

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska) Application No. NUSF-64
Public Service Commission, on)
its own motion, seeking to)
investigate the use of expense) ORDER SEEKING COMMENT
caps in the earnings)
calculation for Nebraska)
universal service fund support.) Entered: October 10, 2007

BY THE COMMISSION:

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

The Nebraska Public Service Commission (Commission) opened the above-captioned docket on December 19, 2006 to investigate the use of expense caps in the earnings calculation for Nebraska universal service fund support.

On January 31, 2007, the Commission held a workshop so the staff could discuss initial thoughts of how expense caps could be used in the earnings calculation. At the workshop, the rural companies asked the Commission to consider releasing some questions for public comment. On March 6, 2007, the Commission released various questions for public comment. Based on the comments received the Commission hereby makes the findings below and seeks further comment from interested parties.

The Commission is committed to supporting service in high-cost areas through its universal service funding mechanism. To ensure that as many Nebraskans as possible are served, the NUSF distribution model curtails payments when companies experience a return in excess of the earnings cap. Part of the process for estimating a company's return, the earnings test, involves reviewing reported costs. In fairness to carriers and ratepayers, it is the Commission's responsibility to ensure that costs are accurately calculated to the best of our ability.

Toward this end, the Commission proposes a methodology to estimate a threshold for allowable total costs. Attached to this Order as "Appendix A" and fully incorporated herein is a proposed staff methodology to estimate a threshold for allowable total costs. In brief, regression results based on historical Form M data will be combined with reported access lines served, square miles served and net investment to develop

an annual allowable total cost threshold. Companies reporting costs below the threshold would face no further scrutiny from the Commission in this proceeding. The proposal released for comment in this Order would not require an in-depth cost review for each company requesting universal service funds. However, companies that receive NUSF support will still be required to have annual payment audits performed.

The Commission also seeks comment on how the proposed expense cap methodology released in this Order would interface with the Commission's review of an eligible telecommunications carrier's (ETC's) use of federal and state universal service support with the requirements adopted in Docket Nos. NUSF-25/NUSF-66.

Comments responsive to the above-listed questions may be filed by anyone interested on or before **October 23, 2007**. Persons filing comments should file five (5) paper copies along with one (1) electronic copy. Electronic copies should be served on Brandy.Zierott@psc.ne.gov. Reply comments may be filed on or before **November 2, 2007**. A pre-hearing conference will be held on **November 8, 2007** at 10:30 a.m. in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission in the above-captioned matter that the methodology described in "Appendix A" be and it is hereby open for public comment. Comments shall be filed on or before **October 23, 2007**. Electronic filings shall be served on Brandy.Zierott@psc.ne.gov.

IT IS FURTHER ORDERED that reply comments are due on or before **November 2, 2007** as prescribed herein.

IT IS FURTHER ORDERED that a pre-hearing conference will be held on November 8, 2007, at 10:30 a.m. in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska.

MADE AND ENTERED at Lincoln, Nebraska this 10th day of
October, 2007.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Deputy Director