

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A CERTIFICATION OF THE CARRIERS)
RECEIVING FEDERAL UNIVERSAL) ADMINISTRATIVE
SERVICE HIGH-COST SUPPORT) CASE NO. 381

O R D E R

On March 24, 2000, the Commission entered an Order pursuant to the Federal Communications Commission ("FCC") rules certifying that BellSouth Telecommunications, Inc. ("BellSouth") planned to use its "forward looking" high-cost support for authorized purposes for the calendar year 2000.¹ Section 54.313 requires states to ensure that carriers² use the federal high-cost support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Also, states must ensure that federal support is being applied in a manner consistent with Section 254 of the Telecommunications Act of 1996.³ For 2000, only the use of "forward-looking" support was to be certified. Beginning with the federal support for

¹ Federal-State Joint Board on Universal Service Ninth Report and Order and Eighteenth Order on Reconsideration ("Ninth Report and Order"), CC Docket Number 99-45; FCC 99-306, released November 2, 1999, Appendix C, Section 54.313.

² Carriers are, in this context, defined as non-rural incumbent local exchange carriers and eligible telecommunications carriers serving lines in the service area of a non-rural incumbent local exchange carrier within their jurisdiction receiving support pursuant to sections 54.309 (Calculation and Distribution of Forward-Looking Support for Non-Rural Carriers) and 54.311 (Interim Hold-Harmless Support for Non-Rural Carriers). It should be noted that only the incumbent local exchange carriers are eligible in Kentucky at this time.

³ Ninth Report and Order at Paragraphs 93-110.

2001, certification by state commissions is required regardless of whether the support is “forward-looking” or “hold harmless.” Certification must occur by October 1 prior to the year for which support is rendered.

BellSouth, Cincinnati Bell Telephone Company (“CBT”) and Verizon South Inc. (“Verizon”) provided proposals for the Commission to certify the use of the federal universal service support.⁴ It is projected that BellSouth will receive approximately \$1.1 million of support in 2001. This amount is equivalent to the high-cost support for the calendar year 2000. Therefore, BellSouth proposes to use the federal support to continue the fulfillment of the non-traffic sensitive revenue requirement reduction certified for the year 2000.

Unlike BellSouth, Verizon and CBT were not required to be certified for the year 2000 as they receive only hold harmless support. They are projected to continue to receive only hold harmless support for the year 2001 in the range of approximately \$600,000 and \$100,000, respectively.⁵ CBT proposes to use its universal service support to upgrade facilities to ensure rural services are reasonably comparable to urban services. Verizon proposes to continue to use its federal support to maintain its current rates as allowed by the FCC.⁶ Verizon had stated in its submission that it had estimated the 2001 amount to be \$408,000.

⁴ Verizon submitted documentation on August 28, 2000, CBT and BellSouth submitted documentation on September 22, 2000.

⁵ Federal Universal Service Support Mechanisms Fund Size Projections and Contribution Base For the Fourth Quarter 2000, dated August 2,2000, Appendix HC10B.

⁶ Ninth Report and Order, paragraph 106.

In discussions with the utilities and the Universal Service Administrative Company, it is evident that the three study areas in Kentucky and the cumulative state results are unique. Kentucky results seem to fluctuate dramatically from quarter to quarter and year to year. Kentucky's state average wirecenter costs are only marginally above the 135 percent threshold, thus impacts from any change whether in Kentucky or on a more national basis are magnified.

There is little this Commission can do to alleviate these fluctuations, which make it difficult to identify the use of the federal high-cost support. It is, after all, difficult to determine with any accuracy the projected 2001 levels. However, the Commission finds that BellSouth's proposal to use federal support to reduce its non-traffic sensitive revenue requirement, CBT's proposal to upgrade facilities, and Verizon's proposal to maintain its embedded rates are consistent with the requirements of Congress and the FCC.

IT IS THEREFORE ORDERED that:

1. The proposals of BellSouth, CBT and Verizon are hereby certified as complying with the FCC's criteria and, accordingly, these utilities are eligible to receive federal Universal Service Fund support.

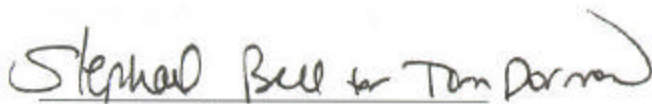
2. A copy of this Order shall be served upon the FCC and the Universal Service Administrative Company to ensure that BellSouth, CBT and Verizon receive their 2001 federal high-cost support.

3. By September 1 of each calendar year, BellSouth, CBT, and Verizon shall file with the Commission their plans for the use of any high-cost federal support.

Done at Frankfort, Kentucky, this 29th day of September, 2000.

By the Commission

ATTEST:


Executive Director