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:	)	ASD 00-36
	)	
Verizon Hawaii, Incorporated	)	
Verizon Northwest, Incorporated	)	

MEMORANDUM OPINION AND ORDER

Adopted: August 17, 2000 **Released: August 24, 2000**

By the Commission:

I. INTRODUCTION

1. On April 24 and May 8, 2000, Verizon Communications ("Verizon")[1] requested that the Commission prescribe revised depreciation rates pursuant to Section 220(b) of the Communications Act of 1934 ("Act")[2] for two of its operating companies, Verizon Hawaii and Verizon Northwest.[3] In this Memorandum Opinion and Order, we grant Verizon'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.[4] The depreciation rate for an account is a function of the associated plant's average remaining life, future net salvage, and depreciation reserve ratio.[5] The depreciation rate is calculated using the following formula:

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[1] On June 30, 2000, Bell Atlantic Corporation and GTE Corporation merged into one company, named Verizon Communications. *See* Application of GTE Corporation and Bell Atlantic Corporation, CC Docket No. 98-184, *Memorandum Opinion and Order,* FCC 00-221 (rel. June 16, 2000).

[2] *See* 47 U.S.C. § 220 (b).

[3] *See* Letters from Allen E. Sovereign, Group Manager – Capital Recovery, GTE Service Corporation, to Magalie R. Salas, Esq, Secretary, Federal Communications Commission, April 24, 2000 and May 8, 2000.

[4] *See* 47 C.F.R. § 32.2000(g)(2)(ii).

[5] 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

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

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 December 22, 1999, Verizon submitted depreciation rate studies to the Common Carrier Bureau ("Bureau") proposing revisions to its depreciation rates for its facilities in Hawaii (Verizon Hawaii), and in Idaho, Oregon, and Washington (Verizon Northwest).[6] On January 28, 2000, and February 10, 2000, Verizon provided additional information regarding its proposed depreciation rates for Verizon Hawaii and Verizon Northwest, respectively.[7] The Bureau staff reviewed these proposals and convened a three-way meeting with representatives of Verizon and the Hawaii Public Utilities Commission on March 15, 2000, and with Verizon and the Idaho Public Utilities Commission, Public Utilities Commission of Oregon, and the Washington Utilities and Transportation Commission on April 4-5, 2000, to discuss the various proposals.[8]

4. On April 24, 2000, and May 8, 2000, Verizon formally filed a request that the Commission prescribe revised depreciation rates for its Hawaii facilities and for its Idaho, Oregon, and Washington facilities, respectively.[9] On May 26, 2000, the Bureau released a Public Notice seeking comments on Verizon Hawaii's and Verizon Northwest's proposed rates. No parties filed comments.

5. Based on our review of the record, we find that Verizon Hawaii's and Verizon Northwest'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. Moreover, the proposed rates were calculated in accordance with the agreements reached at the three-way meetings.[10] We therefore adopt Verizon Hawaii's and Verizon Northwest's proposed rates as specified in the

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.

[6] *See* Letter from Allen E. Sovereign, Group Manager – Capital Recovery, GTE Service Corporation, to Fatina K. Franklin, Accounting Safeguards Division, Federal Communications Commission, December 22, 1999.

[7] *See* Letters from Allen E. Sovereign, Group Manager – Capital Recovery, GTE Service Corporation, to Fatina K. Franklin, Accounting Safeguards Division, Federal Communications Commission, January 28, 2000, and February 10, 2000.

[8] The Commission ensures that the states have a reasonable opportunity to present their views concerning the carriers' depreciation rates by inviting them to participate in the conference or teleconference during which the proposed depreciation rate changes are discussed. *See* 47 U.S.C. § 220(i).

[9] *See supra* n.2

[10] *See* 47 C.F.R. § 32.2000(g).

Appendix.

6. In addition, Verizon proposed that the revised rates become effective on January 1, 2000. Verizon'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.[11] We hereby set the effective date of these rates as January 1, 2000.[12]

IV. ORDERING CLAUSES

7. 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, 2000.

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

FEDERAL COMMUNICATIONS COMMISSION

Magalie Roman Salas
Secretary

[11] *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).

[12] *See* 47 C.F.R. § 43.43(e).