

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 establish a) PROGRESSION ORDER NO. 5
long-term universal service funding)
mechanism.) Entered: June 29, 2004

Background

1. On August 21, 2001, the Nebraska Public Service Commission (Commission) initiated the above-captioned proceeding on its own motion to revise the universal service funding mechanism established in C-1628/NUSF.¹ Notice of this proceeding appeared in the Daily Record, Omaha, Nebraska, on August 24, 2001. In the course of its investigation, the Commission has requested several rounds of comments, held formal hearings, informal workshops and has made progressive findings.²

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

Introduction

Overview of the Nebraska Universal Service Fund

2. The Commission, consistent with its statutory authority³, has created three separate and distinct programs each of which are supported by the Nebraska Universal Service Fund (Fund), yet maintain different eligibility requirements. Those programs are:

a. The High Cost Program (Program), which is designed to ensure customers in all regions of the state have access to telecommunications services, including interexchange services, and information services, including

1 Application No. C-1628/NUSF, *In the Matter of the Application of the Nebraska Public Service Commission, on its own motion, seeking to conduct an investigation into intrastate access charge reform*, Findings and Conclusions (January 13, 1999) (C-1628 Order).

2 See generally Application No. NUSF-26, *In the Matter of the Commission, on its own motion, seeking to establish a long-term universal service funding mechanism* (NUSF-26).

3 See NEB. REV. STAT. §§ 86-316 to 86-329 (2002 Cum. Supp.).

advanced telecommunications services, at affordable rates and at rates that are comparable between urban and rural areas.⁴

b. The Nebraska Telephone Assistance Program (NTAP), formerly known as the Nebraska Lifeline and Link-Up Program⁵, which provides a reduction in rates to qualifying low-income telephone subscribers within the state.

c. The Nebraska Tele-Health (Tele-Health) Program provides support for telecommunications services to connect rural hospitals to urban hospitals in order to facilitate the provision of tele-medicine services in rural areas⁶.

3. Commission proposes continuing the requirement that companies meet a unique set of eligibility requirements in order to be designated a Nebraska Eligible Telecommunications Carrier ("NETC") for each program.

4. NTAP and Tele-Health support amounts are determined by examining the rate(s) charged in absence of the Fund. In the event the rate(s) for services provided by NTAP and Nebraska Tele-Health exceed the Commission's affordability and comparability standards, Fund support offsets a portion of the amount incurred by the customer, absent the Fund. Synonymously, program funding is only provided to NETCs, for services determined by the Commission to be made universally available.

5. Current requirements for the NTAP are generally set forth in Section 6 of the Nebraska Universal Service Fund Rules and Regulations⁷. Only companies designated by the Commission as federal ETCs are eligible to receive support from NTAP. However, the Commission has sought comment on whether it should expand the number of providers eligible to offer NTAP assistance.⁸ The

4 See NEB. REV. STAT. § 86-323(3); see also Application No. NUSF-26 Progression Order No. 2 (August 27, 2002).

5 See NEB. REV. STAT. § 86-329.

6 See NUSF-26, Progression Order No. 3 (December 17, 2002).

7 NEB. ADMIN. CODE, tit. 291, ch. 10, § 006.

8 See Application No. NUSF-35/PI-69, *In the Matter of the Nebraska Public Service Commission seeking to determine Nebraska Eligible Telecommunications Carrier status for the purposes of receiving state*

Commission will continue to use Docket NUSF-35 as the vehicle for seeking comments to further its goals relative to the NTAP.

6. The carrier eligibility requirements for Tele-Health are set forth in Docket NUSF-35. Modification of these requirements is not currently contemplated.

7. High Cost Program support amounts are theoretically similar to those calculated for the NTAP and Tele-Health. The Fund offsets amounts in excess of the Commission's affordability and comparability standards. However, the methods utilized in determining Program support differs from those described above as they fundamentally depend on econometric modeling techniques and relative allocations. Those methods are further described below.

8. The discussion below pertains exclusively to the High Cost Program (Program).

Affordability and Comparability

9. The Commission believes affordable access to telecommunications and information services at comparable rates is key in developing a long-term universal service mechanism. Neb. Rev. Stat. § 86-317 provides in pertinent part that

The purpose of the Nebraska Telecommunications Universal Service Fund Act (NUSF Act) is to authorize the commission to establish a funding mechanism which . . . ensures that all Nebraskans, without regard to their location, have comparable accessibility to telecommunications services at affordable rates.

10. The Commission also found access to telecommunications and information services should be affordable and comparable in rural and urban areas.⁹ In order to keep local rates as

universal service support for providing Lifeline/Link-up services and Telehealth services to rural hospitals, Findings and Conclusions (April 29, 2003).

⁹ NUSF-26, Progression Order No. 2 at ¶ 29 (d).

affordable as possible, the NUSF should be structured in a manner that will keep the surcharge at a reasonable level and the size of the fund manageable. The Commission previously found the NUSF should not reward inefficient investment.¹⁰ The affordability component is necessary to meet other universal service principles outlined in Neb. Rev. Stat. § 86-323 and the goals adopted by the Commission in Progression Order No. 2. In order to keep rates comparable, the Commission has used a residential access line benchmark of \$17.50 during the transition period and proposes to keep that benchmark in place for residential access. The affordability and comparability principles are, in large part, the impetus behind the Commission's proposed scope of support guidelines and allocation methodology set forth in further detail below.

Scope of Support

11. Staff performed extensive economic analysis to ascertain the effect of multiple networks in a universal service environment with limited financial resources. The analysis indicates Fund Program support, in its entirety, is applied to fixed cost recovery. Further, the analysis indicates a multiple network scenario negatively impacts the amount of Fund Program support received by the carrier of last resort. Thus, a multiple network environment ultimately may result in a provider's failure to recover a portion of fixed cost.¹¹ Economic theory dictates, a provider that does not recover its fixed cost, in the long run, has three alternatives; increase retail rates, increase the amount of Fund Program support received, or exit the market ¹².

12. Therefore, the Commission proposes the Program support a single network within a given support area. The Commission does not believe it to be in the public interest for the Fund's Program to support multiple networks within a given support area, due to the cost involved and the related impact on customers within the state. The Commission further believes the goals of the NUSF Act are best met through this proposal.

10 *Id.* ¶ 38.

11 The statements made here are not a Commission endorsement of total cost recovery.

12 See Appendix B for further discussion.

13. To achieve a balance between competition, i.e. multiple networks, and universal service, the Commission proposes to highly target Program support to a single network within a defined area. Based on the Commission's methodology presented here, many lower-cost parts of the state do not require Program support, areas where competition would logically develop, such as the communities of Omaha and Lincoln. Under the methodology the Commission is proposing, only fifteen percent (15%) of the total households in the state are eligible for Program support.

14. The Commission initially proposes the network of the current Incumbent Local Exchange Carriers ("ILEC") be designated as the networks eligible to receive Program support in each support area. Other carriers may petition the Commission to change this designation subject to the necessary criteria discussed below.

15. The Commission proposes, at a minimum, a carrier must meet the following requirements in order to be designated as the eligible network provider within a given support area:

a. Able to provide all supported services to every household within a service area with its own facilities at the point in time designation is granted,

b. Willing to comply with any and all interconnection requirements as set forth in §251(C) of the Telecommunications Act of 1996 (the Act)¹³, and

c. Comply with any reporting requirements.

d. Comply with any and all Interconnection Agreements in existence with the ILEC at the point in time designation is granted.

16. The opportunity remains for competition in the support areas that receive Program support. Competitors can enter the market through resale, unbundled network elements (UNEs), or other services provided over the supported network. Further, should a competitor deem it economically justifiable to enter

¹³ Telecommunications Act of 1996 (1996 Act or Act), Pub. L. No. 104-104, 110 Stat. 56 (codified as amended in scattered sections of Title 47, United States Code).

the market, said competitor is not precluded from competing in any support area via other means, albeit without Fund Program support.

17. The Commission, upon entering a final order, will consider whether or not it needs to re-designate NETC's in accordance with its findings.

18. The Commission continues to believe Fund Program support should not be provided to services provisioned through resale. However, it does propose eligible services, provided via UNEs, be eligible to receive support, either directly or indirectly.

19. The Commission currently provides support to Competitive Local Exchange Carriers (CLECs) that provide services through UNE-P. However, consistent with the methodology described below, the Commission proposes to provide support to competing companies that provide service through UNE loops. The Commission seeks comment on two proposals, discussed below, regarding the application of Fund Program support to eligible services provided through UNE loop. Interested parties are free to comment generally on how support should be calculated for competing companies that provide eligible services over the network receiving support.

First Proposal

20. In Docket No. C-2516 the Commission de-averaged UNE loop rates for Qwest Communications and established cost-related zones. An economic clustering technique was employed to associate exchanges exhibiting similar cost characteristics, creating three zones and respective UNE-loop rates.¹⁴

21. Subsequent to the Commission's C-2516 Order and throughout the transition period, Program support for Competitive NETC's¹⁵ providing service in Qwest exchanges through

14 Application No. C-2516/PI-49, *In the Matter of the Commission, on its own motion, to investigate cost studies to establish Qwest Corporation's rates for interconnection, unbundled network elements, transport and termination*, Findings and Conclusions (April 23, 2002).

15 Competitive NETC's that are currently providing service through UNE-P are Nebraska Technology and Telecommunications, Inc. (NT&T), Allo Communications, and Pinpoint Communications, Inc.

UNE-P has mimicked the pricing in these Qwest zones. The Program support provided to Qwest within each support area is averaged, utilizing the zones determined by the Commission in the C-2516 Order. The ILEC's support is reduced by the amount of support flowing to the Competitive NETC. The practical result being Program support is shifted from one company to another for access lines captured from the ILEC.

22. The Commission seeks comment on whether it should continue the process of porting support to competing NETCs using Program support averaged in the same manner as de-averaged UNE-loop rates in the respective support area.¹⁶

Second Proposal

23. The Commission also seeks comment on a manner in which it can streamline this process. Rather than shifting support from the ILEC to the competing company and subtracting the same from ILEC, the Commission proposes to implement a structure whereby the ILEC would charge the Competitive NETC provider the rate for the lowest priced zone, regardless of the actual zone in which the Competitive NETC is providing service. The ILEC would then keep any Program support, which would have otherwise been given to the Competitive NETC. This proposal simplifies the current administrative process for the Commission's Fund Department and eliminates the need for reporting lines or households gained/lost by both carriers. The Commission believes adopting this calculation creates efficiencies for the ILEC. This appears to further the policy of maintaining comparable rates between urban and rural areas by extending this policy into the wholesale market and is consistent with a policy of supporting the physical network, as discussed below.

SERVICES

24. Existing Commission authority provides for the availability, to all Nebraskans, of three types of services: telecommunications, advanced, and information services.

¹⁶ Although the Commission has only created zones in Qwest's territory, this practice would also foreseeably apply to other incumbent carriers as the Commission further de-averages loop rates.

Telecommunications Services

25. The Commission proposes the following two types of telecommunications services be made universally available: Basic Local Exchange service and Interexchange service. Interexchange service encompasses both access services and toll services.

26. The Commission proposes to continue supporting Basic Local Service as defined in the Nebraska Universal Service Fund Rules and Regulations.¹⁷ The Commission further proposes to amend this definition to indicate the primary power source for this service cannot be battery. In the event the primary source of power is not available for a period of time, a minimum amount of backup, so as not to disrupt service, is required. The Commission seeks comment on the minimum period of time the backup power should be provided, and what type of backup power source should be required. In addition, the Commission proposes to require Enhanced 911 service be provided in those areas where governmental entities are set up to support this service. Subsequent to the completion of this docket, the Commission will open a rulemaking to address any changes adopted.

27. In the C-1628 Order, the Commission adopted rate benchmarks of \$17.50 and \$27.50 per month for residential and business basic local exchange services respectively. In order to qualify for support under the transitional mechanism, an eligible telecommunications provider was required to price these services at or above these benchmarks. The Commission proposes to retain this requirement relative to residential service. However, the Commission proposes to remove this requirement relative to business service. Given the Commission is proposing to determine support based upon households, which would exclude most businesses, it may no longer be appropriate to retain the business rate benchmark. Moreover, businesses typically are located in more dense areas, which receive little or no support under the Commission's proposed methodology.

28. While the Commission believes access services are a component of universal service, the Commission does not propose support be provided at this time. However, companies must comply with all orders relative to access charges to qualify to receive Program support.

17 NEB. ADMIN. CODE, tit. 291, Ch. 10, § 001.01D.

29. While the Commission believes toll services are a component of universal service, it does not believe support is required at this time.

Advanced Services and Information Services

30. The Commission has limited authority over advanced services (including xDSL and cable modem) and information services (i.e., the Internet). However, the Commission believes it can facilitate access to such services through its universal service policies and its support of the underlying physical network.

Components of Service

31. Looking to the future of universal service, the Commission believes it appears necessary to begin to separate the underlying physical network from the service itself. As networks continue to evolve and new technologies are deployed, the emphasis for universal service will need to shift, from directly supporting services, to supporting comparable access to services determined to be made universally available. Comparable access would continue to incorporate the same statutory standards of ensuring telecommunication services are available to persons living in rural and high cost areas at reasonable, comparable rates and quality. It may also have the ultimate effect of expanding the quantity of services available in rural and high cost areas.

32. As one examines the cost of providing a telecommunications service, the most significant cost difference, between high and low cost areas, is the cost relating to connecting customers to the service provider's network. In this regard, the Commission proposes to define the service provider's network at the first selective routing device that is owned, leased or otherwise used under a wholesale agreement by the telecommunications provider that will bill the customer for said service(s).

33. Currently under this definition, in the context of basic local exchange service, the service provider's network would begin at the local switch. The loop connecting the customer to the switch, which in many cases is also owned by the

same company, would constitute access to the service provider's network. The loop connects the customer typically through a telephone or a computer, to the service provider's network through a routing device, which in most cases, is currently a central office switch. Usually the service provider owns both the routing device(s) and related network between such device(s), and the loop. The loop carries the information the customer wishes to transmit or receive to the service provider's network and the routing device(s) determines the route the information will travel. The routing device then either routes the traffic to the designated loop connected to the same routing device or to another routing device or device(s) that will then route the traffic to the designated loop.

34. This same general network design is used to provide inter-exchange services and access to advanced and information services. A physical connection links customers to the service provider's network. The service provider's network uses a series of interconnected routing devices to route the information to its destination, irrespective of whether the service is based on circuit switched or packet switched technology, e.g. Internet protocol. However, in most rural and high cost areas, the physical connection linking the customer to the service provider's network is longer and may encompass services traditionally referred to as transport.

35. In the context of access services, the service provider's network begins either at the toll switch or the point of interconnection between the local exchange and long distance carrier. In the context of an information service, such as an Internet service, the service provider's network begins at either the selective router or the point of interconnection where the traffic is handed off to the Internet service provider.

36. With this approach, universal service funds would be used to ensure everyone has access to these service providers' networks at reasonably comparable costs. For the purpose of this proceeding, the Commission will focus on access to basic local exchange service through the loop. In a subsequent proceeding, the Commission will seek comment on issues relative to access to other telecommunications and information services.

Fund Support Allocation Methodology

Overview

37. The Commission proposes to utilize the Nebraska Universal Service Fund Support Allocation Methodology, (SAM) in order to allocate Program support to NETCs providing service to high cost areas. The SAM provides for the allocation of Fund Program monies to NETCs based on the cost an NETC incurs in the provisioning of service, relative to the cost of service throughout the state.

38. The SAM utilizes 2000 Census household data, by census block, collected by the U.S. Bureau of the Census, to create support areas. The SAM utilizes the Benchmark Cost Proxy Model (BCPM), Version 3.1, and a common set of inputs, to calculate household densities and estimate forward-looking loop costs. Econometric regression techniques are employed to link forward-looking loop cost to household density. Finally, with the use of the regression results and support area densities, expected loop cost is calculated for each support area.

39. The SAM compares expected loop cost, for each support area, to a loop cost benchmark. When expected loop cost exceeds a loop cost benchmark, a base support amount for the support area is calculated. Results are aggregated. Finally, each NETC's allocation of the Program loop support is calculated based on relative base support amounts.

40. The SAM utilizes the cost of the local loop as a proxy for the total cost of service. The SAM does not include a switching cost element in its estimation methodology.

41. The Commission proposes the SAM is practical, manageable, flexible, and focuses support to high cost areas in Nebraska. The SAM provides a fair and reasonable process in which to allocate NUSF support to NETCs providing service to high-cost areas. Therefore, the Commission hereby proposes to adopt the SAM, as described in detail in Appendix A, for the determination of Fund Program support.

42. The Commission believes the SAM's use of the BCPM is appropriate in the context of this docket. Additionally, the Commission believes the SAM should reflect the costs of a most

efficient carrier and thus also concurs with the SAM's use of a common set of inputs for all companies.

43. The Commission further concurs with the SAM's use of the local loop cost as a proxy for the total cost of service, as well as its exclusion of a switching cost element, is appropriate. A high correlation between the cost of provisioning service and the cost of the local loop provides a sufficient mechanism in which to associate more closely the allocation of the Fund with cost causation. In addition, as the cost of service in high cost areas is also highly related to the increased cost of providing the "last mile," the SAM ensures the allocation of the Fund is one that furthers the goals of the NUSF Act.

The SAM Process of Determining Support

Introduction

44. The SAM utilizes 2000 Census household data, by census block, collected by the U.S. Bureau of the Census. Using the census data, the SAM aggregates the state into multiple urban and rural support areas that reflect cost causation and prevent any arbitrage that may occur if high and low cost loops are combined into one support area.

45. The SAM then develops forward-looking loop costs in each support area. The process for determining forward-looking loop cost occurs in four steps. 1) The SAM utilizes the BCPM, and a common set of inputs for all companies, to calculate household densities and forward-looking loop costs in areas definable by a cost model. 2) Regression techniques are then employed to link forward-looking costs to household density for those well-defined areas. 3) Densities are determined in the proposed support areas. 4) Finally, with the use of the regression results, expected loop cost, as a function of measured density, is calculated for each support area.

46. The SAM then compares expected loop cost, for each support area, to a loop cost benchmark. When, in a particular support area, the loop cost is above the benchmark, the difference between the two is multiplied by the number of households in that support area to obtain the base support amount for that support area. Support area results are aggregated to the NETC level to get the base amount of support

for each NETC. NETC amounts are aggregated to get the statewide base amount. The SAM then calculates each NETC's allocation of Fund Program support calculated as the NETCs base amount, relative to the statewide base amount.¹⁸ The Commission seeks comment on whether each NETC's allocation of Fund Program support should be adjusted for Federal Universal Service Fund (FUSF) support amounts. Finally, transitional support adjustments are applied.¹⁹

Validity of the SAM

47. The purpose of the Fund Program is to ensure all Nebraskans, without regard to their location, including those in rural and high cost areas, have comparable access to telecommunications services at affordable prices.²⁰

48. SAM salient statistics indicate greater than 98 percent (98.0%) of Program support is allocated to support areas with less than seven (7) households per square mile, and nearly 100 (100.0%) percent of Program support is allocated to support areas with less than thirteen (13) households per square mile. Further, nearly 99 (99.0%) percent of support is allocated to rural, "out-of-town", support areas.

The SAM meets the objectives of the Fund.

NUSF-EARN

49. The Commission will continue to employ an earnings test to determine that NUSF support does not exceed the level required by NETC's to recover their costs. While, the Commission desires to develop a permanent earnings test, additional study is required for this development. Therefore, the Commission proposes the current earnings test obtained through the NUSF-EARN form continue to be utilized.

18 As an example, suppose an NETC has a base amount, adjusted for FUSF support amounts, of \$400,000 and the statewide base is \$40,000,000. That NETC would receive 1/100th of the loop fund.

19 See Appendix A for further discussion.

20 NEB. REV. STAT. §§ 86-317 and 86-323.

Transition to SAM

50. The Commission proposes to implement a transition period to accompany the permanent funding mechanism proposed here. The Commission believes a transition period, that allows carriers an opportunity to make adjustments and prevent undue hardship to customers, is in the public interest.

51. The Commission implements the following transitional support adjustments in an effort to judiciously prevent financial hardship on those NETCs experiencing significant decreases as Fund Program support is transitioned from the current methodology to the SAM.

Transitional Support Adjustments

52. Once SAM support amounts are calculated and support area results are aggregated to the company level, the Transitional Support Adjustments are applied. All Transitional Support Adjustments amounts are subject to the earnings test. Per-line Backstop and Over-earning Redistribution transitional support mechanisms shall only be available to those companies experiencing a decrease in Program Fund support subsequent to the implementation of the SAM.

53. The Commission shall recalculate the Transitional Support Adjustments, as necessary, with the same frequency as employed for the earnings test.

Proposed Methodology for NUSF-7 Waiver Recipients

54. If a company experiences a significant reduction in Fund Program support under the SAM, and has received an NUSF-7 grant, the NUSF-7 monies will be added to the NETC's allocation of the Fund Program support determined by the SAM. This ensures the costs, related to investments made pursuant to NUSF-7 grants, are fully recovered.

55. In conjunction with the proposed changes to the support mechanism, the Commission believes it also necessary to make adjustments to the NUSF-7 grant methodology. The Commission first proposes to recalculate the NUSF-7 waiver amounts, based on proposed changes in the Fund Program support methodology. This ensures all waivers are determined in the

same manner going forward. Also, the Commission proposes to sunset the NUSF-7 amounts at the point in time NUSF-7 investments are fully depreciated.

Per-Line Backstop

56. A Per-Line Backstop is proposed as the Commission's second transitional support adjustment.

57. If applicable, the Per-Line Backstop is based on a per-line decrease in Program support. Should a company experience a decrease in support greater than \$5.00 per line, an amount equal to the difference in the company's per-line support decrease and the \$5.00 maximum is multiplied by the respective company's residential access lines.²¹ The resulting amount is the Per-Line Backstop adjustment. This adjustment ensures, subject to the earnings cap, an individual company does not experience a per-line reduction in Program support, when transitioning from the current mechanism to the SAM, greater than \$5.00 per-line in a given year.

58. Any Program monies determined due to the Per-Line Backstop are subject to the earnings cap. Therefore, any company experiencing a per-line reduction in support greater than the maximum, but at or above the earnings cap, will receive no additional support.

59. The Commission proposes the Per-Line Backstop a viable transitional mechanism, subject to the earnings test, relative to access lines, when transitioning from the current Fund support methodology to the SAM

Over-Earnings Redistribution (OER)

60. As previously stated above, the Commission proposes to continue to utilize the current NUSF-EARN methodology to determine if an NETC exceeds the earnings cap. Subsequent to the NUSF-7 and Per-Line Transitional Support Adjustment, any additional Program support available, due to the earnings cap, will be made available via Over-Earnings Redistribution (OER). The Commission proposes to retain the OER transition mechanism for five years.

²¹ Company residential access lines are those included in the Commission's 2002 Annual Report on Telecommunications.

61. Once an OER amount is determined, OER allocations are calculated for those companies not at the earnings cap. OER allocations are determined based on SAM results. For those NETCs not currently at the earnings cap, the OER allocation is the expected loop cost, by support area, relative to the total expected loop cost for all NETCs not currently at the earnings cap. OER allocations, by support area, are then aggregated by NETC and applied to the OER amount to determine each NETC's OER allocation. The earnings cap applies to all OER allocation amounts. This process is repeated, iteratively, until such time as all NETCs reach the earnings cap or all available OER is allocated.

62. As companies invest additional monies into their networks, those at or above the earnings cap will see a decrease in their respective rate-of-return. As such, additional SAM support amounts will begin to flow back to those companies. Thus, as a company invests and stakes claim to its SAM support amounts, OER monies available will gradually decrease. The Commission proposes this to be a viable transitional mechanism.

63. The Commission encourages companies to utilize this transition period to accomplish investments necessary to further the goals of the Fund.

Periodic Adjustments

64. Over time, the Commission anticipates adjustments will be required to account for changes in cost, price, and population statistics. Additional study is required to develop an acceptable methodology with which to employ future adjustments. The Commission proposes to work towards an acceptable methodology with the intent of implementing adjustments, as necessary, every two years after the transition period. The Commission solicits input from the parties as to whether this is an appropriate timeframe in which to re-evaluate the underlying cost and density data.

65. During the proposed transitional period, the Commission proposes to evaluate the aggregate Program support available for allocation on an annual basis, concurrent with the NUSF-4 review. The Commission proposes that all Eligible Telecommunications Carriers for purposes of Program support file an EARN Form on a yearly basis, due June 30th for the previous

calendar year. In doing so, the Commission plans to set the surcharge in a manner, which corresponds to the calendar year, rather than the fiscal year.

Subsequent Proceedings

66. The Commission will open further proceedings at a later date to address, at least, the following:

a. The Commission anticipates exploring whether it should adopt standards for the deployment of Advanced Services, and the possible loss of Nebraska Universal Service support for not meeting those standards.

b. The Commission anticipates exploring the possibility of modifying the earnings test to be more focused on investment levels and less reliant on company supplied data.

c. The Commission anticipates exploring whether universal standards are needed to comply with state statutes regarding access to Advanced and Information Services.

Procedural Schedule

67. The Commission solicits comments on the proposals contained herein. Interested parties should file comments on or before **July 28, 2004**. Commenting parties should file one original and five paper copies along with one electronic copy in Word or WordPerfect format.

68. Testimony, which should include any replies to comments filed, should be filed on or before **August 11, 2004**. Parties should file the original, five copies, and one electronic copy of their reply testimony.

69. A hearing will be held on this matter in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska on **August 25, 26 and 27, 2004** beginning at 9:00 a.m. CDT.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the proposals set forth herein, and as set forth in Attachments A, B and C to this Order, be and they are hereby released for public comment.

IT IS FURTHER ORDERED that the procedural schedule set forth above be and it is hereby adopted.

MADE AND ENTERED at Lincoln, Nebraska, this 29th day of June, 2004.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director