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

TERRI CARLOCK

DATE:JULY 25, 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.

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.

Staff has been conducting an investigation of the Application.  Staff’s discovery is now completed.  Staff is prepared to file comments stating that GTE’s proposed depreciation rates are too high.  The overall depreciation rate proposed by GTE is 12.1%, an increase from 5.9%.  Staff will propose significantly lower depreciation rates for these eight accounts.   Staff believes processing this case by Modified Procedure is appropriate at this time.  The Commission has already issued a Notice of Application on April 7, 1997.  Staff now recommends that the Commission process this case by Modified Procedure with Staff filing comments on a shorter time period and all other parties filing comments/reply comments on a twenty-one day period.

Commission Decision

Does the Commission wish to issue process the Application by Modified Procedure?

Susan Hamlin

Terri Carlock

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