

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application) Application No. C-1960/PI-25
of the Nebraska Public Service)
Commission, on its own motion, to) ORDER INSTITUTING
conduct an investigation of the) INVESTIGATION
interstate or local characteristics)
Internet service providers traffic.) Entered: December 15, 1998

BY THE COMMISSION:

Since the enactment of the Telecommunications Act of 1996 (the "Act"), this Commission has approved a significant number of interconnection agreements between incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). As a general matter, these interconnection agreements contain one or more provisions providing for the payment of reciprocal compensation. A significant issue which has been addressed by a significant number of regulatory bodies in other states is the proper characterization and treatment of Internet service provider (ISP) traffic for purposes of payment of reciprocal compensation. The primary issues are whether ISP traffic is "local" traffic, and if such traffic is local, whether the ILEC is required to pay reciprocal compensation to the CLEC for calls placed by ILEC end user customers to ISPs which obtain local services and local telephone numbers from the CLEC.

These issues have been addressed to some degree during the recent hearings before this Commission in Application No. C-1830 and C-1415. However, this Commission has yet to directly determine whether ISP traffic is properly characterized as local or interstate.

The traffic at issue results from an ISP furnishing its customers the ability to reach the Internet or another online information service via the public switched telephone network. This occurs when an end user dials a local telephone number corresponding to a telephone exchange service which the ISP has purchased from a local exchange carrier operating in the online service user's local calling area. It is the traffic corresponding to this means of connection (end user to ISP) for which reciprocal compensation issues arise.

In order to consider these issues, the Commission is instituting this proceeding, and is initially soliciting written comments on the following issues:

- (1) The specific characteristics of Internet calling and the unique costs associated with originating and terminating such traffic;

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(2) Whether and why calls placed to a local number of an Internet service provider should be treated differently from local calls placed to other numbers generally; and

(3) What basis exists to support the contentions of network congestion peculiar to Internet services.

As an interim and preliminary finding based upon the information presented to the Commission in the hearings on Application No's. C-1830 and C-1415 and a review of actions taken by other states on this subject, the Commission finds that ISP traffic is within the classification of local exchange service as defined in Section 001.01W of the Commission's Telecommunications Service Rules as "local exchange service" which shall mean "the telecommunications service provided within a local calling area in accordance with the exchange carrier's tariffs." However, pending the issuance by this Commission of its final order in this application, there shall not be a requirement that reciprocal compensation be paid between carriers relating to ISP traffic.

O R D E R

IT IS THEREFORE ORDERED by the Commission that interested parties may submit comments on the issues raised herein on or before February 16, 1999.

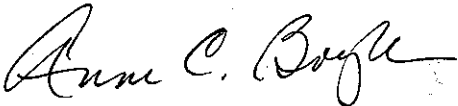
IT IS FURTHER ORDERED that parties may submit reply comments on or before March 1, 1999.

IT IS FINALLY ORDERED that an original and five copies, as well as one electronic copy of a diskette (in WordPerfect format), be submitted with each filing.

MADE AND ENTERED at Lincoln, Nebraska, this 15th day of December, 1998.

NEBRASKA PUBLIC SERVICE COMMISSION

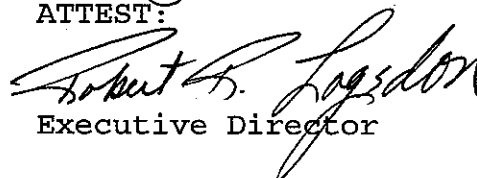
COMMISSIONERS CONCURRING:



//s//Lowell Johnson
//s//Frank Landis


Chairman

ATTEST:


Executive Director