

ORIGINAL

RECEIVED-PPSC

98 AUG -3 PM 4: 25



Tracy Hatch
Attorney

RECORDS AND
REPORTING

Suite 700
101 N. Monroe St.
Tallahassee, FL 32301
904 425-6364
FAX: 904 425-6361

August 3, 1998

Mrs. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Dear Mrs. Bayo:

Re: Docket No. 980696-TP

You will find enclosed an original and fifteen (15) copies of the Direct Testimony of Richard T. Guepe on behalf of AT&T, and an original and fifteen (15) copies of the Direct Testimony of John I. Hirshleifer and Direct Testimony of Michael J. Majoro^s Jr. on behalf of AT&T and MCI Telecommunications Corporation for filing in the above-referenced docket.

Copies of the foregoing are being served on the parties of record in accordance with the attached certificate of service.

- ACK _____
- AFA 2
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 2
- LIN Stacy
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

RECEIVED & FILED
[Signature]
FPSC BUREAU OF RECORDS

Yours truly,
[Signature]
Tracy Hatch

TH/mr
Enclosures
cc: Parties of Record

<i>Guepe</i>	<i>Hirshleifer</i>	<i>Majoros</i>
DOCUMENT NUMBER-DATE	DOCUMENT NUMBER-DATE	DOCUMENT NUMBER-DATE
08193 AUG-3 88	08194 AUG-3 88	08195 AUG-3 88
FPSC-RECORDS/REPORTING	FPSC-RECORDS/REPORTING	FPSC-RECORDS/REPORTING

**CERTIFICATE OF SERVICE
DOCKET 980696-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished via *hand delivery/**Federal Express and U.S. Mail to the following parties of record on this 3rd day of August, 1998:

William Cox
Florida Public Service
Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Richard Melson
Hopping Law Firm
Post Office Box 6526
Tallahassee, FL 32314

Jack Shreve
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

**Kimberly Caswell
GTE Service Incorporated
1 Tampa City Center
201 N. Franklin Street
Tampa, FL 33602

Carolyn Marek
VP of Regulatory Affairs
Southeast Region
Time Warner Communications
Nashville, TN 37221

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter, Reeves,
McGlothlin, Davidson, Rief &
Bakas, P.A.
117 S. Gadsden Street
Tallahassee, FL 32301

Floyd R. Self
Messer, Caparello & Self,
P.A.
215 S. Monroe Street
Suite 701
Tallahassee, FL 32301-1876

Brian Sulmonetti
WorldCom, Inc.
1515 S. Federal Highway
Suite 400
Boca Raton, FL 33432

*Nancy B. White
Robert G. Beatty
c/o Nancy Sims
150 S. Monroe Street
Suite 400
Tallahassee, FL 32301

Norman H. Horton, Jr.
Messer, Caparello & Self,
P.A.
215 S. Monroe Street
Suite 701
Tallahassee, FL 32301-1876

James C. Falvey
e.spire Communications,
Inc.
133 National Business
Parkway
Suite 200
Annapolis Junction, MD
20701

Laura L. Gallagher
Vice President-Regulatory
Affairs
Florida Cable
Telecommunications
Association
310 N. Monroe Street
Tallahassee, FL 32301

Harriet Eudy
ALLTELL Florida, Inc.
Post Office Box 550
Live Oak, FL 32060

J. Jeffrey Wahlen
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302

David B. Erwin
127 Riversink Road
Crawfordville, FL 32327

Robert M. Post, Jr.
Post Office Box 277
Indiantown, FL 34956

Mark Ellmer
Post Office Box 220
502 Fifth Street
Port St. Joe, FL 32456

Tom McCabe
Post Office Box 189
Quincy, FL 32353-0189

Lynn B. Hall
Vista-United
Telecommunications
Post Office Box 10180
Lake Buena Vista, FL 32830

Lynne G. Brewer
Northeast Florida Telephone
Co.
Post Office Box 485
Macclenny, FL 32063-0485

Kelly Goodnight
Frontier Communications
180 S. Clinton Avenue
Rochester, NY 14646

Patrick Knight Wiggins
Donna L. Canzano
Wiggins & Villacorta, P.A.
Post Office Drawer 1657
Tallahassee, FL 32302

Steve Brown
Intermedia Communications
Inc.
3625 Queen Palm Drive
Tampa, FL 33619-1309

Michael A. Gross
Assistant Attorney General
Office of the Attorney
General
PL-01, the Capitol
Tallahassee, FL 32399-1050

*Charles J. Rehwinkel
Sprint-Florida, Inc.
1313 Blairstone Rd.
Tallahassee, FL 32301

Kenneth A. Hoffman
John R. Ellis
Rutledge, Ecenia, Underwood
Purnell & Hoffman
Post Office Box 551
Tallahassee, FL 32301

Paul Kouroupas
Michael McRae
Teleport Communications
Group, Inc.
2 Lafayette Centre
1133 21st Street, NW
Suite 400
Washington, DC 20036

Suzanne F. Summerlin
1311-B Paul Russell Road
Suite 201
Tallahassee, FL 32301

Peter M. Dunbar
Barbara D. Auger
Pennington, Moore,
Wilkinson, Bell & Dunbar
P.O. Box 10095
Tallahassee, FL 32302

Tracy Hellet
ATTORNEY

ORIGINAL

**BEFORE
THE FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 980696-TP

DIRECT TESTIMONY

OF

MICHAEL J. MAJOROS, JR.

ON BEHALF

OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND

MCI TELECOMMUNICATIONS CORPORATION

August 3, 1998

DOCUMENT NUMBER-DATE

08195 AUG-38

FPSC-RECORDS/REPORTING

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

DIRECT TESTIMONY OF
MICHAEL J. MAJOROS, JR.
ON BEHALF OF
AT&T OF THE SOUTHERN STATES, INC.
AND
MCI TELECOMMUNICATIONS COMPANY
DOCKET NO. 980696-TP

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Michael J. Majoros, Jr. I am Vice President of the economic consulting firm of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"). My business address is 1220 L Street, N.W., Suite 410, Washington, D.C. 20005.

Q. PLEASE DESCRIBE SNAVELY KING.

A. Snavely King was originally founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 16 economists, accountants, engineers and cost analysts. Most of the firm's work involves the development,

1 preparation and presentation of expert witness testimony before
2 Federal and State regulatory agencies. Over the course of the firm's
3 28-year history, its members have participated in over 500
4 proceedings before almost all of the state commissions and Federal
5 commissions that regulate telecommunications companies, utilities,
6 and transportation industries.

7

8 **Q. PLEASE DESCRIBE THE TYPE OF WORK YOU HAVE**
9 **PERFORMED WHILE AT SNAVELY KING.**

10

11 **A.** I have provided consultation specializing in accounting, financial and
12 management issues. I have testified in over 80 regulatory
13 proceedings. A significant number of these appearances have related
14 to the subject of telecommunications and public utility depreciation.
15 Attachment MJM-1 to this testimony summarizes my appearances
16 relating to depreciation. I have also negotiated and/or represented
17 various user groups in fifteen of the Federal Communications
18 Commission's ("FCC's") three-way triennial depreciation represcription
19 conferences. Page 1 of Attachment MJM-2 identifies those
20 conferences. I have also participated in several regulatory
21 proceedings in which depreciation was an issue that was ultimately
22 settled. Page 2 of Attachment MJM-2 summarizes these
23 proceedings.

1

2 **Q. WHAT WAS YOUR EMPLOYMENT PRIOR TO JOINING SNAVELY**
3 **KING?**

4

5 A. I joined Snavely King in 1981 and have been with the firm since that
6 time. My prior employment and educational background is
7 summarized in Attachment MJM-3 to this testimony.

8

9 **Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?**

10

11 A. I am appearing on behalf of MCI Telecommunications Corporation
12 ("MCI") and AT&T Communications of the Southern States, Inc.
13 ("AT&T").

14

15 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**
16 **DIRECT SUPERVISION?**

17

18 A. Yes, it was. I should note, however, that this testimony and its
19 analytical framework draws heavily upon work performed by myself
20 and others at Snavely King on behalf of AT&T, MCI, and AT&T
21 Canada LDS for use in other proceedings.

22

23 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 depreciation expense must be within the
2 FCC-authorized range.³

3

4 **Q. DOES THE FCC SPECIFY THE SPECIFIC PLANT LIVES TO BE**
5 **USED IN THE CALCULATION OF TELRIC?**

6

7 A. No. However, the FCC's rules require that only forward-looking costs
8 be used.⁴ This requires the use of economic depreciation rates.⁵ To
9 comply with this guideline, the plant lives used must be based upon
10 the expected economic lives of newly placed plant.⁶ In depreciation
11 proceedings, such plant lives are termed "projection lives" to
12 differentiate them from "remaining lives" and "average service lives"
13 which reflect past plant placements.

14 **Q. ARE THERE ANY REALISTIC ESTIMATES OF SPECIFIC PLANT**
15 **PROJECTION LIVES?**

16

17 A. I believe the projection lives prescribed by the FCC to be realistic
18 estimates of specific plant projection lives. Pursuant to statutory
19 responsibility, the FCC has been prescribing depreciation rates for
20 telephone companies for over 50 years.⁷ It usually reviews full studies
21 submitted by the largest companies on a triennial basis.⁸ The FCC
22 bases its projection life prescriptions on its analysis of the studies filed
23 by the carriers and in consultation with the various state commission

1 staffs. Since its staff has the responsibility, and the opportunity, to
2 review periodically the plans of every large telephone company, I
3 consider its estimates to be realistic.

4

5 **Q. ARE THE PROJECTION LIVES PRESCRIBED BY THE FCC**
6 **FORWARD-LOOKING?**

7

8 **A. Yes, they are. Over a decade ago the FCC directed its staff to put**
9 less emphasis on historic data in estimating productive lives, and to
10 pay "closer attention to company plans, technological developments
11 and other future-oriented analyses."⁹

12 Recently, the FCC reaffirmed its forward-looking orientation in
13 connection with the simplification of its depreciation prescription
14 practices. The FCC prescribed a range of projection lives which could
15 be selected by carriers for prescription on a streamlined basis. The
16 FCC stated that these ranges were based upon "statistical studies of
17 the most recently prescribed factors. These statistical studies
18 required detailed analysis of each carrier's most recent retirement
19 patterns, the carriers' plans, and the current technological
20 developments and trends."¹⁰

21

22 **Q. DO YOU BELIEVE THE FCC STAFF HAS FOLLOWED THE FCC'S**
23 **DIRECTIVE TO EMPHASIZE FORWARD-LOOKING ANALYSES?**

1

2 A. Yes. In my experience in fifteen FCC triennial represcription
3 conferences (including BellSouth represcription conferences), the
4 FCC staff always used a forward-looking approach to setting
5 depreciation rates.

6 The FCC staff rarely relied solely on historical data to set
7 depreciation parameters. The FCC bases its parameter prescriptions
8 upon the studies and information supplied by the individual
9 companies, specific company plans, information submitted by state
10 commission staffs, consumer groups and its broad industry-wide
11 experience.

12

13 Q. IS THERE EMPIRICAL EVIDENCE THAT THE PROJECTION LIVES
14 PRESCRIBED BY THE FCC HAVE BEEN FORWARD-LOOKING?

15

16 A. Yes. I would point to recent trends in the depreciation reserve levels
17 in the industry, generally, and BellSouth and GTE-Florida specifically.
18 As the FCC has recognized, "[t]he depreciation reserve is an
19 extremely important indicator of the depreciation process because it is
20 the accumulation of all past depreciation accruals net of plant
21 retirements. As such, it represents the amount of a carrier's original
22 investment that has already been returned to the carrier by its
23 customers."¹¹

1 The FCC's recognition of the reserve level as an indicator of
2 the depreciation process can best be understood by examining a
3 steady state example. Assume that we start with a stable
4 environment in which the average age of plant is 9 years and the
5 expected life of plant is 27 years. In this case, the add rate,
6 retirement rate and straight-line accrual rate are all 3.7 percent, and
7 the reserve level is stable at 33 percent of plant in service (9 years/27
8 years).¹² As we vary these factors, we can see the effect on the
9 reserve level. For example:

10

11 • If the add rate were to increase above 3.7
12 percent, the reserve level would go down.
13 This would not be a cause for concern,
14 since the average age of plant would
15 similarly represent a lower percent of its
16 expected life.

17

18 • If the retirement rate were to increase
19 above 3.7 percent, the reserve level would
20 go down. This would be a cause for
21 concern, since it would indicate that the
22 expected life of plant is shorter than
23 previously expected. If the expected life is

1 shorter, the average age of plant would
2 represent a higher percent of its expected
3 life, and the reserve should be higher, not
4 lower than 33 percent.

- 5
- 6 • If the accrual rate were to increase above
7 3.7 percent, the reserve level would go up.
8 This would not be appropriate absent a
9 reduction in the expected life of the plant,
10 since it would indicate that the age of plant
11 is higher than 33 percent of its expected
12 life.

13

14 In summary, a declining reserve percent would be a reason for
15 concern absent indications that it is merely the result of growth in
16 plant. On the other hand, a rising reserve percent is generally a
17 positive sign that the depreciation process is working well. Indeed,
18 absent indications that the expected life of plant is decreasing, it might
19 be a sign that accrual rates are too high.

20 Attachment MJM-4 to this testimony displays reserve levels
21 and other plant rates since 1946 for all local exchange carriers
22 ("LECs") providing full financial reports to the FCC. As shown on
23 Page 1 of Attachment MJM-4, reserve percents decreased steadily

1 following World War II due to industry growth. These declines
2 continued through the 1970's due in part to accrual rates which were
3 too low.¹³ As shown on Page 2 of Attachment MJM-4, however, the
4 FCC's change to forward-looking depreciation practices in the early
5 1980s resulted in a dramatic rise in reserve levels after 1980. The
6 composite reserve level rose from 18.7 percent in 1980 to an historic
7 high of 48.8 percent in 1997. This track record indicates that the
8 depreciation process is resulting in adequate depreciation accruals,
9 and that the FCC's projection life estimates have been forward-
10 looking and unbiased.

11 Confirmation of the forward-looking nature of current FCC
12 prescriptions can be gained by comparing the 1997 accrual rate of 7.1
13 percent (Attachment MJM-4, Page 3, Column l) to the 1997 retirement
14 rate of 4.0 percent (Attachment MJM-4, Page 3, Column k). The
15 prescription of an accrual rate much higher than the current retirement
16 rate indicates an expectation that the retirement rate will be much
17 higher in the future. If the FCC were prescribing depreciation rates
18 based upon historical indicators, it would be prescribing depreciation
19 rates in the range of 3 to 5 percent.

20 Attachment MJM-5 demonstrates that these national trends
21 apply also to BellSouth and GTE-Florida. The 1997 depreciation
22 reserve percents for these companies were:

23 1997 Reserve %

1 recommendations and certain of Bell South's proposals. The FPSC
2 adopted staff's recommendation. The primary differences between
3 staff's overall projection life recommendations and the FCC's
4 prescribed projection lives for Bell South are in the four accounts
5 listed below:

6	<u>FCC</u>	<u>STAFF</u>		
7		Buildings	48	45
8		Aerial-Fiber	25	20
9		Underground-Fiber	25	20
10		Buried-Fiber	25	20

11 I have no objection to staff's 45-year projection-life for
12 Buildings. I am, however, recommending the FCC's 25-year
13 projection lives for the fiber accounts listed above. Review of the
14 Commission's Order indicates that staff's recommendation was based
15 on "BST's projection lives of 20-years from its Florida-specific study".

16

17 I have reviewed the Florida-specific study in question and
18 discovered that the retirements in these three accounts are negligible
19 and recent life indications are either much longer than the FCC's 25-
20 years or are erratic. The Florida-specific data indicates that if
21 anything, the FCC's 25-years should in my opinion, be lengthened.

1 not shortened to BST's 20-year request. Consequently, I continue to
2 recommend the FCC's 25-year projection life.

3

4 **Q. SHOULD THE FCC PRESCRIBED PROJECTION LIFE FOR AN**
5 **ACCOUNT BE USED EVEN IF IT IS SLIGHTLY ABOVE OR BELOW**
6 **THE FCC'S NATIONAL RANGE?**

7

8 **A. Yes. State-specific FCC prescriptions are consistent with the intent of**
9 **the FCC's Universal Service Order. For example, the FCC has**
10 **proposed that it use a weighted average of state-specific projection**
11 **lives as an input to its forward-looking cost calculations.¹⁶**

12

13 **Q. HAVE ANY STATE COMMISSIONS ISSUED ORDERS WHICH**
14 **ADOPTED FCC PRESCRIBED PROJECTION LIVES, OR SIMILAR**
15 **STATE PRESCRIBED LIVES, FOR USE IN TELRIC**
16 **CALCULATIONS?**

17

18 **A. Yes, indeed. Prescribed projection lives have already been adopted**
19 **for use in TELRIC calculations by Louisiana,¹⁷ Georgia,¹⁸ Texas,¹⁹**
20 **Massachusetts,²⁰ New York,²¹ West Virginia,²² Wyoming,²³ Delaware,²⁴**

1 Ohio,²⁵ Colorado,²⁶ Maryland,²⁷ and Illinois.²⁸ In many other states,
2 TELRIC proceedings are in progress.

3

4 **Q. DOES THIS SURPRISE YOU?**

5

6 **A.** Not at all. In its recent Price Cap decision, the FCC adopted the use
7 of its prescribed lives for use in Total Factor Productivity calculations.

8 The FCC noted that:

9 We can think of no reason why incumbent LECs should be
10 permitted to use different depreciation rates for different
11 regulatory purposes.²⁹

12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14

15 **A.** Yes, it does.

¹ Federal-State Joint Board on Universal Service. CC Docket No. 96-45, Report and Order, FCC 97-157, released May 8, 1997 ("Universal Service Order").

² Id., para. 250.

³ Id. at (5).

⁴ FCC, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, first Report and

Order, FCC 96-325, released August 8, 1996, ("August 8 Order"), Appendix B ("Rules"), ¶ 51.505(a).

⁵ Rules, ¶ 51.505 (b) (3).

⁶ The economic life of an asset is its total revenue producing life. Public Utility Depreciation Practices ("Depreciation Practices"), National Association of Regulatory Utility Commissioners, August 1996, p. 318.

⁷ 47 U.S.C. ¶ 220 (b).

⁸ Interim updates are also performed.

⁹ Report on Telephone Industry Depreciation, Tax and Capital/Expense Policy, Accounting and Audits Division, Federal Communications Commission, April 15, 1987 ("AAD Report"), p. 3.

¹⁰ FCC, Simplification of the Depreciation Prescription Process, CC docket No. 92-296 ("Prescription Simplification" proceeding) Third Report and Order, FCC 95-181, released May 4, 1995, p. 6.

¹¹ AAD Report, pp. 5-6.

¹² Reserve will stabilize at 33 percent assuming a triangular (straight-line) mortality curve. See Notes for Engineering Economics Courses, American Telephone and Telegraph Company, Engineering Department, 1966, p. 121.

¹³ AAD Report, p. 7.

¹⁴ With the exception of the 45 years for BellSouth's Buildings account which is the Florida PSC's recommendation.

¹⁵ Order No. PSC-98- 0604-FOF-TP in Dkt. Nos. 960833-TP/96084-TP/page 39.

¹⁶ Federal-State Joint Board on Universal Service, and Forward-Looking Mechanisms for High Cost Support for Non-Rural LEC's CC Docket Nos. 96-54 and 97-160, Further Notice of Proposed Rulemaking ("FNPRM"), FCC 97-256, released July 18, 1997, para. 149-151.

¹⁷ Docket U-22022/22093, October 22, 1997.

¹⁸ Docket 7061-U, December 16, 1997.

¹⁹ Docket 16189, et al., November 8, 1996.

²⁰ Docket DPU 96-73/74, 96-75, 96-80/81, 96-83, 96-84-Phase 4, December 4, 1996.

²¹ Docket 95-C-0657, 94-C-0095, 91-C-1174, April 1, 1997.

²² Docket 96-1516-T-PC, April 21, 1997.

²³ Docket 7000-TF-96-319, 72000-TF-96-95, April 23, 1997.

²⁴ Docket 96-324, April 29, 1997.

²⁵ Docket 96-222-TP-UNC, June 19, 1997.

²⁶ Docket 96S-331T, July 28, 1997.

²⁷ Docket No. 8731, Phase II, September 22, 1997.

²⁸ Docket 96-0486, 96-0569, February 17, 1998.

²⁹ Docket 94-1, 96-262, May 21, 1997, footnote 122.

MICHAEL J. MAJOROS, JR.

APPEARANCES BEFORE REGULATORY AGENCIES
RELATED TO DEPRECIATION

<u>STATE</u>	<u>DOCKET NO.</u>	<u>UTILITY</u>
New Jersey	815-458	New Jersey Bell Telephone Co.
District of Columbia	785	Potomac Electric Power Co.
Maryland	7689	Washington Gas Light Co.
District of Columbia	813	Potomac Electric Power Co.
Pennsylvania	R-842621	Western Pennsylvania Water Co.
Maryland	7743	Potomac Edison Electric Co.
Maryland	7851	Chesapeake & Potomac Tel. Co.
California	I-85-03-78	Pacific Bell Telephone Co.
Pennsylvania	R-850174	Philadelphia Suburban Water Co.
Pennsylvania	R-850178	Pennsylvania Gas & Water Co.
Pennsylvania	R-850229	General Tel. of Pennsylvania
Maryland	7899	Delmarva Power & Light Co.
Pennsylvania	R-850268	York Water Co.
Pennsylvania	R-860350	Dauphin Water Co.
Idaho	U-1022-59	General Tel. of the Northwest
Maryland	7973	Baltimore Gas & Electric Co.
Pennsylvania	C-860923	Bell Telephone of Pennsylvania
Iowa	DPU-86-2	Northwestern Bell Telephone Co.
District of Columbia	842	Washington Gas Light Co.
Iowa	RPU-87-3	Iowa Public Service Company
Florida	880069-TL	Southern Bell Telephone

<u>STATE</u>	<u>DOCKET NO.</u>	<u>UTILITY</u>
District of Columbia	869	Potomac Electric Power Company
Iowa	RPU-88-6	Northwestern Bell Telephone Co.
New Jersey	1487-88	Morris County Transfer Station
Florida	890256-TL	Southern Bell Telephone
New Jersey	ER89110912	Jersey Central Power & Light Co.
New Jersey	WR900050497J	Elizabethtown Water Company
South Carolina	92-227-C	Southern Bell Telephone Company
Maryland	8485	Baltimore Gas & Electric Company
Pennsylvania	P-900465	United Tel. Co. of Pennsylvania
West Virginia	90-564-T-D	C&P Telephone Co.
New Jersey	90080792J	Hackensack Water Co.
New Jersey	WR90080884J	Middlesex Water Company
Pennsylvania	R-911892	Philadelphia Suburban Water
Kansas	176,716-U	Kansas Power & Light Co.
Indiana	39017	Indiana Bell Telephone Co.
Nevada	91-5054	Central Telephone Co. - Nevada
New Jersey	EE91081428	Public Service Elec. & Gas Co.
Maryland	8462	C&P Telephone Co.
West Virginia	91-1037-E-D	Appalachian Power Company
Maryland	8464	Potomac Electric Power Company
South Carolina	92-227-C	Southern Bell - South Carolina
Maryland	8485	Baltimore Gas & Electric Co.
Georgia	4451-U	Atlanta Gas Light Company
New Jersey	GR93040114	New Jersey Natural Gas Company
Iowa	RPU-93-9	U.S. West - Iowa
Iowa	RPU-94-3	Midwest Gas
Connecticut	94-10-03	Southern New England Telephone
Pennsylvania	R-00953300	Citizens Utilities Company
Arizona	E-1032-95-417 et. al.	Citizens Utilities Company
New Hampshire	DE 96-52	New England Telephone

<u>STATE</u>	<u>DOCKET NO.</u>	<u>UTILITY</u>
Iowa	DPU-96-1	U S West - Iowa
Ohio	96-922-TP-UNC	Ameritech - Ohio
Michigan	U-11280	Ameritech - Michigan
Michigan	U-11281	GTE North
Wyoming	7000-TR-96-323	U S West - Wyoming
Iowa	RPU-96-9	U S West - Iowa
Illinois	96-0486/0569	Ameritech - Illinois
Indiana	40611	Ameritech - Indiana
Utah	97-049-08	US West - Utah

MICHAEL J. MAJOROS, JR.

PARTICIPATION AS NEGOTIATOR IN FCC DEPRECIATION
RATE REPRESRIPTION CONFERENCES

<u>COMPANY</u>	<u>YEARS</u>	<u>CLIENT</u>
Diamond State Telephone Co.	1985 + 1988	Delaware Public Service Commission
Bell Telephone of Pennsylvania	1986 + 1989	PA Consumer Advocate
Chesapeake & Potomac Telephone Co. - Md.	1986	Maryland People's Counsel
Southwestern Bell Telephone - Kansas	1986	Kansas Corp. Commission
Southern Bell - Florida	1986	Florida Consumer Advocate
Chesapeake & Potomac Telephone Co. - W. Va.	1987 + 1990	West VA Consumer Advocate
New Jersey Bell Telephone Co.	1985 + 1988	New Jersey Rate Counsel
Southern Bell - South Carolina	1986 + 1989 + 1992	S. Carolina Consumer Advocate
GTE-North - Pennsylvania	1989	PA Consumer Advocate

MICHAEL J. MAJOROS, JR.

PARTICIPATION IN PROCEEDINGS IN WHICH DEPRECIATION
WAS SETTLED BEFORE TESTIMONY WAS SUBMITTED

<u>STATE</u>	<u>DOCKET NO.</u>	<u>UTILITY</u>
Maryland	7878	Potomac Edison
Nevada	88-728	Southwest Gas
New Jersey	WR90090950J	New Jersey American Water
New Jersey	WR900050497J	Elizabethtown Water
New Jersey	WR91091483	Garden State Water
West Virginia	91-1037-E	Appalachian Power Co.
Nevada	92-7002	Central Telephone - Nevada
Pennsylvania	R-00932873	Blue Mountain Water
West Virginia	93-1165-E-D	Potomac Edison
West Virginia	94-0013-E-D	Monongahela Power
New Jersey	WR94030059	New Jersey American Water
New Jersey	WR95080346	Elizabethtown Water
New Jersey	WR95050219	Toms River Water Co.
New Jersey Jersey	WR95070303	Hackensack Water Co. New

Experience

Snavely King Majoros O'Connor & Lee, Inc.

Vice President and Treasurer (1988 to Present)
Senior Consultant (1981-1987)

Mr. Majoros provides consultation specializing in accounting, financial, and management issues. He has testified as an expert witness or negotiated on behalf of clients in more than eighty regulatory proceedings involving telephone, electric, gas, water and sewerage companies. Mr. Majoros has appeared before Federal and state agencies. His testimony has encompassed a wide variety of complex issues including taxation, divestiture accounting, revenue requirements, rate base, nuclear decommissioning and capital recovery.

Mr. Majoros has been responsible for developing the firm's consulting services on depreciation and other capital recovery procedures into a major area of practice. He has also developed the firm's capabilities in the management audit area and established the firm's office in San Juan, Puerto Rico.

Van Scoyoc & Wiskup, Inc., Consultant (1978-1981)

Mr. Majoros performed various management and regulatory consulting projects in the public utility field, including preparation of electric system load projections for a group of municipally and cooperatively owned electric systems; preparation of a system of accounts and reporting of gas and oil pipelines to be used by a state regulatory commission; accounting system analysis and design for rate proceedings involving electric, gas, and telephone utilities. Mr. Majoros also assisted in an antitrust proceeding involving a major electric utility. He submitted expert testimony in FERC Docket No. RP79-12 (El Paso Natural Gas Company). In addition, he co-authored a study entitled Analysis of Staff Study on Comprehensive Tax Normalization that was submitted to FERC in Docket No. RM80-42.

Handling Equipment Sales Company, Inc., Treasurer (1976-1978)

Mr. Majoros' responsibilities included financial management, general accounting and reporting, and income taxes.

Ernst & Ernst, Auditor (1973-1976)

Mr. Majoros was a member of the audit staff where his responsibilities included auditing, supervision, business

systems analysis, report preparation, and corporate income taxes.

University of Baltimore - (1971-1973)

Mr. Majoros was a full-time student in the School of Business. During this period Mr. Majoros worked consistently on a part-time basis in the following positions: Assistant Legislative Auditor - State of Maryland, Staff Accountant - Robert M. Carney & Co., CPA's, Staff Accountant - Noron & Wrgod, CPA's, Credit Clerk - Montgomery Wards.

Central Savings Bank, (1969-1971)

Mr. Majoros was an Assistant Branch Manager at the time he left the bank to attend college as a full-time student. During his tenure at the bank, Mr. Majoros gained experience in each department of the bank. In addition, he attended night school at the University of Baltimore.

Education

University of Baltimore, School of Business, B.S. - Concentration in Accounting

Professional Affiliations

American Institute of Certified Public Accountants
Maryland Association of C.P.A.s
Society of Depreciation Professionals

Publications, Papers, and Panels

"Analysis of Staff Study on Comprehensive Tax Normalization," FERC Docket No. RM 80-42, 1980.

"Telephone Company Deferred Taxes and Investment Tax Credits - A Capital Loss for Ratepayers," Public Utility Fortnightly, September 27, 1984.

"The Use of Customer Discount Rates in Revenue Requirement Comparisons," Proceedings of the 25th Annual Iowa State Regulatory Conference, 1986.

"The Regulatory Dilemma Created By Emerging Revenue Streams of Independent Telephone Companies," Proceedings of NARUC 101st Annual Convention and Regulatory Symposium, 1989.

"BOC Depreciation Issues in the States," National Association of State Utility Consumer Advocates, 1990 Med-Year Meeting, 1990.

"Current Issues in Capital Recovery" 30th Annual Iowa State Regulatory Conference, 1991.

"Impaired Assets Under SFAS No. 121," National Association of State Utility consumer Advocates, 1996 Mid-Year Meeting, 1996.

All LEC's Plant Related Rates
(Dollars in Millions)

	Telecommunications Plant in Service				Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG Reserve (i)	Add Rate (j) = e/i	Retire Rate (k) = f/i	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a									
1946		6,500	3,250	6,500				2,300					35.4
1947	6,500	7,400	6,950	900				2,500	2,400				33.8
1948	7,400	8,700	8,050	1,300				2,600	2,550				29.9
1949	8,700	9,800	9,250	1,100				2,800	2,700				28.6
1950	9,800	10,500	10,150	700				3,000	2,900				28.6
1951	10,500	11,300	10,900	800				3,200	3,100				28.3
1952	11,300	12,300	11,800	1,000				3,400	3,300				27.6
1953	12,300	13,400	12,850	1,100				3,600	3,500				26.9
1954	13,400	14,600	14,000	1,200				3,800	3,700				26.0
1955	14,600	15,800	15,200	1,200				4,100	3,950				25.9
1956	15,800	17,400	16,600	1,600				4,300	4,200				24.7
1957	17,400	19,600	18,500	2,200				4,600	4,450				23.5
1958	19,600	22,000	20,800	2,400				4,900	4,750				22.3
1959	22,000	23,000	22,500	1,000				5,200	5,050				22.6
1960	23,000	25,000	24,000	2,000	2,700	700	1,100	5,600	5,400	11.7	3.0	4.6	22.4
1961	25,000	27,000	26,000	2,000	2,800	800	1,200	6,000	5,800	11.2	3.2	4.6	22.2
1962	27,000	29,000	28,000	2,000	2,900	900	1,300	6,400	6,200	10.7	3.3	4.6	22.1
1963	29,000	32,000	30,500	3,000	4,000	1,000	1,400	6,800	6,600	13.8	3.4	4.6	21.3
1964	32,000	34,000	33,000	2,000	2,900	900	1,600	7,500	7,150	9.1	2.8	4.8	22.1
1965	34,000	37,000	35,500	3,000	4,100	1,100	1,700	8,100	7,800	12.1	3.2	4.8	21.9

All LEC's Plant Related Rates
(Dollars in Millions)

	Telecommunications Plant in Service				Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG Reserve (i)	Add Rate (j) = e/a	Retire Rate (k) = f/a	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a									
1966	37,000	40,000	38,500	3,000	4,100	1,100	1,900	8,900	8,500	11.1	3.0	4.9	22.3
1967	40,000	44,000	42,000	4,000	5,100	1,100	2,100	9,900	9,400	12.8	2.8	5.0	22.5
1968	43,249	47,123	45,186	3,874	5,104	1,230	2,304	10,979	10,440	11.8	2.8	5.1	23.3
1969	47,175	51,724	49,450	4,549	6,022	1,473	2,507	12,072	11,526	12.8	3.1	5.1	23.3
1970	51,723	56,951	54,337	5,228	6,880	1,651	2,751	13,213	12,643	13.3	3.2	5.1	23.2
1971	56,972	63,090	60,031	6,118	8,052	1,933	3,016	14,447	13,830	14.1	3.4	5.0	22.9
1972	63,068	69,870	66,469	6,802	9,044	2,242	3,330	15,643	15,045	14.3	3.6	5.0	22.4
1973	69,951	77,442	73,697	7,491	10,085	2,595	3,659	16,769	16,206	14.4	3.7	5.0	21.7
1974	77,107	84,888	80,998	7,781	11,024	3,243	4,047	17,685	17,227	14.3	4.2	5.0	20.8
1975	84,799	92,284	88,542	7,485	10,881	3,396	4,486	18,809	18,247	12.8	4.0	5.1	20.4
1976	92,591	99,879	96,235	7,288	11,139	3,856	4,934	20,163	19,486	12.0	4.2	5.1	20.2
1977	101,237	109,496	105,367	8,259	12,438	4,136	5,630	21,903	21,033	12.3	4.1	5.3	20.0
1978	109,502	119,336	114,419	9,834	14,549	4,681	6,199	23,474	22,689	13.3	4.3	5.4	19.7
1979	118,612	129,972	124,292	11,360	16,843	5,452	6,820	24,881	24,178	14.2	4.6	5.5	19.1
1980	129,767	142,096	135,932	12,329	18,694	6,378	7,804	26,512	25,697	14.4	4.9	5.7	18.7
1981	142,121	155,845	148,983	13,724	19,482	5,749	8,664	29,932	28,222	13.7	4.0	5.8	19.2
1982	155,907	168,075	161,991	12,168	18,466	6,409	9,757	33,957	31,945	11.8	4.1	6.0	20.2
1983	169,162	178,482	173,822	9,320	16,076	6,664	11,340	39,571	36,764	9.5	3.9	6.5	22.2
1984	152,315	159,798	156,057	7,483	14,994	4,994	10,048	37,996	38,784	9.8	3.3	6.4	23.8
1985	174,218	186,294	180,256	12,076	18,972	6,687	11,469	43,837	40,917	10.9	3.8	6.9	25.7

All LEC's Plant Related Rates
(Dollars in Millions)

	Telecommunications Plant in Service				Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG Reserve (i)	Add Rate (j) = e/a	Retire Rate (k) = f/a	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a									
1986	186,972	198,758	192,865	11,786	18,907	6,954	13,142	31,543	47,690	10.1	3.7	7.5	28.4
1987	199,063	209,687	204,375	10,624	18,535	7,886	15,263	61,471	56,507	9.3	4.0	8.1	31.6
1988	210,720	220,395	215,558	9,675	17,947	8,949	16,627	74,123	67,797	8.5	4.2	7.7	33.6
1989	220,126	229,326	224,726	9,200	16,868	8,145	16,839	83,115	78,619	7.7	3.7	7.5	36.2
1990	229,103	235,247	232,175	6,144	18,473	12,380	16,955	88,146	85,631	8.1	5.4	7.3	37.5
1991	236,093	241,620	238,857	5,527	18,322	12,896	16,607	91,427	89,787	7.8	5.5	7.0	37.8
1992	242,599	249,508	246,054	6,909	18,877	12,138	17,036	98,053	94,740	7.8	5.0	6.9	39.3
1993	250,570	258,782	254,676	8,212	18,864	11,217	17,676	106,079	102,086	7.5	4.5	6.9	41.0
1994	259,216	267,443	263,330	8,227	18,781	10,990	18,656	114,598	110,339	7.2	4.2	7.1	42.8
1995	268,555	278,946	273,751	10,391	19,482	9,411	19,393	125,789	120,194	7.3	3.5	7.1	45.1
1996	278,974	291,569	285,272	12,595	22,401	10,271	20,527	137,278	131,534	8.0	3.7	7.2	47.1
1997	291,569	303,809	297,689	12,240	23,171	11,627	21,156	148,163	142,721	7.9	4.0	7.1	48.8
Avg.	'60-'71									12.0	3.1	4.9	
	'72-'83									13.1	4.1	5.5	
	'84-'97									8.4	4.2	7.2	

Source: 1946 - 1967 Report on Telephone Industry Depreciation, Tax and Capital/Expense Policy, Accounting and Audits Division, FCC, April 15, 1987, pp.6, 9
 1968 - 1983 FCC Statistics of Common Carriers, Tables 12 and 16
 1984 - 1987 FCC Statistics of Common Carriers, Tables 10 and 14
 1988 - 1997 FCC Statistics of Common Carriers, Tables 2.7 and 2.9

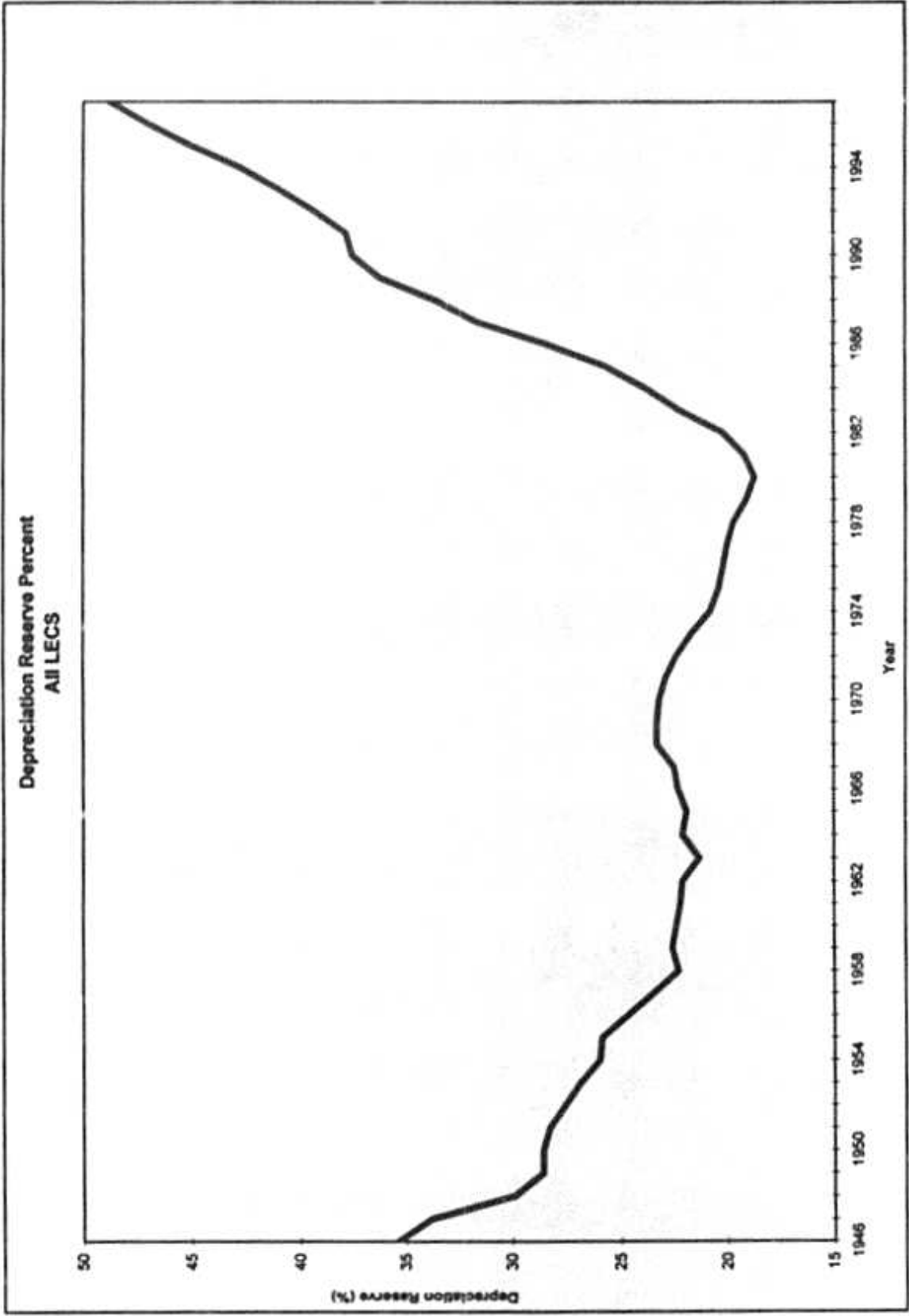
Note 1: 1946 - 1983 includes AT&T

Note 2: From FCC Statistics of Common Carriers, Table 14

Col 1 = 1985 Col g/165,076

1986 Col g/175,926

1987 Col g/187,920



BellSouth Telephone Plant Related Rates

(Dollars in Millions)

	Telecommunications Plant in Service				Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG. Reserve (i)	Add Rate (j) = e/a	Retire Rate (k) = f/a	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a									
1990	32,462	34,216	33,339	1,754	3,026	1,272	2,506	12,063	11,378	9.3	3.9	7.5	35.3
1991	34,216	35,829	35,023	1,613	2,994	1,382	2,598	13,384	12,724	8.8	4.0	7.4	37.4
1992	36,034	37,644	36,839	1,610	2,768	1,159	2,615	15,096	14,240	7.7	3.2	7.1	40.1
1993	37,644	39,445	38,545	1,801	3,142	1,341	2,811	16,669	15,883	8.3	3.6	7.3	42.3
1994	39,445	41,095	40,270	1,650	3,143	1,493	2,919	18,203	17,436	8.0	3.8	7.2	44.3
1995	41,095	42,934	42,015	1,839	3,177	1,349	3,044	19,944	19,074	7.7	3.3	7.2	46.5
1996	42,934	45,318	44,126	2,384	3,731	1,347	3,174	22,176	21,060	8.7	3.1	7.2	48.9
1997	45,318	47,203	46,261	1,885	3,413	1,866	3,299	24,155	23,166	7.5	4.1	7.1	51.2
Avg.										8.3	3.6	7.3	

Source: Annual Report Form M, Tables B-1 and B-5, 1990-1991
ARMIS 43-02 Reports, Tables B-1 and B-5, 1992-1997

Note: Excludes Customer Premise Wiring

GTE - Florida Telephones Plant Related Rates

(Dollars in Millions)

Telecommunications Plant in Service		Average Increase		Add	Ref	Deprec	EOY Reserve	AVG. Reserve	Add Rate	Retire Rate	Deprec Rate	Reserve Percent	
BOY	EOY	(c)=(a+b)/2	(d) = b-a										
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j) = e/a	(k) = f/a	(l) = g/c	(m) = h/b	
1997	4,027	4,286	4,157	259	391	111	343	1,864	1,745	9.7	2.8	8.3	43.5

Source: 1997 ARMIS 43-02 Report

Note: Excludes Customer Premise Wiring

Florida
Projection Life Comparison
Recommended Inputs

	Account Number	Account Name	FCC Range		BS (c)	GTE (d)	Sprint (e)	Centel (f)
			Low (a)	High (b)				
1	2112	Motor Vehicles	7.5	9.5	7.5	7.5	7.5	7.5
2	2115	Garage Work Eqpt	12.0	18.0	12.0	12.0	12.0	12.0
3	2116	Other Work Eqpt	12.0	18.0	15.0	12.0	12.0	12.0
4	2121	Buildings	N/A	N/A	45.0	40.0	N/A	N/A
5	2122	Furniture	15.0	20.0	11.0	15.0	15.0	15.0
6	2123.1	Ofc. Support Eqpt	10.0	15.0	10.5	10.0	10.0	10.0
7	2123.2	Co. Comm. Eqpt	7.0	10.0	7.0	7.0	7.0	7.0
8	2124	Gen. Purpose Computers	6.0	8.0	4.4	6.0	6.0	6.0
9	2212	Digital Switching	16.0	18.0	16.0	16.0	16.0	16.0
10	2220	Operator Systems	8.0	12.0	10.0	8.0	8.0	8.0
11	2232	Digital Circuit	11.0	13.0	10.5	9.0	11.0	11.0
12	2351	Public Telephones	7.0	10.0	7.0	7.0	7.0	7.0
13	2411	Poles	25.0	35.0	35.0	25.0	25.0	25.0
14	2421	Aerial Cable - Met	20.0	26.0	18.0	20.0	20.0	20.0
15	2421	Aerial Cable - Fiber	25.0	30.0	25.0	25.0	25.0	25.0
16	2422	Underground Cable - Met	25.0	30.0	23.0	25.0	25.0	25.0
17	2422	Underground Cable - Fiber	25.0	30.0	25.0	25.0	25.0	25.0
18	2423	Buried Cable - Met	20.0	26.0	18.0	20.0	20.0	20.0
19	2423	Buried Cable - Fiber	25.0	30.0	25.0	25.0	25.0	25.0
20	2426	Intrabldg Cable - Met	20.0	25.0	20.0	20.0	20.0	20.0
21	2426	Intrabldg Cable - Fiber	25.0	30.0	20.0	20.0	25.0	25.0
22	2441	Conduit Systems	50.0	60.0	55.0	50.0	50.0	50.0

Source: Col a, b = FCC Docket No. 92-296 Orders released 6/28/94 and 5/4/95
 Col c = Florida Dkt. Nos. 960833-TP/960846-TP/971140 TP Order, except the 2421, 2422, and 2423 fiber accounts. These are as prescribed by the FCC.
 Col d = FCC Parameter Report, August 11, 1995
 Col e = Column (a)
 Col f = Column (a)

Florida
Future Net Salvage Comparison
Recommended Inputs

	Account Number	Account Name	FCC Range		BS (c)	GTE (d)	Sprint (e)	Centel (f)
			Low (a)	High (b)				
1	2112	Motor Vehicles	10.0	20.0	10.0	18.0	10.0	10.0
2	2115	Garage Work Eqpt	0.0	10.0	0.0	0.0	0.0	0.0
3	2116	Other Work Eqpt	0.0	10.0	1.0	0.0	0.0	0.0
4	2121	Buildings	N/A	N/A	4.0	0.0	N/A	N/A
5	2122	Furniture	0.0	10.0	14.0	9.0	0.0	0.0
6	2123.1	Ofc. Support Eqpt	0.0	10.0	10.0	8.0	0.0	0.0
7	2123.2	Co. Comm. Eqpt	-5.0	10.0	10.0	-5.0	-5.0	-5.0
8	2124	Gen. Purpose Computers	0.0	5.0	0.0	0.0	0.0	0.0
9	2212	Digital Switching	0.0	5.0	0.0	0.0	0.0	0.0
10	2220	Operator Systems	0.0	5.0	0.0	0.0	0.0	0.0
11	2232	Digital Circuit	0.0	5.0	0.0	3.0	0.0	0.0
12	2351	Public Telephones	0.0	10.0	10.0	0.0	0.0	0.0
13	2411	Poles	-75.0	-50.0	-75.0	-75.0	-75.0	-75.0
14	2421	Aerial Cable - Met	-35.0	-10.0	-11.0	-35.0	-35.0	-35.0
15	2421	Aerial Cable - Fiber	-25.0	-10.0	-11.0	-25.0	-25.0	-25.0
16	2422	Underground Cable - Met	-30.0	-5.0	-7.0	-17.0	-30.0	-30.0
17	2422	Underground Cable - Fiber	-20.0	-5.0	-6.0	-9.0	-20.0	-20.0
18	2423	Buried Cable - Met	-10.0	0.0	-8.0	-10.0	-10.0	-10.0
19	2423	Buried Cable - Fiber	-10.0	0.0	0.0	-10.0	-10.0	-10.0
20	2426	Intrabldg Cable - Met	-30.0	-5.0	-12.0	-10.0	-30.0	-30.0
21	2426	Intrabldg Cable - Fiber	-15.0	0.0	-12.0	-10.0	-15.0	-15.0
22	2441	Conduit Systems	-10.0	0.0	-7.0	-10.0	-10.0	-10.0

Source: Col a, b = FCC Docket No. 92-296 Orders released 6/28/94 and 5/4/95
 Col c = Florida Dkt. Nos. 960633-TP/960846-TP/971140 TP Order, except
 the 2421, 2422, and 2423 fiber accounts. These are as prescribed by the FCC.
 Col d = FCC Parameter Report, August 11, 1995
 Col e = Column (a)
 Col f = Column (a)