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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation Regarding Intrastate Access :
Charges and IntraLATA Toll Rates of Rural :
Carriers and the Pennsylvania Universal : I-00040105
Service Fund :

PREHEARING ORDER

By Order entered April 24, 2008, the Commission reopened the matter docketed at I-00040105 and directed that the Office of Administrative Law Judge conduct appropriate proceedings to carry out the following:

1. To address whether the cap of \$18.00 on residential monthly service rates and any corresponding cap on business monthly service rates should be raised, whether funding for the Pennsylvania Universal Service Fund should be increased, and whether or not a “needs based” test (and applicable criteria) for rural ILEC support funding from the PaUSF in conjunction with the federal USF support payments that the rural ILECs receive should be established in order to determine which rural ILECs qualify for PaUSF funding as described in the body of the April 24, 2008 Order; and

2. That the proceedings also address the following issues:

(a) Whether the Commission has the authority under Chapter 30 and other relevant provisions of the Public Utility Code to perform a just and reasonable rate analysis of the rural ILECs’ residential rates for basic local exchange services when such rates exceed the appropriate residential rate benchmark.

(b) The appropriate benchmark for the rural ILEC residential rate for basic local exchange service taking into account the statutory requirements for maintaining and

enhancing universal telecommunications services at affordable rates. Participating parties are encouraged to submit appropriate studies and testimony, including economic cost studies that can provide the necessary information for the establishment of the appropriate residential benchmark rate for maintaining and enhancing universal telephone service goals in Pennsylvania.

(c) Whether PaUSF funding support should be received by rural ILECs that incrementally pierces the appropriate residential rate cap because of the regular annual Chapter 30 revenue increases, and whether the Commission's PaUSF regulations at 52 Pa. Code § 63.161 et seq. should be accordingly revised. The relevant inquiry should include the role of non-expired "banked revenues" that rural ILECs may have accumulated through the operation of their respective Chapter 30 modified alternative regulation plans and corresponding price stability mechanisms.

(d) Whether the potential availability of PaUSF support distributions to those rural ILECs that pierce the appropriate residential rate cap because of their respective annual Chapter 30 annual revenue increases has any anti-competitive or other adverse effects, especially with respect to the currently established PaUSF support contribution mechanism and its participating telecommunications utility carriers.

(e) The "needs based" test should address the following interlinked areas that involve the operations of the rural ILECs:

(i) The Chapter 30 annual rural ILEC price stability mechanism revenue increases:

(ii) The annual federal USF support that the Pennsylvania rural ILECs receive;

(iii) The fact that most of the Pennsylvania rural ILECs are “average schedule” telephone utility companies that do not jurisdictionalize a number of revenue, expense, and asset parameters for their regulations operations;

(iv) Whether there is any relevance that rural ILEC assets and facilities may be used both for the provision of regulated intrastate telecommunications services, but also for the provision of non-jurisdictional services that potentially include unregulated services;

(v) Whether the overall financial health of the rural ILECs that continue to get both PaUSF and federal USF support should play a role for continuing to receive PaUSF support distributions; and

(vi) Whether the PaUSF level of support distributions to the recipient rural ILECs should be adjusted in relation to the revenue increases in local exchange rates that have been or are implemented through their respective Chapter 30 modified alternative regulation plans and price stability mechanisms.

The Order also directs that the Recommended Decision in this matter be issued within twelve (12) months of the entry date of the order, April 24, 2008.

A Prehearing Conference is scheduled for Wednesday, June 18, 2008, at 10:00 am. in Harrisburg, Hearing Room 1 of the Commonwealth Keystone Building, 400 North Street, Harrisburg Pennsylvania 17120. This Prehearing Conference will not be postponed or rescheduled absent exceptionally good cause. A request for a change of subsequently scheduled hearing dates must be submitted in writing no later than five (5) days prior to the hearing. 52 Pa. Code § 1.15(b). The requesting party must contact the other parties to determine whether there is agreement to the change prior to contacting the presiding officer. Requests for changes of initial hearings must be sent to me with copies to all parties of record. *Changes are granted only in rare situations where sufficient cause exists.*

Interested entities are advised that there are at least two Petitions for Reconsideration of the Commission's April 24, 2008 Order issued in this matter pending before the Commission at the time of this Prehearing Order. Parties are warned that it is possible that the subject matter to be covered in the proceeding may be enlarged in the future.

The parties are directed to comply with the following requirements:

1. Because of the passage of time since institution of this investigation, it is necessary to develop another working service list. Each entity wishing to participate in this investigation must file an entry of appearance, one copy to me, on or before June 6, 2008. **Any entity which has not filed an entry of appearance on or before that date will be dropped from the service list.** Please include your e-mail address on your entry of appearance or indicate that you do not have one.

2. Each entity participating in this investigation shall submit a prehearing memorandum on or before June 11, 2008, consistent with the requirements of 52 Pa. Code § 5.222(d). To each entity which has filed an entry of appearance, I will circulate a list of parties to be served with the prehearing memos. Parties are required to serve prehearing memos only on those parties which have entered appearances.

3. Review the regulation pertaining to prehearing conferences, 52 Pa. Code § 5.222, and in particular subsection (d), which provides, in part:

(d) Parties and counsel will be expected to attend the conference fully prepared for a useful discussion of all problems involved in the proceeding, both procedural and substantive, and fully authorized to make commitments with respect thereto. 52 Pa. Code § 5.222.

4. If you are an individual, you may either represent yourself or have an attorney licensed to practice law in the Commonwealth of Pennsylvania represent you.

However, if you are a partnership, corporation, trust, association, joint venture,

other business organization, trust, trustee, legal representative, receiver, agency, governmental entity, municipality or other political subdivision, you must have an attorney licensed to practice law in the Commonwealth of Pennsylvania represent you in this proceeding. Unless you are an attorney, you may not represent someone else. Attorneys shall comply with the Commission's appearance requirements. 52 Pa. Code § 1.24(b).

5. A copy of any document filed with the Secretary or submitted shall be sent directly to the presiding officer. The correct address is: Administrative Law Judge Susan D. Colwell, Office of Administrative Law Judge, P.O. Box 3265, Harrisburg PA 17105-3265, scolwell@state.pa.us.

6. Please review the regulations regarding discovery, particularly 52 Pa. Code § 5.331(b) advising that parties shall initiate discovery as early as possible.

7. That the Commission's regulations regarding discovery at 52 Pa. Code § 5.342(d) are modified for the purposes of this proceeding to provide that objections to discovery are in lieu of answers, and not in addition to answers.

7. Please be prepared to schedule the case at the prehearing conference. The reply brief due date shall be *no later than* February 28, 2009.

8. If the parties are unable to agree upon a schedule, the following shall be ordered:

Direct testimony	September 26, 2008
Rebuttal testimony	October 24, 2008
Surrebuttal testimony	November 14, 2008
Evidentiary hearings	December 15-18, 2008
Main briefs	February 8, 2009
Reply briefs	February 28, 2009

9. A scheduling and briefing order shall be issued following the prehearing conference which will set forth the schedule as well as the format and issues to be used in the briefs. Suggestions for this format should be included in prehearing memos and will be addressed at the prehearing conference.

Dated: May 21, 2008

A handwritten signature in cursive script that reads "Susan D. Colwell". The signature is written in black ink and is positioned above a horizontal line.

Susan D. Colwell
Administrative Law Judge