

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 27th  
day of August, 1985.

CASE NO. TO-86-26

Investigation of the detariffing  
of embedded customer premises  
equipment (CPE) owned by independent  
telephone companies.

---

ORDER

By Order dated July 29, 1985, the Commission requested all independent telephone companies doing business in Missouri to submit comments to the Commission regarding the detariffing of embedded customer premises equipment (CPE) owned by independent telephone companies.

The Order was in response to the Third Report and Order in CC Docket No. 81-893 (In the Matter of the Procedures for Implementing the Detariffing of Customer Premises Equipment and Enhanced Services) released by the Federal Communications Commission (FCC) on October 26, 1984. The Third Report and Order directs the Commission, under certain guidelines, to submit a plan for the detariffing of embedded CPE owned by independent telephone companies.

Comments were submitted by the following companies: Citizens Telephone Company, MoKan Dial, Inc., Craw-Kan Telephone Cooperative, Inc., ALLTEL Missouri, Inc., and the Office of the Public Counsel, and joint comments filed by General Telephone Company of the Midwest, Missouri Telephone

Company, Continental Telephone Company of Missouri, Central Telephone Company of Missouri, Webster County Telephone Company, Carter County Telephone Company, and United Telephone Company of Missouri (United Telephone Company of Missouri also filed separate comments). The Commission hereby adopts the following plan to detariff and deregulate all embedded CPE owned by independent telephone companies.

A. All embedded CPE owned by independent telephone companies will be detariffed and deregulated on January 1, 1988.

B. All companies that were a party to Case No. TO-83-160 should achieve full capital recovery of the embedded CPE by December 31, 1987.

C. Companies not a party to Case No. TO-83-160 that do not currently expect to achieve full capital recovery of the embedded CPE by December 31, 1987, shall file by January 1, 1986, for approval by the Commission of the procedures to achieve full capital recovery.

D. All independent telephone companies doing business in the State of Missouri shall submit, by January 1, 1986, tariffs which enable the customer to purchase the embedded single-line CPE on the customer's premise up to December 31, 1987.

E. The sales price to the customer for embedded single-line CPE will be calculated at the following formula:

$$\text{Net book value}_1 - (N_2 \times \frac{\text{net book value}}{24}) + \text{transaction cost}$$

F. Net book value will be calculated as the original cost in Account 231 and/or Account 234 less the Depreciation Reserve for each account.

G. Transaction costs will be the cost that the company incurs in selling the embedded single-line CPE to the customer.

H. If the customer continues to lease the embedded single-line CPE until December 31, 1987, ownership of the embedded single-line CPE on-premises will transfer to the customer at no charge at the end of December 31, 1987.

I. Companies currently leasing multi-line CPE will file tariffs by January 1, 1986, which include an option for customers who are currently leasing multi-line CPE to purchase the on-premise embedded multi-line CPE.

J. The embedded multi-line CPE may be sold to customers at a price negotiated by the company and the customer.

K. The negotiated price for embedded multi-line CPE cannot be less than net book value plus transaction cost.

---

1 Net book value as of January 1, 1986.

2 N= Number of months past January 1, 1986.

L. The accounting procedures for the sale of regulated CPE are identical to the Federal Communications Commission's existing accounting procedures used for AT&T.

"... the proceeds realized from the sale of embedded CPE are treated as gross salvage and credited to depreciation reserve, a plant account. Similarly, the rules state that the transaction costs associated with the sale of embedded CPE are to be treated as cost of removal which requires the cost to be charged to the depreciation reserve." (Report and Order, 95 FCC 2d at 1368)

M. On January 1, 1988, all remaining embedded CPE in inventory will be transferred to the unregulated portion of the company.

N. The companies are not required to establish a separate subsidiary for the transferred CPE but is required to keep separate regulated and unregulated books.

O. The companies will establish on the regulated books new below-the-line accounts upon the transfer of regulated embedded CPE for nonregulated activities. These new accounts will be in accordance with the Federal Communications Commission's Fifth Report and Order in CC Docket No. 81-893, released November 20, 1984.

P. Upon the transfer of the embedded CPE to the unregulated portion of the company, any corresponding deferred tax reserves and investment tax credits will also be transferred.

Q. Costs associated with joint use shall be recorded on the regulated books and allocated to the unregulated portion of the company.

R. Until the Federal Communications Commission establishes allocation procedures for jointly used assets and costs, the companies will allocate joint costs to nonregulated activities in accordance with the Federal Communications Commission's Fifth Report and Order in CC Docket No. 81-893, released on November 20, 1983.

S. The companies are required to have in place at least one procedure for affording party-line customers an option for party-line CPE until December 31, 1987.

It is, therefore,

ORDERED: 1. That the plan set forth above for the detariffing and deregulation of embedded CPE owned by independent telephone companies in the State of Missouri, and is hereby, be adopted.

ORDERED: 2. That all embedded CPE owned by independent telephone companies shall be detariffed and deregulated on January 1, 1988.

ORDERED: 3. That companies not a party to Case No. TO-83-160 that do not currently expect to achieve full capital recovery of the embedded CPE by December 31, 1987, shall file by January 1, 1986 for approval by the Commission of the procedures to achieve full capital recovery.

ORDERED: 4. That all independent telephone companies doing business in the State of Missouri shall submit by January 1, 1986, tariffs which enable the customer to purchase the embedded single-line CPE on the customer's premise up to December 31, 1987.

ORDERED: 5. That if the customer continues to lease the embedded single-line CPE until December 31, 1987, ownership of the embedded single-line CPE on premises will transfer to the customer at no charge at the end of December 31, 1987.

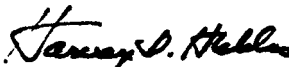
ORDERED: 6. That the Office of the General Counsel shall file the plan set forth herein, on behalf of the Missouri Public Service Commission, with the Federal Communications Commission on or before September 1, 1985..

ORDERED: 7. That the Secretary of the Commission shall serve a copy of this order on each independent telephone company doing business in Missouri, as well as the Office of Public Counsel and any other party or entity designated by the communications staff of the Commission.

ORDERED: 8. That this Docket, Case No. TO-86-26, is hereby closed.

ORDERED: 9. That this Order shall become effective on the date hereof.

BY THE COMMISSION

  
Harvey G. Hubbs  
Secretary

(S E A L)

Steinmeier, Chm., Musgrave, Mueller,  
Hendren and Fischer, CC., Concur

De Ford

Secretary

72-56-26  
CASE NO. EC-100-TS-593

[Signature]  
Chairman  
[Signature]  
Commissioner  
[Signature]  
Commissioner  
[Signature]  
Commissioner  
[Signature]  
Commissioner

1/1984

STATE OF MISSOURI  
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission at Jefferson City, this 27th day of August 1985.

Harvey G. Hubbs  
Harvey G. Hubbs  
Secretary