

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, ) Application No. C-3554/  
on its own motion, seeking to ) PI-112  
investigate whether the zones )  
established in Docket No. C-2516 ) ORDER OPENING DOCKET  
are appropriate in light of )  
NUSF-26 findings and ) February 28, 2006  
conclusions.

BY THE COMMISSION:

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

The Federal Communications Commission (FCC) promulgated regulations giving state Commissions the authority to create rate zones in determining the unbundled element network loop (UNE-L) rates.<sup>1</sup>

The pertinent regulation states in part, "state commissions shall establish different rates for elements in at least three defined geographic areas within the state to reflect geographic cost differences."<sup>2</sup> The regulation further allows for states with existing state law creating density-related zoning plans to continue with the existing plan and requires, "In states not using such existing plans, state commissions must create a *minimum* of three cost-related rate zones."<sup>3</sup>

Since Nebraska law had no existing zoning plans in place, the Nebraska Public Service Commission (Commission) in Docket No. C-2516 created three zones pursuant to federal law.<sup>4</sup> However, the regulation allows for some flexibility, as the Commission is only required to create at least three zones, but is not limited to three zones.

The Commission has been asked to reevaluate the zoning scheme set out in Docket No. C-2516 in light of Nebraska Universal Service Fund (NUSF) Department Order NUSF-26

<sup>1</sup> See 47 C.F.R. 54-51.507.

<sup>2</sup> 47 C.F.R. 54-51.507.

<sup>3</sup> See 47 C.F.R. 54-51.507(f)(1) to (f)(2) (Emphasis added).

<sup>4</sup> *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, and resale*, Application No. C-2516/PI-49, Findings and Conclusions, (April 23, 2002) (C-2516) and *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, and resale.*, Application No. C-2516/PI-49, Compliance Filing Approved in Part and Denied in Part & Other Rates Declared Effective, (June 5, 2002).

findings and conclusions.<sup>5</sup> Commission staff proposes modifying the zones as set forth in Exhibit A attached hereto. The staff's Unifying Method (UM), detailed herein, modifies the UNE-L rates effective as a result of Application No. C-2516 and seeks to develop rates consistent with the support areas determined in Application No. NUSF-26.<sup>6</sup>

The UM determines UNE-L rates for in-town and out-of-town areas, as defined in NUSF-26.<sup>7</sup> The proposed methodology first calculates a measure of total UNE-L revenue. This measure is based on effective UNE-L rates, zones as determined in C-2516,<sup>8</sup> 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.<sup>9</sup>

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.<sup>10</sup>

Due to the complexity of the issues, the Commission finds that it should open a public investigation to explore the following issues:

- a. Whether the Commission has the requisite authority to create more than the three zones implemented in C-2516?
- b. Whether the above UM is sound methodology or should be modified and/or changed? Please provide a detailed analysis of what if anything should be

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<sup>5</sup> *In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to establish a long-term universal service funding mechanism, Application No. NUSF-26, Findings and Conclusions, (November 3, 2004) (NUSF-26) and In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to establish a long-term universal service funding mechanism, Application No. NUSF-26, Second Erratum to Progression Order No. 5, (July 22, 2004) (NUSF-26 Appendix A) at Appendix A.*

<sup>6</sup> *Id.*

<sup>7</sup> NUSF-26 Appendix A.

<sup>8</sup> C-2516 at Appendix B.

<sup>9</sup> The bifurcation factors are defined as the percentage of expected loop revenue, determined using a household weighted expected loop cost amount and households, in a specific in-town or out-of-town area, by zone.

<sup>10</sup> Total residential access lines are allocated to in-town and out of-town areas using NUSF-26 household data.

changed and why and an explanation for the suggested modifications.

- c. Whether an alternative methodology or methodologies would be preferable to the staff's proposals? Please provide a detailed proposal(s) and explanation along with a detailed analysis of the benefits and drawbacks of the alternate methodology compared to the staff's proposal.

Interested parties may file comments in this matter on or before **5:00 p.m., March 31, 2006**. All parties submitting comments should provide one original, five paper copies and one electronic copy in MS Word format on a disk/CD or sent via email to [nichole.underhill@psc.ne.gov](mailto:nichole.underhill@psc.ne.gov) and [anne.bogus@psc.ne.gov](mailto:anne.bogus@psc.ne.gov).

## O R D E R

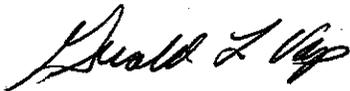
IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that a public investigation is hereby opened as captioned above.

IT IS FURTHER ORDERED interested parties may file comments in this matter on or before **5:00 p.m., March 31, 2006**. All parties submitting comments should provide one original, five paper copies and one electronic copy in MS Word format on a disk/CD or sent via email to [nichole.underhill@psc.ne.gov](mailto:nichole.underhill@psc.ne.gov) and [anne.bogus@psc.ne.gov](mailto:anne.bogus@psc.ne.gov).

MADE AND ENTERED at Lincoln, Nebraska, this 28th day of February, 2006.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:



//s// Lowell C. Johnson  
//s// Frank E. Landis

  
Chairman

ATTEST:



Deputy Director



C-3554/Phys12  
Attachment

LN	DESCRIPTION	SOURCE	ZONE		
			1	2	3
1	Total Residential Access Lines (10/05)	NUSF Department	128,813	29,206	27,436
2	Current Loop Unbundled Network Element (UNE-L) Rate	C-2516	\$ 12.14	\$ 28.11	\$ 62.49
3	Maximum UNE-L Revenue at Current Rates	Ln 1 * Ln 2	\$ 1,563,790	\$ 820,981	\$ 1,714,476
IT - Zone					
4	Households (HH)	NUSF-26 Distribution Model	269,104	26,320	20,413
5	HH Weighted Expected Loop Cost (E(LC))	NUSF-26 Distribution Model	\$ 14.71	\$ 17.23	\$ 17.24
6	Expected Loop Revenue (E(LR))	Ln 4 * Ln 5	\$ 3,959,441	\$ 453,372	\$ 352,018
7	E(LR) Distribution	Ln 6 / (Ln 6 IT + Ln 6 Oct)	85.23%	25.76%	10.76%
8	UNE Loop Revenue	Ln 3 * Ln 7	\$ 1,332,851	\$ 211,447	\$ 184,513
9	Total Residential Access Lines (10/05)	NUSF Department / NUSF-26 Distribution Model	121,489	22,666	18,589
10	Proposed UNE Loop Rate	Ln 8 / Ln 9	\$ 10.97	\$ 9.33	\$ 9.93
Oot - Zone					
			1	2	3
			\$ 13,555	\$ 7,706	\$ 9,631
			\$ 50,611	\$ 1,69,611	\$ 303,009
			\$ 686,040	\$ 1,306,927	\$ 2,915,907
			14.77%	74.24%	89.24%
			\$ 230,939	\$ 609,534	\$ 1,529,963
			7,324	6,540	8,847
			\$ 31.53	\$ 93.19	\$ 172.95

