

ISSUE DATE: April 10, 1998

DOCKET NO. P-421/D-97-891

ORDER CLARIFYING FUTURE FILING REQUIREMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey	Chair
Joel Jacobs	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayner	Commissioner
Gregory Scott	Commissioner

In the Matter of U S WEST Communications,
Inc.'s Request for Certification of 1997
Depreciation Rates

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PROCEDURAL HISTORY

On January 27, 1998 the Commission issued an Order in this docket on U S WEST Communications, Inc.'s (U S WEST's) 1997 annual depreciation filing.¹ That Order limited the Company's 1997 depreciation rate adjustments to uncontested technical adjustments, finding that any major change in depreciation policy or practice should await the Legislature's completion of its policy review of telecommunications depreciation issues, begun last session.

On February 20, 1998 the Company filed a Petition for Clarification, asking whether it should proceed with its next triennial depreciation study, due June 15, 1998, or should wait until the Legislature had completed its policy review. The Company asked the Commission to clarify whether it would consider such a study and whether it would consider making any depreciation adjustments negotiated during the triennial review by the Company, the Department of Public Service (the Department), the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), and the Commission staff.

On February 25, 1998 the Department of Public Service (the Department) filed comments urging the Commission to require the filing. The Department believed service lives and salvage parameters could be adjusted using conventional approaches without implicating the major policy issues under study by the Legislature. The Department also stated the information in the triennial study might prove useful in preparing its report to the Legislature on depreciation issues.

On March 3, 1998 the Residential and Small Business Utilities Division of the Office of the Attorney General filed comments urging deferment of the triennial study until the Legislature had completed its work.

¹ORDER APPROVING REMAINING LIFE UPDATES, REJECTING PROPOSED PROJECTION LIFE UPDATES, AND REJECTING AMORTIZATION OF DEPRECIATION RESERVE DEFICIENCY.

On March 17, 1998 U S WEST filed reply comments. The Company argued it would be discriminatory for the Commission to refuse to review its depreciation rates while continuing to review the depreciation rates of all other companies.

The matter came before the Commission on April 2, 1998.

FINDINGS AND CONCLUSIONS

Utilities are required to review their depreciation rates at least annually. Minn. Rules 7810.7500. They are required to file for Commission certification of their depreciation rates at least every five years, as directed by the Commission. Minn. Rules 7810.7700. U S WEST has been directed to file depreciation cost studies every three years and technical updates annually. The Company's next three-year depreciation cost study is due June 15, 1998.²

The Commission agrees with the Department and the Company that this triennial depreciation review should proceed as scheduled. While this may not be the time to chart new policy directions, daily regulatory work must continue. There is nothing to be gained by permitting U S WEST's service lives and salvage parameters to become outdated. U S WEST, its ratepayers, and the public have a right to expect the Company to engage in reliable accounting, and reliable accounting requires prompt and regular review of depreciation rates.

Furthermore, most depreciation issues do not turn on policy judgments, but on factual and technical judgments. These issues can be resolved without legislative guidance, and deferring action on them would be inappropriate.

Finally, as U S WEST points out, it would be anomalous at best and discriminatory at worst to refuse to certify U S WEST's depreciation rates while continuing to certify the rates of other companies. Clearly, the Commission cannot put a moratorium on depreciation certifications until the Legislature has completed its policy review. For all these reasons, the triennial cost study should proceed as scheduled.

The Company has requested an extension of time, until September 15, 1998, to file its triennial depreciation cost study, and the Department has supported this request. The Commission will so order.

ORDER

1. The Commission hereby clarifies its January 27, 1998 Order by stating that U S WEST should file its triennial depreciation cost study as required by earlier Commission Orders. The Commission will examine the cost study and will consider approving changes in

²In the Matter of U S WEST Communications, Inc.'s Request for Certification of Depreciation Rates for 1995, Docket No. P-421/D-95-125, ORDER CERTIFYING PROPOSED LIFE AND SALVAGE FACTORS (August 22, 1995).

depreciation life and salvage parameters based on the study and other parties' comments.

2. The due date for U S WEST's triennial depreciation cost study is hereby extended to September 15, 1998.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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