DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

BILL EASTLAKE

SYD LANSING

DAVID SCOTT

WORKING FILE

FROM:SUSAN HAMLIN

DATE:APRIL 11, 1997

RE:CASE NO. GTE-T-97-5

IN THE MATTER OF THE APPLICATION OF GTE NORTHWEST, INCOR­POR­ATED TO DETERMINE AND FIX PROPER AND ADE­QUATE RATES OF DEPRECIATION FOR SEVERAL CLASSES OF ITS DEPRECIABLE PROPERTY

On March 10, 1997, GTE Northwest, Incorporated (GTE) filed an Application requesting the Idaho Public Utilities Commission to issue an order authorizing GTE to change and revise some of its depreciation rates. The Company seeks to accelerate the asset lives or depreciation rates for those accounts most affected by advances in technology and subject to competition.  GTE indicates that it is not seeking an increase in rates to compensate for the proposed increase in depreciation expense and the resultant decrease in intrastate earning.  The Company also indicates that it does expect to receive full recognition of any approved change in its depreciation rates for purposes of calculating its cost of service in future proceedings before the Commission (e.g., earnings, investigations, cost study reviews, and universal service cost analysis).

GTE requests to shorten the average remaining depreciation lives for eight accounts.  These accounts are as follows:

2212.00Digital switching equipment from 12.6 years to 6 years

2232.00Circuit equipment from 9.3 years to 4 years

2421.10Aerial cable metallic from 18.1 years to 6 years

2421.21Aerial cable non-metallic from 28 years to 15 years

2422.10Underground cable metallic from 22 years to 6 years

2422.20Underground cable non-metallic from 27.0 years to 15.0 years

2423.10Buried cable metallic from 16.4 years to 6 years

2423.20Buried cable non-metallic from 29.0 years to 15.0 years

GTE claims that these accounts contain the telecommunications assets that are most impacted by the combined effects of technological change and competition. These accounts represent about 66% of the Company’s plant in service.  GTE estimates economic lives for the assets in these accounts as follows: copper cable 15 years, digital switching 10 years, circuit equipment 8 years, and fiber cable 20 years.  GTE estimates the economic remaining lives as follows: copper cable 6 years, digital switching 6 years, circuit equipment 4 years, and fiber cable 15 years.

GTE has asked that its Application be processed by Modified Procedure.  Staff believes that the Application in this case warrants further investigation.  Staff will be sending extensive discovery requests soon. Until discovery is completed, Staff believes processing this case by Modified Procedure is not appropriate at this time.  Staff recommends that the Commission issue a Notice of Application at this time.

Commission Decision

Does the Commission wish to issue a Notice of Application at this time?

Susan Hamlin

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