

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

Introduction

On June 20, 1986, the Commission initiated Phase 4 in this case to investigate the detariffing of customer premises equipment ("CPE") used by the federal government in connection with national security and emergency preparedness ("NSEP"), "911" emergency CPE, and other miscellaneous CPE that can be identified and that is subject to detariffing. Various information and comments concerning the matter have been filed with the Commission by affected local exchange carriers ("LECs"). On October 29, 1986, a public hearing was held to permit the introduction of testimony and the cross-examination of witnesses. The Attorney General, AT&T Communications of the South Central States, Inc., MCI Telecommunications Corporation, and the Lexington-Fayette Urban County Government ("LFUCG") were granted status as intervenors in the case.

## Discussion

### NSEP CPE

LECs were not able to identify any investment in NSEP CPE, either due to the fact that no NSEP CPE investment existed or the inability to separate NSEP CPE investment from other CPE investment.

In its Seventh Report and Order in Common Carrier Docket No. 81-893,<sup>1</sup> the Federal Communications Commission ("FCC") preempted state regulatory authority and ordered the detariffing of NSEP CPE based on state detariffing plans filed in response to its Third Report and Order in Computer 2. Therefore, in the opinion of the Commission, NSEP CPE investment and associated revenues and expenses should be detariffed no later than December 31, 1987, using valuation, accounting, cost allocation, and other applicable procedures specified in the Commission's Order of September 10, 1985, in phase 1 of this case.

### "911" CPE

General Telephone Company of the South ("General") was the only LEC that identified any investment in "911" CPE. Also, General and its sole "911" emergency service customer, the LFUCG, were the only parties to this case to oppose detariffing "911" CPE.

The record of evidence is unclear as to General's reasons for opposing the detariffing of "911" CPE. The LFUCG opposed

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<sup>1</sup> Procedures for Implementing the Detariffing of Customer Premises Equipment ("Computer 2").

detariffing "911" CPE on the premise that detariffing "911" CPE might lead to a deterioration in the quality of "911" emergency service.

In the opinion of the Commission, "911" CPE investment and associated revenues and expenses should be detariffed no later than December 31, 1987, using valuation, accounting, cost allocation, and other applicable procedures specified in the Commission's Order of September 10, 1985, in Phase 1 of this case.

The Commission's decision to detariff "911" CPE is based on the following considerations:

First, since "911" CPE is located on the customer's premises, the LFUCG has complete control over the quality of the equipment it chooses to lease or purchase. Moreover, "911" CPE is not functionally different from other CPE and CPE of all kinds is widely available in the marketplace.

Second, LEC outside plant, central office functions and equipment, and other facilities used to provide "911" emergency service are not subject to detariffing in this case. Any LEC can file "911" emergency service tariffs with the Commission that define "911" emergency service options and minimum service standards, so long as the service standards are at least equal to those that apply to other switched network services.

#### Miscellaneous CPE

Several LECs identified investment in miscellaneous CPE and no party to this case opposed detariffing miscellaneous CPE. Therefore, in the opinion of the Commission, miscellaneous CPE investment and associated revenues and expenses should be

detariffed no later than December 31, 1987, using valuation, accounting, cost allocation, and other applicable procedures specified in the Commission's Order of September 10, 1985, in Phase 1 of this case.

#### Overvoltage Protection and Multiplexing Equipment

As part of this investigation, the Commission invited testimony on detariffing overvoltage protection and multiplexing equipment, on the presumption that overvoltage protection and multiplexing equipment was CPE subject to detariffing. However, the record of evidence indicates that overvoltage protection and multiplexing equipment is not CPE subject to detariffing, but, instead, is part of the telephone network and, therefore, is not subject to detariffing.

#### Revenue Requirement

The record of evidence indicates that investment, revenues, and expenses associated with NSEP CPE, "911" CPE, and miscellaneous CPE are de minimis. As such, detariffing will not have a rateable impact on revenue requirement in the case of any LEC.

#### Findings and Orders

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

1. NSEP CPE, "911" CPE, and miscellaneous CPE investment and associated revenues and expenses should be detariffed no later than December 31, 1987, using valuation, accounting, cost allocation, and other applicable procedures specified in the Commission's Order of September 10, 1985, in Phase 1 of this case.

2. Overvoltage protection and multiplexing equipment should not be detariffed.

3. Upon detariffing, LECs should file revised tariffs to delete NSEP CPE, "911" CPE, and miscellaneous CPE from regulated service offerings.

IT IS THEREFORE ORDERED that:

1. NSEP CPE, "911" CPE, and miscellaneous CPE investment and associated revenues and expenses shall be detariffed no later than December 31, 1987, using valuation, accounting, cost allocation, and other applicable procedures specified in the Commission's Order of September 10, 1985, in Phase 1 of this case.


2. Overvoltage protection and multiplexing equipment shall not be detariffed.

3. Upon detariffing, LECs shall file revised tariffs to delete NSEP CPE, "911" CPE, and miscellaneous CPE from regulated service offerings.

Done at Frankfort, Kentucky, this 14th day of January, 1987.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director