

undertaken to develop rate ranges that may only endure one five-year cycle.

Even if the above concerns were resolved, the overriding problem with Option II (or Option I or III) is that the onus of developing depreciation rates is on the Commission, rather than the carrier. This is not the case for the LEC competitors. Nor is this generally the case for other industries. To transfer the development of rates to the regulator also transfers an inherent responsibility for technological decisions. This is because the Commission will be effectively determining the rate of recovery, which necessarily determines the LECs' funding and reinvestment abilities.

As Economist Alfred E. Kahn has recognized it is extremely difficult, if not impossible, for anyone in or out of government "to say what the optimal telecommunications system would look like today or will look like ten years from today."⁴⁸ Kahn thus concludes that "the best course by far is to rely on the risk-taking decisions of private entrepreneurs under the discipline of a competitive market, unimpeded by regulatory restrictions and distortions, to determine in what ways and at what rate we should be exploiting the potential of telecommunications technology."⁴⁹ The responsibility for technological decisions, inherent in the setting of depreciation rates, should not be shifted to the Commission but should remain with the carrier.

⁴⁸ Alfred E. Kahn, "Telecommunication, Competitiveness and Economic Development-What Makes Us Competitive?" Public Utilities Fortnightly, September 13, 1990.

⁴⁹ Id.

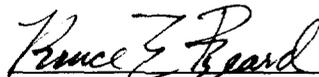
For these reasons, Option II (along with Options I & III) must be rejected. Option IV remains the only viable choice for furthering simplification goals and recognizing the emergence of competition in the industry.

IV. CONCLUSION

SWBT agrees with the need for simplification and, more importantly, reform of the depreciation prescription process. Of the four options defined in the NPRM only Option IV works toward this end. Option II, the Rate Range Option, is the only other option that appears to address this goal. However, as demonstrated herein, this option is fraught with problems regarding application, as are Options I and III. As such, it too must be rejected and Option IV adopted.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

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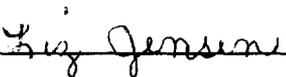
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March 10, 1993

CERTIFICATE OF SERVICE

I, Liz Jensen, hereby certify that the foregoing Comments of Southwestern Bell Telephone Company in CC Docket 92-296, have been served this 10th day of March, 1993 to the Parties of Record.



Liz Jensen

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