

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the	)	Application No. NUSF-50
Commission, on its own	)	Progression Order No. 3
motion, to make adjustments	)	
to the universal service fund	)	
mechanism established in	)	
NUSF-26.	)	
In the Matter of the	)	Application No. C-3554/
Commission, on its own	)	PI-112
motion, seeking to	)	
investigate whether the zones	)	ORDER RELEASING STAFF
established in Docket No. C-	)	PROPOSAL
2516 are appropriate in light	)	
of NUSF-26 findings and	)	
conclusions.	)	Entered: February 13, 2007

BY THE COMMISSION:

O P I N I O N      A N D      F I N D I N G S

1. On February 28, 2006, the Commission issued Progression Order No. 2 in NUSF-50 seeking comment on a porting methodology (PM) which could be used in coordination with a zone unifying methodology (UM) described in Commission docket C-3554/PI-112. Commission docket C-3554/PI-112 was also opened on February 28, 2006. Comments were received from interested parties.

2. On January 22, 2007, the Commission held a prehearing conference to determine the next steps in the above-captioned dockets. It was decided at the prehearing conference that the Commission staff would release a proposal for testimony/comment on February 13, 2007. The attached staff proposal is hereby released in conformance therewith. The staff proposal includes options related to C-3554/PI-112, NUSF-50 Progression Order No. 2 and the staff proposal released for comment in the Commission's December 19, 2006 Order in NUSF-50.

3. Interested persons have until March 30, 2007 to file testimony/comments on the attached proposal as set forth in the Hearing Officer's planning conference order entered on February 5, 2007. Any exhibits intended to be offered with direct testimony must also be filed on or before March 30, 2007.

4. The Commission will hold a hearing on the attached proposal on **April 10-11, 2007** commencing at 1:30 p.m. on April 10<sup>th</sup>. The

hearing will be held in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska 68508. The hearing will be held in the Commission's traditional format. Witnesses will be sworn-in and cross-examination of witnesses will be permitted. All parties providing testimony will be expected to contribute equally towards the cost of an outside court reporter.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the attached staff proposal is hereby released and interested persons may file testimony or comments responsive to the staff proposal on or before **March 30, 2007**.

IT IS FURTHER ORDERED that a hearing will be held on **April 10-11, 2007** as described above.

MADE AND ENTERED at Lincoln, Nebraska this 13<sup>th</sup> day of February, 2007.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Deputy Director

STAFF PROPOSAL  
FEBRUARY 13, 2007

Option A:

C-3554/PI-112: After further consideration, the staff continues to propose modifying the zones as set forth in C-3554/PI-112 and Attachment B attached hereto. The staff's Unifying Method (UM) would increase the number of zones established in Docket C-2516 from three to six. These zones were established to deaverage unbundled network element (UNE) rates into geographic areas based on cost. 47 C.F.R. § 51.507 requires each state commission to "establish different rates for elements in *at least three defined geographic areas* within the state to reflect geographic cost differences." (Emphasis added).

The UM then deaverages the currently effective UNE-L rates for "in-town" and "out-of-town" areas, as defined in NUSF-26. The purpose of this methodology is to make the zones established in C-2516 coincide with the determination in Docket NUSF-26 that in-town areas are less costly to serve and do not need universal service support. The Commission in NUSF-26 shifted support to sparsely populated out-of-town areas where it was determined to be needed the most.

The proposed methodology set forth in C-3554/PI-112 first calculates a measure of total UNE-L revenue. This measure is based on effective UNE-L rates, zones as determined in C-2516, and total area residential access lines. The measure of UNE-L revenue is then allocated, by zone, to in-town and out-of-town areas. The in-town/out-of-town bifurcation is accomplished through the application of factors developed utilizing NUSF-26 data and results.

Once in-town and out-of-town total UNE-L revenue amounts are determined for each zone; per-line UNE-L rates, for each in-town zone area and out-of-town zone area, are determined using the respective access line counts and employing simple division.

An example of how the UM could be implemented generally is shown in Attachment B.

As an alternative to the 6-zone configuration, a 4-zone configuration could also be considered whereby all in-town areas in current zones 1, 2 and 3 would constitute one zone. Out-of-town Zones 1, 2 and 3 would constitute three separate zones. The result of this alternative is a single in-town UNE-L rate of \$10.62, a Zone 1 out-of-town rate of \$31.53, a Zone 2 out-of-town UNE-L rate of \$93.19, and a Zone 3 out-of-town UNE-L rate of \$172.95. An example of how the 4-zone configuration could be implemented generally is shown in Attachment C.

NUSF-50 PO. 2: The Commission should then adopt the porting methodology described in the Commission Order entered on February 28, 2006. An example of how the porting methodology could be implemented in general terms is also shown in Attachment B.

The staff proposes that the Commission give further consideration to the following issues:

- 1) Whether to continue to port NUSF support in out of town areas in zone 3 to competitive local exchange carriers or does such porting result in artificially sustained competition by the NUSF high-cost program; or
- 2) Whether to grandfather existing lines in Zone 3 out-of-town areas but not support new lines and
  - a. whether the grandfathering process should be permanent or
  - b. for a fixed period of time; or
- 3) Whether to phase out Zone 3 out-of-town NUSF support entirely over a period of time.

Interested parties can testify or comment on whether the Commission should adopt Option A.

Option B:

NUSF-50 Porting Elimination Proposal: If the methodology proposed in Option A (C-3554/PI-112 and NUSF-50 PO 2) is not considered further by the Commission or not adopted in a timely manner, then the Commission should eliminate ported CLEC support in Zones 1 and 2 as proposed by the Commission staff in its Post-Hearing Brief filed in NUSF-50 and released for comment by the Commission in NUSF-50 on December 19, 2006.

In addition the staff proposes that Zone 2 support be grandfathered for existing customers. Interested parties should provide testimony or comment on whether the grandfathering of CLEC porting should be a permanent grandfathering of the existing customer lines, or whether the Commission should adopt a grandfathering of porting to existing zone 2 customers for a fixed period of time.

Interested parties can testify or comment on whether the Commission should adopt Option B.