

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)	

ORDER

The Federal Communications Commission (FCC) stayed the effectiveness of section 51.507(f) of its rules on May 7, 1999.¹ C.F.R. 51.507(f) requires state commissions to establish different rates for unbundled network elements (UNEs) in at least three defined geographic areas within the state to reflect geographic cost differences. The FCC s Stay Order stated that the stay would remain in effect until six months after the Commission released its order in CC Docket No. 96-45 finalizing and ordering implementation of high-cost universal service support for non-rural local exchange carriers (LECs).

On November 2, 1999, the FCC released its order in CC Docket No. 96-45 finalizing and ordering implementation of intrastate high-cost universal service support for non-rural LECs.² Consequently, as stated in the Methodology Order, the stay of section 51.507(f) shall be lifted on May 1, 2000. This proceeding must be concluded by that date.

¹ Deaveraged Rate Zones for Unbundled Network Elements, CC Docket No. 96-98, FCC 99-086, released May 7, 1999, (Stay Order)

² Federal-State Joint Board on Universal Service, Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45, FCC 99-306, released November 2, 1999. (Methodology Order).

States are required to establish different rates for interconnection and UNEs in at least three geographic areas pursuant to section 51.507(f) of the FCC's rules. A request by a state commission to establish less than three geographic zones may be made to the FCC, if particular facts and circumstances dictate.³

The Commission establishes this proceeding to carry out its duties pursuant to the FCC's rules at section 51.507 (f). BellSouth Telecommunications Inc. (BellSouth), Cincinnati Bell Telephone Company, Inc. (CBT), and GTE South Incorporated (GTE) are the affected non-rural LECs operating within the state of Kentucky. The purpose of this proceeding is:

1. To identify different geographic areas within the state of Kentucky which exhibit different cost characteristics because of 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 prices for those deaveraged UNEs.

Based upon the limited time allowed by the FCC for states to comply with its rules, the Commission tentatively reaches the following conclusions and invites comment on the proposal. The Commission proposes three geographic zones, which will be based on the density of the number of access lines per square mile. The proposed zones will contain 0-200 access lines; 201-2,550 access lines; and 2,551 and above access lines. Although the FCC said it would consider requests for states to establish fewer than three zones, the Commission, at this time, does not have evidence to justify establishing fewer than three zones.

³ Stay Order, at paragraph 6.

The Commission also tentatively concludes that the FCC's synthesis model used to determine the federal Universal Service Fund should be used to determine the UNE prices in the three geographic zones. The UNEs, whose prices should be set in this proceeding, include loops, subloops, network interface devices, local switching, interoffice transport facilities, signaling networks, call related databases, and operations support systems.

Because the Commission's final order in this matter is due on or before May 1, 2000, all persons are advised that adherence to the procedural schedule is crucial, and that requests for extensions of time will not be favored.

IT IS HEREBY ORDERED that:

1. This proceeding to develop deaveraged rates for UNEs shall be established.
2. BellSouth, CBT, GTE, and the Attorney General's Office of Utility and Rate Intervention are parties to this proceeding.
3. Parties shall file comments regarding each of the tentative conclusions specified herein by January 14, 2000.
4. Pre-filed direct testimony shall be due by February 7, 2000. Parties shall file the original and 13 copies of all testimony. The original and at least 4 copies of the testimony shall be filed as follows:
 - a. Together with cover letter listing each person presenting testimony;
 - b. Bound in 3-ring binders or with any other fastener which readily opens and closes to facilitate easy copying.
 - c. Each person's testimony should be tabbed.

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

5. A hearing on these issues shall be held February 29, 2000 at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, beginning at 9:00 a.m. There shall be no opening statements, direct testimony, or summaries of direct testimony without special leave.

6. Post hearing briefs shall be due March 15, 2000.

7. Within 10 days of the date of this Order, persons wishing to participate in this proceeding shall so notify the Commission.

Done at Frankfort, Kentucky this 10th day of December, 1999.

By the Commission

ATTEST:

Executive Director