

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska) Application No. NUSF-50
Public Service Commission, on) Progression Order No. 4
its own motion, to make)
adjustments to the universal) ORDER SEEKING COMMENT
service fund mechanism)
established in NUSF-26.)
) Entered: January 11, 2011

BY THE COMMISSION:

1. On January 18, 2006, the Nebraska Public Service Commission (Commission) opened this proceeding pursuant to Neb. Rev. Stat. § 86-324(2)(b)(2004 Supp.) to consider certain adjustments to the permanent universal service fund mechanism established in NUSF-26.

2. The Commission hereby issues this Progression Order to seek comments on two proposed adjustments. First, the Commission seeks comment on a proposed change to the distribution model rural benchmark imputation mechanism to account for changes to companies' basic local service rates. The purpose of this change would be to ensure that companies that have increased basic local service rates experience appropriate reductions in model support. Second, the Commission seeks comment on a proposed change which would take the implementation of high-cost support from a calendar year to a fiscal year basis. In doing so, the Commission would shorten the lag time that presently exists between the NUSF-EARN Form year and the payment year.

Rural Benchmark Adjustment Proposal

3. The Commission adopted several adjustments to the permanent universal service fund mechanism in its order issued on December 19, 2006. One of the approved adjustments to the Support Allocation Mechanism (SAM) was the addition of a rural benchmark imputation which made an explicit reduction in high-cost support payments to reflect the rural benchmark of \$19.95.

4. The rural benchmark imputation step imputes an additional \$2.00, the difference between the rural benchmark and the urban benchmark with a limitation on a company basis of \$1.00 per month, per residential access line. Since the time this finding was adopted in 2006, some companies have increased basic local residential rates and some have moved rates to the \$19.95 rural rate benchmark. To account for the recent changes in carriers' rates, the Commission seeks comment on a proposal to make a change to the model which will take into account the higher

rates charged by carriers. In addition, if the proposed adjustment is adopted, the Commission solicits comment on whether this adjustment should be made so that the effective date of the change relates back to January 2011.

5. The proposed change would ensure companies experience appropriate rural benchmark imputation amounts, while taking into account increases to local residential rates.

6. As the Commission's order of 2006 dictated the manner in which the rural benchmark adjustment was to be made, and the proposed adjustment would represent a change from how the imputation was described in that order, the Commission finds it is appropriate to release this proposed change for comment.

Proposed Change from Calendar Year to Fiscal Year

7. The Commission also seeks comment on whether to move the distribution model implementation from a calendar year to a fiscal year to determine high-cost support payments. Currently, eligible telecommunications carriers file NUSF-EARN Forms on or before June 30 of each year. Model results are released the 4th Quarter showing support payments for the next calendar year. In order to make a change from a calendar year to a fiscal year, the NUSF-EARN Forms, for the previous calendar year, would need to be filed in mid-April rather than June. The Commission seeks responses from the companies on their ability to file NUSF-EARN Forms that early in the year.

8. The Commission would also need to determine how the transition from a calendar year to a fiscal year would be made. The transition would shorten the lag period that currently exists between the NUSF-EARN Form year used and the payment year. However, to make the transition, the Commission would need to make a cutover from one NUSF-EARN Form year to another. Some companies may be advantaged by the cutover and others may be harmed depending on their investment cycle. The Commission seeks comment on whether to make this adjustment; and if so, how this adjustment should be implemented.

9. The Commission notes that the NTIPS Department previously requested changes to the NUSF-EARN Form filing date so that it would be filed earlier in the year. However, after further discussions with some companies, the NTIPS Department found that filing the NUSF-EARN Form earlier than June to be problematic. In addition, the NTIPS Department noted problems with potentially being required to update the distribution model results repeatedly during the year. The Commission is concerned

that repeated updates to the allocation model would diminish the predictability of company payments and would consume staff resources needed to move other projects forward. The Commission wants to ensure predictability for the companies and administrative efficiency for the staff. The Commission seeks comments on how to address these concerns and on the proper balance if adoption of this proposal is supported.

10. Comments are hereby solicited on the limited proposals included herein. To be considered by the Commission, comments must be filed by February 11, 2011. Commenters must file five (5) paper copies of their comments along with one (1) electronic copy. Electronic copies may be sent to brandy.zierott@psc.ne.gov. After comments have been received, the Commission will determine the necessity of a hearing.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that comments on the proposals described herein may be filed on or before February 11, 2011 in the manner prescribed above.

MADE AND ENTERED at Lincoln, Nebraska this 11th day of January, 2011.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director