

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of)	Application No. C-526
The Lincoln Telephone and Telegraph)	
Company for authority to adjust)	GRANTED AS MODIFIED
depreciation rates on classes of)	
its equipment.)	Entered: December 27, 1984

APPEARANCES:

For the Applicant

Paul M. Schudel, Attorney
1500 American Charter Center
Lincoln, Nebraska 68508

For the Intervenor

AT&T Communications of the Midwest, Inc.

W. Richard Morris, Attorney
10825 Old Mill Road
Omaha, Nebraska 68154

OPINION AND FINDINGS

BY THE COMMISSION:

By its Application filed June 29, 1984, the Lincoln Telephone and Telegraph Company, Lincoln, Nebraska, seeks authority to adjust depreciation rates for classes of its telecommunications equipment.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. Pursuant to notice required by law, public hearing was held on the application on December 4, 1984, at 1:30 p.m. in the Commission Hearing Room, Lincoln, Nebraska, with the appearances as set forth above. Upon consideration of the application, the evidence adduced at the hearing and being fully advised, the Commission is of the opinion and finds that:

1. The Applicant is a corporation existing under the laws of the State of Nebraska with its principal offices located in Lincoln, Nebraska. Applicant is a common carrier furnishing general communications services for hire in 137 exchanges in southeastern Nebraska under jurisdiction of this Commission.

2. The books and records of the Applicant, including statements of the costs of property and of operating revenues and operating expenses covering its communications property and services are maintained in accordance with the Accounting Rules and Regulations of the FCC as adopted in Chapter V, section 20 of this Commission's Rules and Regulations.

C-526

page 2

3. Applicant's last change in its depreciation rates was requested by letter dated December 30, 1982, and such revised rates were retroactively effective as of December 1, 1982. This Application is submitted in accordance with this Commission's Order entered December 2, 1980 in Application No. C-40, paragraph 5(3).

4. The proposed revised depreciation rates which Applicant requests approval of this Commission to place in effect on July 1, 1984, are set forth in Schedule 1 attached to its Application. All of Applicant's proposed rates fall below this Commission's Guideline Depreciation Rates with the exception of the following:

<u>Account</u>	<u>Present Rate</u>	<u>PSC Guideline Rate</u>	<u>Proposed Rate</u>
COE Step-by-Step	12.50%	12.50%	15.20%
Coe CC Non-Electronic	6.44%	7.00%	7.87%
COE Toll Carrier	8.84%	9.00%	9.46%
Total CC Electronic	6.64%	7.00%	8.60%
Underground Cable	3.15%	3.75%	4.80%
Aerial Wire	18.00%	18.00%	19.75%
Underground Conduit	1.92%	2.50%	2.87%
Furniture & Fixtures	18.21%	10.00%	13.35%

Additionally, the Company proposes aerial wire five-year amortization at the rate of \$185,000 per year.

5. Applicant presented expert testimony by Jerome C. Weinert, Supervising Appraiser, Regulated Industries Group, American Appraisal Associates, Inc. of Milwaukee, Wisconsin and from James E. Willeke, Supervisory Engineer employed by the Applicant. These two individuals presented evidence in support of the revised depreciation rates sought by the Applicant.

6. The evidence discloses that technology, emerging competition and changing regulations have combined to accelerate the pace of depreciation generally in the classes of property listed in paragraph 4 above. Applicant has plans to convert all of its central offices to digital switching by 1992. The Commission recognizes the gain in efficiencies through the use of digital switching by reducing maintenance and operating costs while providing the customers with more flexibility in their telephone service however we must consider the ability of these consumers to pay higher rates needed to support this type of investment.

7. Based upon the evidence presented at hearing, the Commission finds that the "Proposed Rates" set forth in Schedule 1 to the Application are fair and reasonable, are supported by the evidence and shall be approved with the exceptions that:

- (a) The depreciation rate for COE CC Non-Electronic shall be 7.0%;
- (b) The depreciation rate for COE Toll Carrier shall be 9.0%;
- (c) Common Controlled Electronic Switching Equipment shall be divided into two separate plant accounts, Digital Switching Equipment and Analog Switching Equipment. Applicant shall have an approved depreciation rate of 5.1% for Digital Switching Equipment and an approved depreciation rate of 11.24% for Analog Switching Equipment;
- (d) The depreciation rate for underground cable shall be 3.75%;
- (e) The depreciation rate for aerial wire shall remain at 18.0% with a five-year amortization of \$190,345.00 annually to eliminate the account reserve;
- (f) The depreciation rate for underground conduit shall be 2.5%.
- (g) The total Furniture and Fixtures plant account shall be divided into Furniture and Office Equipment and Computer Equipment. Applicant shall have an approved depreciation rate of 4.5% for Furniture and Office Equipment and an approved rate of 16.2% for Computer Equipment.

In approving the foregoing rates, the Commission is of the opinion that Applicant be directed to take all reasonable steps to maximize its salvage recovery in disposing of obsolescent equipment.

8. The Application is fair and reasonable, is in the public interest and should be granted as modified above.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-526 is hereby granted as modified as set forth in paragraph 7 of the Opinion and Findings and that Applicant, The Lincoln Telephone and Telegraph Company, is hereby authorized to revise its depreciation rates for its classes of equipment as set forth hereinabove effective July 1, 1984.

IT IS FURTHER ORDERED that the Applicant take all reasonable steps to maximize its salvage recovery in disposing of obsolescent equipment.

IT IS FURTHER ORDERED that Applicant file a revised Schedule 1, to reflect the changes set forth hereinabove, within 10 days from the date of this order.

C-526

page 4

MADE AND ENTERED at Lincoln, Nebraska, this 27th day of December, 1984.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson

Chairman

ATTEST:

Donald Adams

Executive Secretary

COMMISSIONERS CONCURRING: