

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska	) Application No. NUSF-26
Public Service Commission, on	)
its own motion, seeking to	) Order Initiating Docket
establish a long-term universal	)
service funding mechanism.	) Entered: August 21, 2001

BY THE COMMISSION:

1. On January 13, 1999, the Commission entered Findings and Conclusions in Docket No. C-1628 ("C-1628 Order"). The C-1628 Order began the process of reforming the existing system of intrastate universal service support in compliance with the Federal Communications Act of 1934, as amended<sup>1</sup> ("Federal Act"), and the Nebraska Telecommunications Universal Service Fund Act<sup>2</sup> ("NUSF Act").

2. The Federal Act grants states the authority to adopt regulations with respect to universal service as long as such regulations are consistent with Federal Communications Commission ("FCC") rules and require every telecommunications carrier that provides intrastate telecommunications services to contribute on an equitable and non-discriminatory basis. The Federal Act further provides that states may adopt additional universal service standards if such standards adopt additional specific, predictable, and sufficient mechanisms that do not rely on or burden Federal universal service support mechanisms<sup>3</sup>.

3. The NUSF Act declares that it is the policy of the State that, inter-alia, all providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service, there should be specific, predictable, sufficient, and competitively neutral mechanisms to preserve and advance universal service and funds for the support of high-cost service areas will be available only to the designated eligible telecommunications companies ("ETCs") providing service to such areas<sup>4</sup>.

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<sup>1</sup> 47 U.S.C. § 151 to § 614.

<sup>2</sup> Neb. Rev. Stat. §§ 86-1401 to 86-1410.

<sup>3</sup> 47 U.S.C. § 254(f).

<sup>4</sup> Neb. Rev. Stat. §§ 86-1404.

4. The C-1628 Order set forth a transition period during which numerous changes designed to comply with the Federal and NUSF acts were implemented. The C-1628 order created the Nebraska Universal Service Fund ("NUSF") and subsequently, the Commission determined that the monies used by the NUSF should be generated via a surcharge on intrastate<sup>5</sup> retail, end-user telecommunications service revenue. The C-1628 Order also set forth requirements to receive funding from the NUSF. These requirements include complying with limits on access charges and basic local exchange service rates.

5. During the transition period, NUSF support is calculated as any net reductions in access and basic local exchange prices less earnings above the benchmark. The C-1628 Order adopted a three year transitional period for non-rural Incumbent Local Exchange Carriers ("ILECs") and a four year transitional period for rural ILECs. In Docket C-1628/NUSF Progression Order No. 16, entered March 20, 2001, the Commission decided to continue calculating NUSF support amounts under the transitional methodology set forth in the C-1628 order until such time as the Commission develops a different methodology.

6. The current NUSF support mechanism is primarily designed for ILECs. However, the C-1628 Order does state that during the transitional period the NUSF is accessible to all ETCs. To date, no ETC, other than the ILECs, has requested funding.

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

7. The Commission opens this docket to begin the process of examining and developing long-term universal service funding mechanisms for Nebraska. The Commission envisions multiple proceedings to accomplish this goal. Accordingly, the Commission begins this process by seeking comment and hearing on the following issues.

#### Goals of the NUSF Funding Mechanism

8. The Commission proposes that the goals of the Commission's universal service policies be to:

- A. Fairly compensate all providers of supported services.
- B. Determine funding needs, not impose a rate of return.
- C. Create incentives for investments.
- D. Create incentives for full and fair competition.

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<sup>5</sup>The Commission on February 2, 1999 ruled that the surcharge be assessed on retail end user revenues from solely intrastate telecommunications services. The original C-1628 Order imposed the surcharge on both intrastate and interstate telecommunications services.

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- E. Have reasonable oversight on subsidized costs.
- F. Have predictable growth in the size of the NUSF.

**Question #1.1**

Should the Commission adopt the proposed goals listed above?

**Question #1.2**

Should this list of goals be modified?

**NUSF Support**

9. The Commission proposes that NUSF support be calculated as the difference between the cost to provide supported services and the revenues collected from the subscribers of such services.

**Question #2.1**

Should NUSF support be calculated as the difference between costs and revenues as described above?

**Provider Support**

10. The Commission seeks comment on how NUSF support should be determined for each provider. There appears to be at least three different methods.

- A. Determine support separately for each provider.
- B. Determine the necessary support for the incumbent provider and make this support available to all providers.
- C. Determine the necessary support for the most efficient provider and make this support available to all providers.

**Question #3.1**

How should NUSF support be determined for each provider?

**Question #3.2**

How will the method discussed in Question #3.1 accomplish the goals of universal service in Nebraska better than some or all other methods listed above?

Carrier of Last Resort

Questions #4.1

What should be the obligations of each ETC to provide supported services to all subscribers within a designated area?

Questions #4.2

Should each ETC be required to serve all subscribers or should that responsibility be born by a carrier (or carriers) of last resort, such as the incumbent provider?

Stranded Investment

Question #5.1

Should the NUSF should bear the costs for any stranded investment and if so in what situations?

Supported Services

11. Currently, the NUSF only supports basic local service, consisting of:

- A. Single party service;
- B. Touch-tone;
- C. Standard "white page" (or alpha directory) listing;
- D. Access to directory assistance services;
- E. Access to interexchange services;
- F. Access to emergency 911 or E911 services;
- G. Access to operator services; and
- H. Toll blocking for qualifying low-income subscribers.

12. The Commission proposes, at a minimum, that the definition of basic local services with respect to single party service, touch-tone, and standard "white page" listing be amended, respectively, to:

- A. Single party exchange service or the functional equivalent, including a block of calling time within the Commission approved geographical area, for which there are no per-minute or additional charges, that has been approved by Commission order. This does not include extended area services(s).
- B. Dual tone multi-frequency signaling or the functional equivalent;
- C. The option of a standard white page or alpha directory listing;

**Question #6.1**

Should the NUSF definition of basic local service be amended as described above?

**Question #6.2**

Should the NUSF definition of basic local service be amended other than as described above?

13. Currently, the NUSF provides support for all basic local lines of service. The Commission proposes limiting NUSF support to two basic local lines of service per household.

**Question #6.3**

Should NUSF support be limited to a certain number of lines per household and if so how many?

14. There may be other services that should receive NUSF support. These services include:

- A. Rural special access/private line services;
- B. One-time installation/construction charges; and
- C. Public interest payphones.

**Question #6.4**

Should NUSF support be provided to any additional services including those listed above?

**Requirements to Receive NUSF Support**

15. The Commission proposes that in order to receive NUSF funding a carrier must:

- A. Be designated as an ETC by the Commission;
- B. Offer services designated as eligible for NUSF support by the Commission.
- C. Comply with NUSF local pricing requirements.
- D. Comply with NUSF access charge pricing requirements.
- E. Comply with NUSF service quality requirements.

**Question #7.1**

Should a carrier be required to meet the conditions described above in order to receive NUSF support?

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Question #7.2

Should a carrier be required to meet conditions other than those described above in order to receive NUSF support?

16. Interested parties may file comments on the questions listed above or any other matter germane to the issues described herein on or before October 26, 2001. Reply comments will be due on or before November 30, 2001.

17. Subsequent to the filing of reply comments, the Commission will conduct a hearing. The Commission will conduct a pre-hearing conference on November 6, 2001 at 2:30 pm in the Commission Hearing Room. The purpose of this pre-hearing conference will be to determine the date, time, and format of the hearing in this matter.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that interested parties file comments on or before October 26, 2001.

IT IS FURTHER ORDERED by the Nebraska Public Service Commission that interested parties file reply comments on or before November 30, 2001.

IT IS FURTHER ORDERED by the Nebraska Public Service Commission that a pre-hearing conference shall be held on November 6, 2001 at 2:30pm in the Commission Hearing Room, 300 The Atrium, 1200 N Street, Lincoln, Nebraska to determine the date, time and format for a public hearing on the matters describer herein.

MADE AND ENTERED at Lincoln, Nebraska, this 21st day of August, 2001.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

*James Johnson*  
*Errol L. By*  
*Arne C. Boye*  
*Tom Johnson*

*Frank E. Landis*  
Chairman

ATTEST:

*A. S. Pollock*  
Executive Director

//s//Frank E. Landis