BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26.	)	Application No. NUSF-50 Progression Order No. 4 ORDER ADOPTING BENCHMARK ADJUSTMENT PROPOSAL Entered: July 12, 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. On January 11, 2011, the Commission released the above-captioned Progression Order to seek comments on two proposed adjustments. First, the Commission sought 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 was to ensure that companies that have increased basic local service rates experience appropriate reductions in model support. Second, the Commission sought 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.

3. The Commission received comments from Qwest Corporation (Qwest), the Rural Independent Companies (RIC),[1] the Rural Telecommunications Coalition of Nebraska (RTCN)[2], Citizens Telecommunications Company of Nebraska d/b/a Frontier

[1] Arlington Telephone Company, Blair Telephone Company, Cambridge Telephone Co., Clarks Telecommunications Co., Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., The Curtis Telephone Company, Eastern Nebraska Telephone Company, Great Plains Communications, Inc. Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Company, Inc., K&M Telephone Company, Inc., The Nebraska Central Telephone Company, Northeast Nebraska Telephone Company, Rock County Telephone Company, Stanton Telephone Co., Inc. and Three River Telco are identified as the "Rural Independent Companies" or "RIC."

[2] For purposes of this proceeding, RTCN is made up of the following intervening carriers: Arapahoe Telephone Company d/b/a ATC Communications, Benkelman Telephone Company, Inc., Cozad Telephone Company, Diller Telephone Company, Glenwood Telephone Membership Corporation, Hartman Telephone Exchanges, Inc., Hemingford Cooperative Telephone Co., Keystone-Arthur Telephone Co., Mainstay Communications, Plainview Telephone Company, Southeast Nebraska Communications, Inc., Wauneta Telephone Company, and WesTel Systems f/k/a Hooper Telephone Company.

Communications of Nebraska (Citizens), and United Telephone Company of the West d/b/a CenturyLink (CenturyLink).

4. The Commission held a workshop on April 18, 2011 to clarify the proposed benchmark calculation adjustment and discussed the staff's proposal to implement a hold harmless provision for the 2011 calendar year so that no carrier would have a negative adjustment to its high-cost distribution payment as a result of how the rural benchmark imputation would be calculated.

Benchmark Mechanism

5. Currently, 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 sought comment on a proposal to make a change to the model which will take into account the higher rates charged by carriers. The Commission also solicited comment on whether this adjustment should be made so that the effective date of the change relates back to January, 2011. The Commission solicited comments on this proposal.

6. RIC supported the proposed change to the rural benchmark calculation and recommended that the Commission make this change retroactive to the January 1, 2011 distribution payments. The RTCN was neutral on the rural benchmark adjustment proposal. Citizens was also not opposed to the proposed change to the rural benchmark calculation and stated that it did not oppose making the change retroactive to January 1, 2011. In its supplemental comments, Qwest and CenturyLink also stated that they were not opposed to the proposed change to the rural benchmark calculation.

7. The Commission enters this order to adopt the proposed benchmark calculation adjustment. The Commission finds that adopting this change would ensure companies experience appropriate rural benchmark imputation amounts, while taking into account increases to local residential rates.

Proposed Change from Calendar Year to Fiscal Year

8. The Commission also initially sought comment in this Progression Order to determine 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.

9. A number of commenters expressed concerns about this proposed change. The Commission finds that there is currently not enough support for this proposal. In addition, the Commission finds that making this change would result in increased administrative burdens. Accordingly, the Commission declines to adopt the proposal to move the distribution model implementation from a calendar year to a fiscal year for the determination of high-cost support payments.

O R D E R

IT IS THERFORE ORDERED by the Nebraska Public Service Commission that the benchmark calculation adjustment proposal should be adopted and the change shall be effective retroactively to the January 1, 2011 high-cost distribution payments as provided herein.

IT IS FURTHER ORDERED that the proposal to move the distribution model implementation from a calendar year to a fiscal year for the determination of high-cost support payments shall not be adopted at this time.

MADE AND ENTERED at Lincoln, Nebraska this 12th day of July, 2011.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director

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//s//Frank E. Landis
//s//Tim Schram