

SERVICE DATE

OCT 25 1996

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of a Petition of the)	DOCKET UT-961195
Washington Independent Telephone)	
Association Small Company Committee)	ORDER GRANTING
for Depreciation Accounting Standards.)	PETITION FOR
)	DEPRECIATION
.)	ACCOUNTING STANDARDS

On September 23, 1996, the Washington Independent Telephone Association (WITA) Small Company Committee filed a petition for approval of certain depreciation rates described in greater detail below.¹

The WITA Small Company Committee proposes that, local exchange companies serving fewer than 50,000 residential single party access lines in the state of Washington may, at a company's election, vary its depreciation rates up to the ceiling depreciation rates shown below:

Motor Vehicles	16.00%
Special Purpose Vehicles	16.00%
Garage Work Equipment	16.00%
Other Work Equipment	16.00%
Buildings	4.00%
Furniture	15.00%
Office Support Equipment	20.00%
Company Communication Equipment	20.00%
General Purpose Computers	25.00%
Analog Switching	9.80%
Digital Switching	9.00%
Electro-Mechanical Switching	7.20%
Operator Systems	10.00%
Radio Facilities	13.00%

¹The WITA Small Company Committee members are Asotin Telephone Company, Cowiche Telephone Company, Ellensburg Telephone Company, Hood Canal Telephone Company, Inland Telephone Company, Kalama Telephone Company, Lewis River Telephone Company, Mashell Telephone Company, McDaniel Telephone Company, Pioneer Telephone Company, St. John Telephone Company, Tenino Telephone Company, The Toledo Telephone Co., Wahkiakum West Telephone, Whidbey Telephone Company (Hat Island Telephone Company), and Yelm Telephone Company.

Transmission Equipment	11.19%
Public Telephones	20.00%
Other Terminal Equipment	10.46%
Poles & Antenna Supports	7.59%
Aerial Cable	20.40%
Aerial Fiber	7.11%
Underground Cable	6.00%
Underground Fiber	5.00%
Buried Cable	6.00%
Buried Fiber	5.00%
Submarine Cable	5.00%
Aerial Wire	42.06%
Conduit Systems	4.55%

The proposed ceiling rate schedule would become effective January 1, 1996.

The petition further proposes that companies now using depreciation rates that exceed the rates set forth above for a particular category may maintain those rates, and a company will not be required to reduce its existing approved rate. In addition, a company may take extraordinary retirements without going through the exception process below if the amount of the retirement does not create a reserve deficiency in any single category of depreciable plant in excess of one percent (1%) of total plant in services or \$50,000, whichever is greater. On the other hand, no company will bring a single issue rate case in which the only reason advanced for increasing customer rates is a shift in depreciation rates to those set forth on the schedule above.

The petition also proposes that a company may petition the Commission for a rate higher than the ceiling rate in one or more categories. A petition to exceed that rate would follow these steps:

1. A request or petition should be made in writing to the Secretary of the Commission and docketed by the Records Center.
2. Each request or petition should contain plant account data regarding investment, reserves, additions and retirement activity pertinent to the plant account(s) for which an exception is sought.
3. For each plant account where a request is made, a complete statement of the reasons for the request should be included as well as an explanation as to why the maximum rate established for that category or categories is no longer appropriate.

4. The request or petition should include a proposed effective date for the change. Revised rates will normally become effective as of January 1 of the year requested and are to be approved no later than the end of that calendar year.

It is understood that there are often budget, planning, and reporting needs for action on the request prior to the end of the calendar year. These things include such items as a need to budget tax liabilities, report pro forma estimates by certain dates to NECA, etc. If a company believes that action on the request is needed prior to the end of the year, it should include a statement as to why a different action date is needed. An exception may be accepted by Commission staff. Where an action date is requested, final action on the request will occur within 90 days of receipt.

If an approval date for the requested rate is required so that the effective date is prior to January 1 of the year in which the request or petition is filed, then the company must justify why an earlier effective date is required. It is understood that effective dates prior to January 1 of a calendar year will be granted only in extraordinary circumstances.

5. A request or petition to exceed the maximum rate for depreciation of Digital Electronic Switching Equipment should include a calculation of the rate required to amortize net investment over its remaining useful life. When an estimated retirement date is available, the rate should be based on estimated time to retirement. When a retirement date has not been established, total useful life should be assumed to be 15 years. Remaining life should be assumed to be 15 years less years in service.

The petition states that the proposal would have no immediate effect on retail rates, and the petition specifies that no company will request a rate increase based only on an increase in depreciation rates.

FINDINGS

1. The members of the WITA Small Company Committee are public service companies subject to the jurisdiction of this Commission under the provisions of chapter 80.36 RCW.

2. The use of ceiling rates for small companies is appropriate because small companies lack the resources to perform detailed remaining life depreciation studies such as those required of larger companies. Despite this lack of remaining life depreciation studies, it is important that depreciation rates and reserves reflect the economic value of plant; this could not be accomplished if identical rates were established for all companies.

3. It appears, upon investigation, that the petition is reasonable and consistent with the public interest and should therefore be granted.

O R D E R

1. Effective January 1, 1996, and subject to the conditions below, the petition of the WITA Small Company Committee filed with the Commission requesting the use of ceiling depreciation rates is hereby granted.

2. No company shall bring a single issue rate case in which the only reason advanced for increasing customer rates is an increase in depreciation rates permitted by the ceiling rates set forth in the above schedule.

3. This order shall in no way affect the authority of this Commission over rates, service, or accounts, evaluations, estimates or determination of costs including depreciation expense, or any matters whatsoever that may come before it in any rate proceeding.

DATED at Olympia, Washington, and effective this 23rd day of October, 1996.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



STEVE McLELLAN, Secretary