



Federal Communications Commission  
Washington, D.C. 20554

February 12, 2013

Mr. Dennis Doyle  
General Manager/CEO  
Blue Valley Tele-Communications, Inc.  
1559 Pony Express Highway  
Home, KS 66438

DA 13-169

**Re: September 30, 2009 Request of Blue Valley Tele-Communications, Inc.  
for Commission Approval for Treatment of the Difference between the Fair  
Market Value and Net Book Value of Telecommunications Plant Acquired  
Pursuant to Section 32.2005**

Dear Mr. Doyle:

By letter dated September 30, 2009, Blue Valley Tele-Communications, Inc. (Blue Valley) requested approval to record certain amounts in Section 32.2005 of the Uniform System of Accounts (USOA) -- Telecommunications plant adjustment.<sup>1</sup> Specifically, Blue Valley seeks to include in this account the balance of the fair market value in excess of the net book value of the telecommunications plant of the Onaga and Westmoreland exchanges acquired from Embarq in 2005.<sup>2</sup> Blue Valley states that the balance of those exchanges' fair market value in excess of the net book value is \$4,149,380, of which \$1,391,285 is allocated to the interstate jurisdiction.<sup>3</sup> If granted, this would result in the excess being included in Blue Valley's rate base. Absent grant of this request, the amount paid in excess of the net book value allocated to the interstate jurisdiction would be booked in Section 32.2007 of the USOA -- Goodwill,<sup>4</sup> and would be excluded from Blue Valley's rate base.

In support of its request, Blue Valley states that the acquisition has significantly benefitted the residents of the two acquired exchanges, particularly with regard to the quality and quantity of service as a result of deployment of fiber to the home to those exchanges.<sup>5</sup> Blue Valley

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<sup>1</sup> See Letter to Albert M. Lewis, Chief, Pricing Policy Division, Wireline Competition Bureau, Federal Communications Commission, from Dennis Doyle, General Manager/CEO, Blue Valley Tele-Communications, Inc., dated September 30, 2009 (*September 30 Request*); 47 C.F.R. § 32.2005. Amortization of those amounts is booked to Section 32.6565 -- Amortization expense -- other, 47 C.F.R. § 32.6565.

<sup>2</sup> *September 30 Request*.

<sup>3</sup> *Id.*

<sup>4</sup> 47 C.F.R. § 32.2007. Amortization of those amounts is booked to Section 32.7300 -- Nonoperational income and expense, 47 C.F.R. § 32.7300.

<sup>5</sup> *September 30 Request*.

maintains that the acquisition has also resulted in operating efficiencies and lower operating and maintenance costs.<sup>6</sup> Alternatively, Blue Valley contends that it would not be equitable to the co-operative members in the other Blue Valley exchanges to bear the cost of acquiring the Onaga and Westmoreland exchanges.<sup>7</sup>

On December 27, 2004, the Kansas Corporation Commission (KCC) issued an Order and Certificate approving Blue Valley's application for a certificate of convenience and authority to provide services in the Onaga and Westmoreland exchanges.<sup>8</sup> The Order and Certificate stated that "Blue Valley also removed its request for an acquisition premium from the application."<sup>9</sup>

On September 12, 2012, we requested from Blue Valley information regarding the accounting treatment approved by the KCC for the acquisition. We stated that the Commission generally looks to the relevant state commission and its decision when asked for a waiver with regard to this type of request. According to an e-mail dated December 12, 2012, Blue Valley related that the KCC denied the inclusion of the fair market value in excess of the net book value of the acquired exchanges in Blue Valley's rate base.

We do not find that Blue Valley has adequately justified its payment in excess of the net book value of the Onaga and Westmoreland exchanges as a basis for inclusion in its rate base. We also note that Blue Valley acquired the exchanges in question in calendar year 2005, but did not request Commission approval for accounting treatment until the year 2009. Based on these findings and the action by the KCC, we are unable to approve Blue Valley's request to include the premium on the acquisition in the rate base. Accordingly, pursuant to the authority delegated in the Commission's rules,<sup>10</sup> Blue Valley's request to record certain amounts in Section 32.2005 of the USOA -- Telecommunications plant adjustment, is denied.

Sincerely,



Victoria S. Goldberg  
Acting Chief, Pricing Policy Division  
Wireline Competition Bureau

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<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Joint Application of United Telephone Company of Kansas, Inc. and Blue Valley Tele-Communications, Inc. et al.*, Docket No. 04-BVTT-780-COC, Order and Certificate (adopted December 27, 2004).

<sup>9</sup> *Id.* at 2. An "acquisition premium" in this situation would be "the difference between (1) the fair market value of the telecommunications plant acquired, plus preliminary expenses incurred in connection with the acquisition; and (2) the original cost of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired." 47 C.F.R. § 32.2005.

<sup>10</sup> 47 C.F.R. §§ 0.91, 0.204, 0.901.