

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the application of)	Application No. C-405
United Telephone Company of the West,)	
Scottsbluff, Nebraska for authority to)	GRANTED
file tariff sheets which provide for)	
sale of telephone equipment.)	Entered: December 20, 1983

APPEARANCES: For the applicant
J. Richard Smith, Esq.
6666 West 110th Street
Overland Park, Kansas 66211

For the protestant
Executone of Western Nebraska
J. W. Ballew, Jr. Esq.
P.O. Box 99
Scottsbluff, Nebraska 69361

BY THE COMMISSION:

OPINION AND FINDINGS

June 1, 1983 United Telephone Company of the West at Scottsbluff, Nebraska filed its application for authority to provide for the sale of new and in place telephone equipment. Notice of the application was published in the Daily Record, Omaha, Nebraska on June 6, 1983 pursuant to the Commission Rules. Hearing on the application was held at Scottsbluff, Nebraska on September 22, 1983 with appearances as shown.

Applicant produced one witness, Ken Bielefeld, in support of its application, who testified: He is the marketing director for the Midwest Group responsible for sales and marketing activities of United of the West and any other Midwest Companies. Exhibit 3 is the tariff filed by applicant which describes the terms under which applicant may sell terminal equipment. New equipment would be something purchased by applicant for resale. Embedded customer premise equipment is equipment that is on the telephone company's books that was purchased prior to January 1, 1983 and located on the customer's premises. Equipment in inventory would also be considered embedded equipment. The tariff requires that new telephone equipment be sold above its costs. Customer premise equipment can, under the tariff, be sold at or above net book value. As a practical matter the equipment would be priced by category. The tariff provides for warranties. The FCC has prohibited phone companies from offering new terminal equipment under regulation after January 1, 1983. The thrust of the regulation is to permit competition in sale of telephone equipment. Customers can obtain their equipment from any source. If a customer elects not to rent a telephone from applicant, the equipment would remain on its books and would not be earning any return on that investment. The general rate payers would then suffer. Applicant also seeks authority to sell new PBX and key type equipment. The company identifies its cost associated with any type of business that it does. It attempts to allocate specifically the amount of expense that goes toward regulated service and non-regulated service or embedded base sales. The regulated portion of the company's business does not give it a competitive edge in the non-regulated portion of its activities. Losses on any sale of new terminal equipment would be borne by the stockholder, and not by the ratepayer.

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United Telephone System has a subsidiary that will engage in sales of telephone equipment. Applicant is not engaged in the sale of new telephone equipment. Exhibit 4 shows the original cost, the depreciation reserve, the net book value and the retail sale price of the customer premise equipment that the applicant proposes to sell. The sale price is based upon the current market values. Applicant is not purchasing any new equipment for resale. The price shown is for equipment on a customer's premises. A refurbished instrument would carry a higher price. An unrefurbished set in inventory would carry the same price as the customer premise equipment.

Protestant produced one witness, Joe Nichols, who testified: He owns the Executone Dealership in Scottsbluff. He is concerned that the regulated portion of the industry may be allowed to work in the non-regulated portion of the industry with the regulated portion of the industry personnel. He feels that represents a subsidy. The applicant charges for installation of demarkation points. He thinks that he would be placed at a disadvantage with respect to advertising because the regulated portion of the business could subsidize the unregulated with bill stuffers and through use of its records. He feels the applicant is violating FCC Rule 68 in its installation of demarkation points. He wants applicant excluded from the sales market.

The evidence shows that applicant must publish a tariff to provide for sale of embedded customer premise equipment. The proposed tariff provides for a reasonable method of arriving at the retail price for such equipment consistent with the rules established by the Federal Communications Commission and this Commission.

From the evidence adduced and being fully informed in the premises the Commission is of the opinion and finds that Application C-405 of United Telephone Company of the West should be approved.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-405 of United Telephone Company of the West be, and it is hereby, granted.

MADE AND ENTERED at Lincoln, Nebraska this 20th day of December, 1983.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson
Chairman

ATTEST:

Terence L. Kubacki
Executive Secretary

COMMISSIONERS CONCURRING:

Juane D. Gay