF ALBION TELEPHONE)

COMPANY'S, CAMBRIDGE TELEPHONE) CASE  NO.  GNR-T-97-1

COMPANY'S, MIDVALE TELEPHONE)

EXCHANGE, INC.'S, ROCKLAND TELE-)

PHONE COMPANY'S, RURAL TELEPHONE)

COMPANY'S, AND SILVER STAR TELE-)

PHONE COMPANY'S PETITION FOR )

APPROVAL OF REVISED DEPRECIATION)COMMENTS OF THE

RATES.)COMMISSION STAFF                          \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and submits the following comments for the Commission’s consideration in Case No. GNR-T-97-1.

The Companies, represented by GVNW, request approval of revised depreciation rates, solely for booking purposes, effective January 1, 1996.  The Companies state clearly that they are not requesting any change in customer billing rates and acknowledge that any change to revenue requirements or customer rates would require a general rate case filing and would be effective only prospectively.

In the Application and accompanying materials, GVNW argues that current depreciation rates were set prior to the advent of competition and are no longer reasonable since the passage of the Telecommunications Act of 1996.  This argument mirrors that submitted by U S WEST in its current rate case (USW-S-96-5), with the added factor that GVNW wants to get this change booked so that anticipated changes to the federal USF do not freeze depreciation rates at current levels.

Staff has reservations about some of the rationale provided by the Companies’ testimony in support of shorter lives and particularly questions whether, as noted at page 9 of Hendershot’s Direct Testimony, individual manager’s experiences are more accurate than depreciation studies.  Staff understands that formal studies may be time-consuming and too expensive for smaller companies, but Staff is unwilling to discard their accuracy in favor of individual judgment.

To make possible an effective date of January 1, 1996, the Companies' request an order from the Commission prior to February 15, 1997.  This time constraint does not permit a review of the reasonableness of the rates proposed.

Staff is not opposed, however, 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 rate-making purposes.  Increases in depreciation charges to be reflected in customer rates requires a formal case in which additional evidence and proof is required for thorough consideration by the Commission to determine that such charges are necessary in the public interest.  In addition, the Companies should be reminded that depreciation expenses, once booked, may not be recovered retroactively through rates.

Staff, therefore, supports the Companies’ petition to book the proposed depreciation charges effective January 1, 1996.  However, this change will not effect customers' rates, which can only be changed prospectively and only after formal consideration of the reasonableness of the underlying depreciation rates proposed.

DATED  at Boise, Idaho, this            day of January 1997.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Weldon B. Stutzman

Deputy Attorney General

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Telecommunications Analyst