931002-0081

BEFORE THE STATE CORPORATION COMMISSION OF THE

FOR THE STATE OF KANSAS

In The Matter Of a Common Depreciation)
Schedule for Small Independent Telephone) Docket No. 188,681-U
Companies in Kansas.) 94-GIMT-082-DRS

REPLY COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY

COMES NOW Southwestern Bell Telephone Company (SWBT), by and through its counsel of record, and hereby provides its reply comments in the above-captioned docket.

I. SWBT Received No Increased Depreciation Expense in TeleKansas.

The comments provided by the Independent Telecommunications Group, Columbus et al. (hereinafter "Columbus"), are incorrect when they state that SWBT was allowed to reinvest excess depreciation in modernization of equipment and was allowed a high depreciation rate on new equipment. Columbus Comments, p. 3. SWBT's current intrastate depreciation rates have not changed since they went into effect on January 1, 1987. No new rates were established or allowed as a result of the TeleKansas plan. SWBT notes that TeleKansas did allow for increased amortization expenses on two accounts that were being retired, but under TeleKansas SWBT was not allowed to increase rates for services to recover that added amortization expense.

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II. The Simplified Depreciation Process Should Not Be Retroactive.

Columbus, et al. also proposed that the Commission make the simplified depreciation process and schedule retroactive to January 1, 1993. SWBT believes it would be inappropriate to make the changes retroactive for the primary reason that 1993 budgets and financial activities are already 10 months toward completion. It will be even later this year, if not into 1994, when the Commission's Order is issued. Furthermore, this change could cause access cost payments to increase with no opportunity for discussion between the parties. SWBT notes that access negotiations are scheduled to occur in 1994, and coinciding the depreciation simplification with those negotiations seems especially appropriate. Therefore, SWBT recommends that the change in the depreciation process be made effective no earlier than January 1, 1994.

III. There Are No Valid Reasons to Exclude SWBT from the Streamlined Depreciation Process.

Both the Columbus and the Blue Valley, et al. comments seem to support the exclusion of SWBT from this docket on the basis that SWBT has more resources to perform detailed depreciation studies to support its rates. While larger telecommunications companies do have greater plant investments, this does not change the fact that performing a detailed depreciation study is extremely expensive. In today's increasingly competitive market, larger companies have just as great a need to control expenses wherever possible as do

the smaller companies.

Further evidence that SWBT should be included in a simplified depreciation process can be found in the comments filed by the other parties in this docket. Specifically, the Columbus comments request that SWBT's and United Telephone's depreciation rates be included in the data for determining the depreciation rates for the smaller companies. Columbus comments, p. 3. Columbus also points out that SWBT's present depreciation rates are often comparable or identical to the small companies' rates. Id. If, in fact, SWBT uses similar depreciation rates as the smaller carriers, it makes no sense and is patently unfair to require SWBT to perform an expensive, time-consuming, detailed depreciation cost study when its rates already fall within the ranges used by every other telephone company in Kansas.

In short, if using the larger companies' data is important to setting appropriate rate ranges, and if the larger companies' rates match those used by the smaller companies, then there is no valid reason to exclude the larger companies like SWBT from the simplified depreciation process. Offering the same expense control opportunities to all is fully appropriate in this environment of ever-increasing competition.

Respectfully submitted,

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ATTORNEYS FOR SOUTHWESTERN BELL
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CERTIFICATE OF MAILING

I hereby certify that copies of the foregoing were mailed via U.S. Mail, postage prepaid, this 22nd day of October, 1993 to the following:

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VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

J. Mark Connolly, of lawful age, being duly sworn according to law, upon his oath, deposes and says:

I am the District Manager-Rate Administration and Industry Relations for the Kansas Division of Southwestern Bell Telephone Company, and as such am authorized on behalf of the Company to make this verification; that I have read the above and foregoing comments and verify that the information contained therein is true and correct according to the best of my knowledge, information and belief.

JM Connolly
J. Mark Connolly

Subscribed and sworn to before me this 22nd day of October, 1993.

Belinda Joyce Wilson
Notary Public

BELINDA JOYCE WILSON
Notary Public - State of Kansas
My Appt. Expires 1-26-95

My Appointment Expires: January 26, 1995