

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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

O R D E R

On September 10, 1985, the Commission entered an Order to develop procedures under which embedded customer premises equipment ("CPE") held by the independent telephone companies was to be detariffed. On September 30, 1985, General Telephone Company of Kentucky ("GTKY") filed a petition for rehearing on the following matters:

1. The finding, as it applies to GTKY, that net book value is the appropriate valuation method for determining the economic value of CPE to be transferred from regulated service.
2. The ordering requirement, as it applies to GTKY, that net book value shall be used in determining the economic value of embedded CPE to be transferred from regulated service.
3. The finding, as it applies to GTKY, that mandatory sales through December 31, 1987, will afford an opportunity for full capital recovery from regulated ("above-the-line") operations.

4. The action of the Commission in declining to request an extension for GTKY of the CPE detariffing date until December 31, 1990.

#### DISCUSSION

In its September 10, 1985, Order, the Commission found net book value to be the appropriate valuation method in determining the economic value of embedded CPE and its supporting assets. Although no evidence was presented which had not been previously considered, the Commission has considered the request of GTKY to deviate from net book value for purposes of this case but maintains its original decision. In addition, the Federal Communications Commission ("FCC") concurs with the Commission in the use of net book value in that it properly meets the balancing test of Democratic Central Committee. The Commission therefore denies rehearing on Items Number 1 and 2.

The Commission has further considered the request of GTKY for an extension of the detariffing date to December 31, 1990. The FCC in its Third Report and Order permits states to request an extension of the deadline for detariffing on a case-by-case basis until not later than 1990 to ensure that full capital recovery will occur. The Commission is of the opinion that GTKY should be allowed to present evidence that will support its contention that it will not be allowed an opportunity for full recovery through the sales program by December 31, 1987. However, the Commission does not wish to review the same information upon which the findings of its September 10, 1985, Order were based. Therefore, rehearing will be limited to the presentation of new evidence, if

any, which supports the granting of a waiver through 1990. At a minimum, this evidence should show that GTKY is unique or unusual as compared to other independent telephone companies. It is the opinion of the Commission that rehearing be granted as it relates to the extension of the detariffing date to December 31, 1990, provided GTKY prefiles testimony including any new evidence to be considered within 20 days from the date of this Order.

FINDINGS AND ORDERS

After examining the evidence of record and being advised, the Commission is of the opinion and finds that:

(1) The request of GTKY for rehearing on the issue of net book value as the valuation method should be denied as it relates to Items Number 1 and 2 of the request.

(2) The request of GTKY for an extension of the detariffing date until December 31, 1990, to afford an opportunity for full capital recovery from regulated services should be granted as it relates to Items Number 3 and 4 of the request.

IT IS THEREFORE ORDERED that:

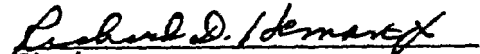
1. The request of GTKY for rehearing on the issue of net book value as the valuation method be and it hereby is denied.


2. The request of GTKY for rehearing on the issue of extending the detariffing date to December 31, 1990, be and it hereby is granted.

3. GTKY shall file testimony for reconsideration in this matter within 20 days of the date of this Order.

Done at Frankfort, Kentucky, this 21st day of October, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary