

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

Application of Arapahoe)	Application No. C-738
Telephone Co., et. al.,)	
to Establish Uniform)	GRANTED
Procedures to Detariff)	
Customer Premise Equipment)		Entered: October 27, 1987

OPINION AND FINDINGS

BY THE COMMISSION:

By application filed June 22, 1987, Nebraska Telephone Association sought to establish uniform procedures to detariff customer premise equipment. Subsequently, the application was amended so that 38 individual company members of the Nebraska Telephone Association were substituted as the applicant. The applicants appear on Exhibit A to this order. Company-specific information was submitted with the amended application which serves as the record for this decision. No protests to the application have been received and therefore the matter has been disposed of absent the necessity of an oral hearing by submission of affidavits.

In its amended application, the applicants, all of whom are Commission certified local exchange carriers, request that the Commission adopt a plan to detariff all embedded CPE equipment which was subject to regulation for independent telephone companies operating within Nebraska. A deregulation plan was adopted by this Commission on August 20, 1985. The plan, with supporting information, was submitted to the Chief of the Common Carrier Bureau of the FCC by letter dated October 22, 1985. The purpose of this proceeding is to identify under what terms the Commission plan will be implemented.

The applicants request that each independent exchange telephone company pursuant to Commission order shall file amended tariffs with the Commission on or before December 1, 1987 to be effective January 1, 1988. The applicants further request that all embedded CPE equipment shall continue to be made available for sale to the independent exchange telephone companies' customers. The application urges that on the date of deregulation embedded CPE and supporting assets dedicated to CPE activities shall be removed from the plant accounts in the regulated rate base including associated accumulated depreciation, unamortized investment tax credits and deferred tax reserves, such assets to be transferred to a non-regulated operation at net book value.

The applicants urged the Commission to determine that after the date of deregulation, costs directly associated with CPE activities for the independent exchange telephone companies will be recorded in unregulated books of accounts as described in the

FCC's Fifth Report and Order, and joint costs will be allocated in accordance with the FCC's report and order in Docket 86-111. Finally, the applicant's submit that the foregoing procedure is in the public interest and should be granted.

The Commission has reviewed the individual data submitted by each applicant. Exhibit B to the application contains company specific information regarding investment, depreciation reserve, revenues and expenses as relate to the CPE accounts. In view of the plan previously adopted by this Commission and being fully informed of the premises, the Commission is of the opinion and finds:

1. Based on the information submitted by each exchange carrier applicant to the Commission, we find the CPE shall be transferred from regulated operations to unregulated operations effective January 1, 1988. The economic value of the CPE to be transferred shall be equal to two times the monthly rental rates charged to subscribers for such CPE as of December 31, 1987 or the net book value of such CPE, whichever is greater.
2. Each exchange carrier shall continue to lease single line equipment at the rates in effect on December 31, 1987 for a minimum of the 12 months following January 1, 1988 and will continue to provide on-premise maintenance when necessary.
3. All embedded single line CPE deregulated on January 1, 1988 shall continue to be made available for sale to customers at prices no greater than those in effect on December 31, 1987.
4. The Commission finds the economic value of two times the monthly rental rates for the subject CPE shall be credited to a depreciation reserve account. The Commission shall be informed by each exchange carrier of such account by January 1, 1988. In the event a company's depreciation reserves are adequate, the economic value shall be credited to Account 174, "Other Deferred Credits". The subject economic value shall be amortized over five years to account 609, "Extraordinary Retirements."
5. The Commission finds that effective January 1, 1988, such supporting assets dedicated to CPE activity shall be removed from each exchange carrier's regulated rate base, including associated accumulated depreciation, unamortized investment tax credit, and deferred tax reserves.
6. Subsequent to January 1, 1988, costs directly associated with CPE activities shall be recorded in unregulated books of account as described in the FCC's Fifth Report and Order, and joint costs will be allocated in accordance with the FCC's Report and Order in Docket 86-111.

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

7. The Commission finds that each exchange carrier shall file with the Commission on or before December 1, 1987 amended tariffs in accordance with the foregoing paragraphs, which tariffs shall be effective as of January 1, 1988.

8. From the information submitted, some companies have not established sales prices for embedded CPE. These companies should be directed to do so prior to December 31, 1987 and to notify the Commission in writing of the prices established.

9. The Commission further finds that this order should apply to all companies who are not parties to this application and who have not previously received approval of a CPE detariffing plan.

10. The Commission further finds that the decision reached in this proceeding is in the public interest and will inure to the benefit of Nebraska telephone subscribers.

ORDER

IT IS THEREFORE ORDERED, by the Nebraska Public Service Commission that Application No. C-738, be, and is hereby, granted.

IT IS FURTHER ORDERED that this Order shall apply to and be binding on all applicants listed on Exhibit A of this order and all companies which have not previously received approval of a CPE detariffing plan.

IT IS FURTHER ORDERED that all companies which have not previously done so must establish sales prices for CPE prior to December 31, 1987 and file a copy of said prices with the Commission.

MADE AND ENTERED at Lincoln, Nebraska, this 27th day of October, 1987.

NEBRASKA PUBLIC SERVICE COMMISSION

Eric Rasmussen
Chairman

COMMISSIONERS CONCURRING:

Jane D. Gay
//s//James F. Munnelly
//s//Harold D. Simpson
//s//Daniel G. Urwiller

ATTEST:

Chubb
Executive Secretary

COMMISSIONERS DISSENTING:

//s//Eric Rasmussen