

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE SALE AND DETARIFFING OF)
EMBEDDED CUSTOMER PREMISES)
EQUIPMENT) ADMINISTRATIVE
) CASE NO. 269
PHASE 4)

O R D E R

Introduction

On September 10, 1985, in Phase 1 of this case, the Commission issued an Order establishing procedures for the detariffing of embedded single and multiline customer premises equipment ("CPE"). Under the terms of the Commission's Order, embedded single and multiline CPE must be detariffed no later than December 31, 1987, and can be detariffed at any time between January 1, 1986, and December 31, 1987, upon 30 days notice to the Commission.

On January 30, 1985, in Phase 2 of this case, the Commission issued an Order that detariffed embedded mobile telephone and paging CPE, effective January 1, 1985, under terms and conditions specified in the Order.

On May 2, 1986, in Phase 3 of this case, the Commission issued an Order initiating an investigation into the detariffing of special CPE used by handicapped persons.

Although embedded single and multiline CPE, embedded mobile telephone and paging CPE, and special CPE have been addressed in this case, other categories of CPE have not been addressed. These categories include embedded CPE used by the federal government in connection with national security and emergency preparedness ("NSEP"), embedded CPE retained by the former Bell Operating Companies at divestiture, and CPE used in connection with "911" emergency services. Phase 4 in this case will address embedded NSEP, "911" emergency CPE, and other miscellaneous CPE that can be identified and that may be subject to detariffing. Coin and other pay telephone CPE will not be addressed in Phase 4. Also, embedded CPE retained by the former Bell Operating Companies will not be addressed in Phase 4. The Federal Communications Commission ("FCC") has not yet completed its investigation into detariffing procedures in this area.

Discussion

NSEP CPE

NSEP CPE includes CPE used in connection with (1) National Communications System/FCC approved restoration priority 1-4 services provided to specified federal agencies,¹ (2) any services

¹ These agencies include the Department of Defense, the Department of Energy, the Department of the Interior, the Department of Transportation (including the Federal Aviation Agency and the Coast Guard), The General Services Administration, the Central Intelligence Agency, the Federal Emergency Management Agency, the National Aeronautics and Space Administration, the United States Information Agency, and the Nuclear Regulatory Commission.

or circuits required in support of certain emergency situations,² (3) any services or circuits used in exercises by specified federal agencies,³ and (4) any special purpose services or circuits.⁴

In its Seventh Report and Order in CC Docket No. 81-893, Procedures for Implementing the Detariffing of Customer Premises Equipment ("Computer 2"), the FCC ordered that embedded NSEP tariffed under state regulatory authority be detariffed according to state detariffing plans filed in response to the FCC's Third Report and Order in Computer 2. Therefore, embedded NSEP CPE should be detariffed under the procedures contained in the Commission's Order of September 10, 1985.

In order to assess the impact of detariffing embedded NSEP CPE, the Commission will require all local exchange carriers under its jurisdiction to file the following information:

1. Total intrastate net book investment in NSEP CPE as of December 31, 1985, by account. (Net book investment calculations should be shown.)

² These emergency situations include but are not limited to a presidentially declared emergency as defined in the Disaster Relief Act (42 U.S.C. 5122).

³ See footnote 1 for the specified agencies.

⁴ Special services or circuits include services or circuits used by the President and Vice President, services or circuits used in connection with foreign affairs or foreign intelligence operations, and services or circuits used in connection with activities pursuant to the Foreign Intelligence Surveillance Act (50 U.S.C. 1801-11).

2. Total intrastate revenues and expenses by account associated with NSEP CPE for the year ended December 31, 1985.

Considering the nature of NSEP CPE, the Commission will provide notice of this investigation to Counsel for the Department of Defense, the General Services Administration, and the Federal Executive Agencies.

"911" Emergency CPE⁵

In its Seventh Report and Order in Computer 2, the FCC deferred to state regulatory authority on the matter of detariffing new or embedded "911" emergency CPE.⁶ Therefore, on its own motion, the Commission will investigate the detariffing of "911" emergency CPE. In order to initiate this investigation, the Commission invites testimony from local exchange carriers under its jurisdiction and comment or testimony from other interested parties on the following questions:

1. Should new "911" emergency CPE be detariffed and, if so, as of what date?
2. Should embedded "911" emergency CPE be detariffed and, if so, as of what date?

⁵ Emergency CPE includes CPE located at "911" attendants' positions, including associated switches and processing database equipment used to implement centralized "911" dispatch services.

⁶ Seventh Report and Order, paragraph 27, and Third Further Notice of Proposed Rulemaking, footnote 50.

3. Should procedures adopted in the Commission's Order of September 10, 1985, be applied to the detariffing of "911" emergency CPE? If not, what alternative procedures should apply?

In addition, the Commission will require all local exchange carriers under its jurisdiction to file the following information:

1. Total intrastate net book investment in "911" emergency CPE as of December 31, 1985, by account. (Net book investment calculations should be shown.)

2. Total intrastate revenues and expenses by account associated with "911" emergency CPE for the year ended December 31, 1985.

Considering the nature of "911" emergency services and their importance to local government authorities, in order to assure maximum awareness and participation on the part of affected parties, the Commission will require each local exchange carrier under its jurisdiction to provide individual notice of this investigation to its "911" emergency services customers.

Miscellaneous Embedded CPE

In addition to embedded NSEP CPE and "911" emergency CPE, the Commission will investigate the detariffing of other miscellaneous embedded CPE that local exchange carriers can identify and that may be subject to detariffing. For example, embedded maritime CPE should be detariffed in those cases where such CPE exists. Also, embedded bells, buzzers, gongs, metering, and telemetry CPE should be identified for detariffing purposes.

The Commission will require each local exchange carrier under its jurisdiction to file the following information:

1. The identity of any miscellaneous embedded CPE that may be subject to detariffing.

2. Total intrastate net book investment in miscellaneous embedded CPE by category as of December 31, 1985, by account. (Net book investment calculations should be shown.)

3. Total intrastate revenues and expenses by account associated with miscellaneous embedded CPE by category for the year ended December 31, 1985.

Throughout Computer 2 the FCC has excluded over-voltage protection equipment and multiplexing equipment used to deliver multiple channels to the customer from its definition of CPE. As part of this investigation, the Commission invites testimony from local exchange carriers under its jurisdiction and comment or testimony from other interested parties on the following questions:

1. Should over-voltage protection equipment be classified as CPE and detariffed?

2. Should multiplexing equipment be classified as CPE and detariffed?

Relative to over-voltage protection equipment and multiplexing equipment, the Commission will require each local exchange carrier under its jurisdiction to file the following information:

1. Total intrastate net book investment in (a) over-voltage protection equipment and (b) multiplexing equipment as of

December 31, 1985, by account. (Net book investment calculations should be shown.)

2. Total intrastate revenues and expenses by account associated with (a) over-voltage protection equipment and (b) multiplexing equipment for the year ended December 31, 1985.

Revenue Requirements

In order to assess the impact of detariffing the categories of CPE discussed in this Order on each local exchange carrier's revenue requirements, the Commission will require each local exchange carrier to file the following information:

1. Total intrastate revenues and expenses for the year ended December 31, 1985, assuming all relevant adjustments and/or normalizations included in the local exchange carrier's most recent rate case, and any other applicable adjustments.

2. The most recent rate of return or times interest earned ratio authorized by the Commission, the date authorized and the case number of that proceeding.

Findings and Orders

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Phase 4 of Administrative Case No. 269 should be established to consider the detariffing of CPE discussed in this Order.

2. All local exchange carriers under the jurisdiction of the Commission should file testimony and information on all items enumerated in this Order no later than July 15, 1986.

3. Other interested parties should be invited to file testimony and information on any of the items enumerated in this Order no later than July 30, 1986.

4. All local exchange carriers under the jurisdiction of the Commission should provide individual notice of this investigation to their "911" emergency services customers no later than July 10, 1986.

5. The Commission should provide notice of this investigation to Counsel for the Department of Defense, the General Services Administration, and the Federal Executive Agencies no later than July 10, 1986.

IT IS THEREFORE ORDERED THAT:

1. Phase 4 of Administrative Case No. 269 be and it hereby is established to consider the detariffing of CPE discussed in this Order.

2. All local exchange carriers under the jurisdiction of the Commission shall file testimony and information on items enumerated in this Order no later than July 15, 1986.

3. Other interested parties may file testimony and information on items enumerated in this Order no later than July 30, 1986.

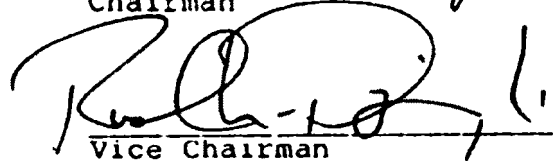
4. All local exchange carriers under the jurisdiction of the Commission shall provide individual notice of this investigation to their "911" emergency services customers no later than July 10, 1986.

5. The Commission shall provide notice of this investigation to Counsel for the Department of Defense, the General Services Administration, and the Federal Executive Agencies no later than July 10, 1986.

Done at Frankfort, Kentucky, this 20th day of June, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary