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BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, on its own motion, seeking to investigate whether the zones established in Docket No. C-2516 are appropriate in light of NUSF-26 findings and conclusions.	)))))	Application No. C2554/PI-112 Reply Comments of Embarq Corporation

REPLY COMMENTS OF EMBARQ CORPORATION

Embarq Corporation, on behalf of United Telephone Company of the West d/b/a Embarq, respectfully submits these reply comments in response to the initial comments filed in this proceeding on May 3, 2006.

In this proceeding, the Commission seeks to determine whether it should create additional UNE zones. As noted in all of the initial comments, the Commission has the requisite authority to establish as many UNE zones as it feels are needed to effectively promote competition for telecom services in Nebraska. The main issues, then, are whether there is additional benefit to increasing the number of UNE zones and, if so, what is the appropriate method for establishing rates for each UNE zone.

The Commission proposes, through the Unifying Method ("UM"), to create In Town and Out of Town zones for each of the three existing Qwest UNE zones, in essence creating six UNE zones. The UM then apportions Qwest's current UNE rates between the In Town and Out of Town zones based on the number of households in

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each area. The Commission, in its request for comments, does not say what it expects to accomplish by creating these additional UNE zones. Without understanding the goals of the Commission, Embarq cannot evaluate the effectiveness of the UM.

Embarq, however, concurs with comments from parties that expressed concern over the appropriateness of determining UNE rates for the In Town and Out of Town zones in such a manner. The UM does not actually calculate the new UNE rates based on approved costing methodologies, and the UNE rates as calculated in the UM do not represent the true cost of providing service in any of the six zones. The UM at best approximates the rates, with the likely end result being that significantly more In Town UNEs will be purchased than Out of Town UNEs. The unintended consequence of such a move will be the eroding of revenue built into the current system that is used to offset the costs or providing service in the Out of Town areas. It is likely that ILECs will be unable to recover their costs due to the low In Town UNE rates.

If the Commission determines that the benefits of creating new UNE zones outweigh the associated costs, Embarq would urge the Commission not to adopt what is, in essence, a cost-allocation method for determining UNE rates, but rather invest in producing actual, accurate cost estimates for the In Town and Out of Town zones. There have been many advances in the area of cost modeling that will make it possible for the Commission to accurately estimate the new UNE zone costs. The Commission

should not undertake the creation of new UNE zones without completing the requisite cost studies. Doing otherwise has the potential to irreparably harm ILECs.

Respectfully submitted, this 25th day of May, 2006.

By: _____

William E. Hendricks
Attorney for Embarq Corporation