

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INTERCONNECTION AGREEMENT)
NEGOTIATED BY GTE SOUTH)
INCORPORATED AND CONTEL CELLULAR) CASE NO. 97-334
INC. PURSUANT TO SECTIONS 251 AND)
252 OF THE TELECOMMUNICATIONS ACT)
OF 1996)

O R D E R

On October 15, 1997, the Commission approved the negotiated agreement for interconnection and transport and termination of traffic submitted by GTE South Incorporated ("GTE") and Contel Cellular Inc. ("Contel Cellular"). The Commission required Contel Cellular to submit documents verifying the establishment of an escrow account or the posting of a bond in the amount of 6 percent of its gross revenues from the provision of intrastate service to cover its Universal Service Fund obligation. On November 7, 1997, Contel Cellular moved for a rehearing to determine whether the Commission's universal service obligations apply to it and modification of the Commission's Order requiring the establishment of an escrow account or bond for its Universal Service Fund obligations. Contel Cellular stated that it does not seek to provide competing local exchange service.

The Commission has considered Contel Cellular's motion and will grant it in part. Contel Cellular should be relieved from the obligation to establish a bond or escrow account for its Universal Service Fund obligations until the Commission has established the Universal Service Fund and ordered utilities to begin contributing to it. The

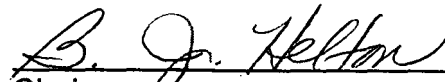
Commission required the posting of bonds or creation of escrow accounts on the belief that the Universal Service Fund would be quickly instituted and failure to collect monies from the first day any carrier began to provide local service would discriminate against other carriers. However, local service competition has materialized far more slowly than initially expected.


In addition, the Commission has been apprised by a number of carriers that the bond or escrow requirement is unduly burdensome. The relief granted herein applies only to the requirement that carriers post bond or create escrow accounts, and is extended to all new carriers as well as to Contel Cellular. This Order does not, however, address Contel Cellular's prospective obligation to contribute to a Universal Service Fund once the Fund is established. The decision to modify this requirement has been ordered this day in Administrative Case No. 355 and Administrative Case No. 360.¹

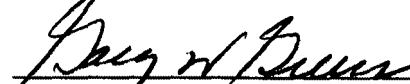
IT IS THEREFORE ORDERED that Contel Cellular's motion is granted in part as described herein.

Done at Frankfort, Kentucky, this 26th day of November, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

¹ Administrative Case No. 355, An Inquiry Into Local Competition, Universal Service, and the Non-Traffic Sensitive Access Rate. Administrative Case No. 360, Inquiry Into Universal Service and Funding Issues.