

Before the
FEDERAL COMMUNICATIONS COMMISSION
 Washington, D.C. 20554

In the Matter of

The Prescription of Revised Percentages of)
 Depreciation pursuant to the Communications)
 Act of 1934, as amended for:)
)
 GTE North, Incorporated)
 GTE South, Incorporated)

MEMORANDUM OPINION AND ORDER

Adopted: November 23, 1999

Released: December 1, 1999

By the Commission:

I. INTRODUCTION

1. On July 23, 1999, GTE Service Corporation ("GTE") requested that the Commission prescribe revised depreciation rates pursuant to Section 220(b) of the Communications Act of 1934 ("Act")¹ for two of its telephone operating companies, GTE North and GTE South.² In this Memorandum Opinion and Order, we grant GTE's request.

II. BACKGROUND

2 Under Section 220(b) of the Communications Act of 1934, as amended, the Commission may prescribe depreciation rates that are used to compute depreciation expense for incumbent local exchange carriers ("LECs"). Our rules provide that prescribed depreciation rates shall allocate the carriers' plant investments on a straight-line basis over the life of the associated plant.³ The depreciation rate for an account is a function of the associated plant's average remaining life, future net salvage, and depreciation reserve ratio.⁴ The depreciation rate is calculated using the following formula:

¹ See 47 U.S.C. § 220 (b).

² See Letter from Allen E. Sovereign, Group Manager – Capital Recovery, GTE Service Corporation, to Magalie R. Salas, Esq, Secretary, Federal Communications Commission, July 23, 1999.

³ See 47 C.F.R. § 32.2000(g)(2)(ii).

⁴ The average remaining life is the average of the future life expectancy of the various items in a plant account. The future net salvage is the estimated gross salvage derived from the disposal of the plant less the estimated cost of removal. The depreciation reserve ratio represents the portion of a carrier's plant investment that has been depreciated or charged against income. This is the ratio of a carrier's respective accumulated depreciation and plant investment accounts.

$$\text{Depreciation rate} = \frac{100\% - \text{depreciation reserve ratio \%} - \text{future net salvage \%}}{\text{average remaining life}}$$

Both the average remaining life and the future net salvage factors are based upon estimates that require periodic review to ensure their reasonableness.

III. DISCUSSION

3. On April 14, 1999, GTE submitted a depreciation rate study to the Common Carrier Bureau ("Bureau") proposing revisions to its depreciation rates for its facilities in Ohio (GTE North-Ohio) and Virginia (GTE South-Virginia).⁵ On May 14, 1999, GTE provided additional information regarding its proposed depreciation rates.⁶ Bureau staff reviewed this proposal and on July 8-9, 1999 convened a three-way meeting with representatives of GTE, the Public Utilities Commission of Ohio, and the Virginia State Corporation Commission ("Virginia Commission Staff"). All of the parties participating in the three-way meeting agreed to life and salvage factors that should be used to compute GTE North-Ohio's and GTE South-Virginia's depreciation rates.

4. On July 23, 1999, GTE formally filed a request that the Commission prescribe revised depreciation rates for its Ohio and Virginia facilities.⁷ The Bureau staff reviewed the filing and determined that: (1) the proposed rates were based on the factors agreed to at the three-way meeting; and (2) the proposed rates were calculated in accordance with our rules.⁸

5. On August 5, 1999, the Bureau released a Public Notice seeking comments on GTE North-Ohio's and GTE South-Virginia's proposed rates. The Virginia Commission Staff filed comments on September 7, 1999, concurring with the proposed depreciation rates for GTE's facilities in the State of Virginia.⁹

6. Based on our review of the record, we find that GTE North-Ohio's and GTE South-Virginia's proposed depreciation rates were prepared in accordance with the Commission's depreciation prescription procedures and that the proposed rates are reasonable and consistent with our rules and orders. We therefore adopt GTE North-Ohio's and GTE South-Virginia's proposed rates as specified in the Appendix.

7. In addition, GTE proposed that the revised rates become effective on January 1, 1999.

⁵ See Letter from Allen E. Sovereign, Group Manager – Capital Recovery, GTE Service Corporation, to Fatina K. Franklin, Accounting Safeguards Division, Federal Communications Commission, April 14, 1999.

⁶ See Letter from Allen E. Sovereign, Group Manager – Capital Recovery, GTE Service Corporation, to Fatina K. Franklin, Accounting Safeguards Division, Federal Communications Commission, May 14, 1999.

⁷ See *supra* n. 2

⁸ See 47 C.F.R. § 32.2000(g).

⁹ See Virginia Commission Staff comments at 1.

GTE's request is consistent with our rules that allow rates to be made retroactive to the beginning of the year in which the filing is made.¹⁰ We hereby set the effective date of these rates as January 1, 1999.¹¹

IV. ORDERING CLAUSES

8. ACCORDINGLY IT IS ORDERED, pursuant to Sections 4(i), 201-205 and 220(b) of the Communications Act of 1934, as amended, 47 U.S.C. Sections 154(i), 201-205 and 220(b), that the percentages of depreciation set forth in the Appendix to this Order ARE PRESCRIBED, effective January 1, 1999.

9. IT IS FURTHER ORDERED that this Order is effective upon release.

FEDERAL COMMUNICATIONS COMMISSION

Magalie Roman Salas
Secretary

¹⁰ See The Prescription of Revised Percentages of Depreciation pursuant to the Communications Act of 1934, as amended for: Alascom, Inc., *et. al*, 6 FCC Rcd 750 (1991).

¹¹ See 47 C.F.R. § 43.43(e).

FEDERAL COMMUNICATIONS COMMISSION
Schedule of Annual Percentages of Depreciation for
GTE NORTH, INCORPORATED - OHIO

Effective January 1, 1999

Rate Category Description	Average Remaining Life	Future Net Salvage	Accumulated Depreciation	Remaining Life Rate
	(years)	(%)	(%)	(%)
	A	B	C	D = (100% - B - C) / A
2112 MOTOR VEHICLES	2.6	10	77.5	4.8
2115 GARAGE WORK EQ	5.2	0	55.0	8.7
2116 OTHER WORK EQ	6.0	0	58.3	7.0
2121 BUILDINGS	15.6	0	39.1	3.9
2122 FURNITURE	7.0	0	85.2	2.1
2123 OFFICE SUPPORT EQ	6.9	0	59.7	5.8
2123 COMPANY COMMUN EQ	7.3	0	33.9	9.1
2124 GEN PURPOSE COMPUTERS	2.4	0	36.5	26.5
2212 DIGITAL ELECTRONIC SW	6.9	0	46.5	7.8
2220 OPERATOR SYSTEMS	6.1	0	13.2	14.2
2231 RADIO SYSTEMS	2.5	0	61.5	15.4
2232 CIRCUIT EQ	5.9	0	41.4	9.9
2362 OTHER TERMINAL EQ	2.8	0	49.0	18.2
2411 POLES	15.0	-75	53.5	8.1
2421 AERIAL CABLE METALLIC	11.6	-45	65.7	6.8
2421 AERIAL CABLE NONMETAL	14.4	-10	29.3	5.6
2422 UNDRGRD CABLE METALLIC	12.7	-41	61.9	6.2
2422 UNDRGRD CABLE NONMETAL	14.9	-10	29.0	5.4
2423 BURIED CABLE METALLIC	10.2	-10	54.1	5.5
2423 BURIED CABLE NONMETAL	15.5	-10	23.5	5.6
2424 SUBMARINE CABLE	8.9	0	76.4	2.7
2426 INTRABUILDING CABLE	9.7	-10	95.8	1.5
2431 AERIAL WIRE	5.3	-45	117.8	5.1
2441 CONDUIT SYSTEMS	31.0	-10	35.4	2.4

The figures in Column B, C, and D are percentages of gross book costs.

FEDERAL COMMUNICATIONS COMMISSION
Schedule of Annual Percentages of Depreciation for
GTE SOUTH, INCORPORATED - VIRGINIA

Effective January 1, 1999

Rate Category Description	Average Remaining Life	Future Net Salvage	Accumulated Depreciation	Remaining Life Rate
	(years)	(%)	(%)	(%)
	A	B	C	D = (100% - B - C) / A
2112 MOTOR VEHICLES	3.4	10	72.6	5.1
2116 OTHER WORK EQ	6.3	0	46.4	8.5
2121 BUILDINGS	26.0	-5	19.2	3.3
2122 FURNITURE	6.2	0	60.1	6.4
2123 OFFICE SUPPORT EQ	5.3	0	46.5	10.1
2123 COMPANY COMMUN EQ	6.5	0	72.5	4.2
2124 GEN PURPOSE COMPUTERS	2.3	0	78.4	9.4
2212 DIGITAL ELECTRONIC SW	5.1	0	41.7	11.4
2220 OPERATOR SYSTEMS	3.3	0	2.1	29.7
2232 CIRCUIT EQ	5.2	0	43.0	11.0
2362 OTHER TERMINAL EQ	1.9	0	81.9	9.5
2411 POLES	13.8	-57	62.1	6.9
2421 AERIAL CABLE METALLIC	11.0	-47	60.9	7.8
2421 AERIAL CABLE NONMETAL	14.7	-10	45.2	4.4
2422 UNDRGRD CABLE METALLIC	13.4	-14	51.7	4.6
2422 UNDRGRD CABLE NONMETAL	14.9	-10	38.8	4.8
2423 BURIED CABLE METALLIC	10.9	-10	43.6	6.1
2423 BURIED CABLE NONMETAL	14.8	-10	39.0	4.8
2424 SUBMARINE CABLE	18.2	-5	100.2	0.3
2431 AERIAL WIRE	4.4	-60	103.5	12.8
2441 CONDUIT SYSTEMS	32.0	-10	29.5	2.5

The figures in Column B, C, and D are percentages of gross book costs.