

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO THE DEVELOPMENT OF )	ADMINISTRATIVE
DEAVERAGED RATES FOR UNBUNDLED )	CASE NO. 382
NETWORK ELEMENTS )	

O R D E R

The Commission initiated this proceeding to establish deaveraged rates for unbundled network elements (“UNEs”). The purposes of this investigation are (1) to identify different geographic areas within the Commonwealth of Kentucky that exhibit different cost characteristics because of line density or customer concentration; (2) to identify the minimum number of UNEs that should be made available; (3) to identify the proper method for determining the prices for UNEs; and (4) to establish deaveraged prices for those UNEs.

On March 24, 2000, the Commission adopted a Joint Stipulation establishing deaveraged UNE loop rates for non-rural incumbent exchange carriers effective May 1, 2000.<sup>1</sup> The stipulated rates reflect geographic cost differences as determined from the Federal Communications Commission’s (“FCC”) Hybrid Cost Proxy Model for all non-rural wirecenters across the Commonwealth. Wirecenters were divided into three cost groups relative to the statewide range of costs: (1) those with costs below the

---

<sup>1</sup> See Joint Stipulation Regarding UNE Deaveraging (“Joint Stipulation”) of AT&T Communications of the South Central States, Inc. (“AT&T”), BellSouth Telecommunications, Inc. (“BellSouth”), Cincinnati Bell Telephone (“CBT”), GTE South Incorporated (“GTE”) now Verizon South, Inc., MCI WorldCom Communications and MCImetro Access Transmission Service, Inc. (“MCI WorldCom”), and TCG of Ohio (“TCG”) dated January 19, 2000.

statewide average; (2) those with costs up to double the statewide average; and (3) those with costs greater than double the statewide average. All UNE prices, as well as the unbundled loop methodology, are to be determined during the remainder of this case.

The Commission tentatively concluded that the FCC's synthesis model used to determine the federal Universal Service Fund ("USF") should also be used to determine the UNE prices in the geographic zones of Kentucky. In choosing the FCC synthesis model, the Commission desired a single model to determine UNE costs and to calculate a USF for all companies. Based on the comments filed by the parties in this proceeding, it appears that correlation between the development of UNE pricing and the establishment of universal service costs will be difficult to achieve. However, the Commission still believes that prices established in this docket may be useful in the development of an intrastate high-cost USF.

As part of the informal negotiations in Case No. 99-434, BellSouth proposed to lower its deaveraged UNE loop rates below those adopted in the Joint Stipulation.<sup>2</sup> The revised deaveraged loop rates were based upon three zones that were generally consistent with major metropolitan, minor metropolitan and rural areas of the Commonwealth and that combined the wirecenters within the existing rate groups. Thus, pending the conclusion of this proceeding, the Commission adopts on a prospective basis the proposed deaveraged UNE loop rates contained in the exhibit attached hereto.

---

<sup>2</sup> See Case No. 99-434, Review of BellSouth Telecommunications, Inc. Price Regulation Plan, Testimony of Stephen D. Rausch dated May 10, 2000 at 3.

To accommodate the auditor's recommendation from the focused management review, BellSouth stated it would reduce nonrecurring rates for two-wire loops and unbundled exchange ports prospectively until completion of this case.<sup>3</sup> The Commission finds that the proposed reduction in nonrecurring rates should be implemented prospectively until replaced with new nonrecurring rates determined herein. Therefore, the rates as shown in the exhibit, attached hereto, are adopted on an interim basis.

As a final matter, Southeastern Competitive Carriers Association, DIECA Communications, Inc. d/b/a COVAD Communications Company, and BlueStar Networks, Inc. (collectively "Petitioners") have filed for full intervention. The Commission finds that Petitioners' participation in this case is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Consequently, Petitioners' motions should be granted.

IT IS HEREBY ORDERED that:

1. The deaveraged UNE rates proposed by BellSouth in Case No. 99-434, contained in the exhibit, attached hereto and incorporated herein, are approved on an interim basis as of the date of this Order.
2. The motions of Petitioners to intervene are granted.
3. BellSouth shall file supplemental testimony and intervenors shall file direct testimony by May 2, 2001. These testimonies shall include (1) proposed model revisions; (2) a list of input values; and (3) a list of proposed prices for each element.

---

<sup>3</sup> See Case No. 99-434, Review of BellSouth Telecommunications, Inc. Price Regulation Plan, December 17, 1999 response to Commission's October 25, 1999 Order at 9 and 10, specifically footnote 7.

4. The parties shall file, no later than May 2, 2001, a proposed list of issues to be addressed during the remainder of this proceeding.

5. The parties shall issue data requests by May 23, 2001 with responses due June 6, 2001, and the Commission shall be served with copies of the same.

6. The parties shall file the original and 12 copies of all testimony. The original and at least three copies of the testimony shall be filed as follows:

a. Testimony shall be bound in 3-ring binders or with any other fastener which readily opens and closes to facilitate easy copying.

b. Each person's testimony should be tabbed.

c. Every exhibit to each person's testimony should be appropriately marked.

7. Rebuttal testimony of BellSouth and all intervenors shall be filed no later than June 20, 2001.

8. Supplements of, or modifications to, the issues list described in ordering paragraph 4 shall be filed no later than June 20, 2001.

9. Where applicable, each filing ordered herein shall also be submitted in CD-ROM format.

10. A hearing on BellSouth's methodology and input values is scheduled to begin on July 11, 2001 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, and shall continue from day to day until completed.

11. Briefs shall be due 10 days following the completion of the hearing.

Done at Frankfort, Kentucky, this 12<sup>th</sup> day of April, 2001.

By the Commission

ATTEST:

  
Executive Director

# EXHIBIT

EXHIBIT TO AN ORDER OF THE  
KENTUCKY PUBLIC SERVICE COMMISSION  
IN ADMINISTRATIVE CASE NO. 382 DATED 4/12/2001

## Changes To Deaveraged UNE Rates for BellSouth Telecommunications, Inc.

<u>Recurring Deaveraged UNE Loop Rates Changes</u>	<u>Stipulated Rates March 24, 2000</u>	<u>Rates Approved Herein</u>
Zone 1	\$14.79	13.54
Zone 2	27.68	19.73
Zone 3	47.78	28.27

<u>Non-Recurring Rate Changes</u>	<u>Arbitrated Rate</u>	<u>Rates Approved Herein</u>
<u>Unbundled Loop Rates</u>		
Nonrecurring, with or without NID - First	\$86.08	\$70.44
Nonrecurring, with or without NID - Additional	58.57	44.05
<u>Unbundled Local Switching - Ports</u>		
Nonrecurring, residence - First	\$37.78	\$24.98
Nonrecurring, residence – Additional	37.78	24.98