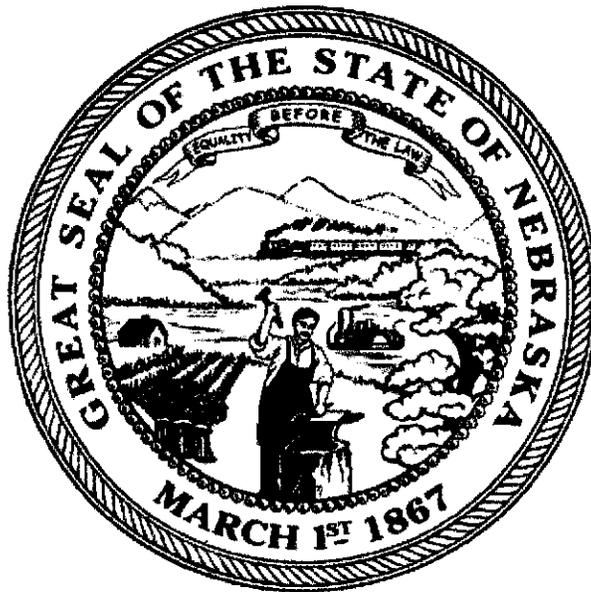
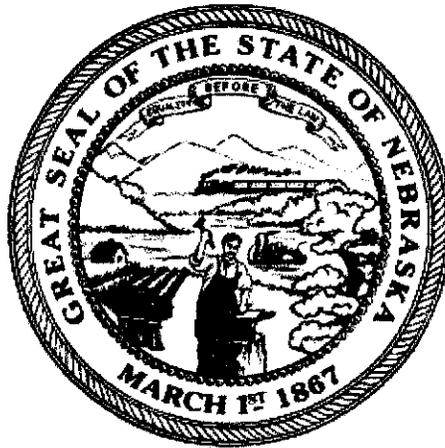


Nebraska Public Service Commission



2004 Annual Report on Telecommunications

**ANNUAL REPORT TO THE LEGISLATURE
ON THE STATUS OF
THE NEBRASKA TELECOMMUNICATIONS INDUSTRY**

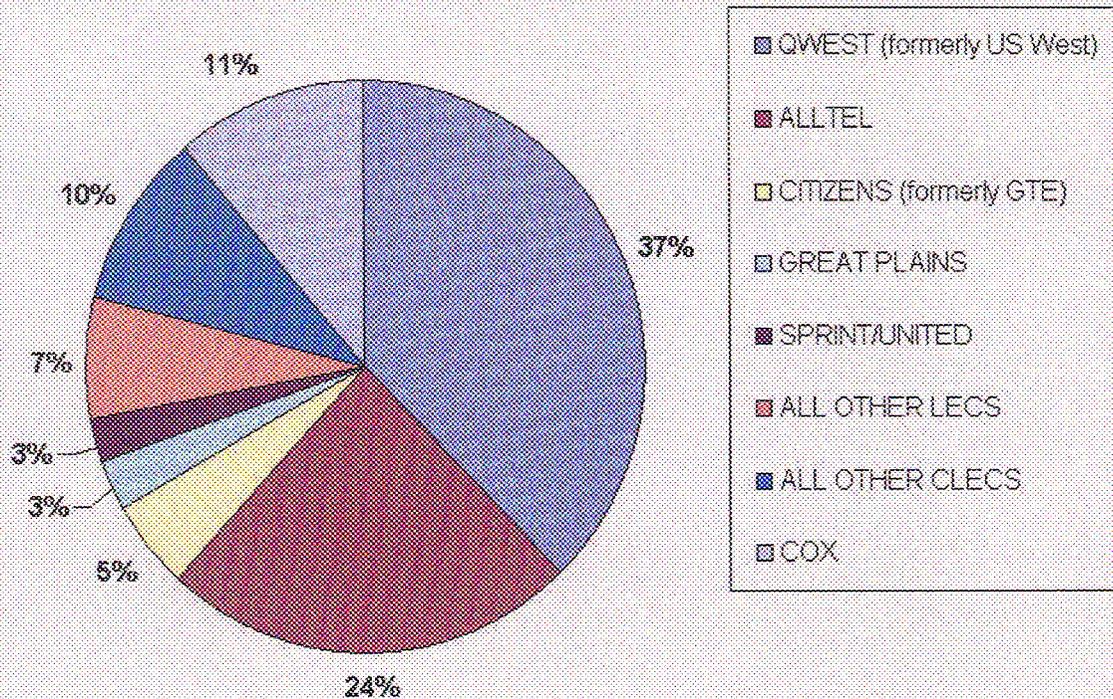


NEBRASKA PUBLIC SERVICE COMMISSION

September 30, 2004

**Nebraska Public Service Commission
300 The Atrium
1200 N Street
P.O. Box 94927
Lincoln, NE 68509-4927
(402) 471-3101
(800) 526-0017 (Instate Only)
<http://www.psc.state.ne.us>**

Access Lines - 2003 State of Nebraska



Note: Wireless access lines reported for relay remittance purposes represent 800,603 lines in addition to the access lines listed above.

2004 ANNUAL REPORT TO THE LEGISLATURE
Nebraska Public Service Commissioners

Gerald L. Vap
5th District
McCook
Chairman

Rod Johnson
4th District
Sutton
Vice-Chairman

Lowell C. Johnson
3rd District
North Bend

Frank E. Landis
1st District
Lincoln

Anne C. Boyle
2nd District
Omaha

General Administration Staff

Andy S. Pollock - Executive Director
Shanicee Knutson - Legal Counsel
Angela DuVall Melton - Legal Counsel
Mark Breiner - Legal Counsel
Lee Rankin - Law Clerk
Andrew Knudsen - Law Clerk
Kathy Lahman - Executive Assistant

Communications Department Staff

Gene Hand - Director
John Burvainis - Deputy Director
Steve Stovall - Staff Accountant
Tyler Frost - Cost Analyst
Don Gray - Telecommunications Technician/Analyst
Cheryl Elton - Consumer Affairs Advocate
Pam Karstensen - Consumer Advocate Assistant
Joan Raffety - Administrative Assistant

Nebraska Universal Service Fund Department Staff

Jeff Pursley - Director
Camelia Rogers - Policy Analyst
Brandy Zierott - Administrative Assistant
Kathy Ptacek - Nebraska Telephone Assistance Program - Administrative Assistant
Jamie McAllister - Nebraska Telephone Assistance Program - Administrative Assistant

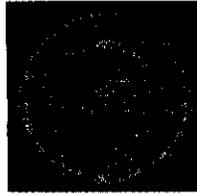
Enhanced 911 Wireless Department

Kara Thielen - Director
Lynn Marshall - E911 Coordinator

Nebraska Public Service Commission

COMMISSIONERS
ANNE C. BOYLE
LOWELL C. JOHNSON
ROD JOHNSON
FRANK E. LANDIS
GERALD L. VAP

EXECUTIVE DIRECTOR
ANDY S. POLLOCK



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Fax: (402) 471-0254

NEBRASKA CONSUMER HOTLINE
(800) 526-0017

September 30, 2004

Members of the Legislature:

This year's annual Telecommunications Report to the Legislature capsules activities at the Public Service Commission in the communications sphere of its responsibilities. Although the 70-some pages of information of this report cannot be summarized here, I take this opportunity to call your attention to a few highlights.

The Commission has responded to the concerns of Nebraskans about the status of their distance learning networks. Through the Commission's leadership, Nebraska eliminated its backlog of requests for distance learning hookups, convened a task force to address funding of next generation distance learning, and continues to seek funding sources to make all of this come to fruition.

Health concerns also have been at the forefront of Public Service Commission activities. The Commission recently approved funding of \$900,000 annually for a telehealth network that will bring the expertise of medical specialists to every hospital in the state as well as encourage continuing education for health care providers.

In an on-going initiative, the Commission continues to examine the methodology utilized to identify high-cost areas of the telecommunications industry so that the state's Universal Service Fund can accurately fulfill its mission of providing affordable telephone service to all Nebraskans.

The Commission's Wireless E-911 Department, reports that 42 of Nebraska's 93 counties now have implemented Phase I of a program that will eventually permit emergency dispatchers to pinpoint the exact location of callers who use their wireless telephones to summon help. As the fiscal year ends, the Commission is preparing for Phase II, the final piece of the Wireless E-911 puzzle. The importance of this effort is underscored as the number of wireless lines approaches 50 percent of Nebraska's combined wireline and wireless telephone lines in service.

At the direction of the Legislature, the Commission conducted eight public meetings in all regions of the state to listen to Nebraskans' experiences with wireless telephone service. A report on these meetings will be given to the Transportation and Telecommunications Committee as it deliberates whether to pursue some form of regulatory oversight.

In the past year, we have upgraded our website to make the Commission virtually accessible to the state's residents 24-hours-a-day, 365-days-per-year. Consumers can now file complaints on-line regarding their telecommunications service. Plus, the Commission's website has application forms for a variety of programs that the Commission oversees.

As you and your staff examine this report, please call on the Public Service Commission with your comments and questions.

Sincerely,

Gerald L. Vap
Chairman

ACCESS LINE & EXCHANGE DATA

January 1, 2004

COMPANY	ACCESS LINES		
	BUSINESS	RESIDENTIAL	TOTAL
QWEST (Formerly US West)	208,497	204,515	413,012
ALLTEL	92,327	168,575	260,902
COX NEBRASKA TELECOM, LLC	15,180	106,729	121,909
CITIZENS (Formerly GTE)	18,716	34,306	53,022
AT&T COMM. OF THE MIDWEST (Includes TCG)	33,678	0	33,678
GREAT PLAINS	7,302	24,896	32,198
SPRINT/UNITED	9,822	18,223	28,045
NT&T	7,807	17,565	25,372
ALLTEL - MIDWEST	19,184	3,152	22,336
MCLEOD USA	6,628	5,782	12,410
NEBRASKA CENTRAL	1,642	6,769	8,411
BLAIR	2,453	5,897	8,350
MCIMETRO ACCESS TRANS SERVICES	0	7,026	7,026
HAMILTON	2,152	4,406	6,558
SOUTHEAST NEBRASKA	1,023	3,100	4,123
NORTHEAST NEBRASKA	556	3,470	4,026
EASTERN NEBRASKA	1,199	2,238	3,437
CONSOLIDATED	826	2,223	3,049
NEBCOM	511	2,435	2,946
COZAD	787	2,102	2,889
GLENWOOD	393	2,202	2,595
ARAPAHOE	572	1,871	2,443
PIERCE	519	1,466	1,985
CONSOLIDATED TELCO	387	1,246	1,633
HARTINGTON	586	1,029	1,615
IONEX	1,176	286	1,462
CONSOLIDATED TELECOM ("HOME & EUSTIS")	290	1,078	1,368
NEW ACCESS	0	1,362	1,362
DALTON (SKT)	204	1,060	1,264
CAMBRIDGE	313	938	1,251
THREE RIVER	230	1,021	1,251
HOOPER	271	956	1,227
VARTEC	0	1,225	1,225
1-800-RECONEX, INC.	0	1,199	1,199

ACCESS LINE & EXCHANGE DATA

January 1, 2004

COMPANY	ACCESS LINES		
	BUSINESS	RESIDENTIAL	TOTAL
HENDERSON	434	739	1,173
ARLINGTON	146	985	1,131
STANTON	221	886	1,107
BENKELMAN	311	788	1,099
PLAINVIEW	232	863	1,095
ROCK COUNTY	310	736	1,046
ORBITCOM, INC.	874	51	925
CLARKS	135	776	911
DILLER	61	843	904
HEMINGFORD	165	707	872
CURTIS	243	613	856
HERSHEY	216	555	771
K&M	163	514	677
KEYSTONE-ARTHUR	119	503	622
WAUNETA	131	470	601
FIBERCOMM	289	280	569
HUNTEL COMMUNICATIONS	114	455	569
HOULTON/EZ PHONES	0	566	566
HARTMAN	52	378	430
PINPOINT COMMUNICATIONS, INC.	39	327	366
ELSIE (SKT)	49	175	224
EXCEL	0	205	205
SODTOWN	6	90	96
GOLDEN WEST	0	66	66
FAST PHONES OF NEBRASKA	0	63	63
Z-TEL COMMUNICATIONS, INC.	35	10	45
COMM SOUTH	0	37	37
NOS COMMUNICATIONS, INC.	20	0	20
APPLIED COMM. TECHNOLOGY, INC.	0	4	4
TOTAL	439,596	653,033	1,092,629

TABLE OF CONTENTS

PART I

Review of the Quality of Telecommunications Service Provided to Nebraska Citizens

1.	Telephone Complaints	1
	A. Local Exchange Carriers	2
	B. Interexchange Carriers	2
	C. Formal Complaints	3
	D. Relay Service Complaints	5
2.	Service Testing	6

PART II

Review of the Availability of Diverse and Affordable Telecommunications Services to the People of Nebraska

1.	The Telecommunications Act of 1996	8
2.	Local Competition	16
	A. Competitive Local Exchange Carriers	16
	B. Interconnection Agreements	16
3.	Outage Reports	17
4.	Telecommunications Relay Services	17
5.	Extended Area Service	26
6.	Numbering Issues	27
	Implementation of 211 Dialing Codes	29
7.	Nebraska Internet Enhancement Fund	30

PART III

Review of the Level of Rates of Local Exchange and Interexchange Companies

1.	Basic Local Rate Changes	31
2.	Financial Statistics	36
3.	Long Distance Telephone Rates/Access Charges	36
	A. Competition in the Long Distance Market	36
	B. Access Charges and Long Distance Company Pricing	36
4.	Long Distance Carriers	37
5.	Explanation of Telephone Bill Charges	38

PART IV

Recommendations for the 2004 Legislative Session 40

PART V

Applications and Tariffs 41

PART VI

Nebraska Universal Service Fund 42

PART VII

Wireless E911 Fund 46

PART I

Review of the Quality of Telecommunications Service Provided to Nebraska Citizens

1. Telephone Complaints

The following table shows the total number of complaints filed this year and divides the complaints between local exchange carriers (LECs), interexchange carriers (IXCs), also known as long distance companies, and wireless carriers.

	2001-2002	2001- 2002 Percentage	2002-2003	2002-2003 Percentage	2003-2004	2003-2004 Percentage
LECs	1,072	45.2%	693	38.2%	567	26.4%
IXCs	895	37.7%	756	41.8%	891	41.4%
Wireless	366	15.4%	361	20.0%	692	32.2%
Misc.	40	1.7%	0	N/A	0	N/A
TOTAL	2,373	100.0%	1,810	100.0%	2,150	100.0%

Complaints were separated into the following categories:

Types	Local	Long Distance	Wireless
Billing	248	675	390
Service	215	61	286
Slamming	32	82	
Telemarketing	31	58	
Customer Service	19	8	16
Directory	19	1	
Auto Dialer	3	6	
TOTAL	567	891	692

** There were 692 wireless complaints. These complaints are divided into the individual categories.

While the Commission lacks statutory authority over wireless telecommunications service and billing, it continues to receive an increasing number of such complaints. The Commission strives, utilizing existing resources, to address these complaints to assist the wireless customer. The Commission will give consideration to supporting legislation this coming session that gives it authority over wireless carriers' billing and service practices.

A. Local Exchange Carriers (LECs)

There are 42 incumbent local exchange carriers in Nebraska (including the cooperative telephone companies) and 90 competitive local exchange carriers. Qwest is the largest LEC with 413,012 access lines, while Sodtown Telephone Company has only 96 access lines. The following table shows the LEC complaints by company. As one would expect, the largest number of complaints involved the two largest LECs, Alltel and Qwest.

LECs	2001 to 2002	2001 to 2002 Access Lines	2001 to 2002 Percent of Total Lines	2002 to 2003	2002 to 2003 Access Lines	2002 to 2003 Percent of Total Lines	2003 to 2004	2003 to 2004 Access Lines	2003 to 2004 Percent of Total Lines
Alltel	510	287,514	25.4%	237	274,416	24.7%	187	260,902	23.9%
Qwest	259	495,672	43.6%	212	452,425	40.7%	167	413,012	37.8%
NT&T	10	5,978	0.5%	66	12,264	1.1%	89	25,372	2.3%
Cox	24	82,066	7.2%	37	106,921	9.6%	40	121,909	11.2%
Citizens	45	58,358	5.1%	16	55,240	5.0%	32	53,022	4.9%
McLeodUSA	71	13,726	1.2%	62	14,148	1.3%	18	12,410	1.1%
New Access	10	**	**	19	1,954	0.2%	7	1,362	0.1%
Great Plains	7	34,135	3.0%	8	33,549	3.0%	5	32,198	2.9%
United	14	30,001	2.7%	9	29,022	2.6%	4	28,045	2.6%
Ionex/Birch							7	1,462	0.1%
Others	22	128,465	11.3%	27	132,243	11.8%	11	142,935	13.1%
TOTAL	1,072	1,135,915	100.0%	693	1,112,182	100.0%	567	1,092,629	100.0%

** No access lines reported as of December 31, 2002.

B. Interexchange Carriers (IXCs)

The number of long distance companies certificated to operate in the state continues to grow. Currently, there are 259 companies authorized to provide long distance services in Nebraska. The following table shows the number of complaints filed against long distance companies. The largest number of complaints involved AT&T and MCI. Customers can verify they have the long distance carrier of their choice by dialing the toll-free telephone number (700) 555-4141.

IXCs	2001-2002	Percentage	2002-2003	Percentage	2003-2004	Percentage
AT&T	512	57.2%	238	31.5%	410	46.0%
MCI	132	14.7%	174	23.0%	136	15.3%
Excel	12	1.3%	7	1.0%	6	0.7%
Sprint	56	6.3%	54	7.1%	68	7.6%
Touch America	9	1.0%	9	1.2%	0	0

IXCs	2001-2002	Percentage	2002-2003	Percentage	2003-2004	Percentage
VarTec	25	2.8%	25	3.3%	44	4.9%
Talk.Com	6	0.7%	N/A	N/A	0	N/A
ILD	15	1.7%	18	2.4%	10	1.1%
Integretel	32	3.6%	13	1.7%	6	0.7%
Advantage	N/A	N/A	23	3.0%	2	0.2%
00 Operator	N/A	N/A	33	4.4%	0	N/A
T-Netix	N/A	N/A	15	2.0%	1	0.1%
LCR Telecom	N/A	N/A	N/A	N/A	14	1.6%
Opticom	N/A	N/A	N/A	N/A	12	1.4%
Primus	N/A	N/A	N/A	N/A	8	0.9%
US Telecom	N/A	N/A	N/A	N/A	12	1.3%
Miscellaneous	96	10.7%	147	19.4%	162	18.2%
TOTAL	895	100.0%	756	100.0%	891	100.0%

C. Formal Complaints

The following formal complaints are pending or were filed with the Commission during the past year:

FC-1311 Business Telephone Inc., Scottsbluff, v. Sprint Corporation, Overland Park, Kansas, alleging unfair business practices.

On February 24, 2003, Business Telephone Inc., alleged that Sprint engaged in unfair business practices. The Commission received an answer on March 13, 2003. On April 22, 2003, the Commission conducted a videoconference between the parties from the Commission Hearing Room in Lincoln and the Panhandle Learning Center in Scottsbluff. The formal complaint was dismissed on August 31, 2004, due to the fact that the Commission found no evidence was presented to support a refund to any party and additionally found that Sprint's subsequent amended rates have rendered the underlying issue moot.

FC-1312 Michael J. Haller, Jr, Omaha, vs. Qwest Corporation, Denver, Colorado.

On March 20, 2003, Michael Haller filed a complaint against Qwest Corporation alleging unsatisfactory business practices. On April 11, 2003, Qwest filed its answer to the complaint. A pre-hearing conference and a public hearing were held after proper notice to the parties. On September 9, 2003, Qwest filed a stipulation signed by both parties stating that the issues raised in the complaint had been resolved. The Commission entered an order to dismiss the complaint as satisfied.

FC-1313 A & H Enterprises d/b/a Platte Valley Internet, Columbus, v. Citizens Communications, d/b/a Frontier, Brownsville, Minnesota, regarding billing dispute.

On July 18, 2003, Platte Valley Internet filed a complaint regarding the method utilized by Frontier to calculate the end-user access charge (SLC) because Frontier had begun charging

Platte Valley for each of the 24 channels on the circuit rather than just once per circuit. On August 8, 2003, Frontier filed its answer asserting its own investigation's determination that Platte Valley had been billed appropriately based upon 47 C.F.R. 69.104(a). The Commission conducted a hearing on October 1, 2003. On March 2, 2004, the Commission issued an order dismissing the complaint for lack of jurisdiction, stating that the federal rule allowed SLC charges for each line and that the rule could only be amended via petition to the Federal Communications Commission.

FC-1316 Nebraska Technology Operations Center, d/b/a Kearney.net, Kearney, v. Citizens/Frontier Communications, Kearney, alleging a billing error.

On February 11, 2004, Nebraska Technology Operations Center (NTOC) filed a complaint against Citizens/Frontier Communications (Frontier) alleging a billing error involving Internet Digital Access Service (IDAS) provided by Frontier. Frontier filed an answer and motion to dismiss on March 4, 2004. The Commission held a hearing on April 28, 2004, following notice provided on April 7, 2004. NTOC sought complete discharge of amounts owed for the period between June 19 and August 6, 2003. The Commission determined that Frontier created confusion with inconsistencies on prior bills and delayed inclusion of IDAS charges. The Commission also stated that Frontier's notice failed to comply with Nebraska disconnection rules. However, the Commission determined that a fine would not be justifiable given the circumstances because Frontier actually delivered the billed-for services, no evidence suggested that Frontier intentionally misled NTOC, efforts were made to establish a payment plan for the unexpected charges, and no disconnect occurred following the delayed notice. The Commission also stated that IDAS, regulated by the federal tariff, fell within the jurisdiction of the Federal Communications Commission rather than the jurisdiction of the Commission. The Commission dismissed the complaint.

FC-1318 All American Insurance, Inc., Lincoln, v. Alltel, Lincoln, alleging a billing error.

On April 7, 2004, All American Insurance filed a complaint alleging billing errors against Alltel. On June 25, 2004, Alltel filed a stipulation signed by both parties stating that they have fully resolved the issue contained within the complaint. The Commission entered an order dismissing the complaint on June 29, 2004.

D. Relay Service Complaints

Consumer complaints related to the relay system totaled 55 for the fiscal year ending June 30, 2004, as compared to 33 for the fiscal year ending June 30, 2003. Service complaints totaled 22 during this period. Generally, the Communications Assistant (CA) being rude, typing speed not adequate or not following instructions comprise this category. Three calls captured in the service category also related to Internet relay fraud. Seven complaints comprised the technical complaint category. Four of these related to 711 dialing and were isolated to a portion of the Omaha/Bellevue area and fixed by the telephone company the same day. One complaint deals with carrier-of-choice/equal access issues with Great Plains Communications. The remaining two technical complaints were miscellaneous in nature with no verifiable cause relating to the source of disruption. Of the 55 complaints received, 26 of these complaints related to external complaints. These complaints reside outside of the direct control of the relay facility and consequently are not attributed to relay nonperformance. In the miscellaneous category of technical complaints, 11 of these 23 calls were fraudulent calls through Internet relay. Generally, calls of this nature request the user to provide advance payments or fees for services or products that are not rendered. The remaining complaints were due to harassing/annoyance calls.

On July 29, 2003, an Alltel representative informed the Commission that Alltel is now available as a choice for long distance service for relay users. The Commission began discussion with the providers the previous fiscal year to accomplish this objective.

Hamilton experienced several service outages during the fiscal year ended June 30, 2004. On January 14, 2004, a technical disruption in the relay center's computer system failed to forward one channel to their Louisiana center. Additional testing procedures were implemented to avoid the problem reoccurring. No complaints were received regarding this outage. On May 10, 2004, the center experienced a 10-minute time period where calls could not be received. The switch responded properly, but the workstations could not function and had to be rebooted. No cause for this outage could be determined. On June 18, 2004, from 10:42 a.m. to 10:59 a.m., central time, another outage occurred and calls could not be rerouted to another center. No verifiable cause of the problem was determined, but it appears an internal network problem between the host application and switch caused the relay disruption.

The following charts reflect the complaints taken by category for the fiscal year ended June 30, 2004:

Service Complaints

Complaint Category	Complaints
CA Didn't Follow Instructions	1
CA Didn't Follow Voice Mail/Recording Procedure	2
CA Didn't Keep User Informed	1
CA Gave Wrong Information	1
CA Rude	5

Complaint Category	Complaints
CA Typing/Typing Speed	3
Customer Dislikes Policy/ Procedure	1
Miscellaneous	7
Ringling/No Answer	1
Subtotal – Service Related	22

Technical Complaints

Complaint Category	Complaints
711 Related	4
Carrier of Choice/Other Equal Access Related	1
Miscellaneous Issues	2
Subtotal – Technical Related	7

External Complaints

Complaint Category	Complaints
Cell Phone Tower Number Appearing (instead of cell number).	1
Miscellaneous	23
Number Not ANI Correctly	2
Subtotal – External Related	26

2. Service Testing

The Commission ensures Nebraskans are receiving quality telecommunications service by periodically reviewing performance data provided by telephone companies and by monitoring consumer complaints for indications of potential problems requiring further investigation. All local exchange carriers are using digital switches designed to perform a series of self-diagnostic tests, which makes the monitoring and identification of service quality issues much easier. The Commission's technical staff offers assistance in identifying the source of service problems and is available to assist in resolving service complaints from consumers across the state.

The Commission receives monthly service quality data from Qwest consistent with the requirements established in the approved Qwest's Performance Assurance Plan (QPAP.)

On May 7, 2003, the Commission opened Docket No. C-2940 to investigate the quality of service provided by Alltel. The order established a monthly reporting requirement and established benchmarks for 12 service quality measurements. On June 25, 2004, the Commission staff submitted their audit report of the monthly performance data filed by Alltel. The audit report indicates that Alltel has substantially met each of the 12 service quality standards, however, Commission staff could not make a conclusive determination regarding operator

services. Alltel outsourced its operator services to Southwestern Bell Corporation (SBC). Call volumes from SBC for the operator services data included Nebraska, Kansas, Western Missouri and Oklahoma. Audit staff was unable to obtain disaggregated data for the purposes of analyzing data specific to Nebraska as SBC does not report data for each individual state. The Commission found that Alltel has satisfied its reporting requirements under the docket and sufficiently met the benchmarks established to assess Alltel's service quality and closed the docket on June 29, 2004.

The current service quality standards in the Commissions Telecommunications Rules and Regulations were developed for traditional copper based switched circuit technology. The Commission Staff is currently reviewing the existing service quality rules and will propose changes intended to be technology neutral.

PART II

Review of the Availability of Diverse and Affordable Telecommunications Services to the People of Nebraska

1. Telecommunications Act of 1996

The Nebraska Public Service Commission implements key provisions of the 1996 Telecommunications Act (Act) that facilitate competition while maintaining quality and affordable service. Multiple factors contribute to increased consumer choice. First, competitive local exchange carriers (CLECs) create local competition. CLECs serve approximately 21 percent of the state's access lines, an increase from a 13 percent share two years ago. Cable providers, primarily in the Omaha area, serve nearly half of the market share attributed to CLECs. Second, wireless companies continue to increase their presence, now accounting for over 42 percent of the combined wireline and wireless market. The additional choice has not reduced access. Ninety-seven percent of Nebraskans continue to possess basic telephone service.

During the previous year, the Commission addressed numerous issues involving consumer choice, public safety, distance learning, universal service, and emergent technology such as VoIP (Voice-over Internet Protocol). The list below includes some of the major issues addressed by the Commission in the last fiscal year:

*C-2874/
PI-71 In the Matter of the Commission, on its own motion, seeking to investigate the current status of distance learning in Nebraska.*

The Commission opened Docket No. C-2874/PI-71 due to concerns regarding availability of the infrastructure necessary to facilitate distance learning. Pursuant to the order, the Commission conducted a workshop by videoconference on March 18, 2003, with links to Columbus, Grand Island, Hastings, Kearney, McCook, North Platte, Norfolk, O'Neill, and Scottsbluff. At a public meeting held August 26, 2003, the Statewide Synchronous Video Network Work Group (SSVNWG) presented a report regarding the future of distance learning. The SSVNWG report sought guidance from the Commission regarding future tariffs and available options to fund the conversion to an Internet Protocol (IP) centric network. In a letter dated September 16, 2003, to Michael Beach, Chair of Nebraska Educational Telecommunications, the Commission related its findings. First, the Commission determined that several different services and subsequent tariffs should be available to schools. Second, the Commission estimated that Nebraska Universal Service Fund (NUSF) existent obligations limited the aid NUSF could provide to IP conversion. However, the Commission encouraged pursuit of RUS grants, Federal Universal Service Fund, philanthropic foundations and/or state funding provided by the legislature.

C-2910 & C-2925 Petition for Declaratory Ruling of Lincoln Electric System seeking a determination that Title 291, Chapter 5, Telecommunications Rules and Regulations, Sections 001, 002 and 003, as amended and enacted March 31, 2003, governing telecommunications contract carriers, shall not be applied retroactively to the Application of Lincoln Electric System for Contract Carrier Permit Authority (Application No. C-2910) filed March 27, 2003.

On March 27, 2003, in Docket No. C-2910, Lincoln Electric System (LES) filed an application for contract carrier authority. Later, in Docket No. C-2925, filed on April 16, 2003, LES requested a declaratory ruling from the Commission that contract carrier rules should not be applied to LES' application. In C-2925, the Commission held that requirements and conditions set forth in the contract carrier rules would be applied to the LES application. On September 5, 2003, the Nebraska Telecommunications Association and the Nebraska Cable Communications Association filed a motion for an indefinite extension of time regarding C-2910 until the completion of all appeals from the Commission's declaratory ruling in Application No. C-2925. The Commission granted the extension.

C-2932 NPCR, Inc., d/b/a Nextel Partners, Eden Prairie, Minnesota, seeking designation as an eligible telecommunications carrier that may receive universal service support.

On April 24, 2003, NPCR, Inc., d/b/a Nextel Partners (Nextel), of Eden Prairie, Minnesota, filed for designation as an eligible telecommunications carrier (ETC) to receive federal universal service support. Nextel requested ETC designation in areas served by Qwest and also by many rural telecommunications carriers. Since Nextel sought ETC designation in areas served by rural telephone companies, the 1996 Telecommunications Act required the Commission to issue a public interest determination. On February 10, 2004, following a hearing, the Commission denied the application, determining that Nextel only offered generalized evidence that it could provide the quality of service required by federal law of ETC providers. The Commission further found that Nextel failed to present a clear plan and timetable to provide the supported services throughout the designated territory.

C-2940 The Commission, on its own motion, seeking to determine whether the retail service quality provided by Alltel is adequate.

In response to Alltel's announced layoffs and its removal of a call center from Lincoln to out-of-state locations, the Commission opened this docket to ensure that the service quality provided to Alltel's Nebraska customers did not deteriorate. The Commission re-instituted the monthly reporting requirements for Alltel relating to 12 standards, such as speed-of-answer times, repair times, commitments met and the timely response to trouble reports. The audit team filed its report with the Commission on June 25, 2004. Alltel met or exceeded the benchmarks established by the Commission. Thus, the Commission closed the docket on July 7, 2004.

C-3012 *In the Matter of the Commission on its own motion seeking to conduct a critical cost analysis for Aliant Communications Co., d/b/a Alltel, as a result of the Nebraska Technology & Telecommunications, Inc., and Alltel arbitration conducted in Application No. C-2648.*

During the post-arbitration hearing for Docket No. C-2648 involving Nebraska Technology & Telecommunications, Inc. (NT&T) and Alltel, the Commission decided to commence its own critical cost analysis of the proposed unbundled network element (UNE), unbundled network element protocol (UNE-P), telephone directory, and recurring rates. The Commission staff completed a preliminary review and economist Dr. David Rosenbaum of the University of Nebraska-Lincoln submitted a summary entitled "A Preliminary Analysis of Alltel's Proposed UNE Loop Rates in Nebraska." Dr. Rosenbaum asserted that the Commission could either further scrutinize the Alltel cost model or apply averaging methodology from Docket No. C-2516 previously adopted to develop UNE loop rates for Alltel in Nebraska. Following oral argument and the submission of written comments, the Commission entered an order adopting averaging methodology. The averaging methodology relies upon well-established Total Element Long Run Incremental Cost (TELRIC) based cost models including the HAI, the Synthesis Model (HCPM), and the Benchmark Cost Proxy Model (BCPM). The Commission determined that the averaging methodology fosters fair competition by reducing any potential biases that may exist in any one model. Due to uncertainty caused by the recent District of Columbia Circuit's decision in *United States Telecom Assn. v. FCC*, 359 F.3rd 554 (DC Circuit), discussed more fully below, the matter remains pending.

C-3025 *In the Matter of the Commission, on its own motion, seeking to conduct a 90-day proceeding as contemplated by the Federal Communications Commission in its Triennial Review order adopting new rules for network unbundling obligations.*

The Commission opened this docket pursuant to an Federal Communications Commission (FCC) order granting state commissions 90 days to rebut the presumption that competition in enterprise markets would not be impaired if the local switching unbundled network element (UNE) were unavailable. Under the FCC holding, local circuit switching for business customers served by high-capacity loops would no longer be required to be made available as a UNE. In March 2004, the Court of Appeals for the District of Columbia vacated the FCC delegation of authority to state commissions to consider impairment determinations for mass market switching. Divested of authority to consider the matter, the Commission closed the docket.

C-3026 *In the Matter of the Commission, on its own motion, seeking to conduct a 9-month proceeding as contemplated by the Federal Communications Commission in its Triennial Review Order adopting new rules for network unbundling obligations.*

The Commission opened this docket to consider new FCC rules for network unbundling. In March 2004, the D.C. Circuit Court of Appeals vacated as unlawful the FCC's delegation of authority to state commissions to determine impairment for mass-market switching and certain transport elements. The D.C. Circuit also vacated and remanded as unlawful the FCC's nationwide impairment determinations with respect to these elements. For those portions of the Triennial Review Order (TRO) to be vacated, the D.C. Circuit issued a stay. Based upon a

review of pleadings from interested parties and the unsettled legal environment regarding this matter, the Commission suspended the docket proceedings indefinitely.

C-3031 *In the Matter of WWC License LLC, a Subsidiary of Western Wireless Corporation, d/b/a Cellular One, Bellevue, Washington, seeking approval of its advertising plan for Measured Usage Universal Service Offerings in the State of Nebraska.*

Desiring federal universal service funding for Nebraska customers, Western Wireless filed a request seeking approval of its advertising plan for 18 separate handheld cellular phone offers. A group of rural independent incumbent carriers providing telecommunications filed protests. Following oral and written arguments, the Commission determined that the advertising plan contained universal service offerings contrary to the limitations agreed upon during the course of the proceeding of Western Wireless's original advertising agreement, Docket No. C-1889. The Commission stayed consideration of the Measured Usage Plan until Western Wireless obtained ETC designation to include conventional "handheld" mobile wireless services in its basic universal service offering.

C-3045 *In the Matter of the Petition of Clarks Telecommunications Co., Consolidated Telco., Inc., Consolidated Telecom, Inc., Consolidated Telephone Company, Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Co., K & M Telephone Co., Nebraska Central Telephone Co., Northeast Nebraska Telephone Co., NebCom, Inc., Stanton Telecom, Inc., and Three River Telco (Collectively the RLEC Group Companies) for arbitration to resolve issues relating to interconnection agreements with WWC License L.L.C.*

By petition filed October 24, 2003, the above-captioned companies (RLEC Group Companies) sought arbitration to resolve issues relating to interconnection agreements with WWC License L.L.C. of Bellevue, Washington. The Commission withdrew the petition at the applicants' request.

C-3049 *In the Matter of the Commission, on its own motion, to conduct an investigation into possible solutions for extending the life of area codes 308 and 402.*

Number pooling in the Omaha Metropolitan Statistical Area (MSA), and other conservation efforts by the industry previously extended the forecasted exhaust date of the 402 area code from the second quarter of 2000 to the second quarter of 2005. The Commission opened the above-captioned docket in order to investigate further the potential use of thousands-block number pooling outside of the top 100 MSAs and rate center consolidation to extend the life of both 402 and 308 area codes. After receiving written comments and technical information from telephone providers, the Commission conducted a workshop on July 15, 2004, to identify how existing numbering resources are made available for pooling, how carriers obtain numbering resources in the pooling environment, the technical issues related to the implementation of thousands-block number pooling, and if rate center consolidation was appropriate. A working group is currently evaluating optional methods of thousands-block number pooling.

- C-3061
PI-75 *In the Matter of the Commission, on its own motion, seeking comment on the request by United Way of the Midlands to be assigned the use of "211" in Hall, Hamilton, Howard and Merrick Counties for access to First Call for Help (FCFH), a comprehensive information and referral service.*
- C-3066
PI-76 *In the Matter of the Commission, on its own motion, seeking comment on the request by United Way of the Midlands, on behalf of Three Rivers Public Health Department, to be assigned the use of "211" in Dodge, Washington and Saunders Counties for access to First Call for Help (FCFH), a comprehensive information and referral service.*
- C-3099
PI-77 *In the Matter of the Commission, on its own motion, seeking comment on the request by United Way of the Midlands to be assigned the use of "211" in the City of Lincoln and Lancaster County for access to First Call for Help (FCFH), a comprehensive information and referral service.*
- C-3221
P-82 *In the Matter of the Commission, on its own motion, seeking comment on the request by United Way of the Midlands to be assigned the use of "211" in Dawson, Phelps, Kearney, Harlan, Franklin, Buffalo and Gosper Counties for access to First Call for Help (FCFH), a comprehensive information and referral service.*

After a hearing on each of the above-listed dockets, the Commission approved requests by United Way of the Midlands to be assigned in certain counties use of "211" as the dialing code for First Call for Help (FCFH) services, a comprehensive information and referral service.

- C-3095 *In the Matter of the Petition of Qwest Corporation, Denver, Colorado, for Arbitration of Interconnection Rates, Terms, Conditions, and Related Arrangements with AT&T Communications of the Midwest, Inc., and TCG Omaha, Denver, Colorado.*

Pursuant to Section 252(b) of the Telecommunications Act of 1996, Qwest Corporation filed for arbitration of open issues related to its interconnection negotiations with AT&T Communications of the Midwest, Inc., and TCG Omaha (collectively, AT&T). The parties agreed to arbitration before John P. Kern. The dispute concerned AT&T's claim for compensation from Qwest for Qwest's use of lines that AT&T had leased from Qwest. Based upon Qwest's federal tariff and the prior agreement between the parties, the arbitrator found that Qwest did not owe AT&T compensation. The Commission upheld the decision.

C-3096 *In the Matter of the Application of Great Plains Communications, Inc.;*
C-3110 to *Clarks Telecommunications Co.; Consolidated Telephone Co./Consolidated*
C-3122 *Telco/Consolidated Telecom; Hamilton Telephone Company; Hartington*
C-3128 *Telecommunications Co.; Hershey Cooperative Telephone Co.; K & M*
C-3132 to *Telephone Company, Inc.; Nebraska Central Telephone Company; Northeast*
C-3143 *Nebraska Telephone Company; Sometown Telephone Company; Stanton*
C-3146 *Telecom, Inc.; Three River Telco; Eastern Nebraska Telephone Company;*
C-3147 *Rock County Telephone Company; Hemingford Cooperative Telephone;*
C-3153 *Arapahoe Telephone Company; Benkelman Telephone Company, Inc.;*
C-3154 *Cozad Telephone Company; Curtis Telephone Company; Diller Telephone*
 Company; Glenwood Telephone Membership Corporation; Hartman
 Telephone Company; Keystone-Arthur Telephone Company; Mainstay
 Communications, f/k/a Henderson Cooperative Telephone Co.; Plainview
 Telephone Company; Southeast Nebraska Telephone Company; Wauneta
 Telephone Company; Pierce Telephone Company; Hooper Telephone, d/b/a
 WesTel; Dalton Telephone Company, Inc.; Elsie Communications, Inc. et al.
 for Suspension or Modification of the Federal Communications Commission
 Requirement to Implement Wireline-Wireless Number Portability Pursuant
 to 47 U.S.C. §251(f)(2).

By 31 separate applications between January 27, 2004, and March 9, 2004, rural telephone carriers sought suspension or modification of the Federal Communications Commission (FCC) requirement to implement local number portability (LNP). The Intermodal Order obligates local exchange carriers located outside the top 100 metropolitan statistical areas (MSAs) to provide LNP and port numbers to wireless carriers when certain conditions have been met. The Congress delegated jurisdiction to state commissions to receive petitions by rural telephone companies for suspension or modification of the requirements and to grant suspensions if, 1) necessary based upon customer service, economic costs, and technical feasibility; and 2) consistent with public convenience and necessity. After granting interim relief to the applicants, holding planning conferences, and conducting hearings, the Commission concluded that intermodal local number portability in the context of indirect connections between a wireless provider and a local exchange carrier remains technically infeasible at this time. The Commission granted the suspension through January 20, 2006. Western Wireless filed a complaint against the above-listed companies and the Commission in federal district court. This action is still pending.

C-3129 *In the Matter of Qwest Corporation of Denver, Colorado, seeking approval of its*
 Second Amendment to Qwest's Statement of Generally Available Terms (SGAT),
 filed pursuant to section 252(f) of the 1996 Telecommunications Act.

The Commission approved Qwest's Sixth Revised SGAT. The amendment created three changes. First, regarding the Performance Indicator Definitions (PIDs) Qwest corrected typographical errors, updated outdated information and made certain terms and phrases consistent throughout the PIDs. Second, Qwest modified Procedural Order #16 to correct an administrative oversight. The version previously filed omitted some of the intended red lined changes. Third, Qwest changed GA-1 to reflect the retirement of two interface components that

were replaced by a single new interface.

C-3186 OrbitCom, Inc., Sioux Falls, South Dakota, seeking designation as an eligible telecommunications carrier that may receive federal and state universal service support.

OrbitCom filed application for designation as an eligible telecommunications carrier (ETC) to receive federal state and universal service support. In May 2004, the Rural Independents filed a petition to intervene. The Commission held a hearing on July 27, 2004. The matter is pending.

C-3204 Sprint Communications, L.P., Overland Park, Kansas, seeking approval of an amendment to its certificate of public convenience and necessity to provide local exchange telecommunications service in all exchanges within the State of Nebraska in which Sprint is not currently certificated.

Sprint Communications filed an amendment to provide local exchange telecommunications in all exchanges in Nebraska. On June 9, 2004, a group of incumbent providers filed a motion to intervene. On June 15, 2004, Southeast Nebraska Telephone filed a petition for intervention and two weeks later filed a motion to dismiss Sprint Communications' application for amendment. A procedural scheduled was entered setting the hearing for November 4, 2004.

C-3207 In the Matter of Cambridge Telephone Company, Cambridge, seeking a suspension or modification of the Federal Communications Commission Requirement to Implement Wireline-Wireless Number Portability Pursuant to 47 U.S.C. Section 251(f)(2).

Cambridge Telephone filed a request to suspend implementation of local number portability (LNP). The Commission granted interim relief and will follow with a hearing. No protests or interventions were filed. The Commission granted the request for suspension to January 2006.

C-3228 In the Matter of the Application of Time Warner Cable Information Services (Nebraska), LLC d/b/a Time Warner Cable for a Certificate of Authority to Provide Local and Interexchange Voice Services within the State of Nebraska.

On June 17, 2004, Time Warner applied to provide facilities-based competitive local and interexchange "IP" voice services (VoIP). Time Warner proposed services to residential customers who currently have access to Time Warner cable facilities and initially only to those who subscribe to Time Warner's high-speed cable service. Services to be provided included bundled, flat rate, local and long distance calling with operator services, directory assistance, white pages listing, E911 services, outbound 800 calling, local number portability (LNP), and access to telephone relay service. Under the Time Warner proposal, users can call other IP voice users as well as those on the public switched network. In July 2004, Alltel and a number of rural carriers filed a petition of formal intervention. Qwest also filed a petition to intervene as an interested party concerned about regulation of VoIP. The matter is set for hearing on September 17, 2004.

C-3229 *In the Matter of the Nebraska Public Service Commission, on its own motion,*
PI-82 *seeking comment on the Section 272 Biennial Report for Qwest Communications*
International, Inc.

On June 10, 2004, Ernst & Young LLP, filed its "Report of Independent Accountants on Applying Agreed-Upon Procedures" pursuant to the Section 272 biennial reporting requirements for Qwest Communications International, Inc., (Qwest). Ernst & Young applied procedures agreed upon by Qwest management and the Joint Federal/State Oversight Team, of which Nebraska was a participant, in order to assess Qwest's compliance with the requirements of Section 272 of the Communications Act of 1934, as amended, for the engagement period of January 2, 2003, to January 1, 2004. Section 272(d)(2) provides that any party may submit comments on the final audit report. The Biennial Report may be accessed at either the Commission website, www.psc.state.ne.us, or from the Commission office.

PI-83 *In the Matter of the Nebraska Public Service, on its own motion, to investigate the*
feasibility and propriety of the regulation of wireless carriers in those areas not
otherwise regulated by the Federal Communications Commission.

Two legislative resolutions, LR 264 and LR309 were passed directing the Transportation and Telecommunications Committee to conduct an interim legislative study on the propriety and feasibility of expanding state regulatory authority to include wireless carriers. LR 309 specifically requested input from the Nebraska Public Service Commission. Therefore, on July 7, 2004, the Commission opened Docket No. PI-83.

The Commission does not currently have regulatory authority over wireless carriers; however, wireless carriers register with the Commission. The Commission logs complaints from consumers regarding their wireless service but has no statutory authority to handle those complaints and can only act informally as a liaison between consumers and wireless carriers.

In order to provide useful information to the Legislature, the Commission held public meetings in Omaha, Lincoln, Fremont, North Platte, McCook, Grand Island, Norfolk, and Scottsbluff to allow consumers and industry to comment on issues relating to wireless service. The Commission also accepted written comments. A hearing is scheduled for September 23, 2004. Information gathered from the written comments, public meetings and hearing will be combined and be reported to the Transportation and Telecommunications Committee of the Legislature along with any recommendations from the Commission.

2. Local Competition

A. Competitive Local Exchange Carriers

The following companies received new or extended authority during the 2003-2004 fiscal year to provide local service in the corresponding territories in Nebraska:

Carrier	Territory to be Served	Granted Authority
BullsEye Telecom, Inc.	Statewide	10/18/03
Computer Network Technology Corporation	Alltel, Citizens, Qwest and Sprint	1/11/04
ComTech 21, LLC	Statewide	4/11/04
Globcom, Incorporated	Statewide	10/18/03
Southwestern Bell Communications Services, d/b/a SBC Long Distance	Alltel and Qwest	4/21/04
ACN Communications Services, Inc.	Statewide	04/14/04
IDT America, Corp.	Qwest	10/1/03
Qwest Corporation	Statewide	5/01/04

There are currently 90 carriers who have received certificates of public convenience and necessity to provide competitive local exchange services in Nebraska; however, not all carriers are currently offering local service in Nebraska.

B. Interconnection Agreements

Under the Telecommunications Act of 1996, a company wanting to compete with a local exchange carrier (LEC) needs to enter into an interconnection agreement with the LEC in whose territory it wishes to offer service. A company may reach an interconnection agreement with a LEC in one of three ways: 1) It may voluntarily negotiate an interconnection agreement; 2) Request adoption of a Commission-approved interconnection agreement in accordance with Section 252(i) of the Act; or 3) Ask for mediation or arbitration if voluntary negotiations are not successful at reaching a mutually-acceptable interconnection agreement. All interconnection agreements that have been approved by the Commission can be found on the Commission's website at <http://www.psc.state.ne.us>. The agreements are divided into the following three sections: 1) *voluntarily-negotiated interconnection agreements*; 2) *Section 252(i) interconnection agreements*; and 3) *arbitrated interconnection agreements*.

3. Outage Reports

Reports are required to be filed with the Commission by local exchange carriers when service outages are experienced. The report provides the date and time of the outage, the geographic area affected; the cause of the outage, if known; and an estimate of the access lines affected. Within five days, a final report is filed showing the number of customer trouble reports received related to the outage and the corrective action taken. The following tables show the number of service outages and causes, as well as the total number of outages and access lines affected during the past eight years.

	Cable Cuts	Telephone Equipment Malfunction	Weather	Accidental	Maintenance	Unknown
1996-1997	40	33	8	6	0	12
1997-1998	98	33	12	4	4	13
1998-1999	90	43	6	3	3	11
1999-2000	62	17	4	9	11	21
2000-2001	60	22	5	4	12	70
2001-2002	47	30	3	2	6	40
2002-2003	31	29	5	5	0	28
2003-2004	42	26	2	2	3	23

	Total Service Outages	Total Affected Access Lines	Average Number of Access Lines Affected per Outage
1996-1997	99	244,899	2,474
1997-1998	164	199,900	1,219
1998-1999	156	225,248	1,444
1999-2000	124	276,261	2,228
2000-2001	173	300,276	1,746
2001-2002	127	280,447	2,208
2002-2003	100	201,659	1,027
2003-2004	98	103,571	1,057

4. Telecommunications Relay Services

Telecommunications Relay Services (TRS) is a telephone transmission service that provides the ability for a person who has a hearing or speech impairment to engage in wireline or wireless communication with a hearing person in a manner that is functionally equivalent to someone without such a disability. Such a definition includes services that enable two-way communication between an individual who uses a text telephone (TTY) or other nonvoice terminal device and an individual who does not have such a device. Communications Assistants (CAs) transmit (Relay) written communication from a text telephone or other nonvoice terminal device to a person using a standard telephone. The person using the standard telephone speaks to the CA who transmits the message to the hearing-impaired individual. The relay is funded through a monthly surcharge on all access lines, including voice-based wireless lines. The

monthly surcharge was ten cents per access line in 1993 and 1994. It was seven cents in 1995, 1996 and 1997. In 1998, the surcharge was reduced to six cents, and it was reduced to five cents for the years 1999 through 2001. In 2002 and 2003, the surcharge increased to six cents and seven cents, respectively. LB 530, which became law during the 2003 Legislative Session, changed the date of the public hearing to determine the surcharge level from October 1 to April 1 of each year. The effective date of the surcharge assessment period changed from January 1 to July 1. The current seven-cent surcharge will remain through June 30, 2005.

The definition of TRS extends to speech-to-speech (STS), video relay services (VRS), Internet Protocol (IP) and non-English language relay services (Spanish-to-Spanish). STS and non-English language relay services (Spanish-to-Spanish) were mandated by CC Docket 98-67, FCC 00-56, In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, (See also Order On Reconsideration CC Docket 98-67, FCC 00-200, released June 5, 2000. This order amended the effective dates for compliance with most of the amended rules adopted in the TRS Order).

In 1995, the Legislature created the Nebraska Equipment Distribution Program (NEDP), which enables qualifying deaf, hard-of-hearing and/or speech-impaired citizens to obtain specialized telecommunications equipment at no expense, subject to certain program restrictions. Funded by the Relay Surcharge, expensive telecommunications equipment, such as text telephones, amplifiers, and signaling devices have been made available to deaf, hard-of-hearing and/or speech-impaired consumers. For the fiscal year July through June of 2004, \$227,523 was expended in the program resulting in a cumulative amount of \$1,195,953 since the program began April 1996.

Recent Developments in Telecommunications Relay Services – State Level

1) **Internet Protocol (IP) and Video Relay Services (VRS).**

Hamilton currently offers Internet relay as a 24-hour service that allows computers and other web-based devices to connect to the relay center via the Internet to call any standard telephone user, VCO or HCO user. This access is accomplished by going to Hamilton's relay website at www.hiprelay.com to place a relay call. The CA workstation makes an internet connection to the requesting user and the call is processed just like any other inbound text relay call. Since there is no current method to determine where the Internet call originated from, all Internet relay calls are placed free of charge to the originating caller. Currently, the Interstate TRS fund is paying for all Internet relay minutes.

Hamilton Video Relay Service (www.hipvrs.com) is available to individuals with a hearing and/or speech disability, who use a combination of sign language and/or speech to make use of video equipment and high-speed internet access in order to communicate with voice telephone users. Hamilton provides VRS in conjunction with Birnbaum Interpreting Services (BIS). An interpreter at the relay center answers the call and communicates in sign language with the caller. The interpreter will relay the call by translating the calling party's sign language into voice for the called party. The relay call will then be translated from voice to sign language. The user will reach the video relay system via the Internet.

Individuals can place a video relay call in either of two ways: 1) By using a videophone, high-speed Internet connection and a television; or by 2) using a computer and a webcam. Simply dial call.hipvrs.com into a videophone, such as a D-Link DVC-1000, to connect with a HIP VRS interpreter. If you use option 2, you will go to www.hipvrs.com to reach a HIP VRS interpreter.

Hamilton will distribute D-Link video conferencing equipment to deaf/hard-of-hearing individuals. The D-Link turns any TV into a broadband videophone. It sits on top the TV and contains a video camera. To qualify and receive a free D-Link from Hamilton, you need to have the following:

- Broadband Internet connection (256 kbps or faster upload and download). To find out how-fast your internet connection is, go to <http://www.dslreports.com/stest>;
- A television or RF Modulator that has video and audio jacks;
- No firewall. You can use HIP VRS if you are behind a firewall ONLY if the firewall is aware of H.323 compatible software such as the D-Link;
- A router is needed if the ISP is only providing one IP address and you would like to have multiple devices connected to the Internet, i.e., a computer.

For additional questions, contact Hamilton at 1-800-322-5299 V/TTY, by e-mail at tina.collingham@hamiltonrelay.com or by mail at Hamilton Telecommunications, P.O. Box 284, Aurora, Nebraska 68818. Once you receive your D-Link videophone, you can follow Hamilton's interactive web-based instructions for installation by going to www.hipvrs.com and click on "D-Link Instructions" or go directly to www.hipvrs.com/d-link.

- 2) **CapTel Service To Be Offered on or After October 1, 2004.** The Commission entered into a contract addendum with Hamilton on June 29, 2004, to provide this service. CapTel is a new technology developed by Ultratec, Inc., of Madison, Wisconsin, that allows individuals with hearing loss to view word-for-word captions of their telephone conversations. These telephones feature a built-in screen to allow viewing while listening to the voice of the other party. Specially trained operators "re-voice" what the hearing user says into voice-recognition technology, which conveys the words to text messages that can be read on the CapTel phone's screen. To apply for a CapTel phone, call the Commission at 1-800-526-0017 Voice/TTY or (402) 471-0213 TTY or (402) 471-0225 Voice. You can also call the Nebraska Commission for the Deaf and Hard-of-Hearing at (402) 471-3593 Voice/TTY or State-Wide Toll Free 1-800-545-6244 Voice/TTY.

Recent Developments in Telecommunications Relay Services – Federal Level

- 1) **In the Matter Of Telecommunications Relay Services and Speech-to-Speech Services For Individuals with Hearing and Speech Disabilities (Report and Order, Order on Reconsideration, And Further Notice Of Proposed Rulemaking).** This order was released June 30, 2004, with comments 45 days

after Federal Register publication of the FNPRM and reply comments 75 days after that.

In this Report and Order (CC Docket No. 98-67), the FCC:

- Continues, on an interim basis, the per-minute cost recovery methodology for VRS;
- Adopts the per-minute cost recovery methodology for IP Relay;
- Declines to adopt a national outreach program or permit the Interstate TRS Fund to fund such a campaign

In the Order on Reconsideration (June 30, 2003, Bureau TRS Order), the FCC:

- Modified, in part, the amended cost data submitted by VRS providers, increasing the compensation rate from \$7.751 per minute to \$8.854. This new rate will be effective September 1, 2003, through the end of the 2003-2004 fund year;
- Denied a joint petition to impose cost parity for toll calls via payphones made by TRS users and non-TRS users. This deals with the October 25, 2002, Sent-Paid Fifth Report and Order. The central issue here was whether the FCC mandate that TRS consumers using payphones pay rates no higher than a non-TRS user would pay using coins. The FCC assumes the position that functional equivalency does not require such a rigid view of this, especially since it is not technically feasible to achieve such results;
- The FCC grants, in part, redefining the requirement that TRS facilities route emergency **wireline** TRS calls to an "appropriate" PSAP, and amend the rules accordingly.

In the Further Notice of Proposed Rulemaking (FNPRM; CG Docket No. 03-123) the FCC:

- Is seeking comment on a variety of matters impacting IP and VRS service, including the appropriate cost recovery methodology for IP and VRS, possible mechanisms to determine whether IP and VRS calls are intrastate or interstate for reimbursement purposes, whether these calls should become mandatory TRS services and should be required to be offered 7-days-a-week, 24-hours-a-day, and whether when and how the FCC should apply the speed of answer rules to VRS service.

- 2) **Public Notice released on June 2, 2004, by the Consumer & Governmental Affairs Bureau reminded states and Telecommunications Relay Services providers that they must submit their annual consumer complaint log summaries for the 12-month period ending May 31, 2004, on or before July 1, 2004.** The FCC requires state TRS programs to maintain a log of consumer complaints that allege violations of the federal TRS mandatory minimum standards. The Public Service Commission satisfied this requirement on June 30, 2004. A copy of this complaint summary is available by contacting the PSC or accessing the FCC's website.

The following table displays selected historical statistics that reflect the operation of the Nebraska Relay System. (Insert "Selected Historical Statistics (Session Minutes)" table):

Telecommunications Relay Service									
Selected Historical Statistics (Session Minutes)									
	Total Calls (Outbound)	Ave Call Length (Outbound)	Total Minutes Of Use	Interstate Minutes	Intrastate Minutes	Monthly Cost		Surcharge Revenue	Surcharge Rate
						TRS Program	Equipment Program		
Jul-97	37,865	3.82	133,714	20,990	112,724	\$77,779	\$9,048	\$87,927	\$0.07
Aug-97	31,460	4.21	134,831	19,030	115,801	79,903	4,390	88,326	\$0.07
Sep-97	23,191	5.17	121,306	19,436	101,870	70,291	1,692	89,483	\$0.07
Oct-97	23,737	5.26	126,834	19,834	107,000	73,830	1,412	89,598	\$0.07
Nov-97	22,967	5.22	122,245	19,860	102,385	70,646	2,157	90,400	\$0.07
Dec-97	23,290	5.34	125,655	19,280	106,375	73,128	2,937	91,040	\$0.07
Jan-98	23,535	5.23	124,389	17,713	106,676	73,607	2,180	81,084	\$0.06
Feb-98	20,970	5.25	111,317	16,478	94,839	65,438	951	78,671	\$0.06
Mar-98	25,344	5.35	137,052	21,197	115,855	79,940	4,986	79,603	\$0.06
Apr-98	22,286	5.21	117,377	21,910	95,467	65,872	2,011	80,797	\$0.06
May-98	21,462	5.08	110,088	19,009	91,079	62,894	2,804	81,037	\$0.06
Jun-98	22,718	5.20	119,269	20,596	98,673	68,129	1,082	81,524	\$0.06
Jul-98	23,437	5.19	123,015	23,729	99,286	68,606	3,300	82,038	\$0.06
Aug-98	23,488	5.31	126,101	22,067	104,034	72,002	1,119	82,480	\$0.06
Sep-98	22,161	5.22	117,064	19,825	97,239	67,150	6,311	82,826	\$0.06
Oct-98	22,422	5.25	119,203	21,085	98,118	67,746	1,505	83,265	\$0.06

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**Telecommunications Relay Service
Selected Historical Statistics (Session Minutes)**

	Total Calls (Outbound)	Average Call Length (Outbound)	Total Minutes of Use	Interstate Minutes	Intrastate Minutes	Monthly Cost		Surcharge Revenue	Surcharge Rate
						TRS Program	Equipment Program		
Nov-98	21,522	5.25	114,304	20,186	94,118	65,028	4,455	83,333	\$0.06
Dec-98	22,141	5.33	119,099	21,738	97,361	67,336	1,244	83,934	\$0.06
Jan-99	22,248	5.33	119,766	20,761	99,005	68,363	3,563	72,500	\$0.05
Feb-99	22,051	5.23	116,366	19,014	97,352	67,292	5,282	72,902	\$0.05
Mar-99	23,917	5.33	128,518	21,368	107,150	75,648	108	72,650	\$0.05
Apr-99	22,383	5.16	116,614	19,637	96,978	68,127	7,296	72,959	\$0.05
May-99	22,739	5.15	118,266	21,027	97,239	68,090	1,575	73,616	\$0.05
Jun-99	23,795	5.19	124,745	23,866	100,879	71,052	202	73,566	\$0.05
Jul-99	21,633	5.25	114,593	19,738	94,855	71,346	5,368	73,638	\$0.05
Aug-99	22,706	5.06	116,089	21,058	95,031	70,007	215	74,425	\$0.05
Sep-99	19,637	5.13	101,582	18,664	82,918	64,882	34,426	74,557	\$0.05
Oct-99	19,815	5.11	102,192	18,246	83,946	66,084	33,249	74,840	\$0.05
Nov-99	19,237	5.21	101,250	19,280	81,970	63,902	65,685	75,149	\$0.05
Dec-99	24,140	4.76	116,445	20,444	96,001	66,258	28,728	76,063	\$0.05
Jan-00	24,993	4.66	117,845	20,907	96,938	66,887	8,577	77,303	\$0.05
Feb-00	23,858	4.61	111,299	19,145	92,154	69,032	989	76,194	\$0.05
Mar-00	27,354	4.71	130,069	22,186	107,853	74,419	622	76,849	\$0.05
Apr-00	23,078	4.60	107,242	20,201	87,041	60,078	86	77,373	\$0.05
May-00	24,663	4.58	113,954	22,569	91,385	63,055	0	77,262	\$0.05
Jun-00	23,978	4.49	109,246	21,246	88,000	62,378	0	78,041	\$0.05
Jul-00	23,210	4.50	105,691	19,157	86,534	66,199	0	78,217	\$0.05

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**Telecommunications Relay Service
Selected Historical Statistics (Session Minutes)**

	Total Calls (Outbound)	Average Call Length (Outbound)	Total Minutes of Use	Interstate Minutes	Intrastate Minutes	Monthly Cost		Surcharge Revenue	Surcharge Rate
						TRS Program	Equipment Program		
Aug-00	25,375	4.53	116,351	19,268	97,083	74,268	21,170	78,427	\$0.05
Sep-00	23,587	4.54	108,229	18,729	89,500	68,468	15,573	79,104	\$0.05
Oct-00	25,206	4.48	114,656	19,080	95,576	73,116	15,380	78,535	\$0.05
Nov-00	24,850	4.46	112,534	19,558	92,976	71,126	23,518	79,156	\$0.05
Dec-00	26,578	4.42	118,597	21,904	96,693	78,792	21,800	79,659	\$0.05
Jan-01	25,907	4.56	119,396	21,442	97,954	91,195	2,430	79,380	\$0.05
Feb-01	25,116	4.55	115,432	20,451	94,981	88,428	22,984	80,720	\$0.05
Mar-01	25,971	4.55	119,482	21,545	97,937	91,179	10,470	80,643	\$0.05
Apr-01	25,068	4.32	109,649	17,499	92,150	85,792	2,407	80,664	\$0.05
May-01	25,919	4.37	114,785	18,981	95,804	89,193	23,107	81,256	\$0.05
Jun-01	25,025	4.36	111,005	17,595	93,410	86,964	18,349	82,157	\$0.05
Jul-01	26,473	4.30	116,938	18,970	97,968	91,209	18,008	82,547	\$0.05
Aug-01	25,600	4.29	112,934	17,334	95,600	89,003	538	83,253	\$0.05
Sep-01	23,032	4.30	101,850	16,115	85,735	79,819	35,698	81,100	\$0.05
Oct-01	24,029	4.36	107,952	16,766	91,186	84,895	0	81,698	\$0.05
Nov-01	23,013	4.51	106,690	17,533	89,157	83,005	43,059	81,300	\$0.05
Dec-01	23,724	4.47	108,842	18,020	90,822	88,242	14,579	85,283	\$0.05
Jan-02	25,252	4.44	114,750	18,696	96,054	89,426	12,267	97,643	\$0.06
Feb-02	23,910	4.48	109,564	16,050	93,514	87,062	23,508	103,141	\$0.06
Mar-02	26,800	4.30	118,028	17,465	100,563	93,624	9,895	100,191	\$0.06
Apr-02	25,425	4.27	111,436	17,738	93,698	87,233	24,108	101,910	\$0.06

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Telecommunications Relay Service Selected Historical Statistics (Session Minutes)									
	Total Calls (Outbound)	Average Call Length (Outbound)	Total Minutes of Use	Interstate Minutes	Intrastate Minutes	Monthly Cost		Surcharge Revenue	Surcharge Rate
						TRS Program	Equipment Program		
May-02	26,429	4.16	112,848	17,671	95,177	88,610	9,074	101,518	\$0.06
Jun-02	26,248	4.17	112,313	17,649	94,664	88,132	20,875	99,988	\$0.06
Jul-02	26,506	4.17	113,308	16,298	97,010	86,824	18,249	100,681	\$0.06
Aug-02	27,569	4.14	117,116	16,566	100,551	89,993	10,320	100,349	\$0.06
Sep-02	26,215	4.02	108,225	16,961	91,264	81,681	18,193	99,727	\$0.06
Oct-02	27,023	4.24	117,882	17,938	99,943	89,449	8,073	100,592	\$0.06
Nov-02	25,622	4.17	109,655	16,368	93,287	83,492	19,733	100,168	\$0.06
Dec-02	25,974	3.98	105,888	15,519	90,369	80,880	9,403	100,908	\$0.06
Jan-03	27,047	4.23	117,298	17,023	100,275	89,746	18,777	116,541	\$0.07
Feb-03	25,143	4.17	107,630	16,204	91,426	81,826	19,710	118,515	\$0.07
Mar-03	25,769	4.15	110,041	16,596	93,445	83,633	0	117,916	\$0.07
Apr-03	26,140	4.11	110,509	15,181	95,328	85,319	41,151	119,518	\$0.07
May-03	26,781	3.91	108,557	14,510	94,047	84,172	12,169	119,188	\$0.07
Jun-03	25,718	3.96	105,454	15,987	89,468	80,074	22,775	119,308	\$0.07
Jul-03	24,072	4.08	101,327	15,147	86,180	77,131	14,781	119,083	\$0.07
Aug-03	25,047	4.01	103,516	14,969	88,547	79,249	20,998	119,100	\$0.07
Sep-03	23,519	4.03	97,489	14,411	83,078	74,355	16,002	118,829	\$0.07
Oct-03	24,198	4.07	101,245	13,979	87,266	78,103	24,417	119,197	\$0.07
Nov-03	22,495	4.20	96,904	14,909	81,995	73,386	12,428	117,782	\$0.07
Dec-03	25,696	4.22	111,068	17,129	93,939	84,075	18,801	119,417	\$0.07
Jan-04	26,590	4.17	113,402	15,918	97,484	87,248	21,044	118,934	\$0.07

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Telecommunications Relay Service Selected Historical Statistics (Session Minutes)									
	Total Calls (Outbound)	Average Call Length (Outbound)	Total Minutes of Use	Interstate Minutes	Intrastate Minutes	Monthly Cost		Surcharge Revenue	Surcharge Rate
						TRS Program	Equipment Program		
Feb-04	25,351	4.17	108,176	15,695	92,481	82,770	15,272	120,682	\$0.07
Mar-04	26,695	4.18	114,481	16,692	97,789	87,521	23,578	120,000	\$0.07
Apr-04	25,770	3.98	105,017	15,787	89,230	79,861	20,915	120,432	\$0.07
May-04	25,329	3.87	100,583	14,571	86,013	76,981	24,264	120,093	\$0.07
Jun-04	25,174	3.89	100,603	14,984	85,619	76,629	15,023	121,420	\$0.07

5. Extended Area Service

Extended Area Service (EAS) allows customers in one exchange to place calls to and receive calls from another exchange without paying long distance charges. The Commission recently amended its rules and regulations relating to EAS. Some of the major changes to the current rules include:

- ! A petition seeking to establish EAS must contain the signatures of 25 percent of an exchange's accounts or 750, whichever is less. Under the old rules, signatures from 15 percent of an exchange's customers or 750 were needed.
- ! To determine if sufficient traffic exists to establish EAS, certain criteria must be met in at least two of the three most recent months for which data is available. The old rules provided that the criteria must be met in all three months.
- ! The new rules allow for a telephone company to file an Optional Enhanced Area Calling Plan (OEACP).
- ! Informational meetings must be held in the petitioning exchange to inform the public of the proposed rates for EAS and to assess the public's interest in receiving EAS.
- ! Following an unsuccessful attempt at implementing EAS, additional attempts are barred for 12 months, rather than 24 months as stated in the old rules.
- ! When put to a vote, EAS must receive the support of more than 50 percent of those voting. The previous rule required support from more than 50 percent of the customers eligible to vote.

The following community has a pending EAS petition:

Petitioning Exchange	Community Requested in the EAS Petition
Sumner	Kearney

6. Numbering Issues

Area Code Conservation Efforts

Background

In May of 1999, the Commission received information from the North American Number Plan Administrator that the number of assignable prefixes (otherwise known as central office NXX codes) available for area code 402 were in danger of being depleted in less than two years. The 402 area code covers the eastern third of the state and includes the cities of Omaha, Bellevue and Lincoln.

The Commission opened a public investigation, and found that employing number conversation methods could significantly delay the need for area code relief measures such as area code boundary changes, splitting the 402 area code, or introducing a new area code overlaid on the existing 402 area code. In September of 1999, the Commission filed a petition with the Federal Communications Commission (FCC) requesting authority to implement area code conservation methods within Nebraska, with special attention on the 402 area code. Specifically, the Commission requested authority for number pooling in thousands-block intervals to reclaim unused central office codes that have been distributed and to audit number assignment and review distribution activities of service providers. Thousands-block pooling allows telecommunications carriers that require new numbering resources to receive numbers in blocks of 1,000, rather than an entire central office code, which contains a block of 10,000 numbers.

On July 20, 2000, the FCC released an order granting the Commission's petition. The Commission set July 1, 2001, as the deadline for implementation of thousands-block number pooling in the Omaha MSA rate center. The cumulative effect of the actions taken by the Commission, and the voluntary efforts of the telecommunications carriers in Nebraska, resulted in extending the estimated depletion date for number resources in the 402 area code from the fourth quarter of 2002 to a forecasted exhaust date of the first quarter of 2005.

Current Status

The FCC set November 24, 2003, as the date at which all wireless carriers must be capable of supporting thousands-block pooling regardless of the geographical area served. The FCC also set May 24, 2004, as the date at which all wireline carriers serving rate centers in the top 100 MSAs must be capable of supporting thousands-block number pooling and local number portability. The only Nebraska MSA in the top 100 is Omaha-Council Bluffs, ranked at 61.

NeuStar (the national-pooling administrator) has in place all necessary tools and processes to enable thousands-block pooling by carriers within the same rate center in both the 308 and 402 area code. At the request of the Commission, NeuStar has classified all Nebraska rate centers as voluntary pooling capable. This allows any capable carrier to donate to, or uses numbering resources from, the thousands-block number resource pool instead of opening a new code of 10,000 numbers.

In October 2003, Qwest completed the consolidation of nine existing rate centers into four rate centers. This type of action enables existing telephone numbers to be used over a larger

geographic area providing significant expansion capability without using new numbering resources.

In the Fall of 2003 and Winter of 2004, Alltel Wireless used alternative methods of implementing changes to their service offerings which reduced an initial request for 29 new central office codes to 13 central office codes.

Various other wireline and wireless carriers continue to cooperate with the Commission and use voluntary thousands-block number pooling to support new customer needs and market expansion.

On November 13, 2003, the Commission opened Docket No. C-3049 to conduct an investigation of various proposed solutions for extending the life of area codes 308 and 402. The Commission has held hearings and workshops while staff has been working with various industry groups to identify and evaluate alternative methods which could extend the life of the numbering resources in Nebraska.

North American Numbering Plan Administration reports indicate the following status of Nebraska's numbering resources as of September 1, 2004.

Area Code	NXX Codes Assigned	NXX Codes Available
308	297	480
402	703	80

Reports from the Pooling Administrator identify that voluntary pooling in Nebraska has resulted in the following donation and utilization of thousands-blocks in the Nebraska as of September 1, 2004.

Area Code	Thousands - Blocks Assigned	Thousands - Blocks Available	Estimated Full NPA-NXX Codes Saved
308	23	257	4
402	176	676	14

The Pooling Administrator estimates that four full NPA-NXX codes in area code 308 have been saved since the first thousands-blocks were donated in April 25, 2003, and 14 full NPA-NXX codes in Area Code 402 have been saved by thousands-block number pooling since the first thousands-block in Area Code 402 was donated to the pool on October 31, 2001.

The cumulative effect of the conservation actions promoted by the Commission has resulted in the North American Numbering Plan Administrator extending the forecasted exhaust date for the 402 area code from the first quarter of 2005 reported last year to the second quarter of 2006. The forecasted exhaust date for the 308 area code remains at the second quarter of 2026. However, with the advent of new technologies such as voice-over Internet protocol, a projected safe forecast is no longer a certainty.

The Commission believes that the number conservation methods it has urged carriers to implement has been successful in delaying the need for costly and potentially confusing area code relief measures. The Commission will continue to seek out and implement number conservation methods and procedures, and will encourage voluntary cooperation, including implementing number pooling, by Nebraska telecommunications carriers. These steps will extend the life of our two area codes and delay the substantial cost to the industry and ratepayers associated with any area code relief plan.

Implementation of 211 Dialing Codes

Background

The FCC designated various three-digit dialing, or "N11," codes for specific purposes in CC Docket No. 92-105, *In the Matter of the Use of N11 Codes and Other Abbreviated Dialing Arrangements*. State commissions, in turn, are delegated the responsibility of assigning such dialing codes. Nebraska has assigned the use of "211," "511" and "711." For each code, carriers seeking cost recovery are required to make an application to the Commission for reimbursement. To date, no carriers have applied for cost recovery.

The Commission assigned "211" to United Way of the Midlands for access to "First Call for Help." First Call for Help connects people in need of health and human services assistance with the appropriate providers of such services. Dialing "211" does not result in any additional telephone charges for the consumer.

Current Status

United Way approached the program for Douglas and Sarpy Counties as a pilot project, with the intent to expand to other counties upon the successful completion of the pilot. Subsequently, United Way made an application to expand "211" access to Dodge and Cass Counties, which was approved by the Commission. United Way continues to expand the availability of First Call For Help to the citizens of Nebraska through 211. The current status of 211 Access is shown below:

Order Number	Counties/Areas	Implementation Date
C-2621	Douglas & Sarpy	02/20/02
C-2732	Dodge & Cass	10/01/02
C-3061	Hall, Hamilton, Howard, Merrick	07/01/04
C-3066	Saunders & Washington	07/01/04
C-3099	City of Lincoln, Lancaster	07/01/04
C-3221	Dawson, Phelps, Kearney, Harlan, Franklin, Buffalo, Gosper	Pending
C-3256	Scotts Bluff	Pending

7. Nebraska Internet Enhancement Fund

The Nebraska Internet Enhancement Fund (NIEF) was established pursuant to *Neb. Rev. Stat.* §§ 86-579 et seq. (2002 Supp.) to provide financial assistance to install and deliver broadband or other advanced telecommunications infrastructure and service throughout the state. The Legislature provided seed money for the Fund of \$250,000. Additionally, the Fund may receive gifts, contributions, property and equipment from public and private sources. The fund also receives income from leasing of dark fiber.

The Commission staff, with the assistance of the NIEF Advisory Board, has approved and adopted the Program Description and Grant Application Guidelines, a Pre-Application, an Application, a Scoring Sheet and the Grant application period. The Pre-Application period opened on June 1, 2004. Eight Pre-Applications were submitted by August 15, 2004. Five pre-applicants were invited to submit full applications for funding on or before November 15, 2004. The Commission hopes to award grants in January 2005.

PART III

Review of the Level of Rates of Local Exchange and Interexchange Companies

This section of the report provides historical information on local rate changes and current local rates, along with a discussion of changes that have taken place in the long distance market. By request of certain local exchange companies, financial information, specifically the financial status of local exchange companies, has again been omitted from this report.

1. Basic Local Rate Changes

The incumbent local exchange carriers (ILECs) operating in the State provide their service at or near the Commission's target rates set in a 1999 order requiring rate rebalancing of local, long distance, and access charges. The Commission set \$17.50 for the residential rate and \$27.50 for the business rate under this order. All carriers were to transition to these local rates or file applications for exemptions. In general, the resulting increase from local revenues was offset by a corresponding decrease in access charges. Statutory provisions provide for basic local rate increases through a method where the increases are subject to a petition process of affected customers, and also through an application to the Commission for increases in their local rates.

Local rates have generally stayed at similar levels to those reported in the previous report. One change was made by Hamilton Telephone Company of Aurora, where the Company used the petition process to increase their local rates from \$10.75 to \$13.75 monthly. Since the requisite number of petitions was not received from the affected customers, the rate increase will go into effect September 1, 2004. This rate pertains to both residential and business one-party service.

Competitive local exchange carriers (CLECs) have priced their service at similar levels to the incumbent carriers. The use of discounts on second lines as well as the bundling of services have tended to give customers options for access lines below the targeted rates. For instance, customers using Cox Communications in Omaha pay \$17.65 for the first line, and pay \$16.35 for the second line. New customers choosing Qwest for their local service can receive a waiver of up to 50 percent of their on-going monthly rate for up to six months under the company's promotional tariff.

The following pages include two tables, one showing the local rate changes over a period of years, and the other showing the current local rates of carriers as of September 1, 2004:

Basic Local Rate Changes										
Local Exchange Companies										
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Alltel			X	1	1	X	X	X		
Arapahoe			X	X	X	X		X		
Arlington					X	X	X			
Benkelman				X	X	X	X	X	X	
Blair					X	X	X			
Cambridge				X	X	X		X		
Citizens					X	X			X	
Clarks					X	X		X		
Consolidated			X	X	X	X		X		
Consolidated Telco				X	X	X		X		
Cozad			X	X	X	X		X		
Curtis					X	X		X	X	
Dalton			X	X	X	X				
Diller			X	X	X	X		X		
Eastern					X	X	X			
Elsie			X	X	X	X				
Eustis			X	X	X	X		X		
Glenwood			X	X	X	X		X		
Great Plains			X	X	X	X		X		
Hamilton	X							X		
Hartington					X	X		X		
Hartman			X	X	X	X				
Hemingford				X	X	X				
Henderson				X	X	X				
Hershey				X	X	X				
Home			X	X	X	X		X		
Hooper			X	X	X	X		X		
K & M					X	X				
Keystone-Arthur			X	X	X	X		X		
NEBCOM					X					
Nebraska Central				X	X	X	X			
Northeast			X	X	X					
Pierce					X	X				
Plainview					X	X			X	
Qwest				1		X			X	
Rock County					X	X	X			
Sodtown				X		X				
Southeast Nebraska					X	X				
Stanton					X	X				
Three River				X	X	X		X		
United						X				
Wauneta				X	X	X	X	X	X	

(1) Business line rate reduction only. (X) Indicates a rate change

NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES
Effective September 1, 2004

Company	Exchange	Business	Residential
AT&T		\$27.50	N/A
Alltel		27.50	\$17.50
Alltel Midwest		37.00	16.00
Applied Communications Tech.		44.80	21.40
Arapahoe Telephone Co.	Group 1	27.50	17.50
	Group 2	37.55	17.50
Arlington Telephone Co.		27.50	17.50
Benkelman Telephone Co.		27.50	17.50
Blair Telephone Co.		27.50	17.50
Cambridge Telephone Co.		26.80	17.50
Citizens		27.50	17.50
Clarks Telephone Co.		27.50	17.50
Comm South		41.99	41.99
Consolidated Telco, Inc.		27.50	17.50
Consolidated Telephone Co.	Anselmo	27.50	17.50
	Arthur	27.50	17.50
	Ashby	27.50	19.25
	Bingham	27.50	19.25
	Brewster	27.50	17.50
	Brownlee	27.50	19.25
	Dunning	27.50	17.50
	Halsey	27.50	17.50
	Hyannis	27.50	17.50
	Merma	27.50	17.50
	Mullen	27.50	17.50
	Purdum	27.50	17.50
	Seneca	27.50	17.50
	Theford	27.50	17.50
Whitman	27.50	19.25	
Cox Communications	(A) Flat Rate	26.89	17.65
	Add'l. Line	26.89	16.35
	(B) Comb. Ser.	26.89	15.89
	Second Line	26.89	7.89
	Add'l. Line	26.89	15.89
Cozad Telephone Co.		27.50	17.50

**NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES
Effective September 1, 2004**

Company	Exchange	Business	Residential
Curtis Telephone Co.		\$27.50	\$17.50
Dalton Telephone Co.		27.50	17.50
Diller Telephone Co.		27.50	17.50
Elsie Telecom, Inc.		27.50	17.50
Eastern Nebraska		27.50	17.50
Excel		29.95	29.95
Fast Phones		44.95	49.95
FiberComm, Inc.		21.25	19.00
Glenwood Telephone Membership Corporation		27.50	17.50
Great Plains Communications		27.50	17.50
Hamilton Telephone Co.		13.75	13.75
Hartington Telephone Co.		27.50	17.50
Hartman Telephone Exchange		27.50	17.50
Hemingford Cooperative		27.50	17.50
Henderson Cooperative (Mainstay)		27.50	17.50
Hershey Cooperative Telecom, Inc.		27.50	17.50
Houlton/EZ Phone Connections		43.45	49.95
Huntel Communications		24.59	15.59
Ionex	Qwest	37.55	20.00
K&M Telephone Co.		17.50	17.50
Keystone-Arthur Telephone Co.		27.50	17.50
MCImetro Access		26.99	20.99
McLeodUSA		32.95	24.95
NT&T	Group 1	27.55	18.15
	Group 2	27.50	17.50
	Group 3	30.10	17.50
	Group 4	30.10	17.50
	Group 5	30.10	17.50
	Group 6	30.10	17.50
NebCom		27.50	17.50

**NEBRASKA LOCAL EXCHANGE CARRIERS
 BASIC LOCAL EXCHANGE RATES
 Effective September 1, 2004**

Company	Exchange	Business	Residential
Nebraska Central Telephone Co.		\$27.50	\$17.50
New Access		N/A	18.15
Northeast Neb. Telephone Co.		27.50	17.50
NOS Communications		32.84	18.15
Pierce Telephone Co., Inc.		20.45	17.50
Pinpoint		27.95	17.50
Plainview Telephone Co.		27.50	17.50
Qwest, f/k/a US West	First Line	27.55	18.15
	Each Add'l Line	27.55	16.35
Rock County Telephone Co.		27.50	17.50
Sodtown		14.75	14.75
Southeast Nebraska Telephone Co.		27.50	17.50
Sprint Communications Co., LP		40.00	N/A
Stanton Telephone Co., Inc.		27.50	17.50
TCG		36.40	N/A
Three River Telco		27.50	17.50
United Telephone Company of the West		27.50	17.50
VarTec		N/A	19.95
Wauneta Telephone Company		27.50	17.50
WesTel		27.50	17.50

Company	Exchange Groupings
Arapahoe Telephone Company:	
Group 1:	Arapahoe, Hendley, Holbrook
Group 2:	Brule, Farnam, Loomis, Overton

2. Financial Statistics

The financial information related to local exchange company earnings is not being reported for 2003. Competition is being introduced into this market and company-specific data may reveal competitively sensitive information. The annual reports filed by local exchange companies remain available at the Commission.

3. Long Distance Telephone Rates/Access Charges

A. Competition in the Long Distance Market

The long distance market is one that is in reform. In the past, long distance rates have provided a large share of interexchange carriers' revenue. Just a few years ago, a \$.20 per-minute rate for long distance calling was a typical rate. Today, with the pressure to reform access charges and the impact of cellular providers offering allowances of minutes under their plans, companies are offering various bundled plans with \$.10 and \$.05 per-minute offerings. It appears that long distance may no longer be a stand-alone product and customers now have various packages of products from which to choose.

The most recent change to communications services is the entry of high-speed Internet, e-mail, and Voice-over Internet Protocol (VoIP). These services are provided using packet switching, rather than circuit switching, which has been the basis for the current compensation system among carriers.

Because of this, they do not participate in obligations related to access and universal service funding, and some recent federal decisions imply that regulators are reluctant to impose telecom rules to these newer packet switching services. The Federal Communications Commission (FCC) currently has a pending docket to study this issue, and its impact on the telecommunications industry.

B. Access Charges and Long Distance Company Pricing

The long distance market in Nebraska consists of approximately 300 carriers offering various types of service and pricing plans for customers. The cost to long distance carriers for originating and terminating these long distance calls is paid for through access charges. Both the local company originating the call, and the local company terminating a call receive access revenue from the long distance company for the network costs of using their network. The access charge structure has been in place since the mid-1980s in Nebraska, and these revenues can represent as high as 70 percent of a local companies' total revenue.

The level of access charges being paid by long distance companies has been an issue at both the Federal and the State level. Interexchange carriers allege that access charges more than recover the actual costs devoted to long distance calling. In addition, since the access charge mechanism has been developed over time, it can result in discriminatory practices, "gaming" of the system, and other unintended outcomes.

Reciprocal compensation is the mechanism which currently exists for carriers to originate and terminate local calls. The emergence of new technologies, and inconsistencies with the current access charge and reciprocal compensation mechanisms, are pushing the industry to look for a new compensation method for exchanging both local and long distance traffic. The impact of changes in this compensation system could affect local carriers (ILECs and CLECs), long distance providers, Internet service providers, voice-over Internet protocol (VoIP) providers, cellular companies, or any company exchanging traffic over the public switched telephone network.

Local telephone companies relying on the existing compensation methods warn that any attempts to replace this revenue stream with local rate increases will jeopardize subscriber penetration levels. One study done on the 14 states where Qwest provides service estimates that the access revenue at risk under the current compensation mechanism ranges from \$5.03 to \$10.53 per-line, per-month. A study done for the National Cooperative Telephone Association asserts that the access revenue at risk for the rural carriers could exceed \$22.00 per line, per month.

To advance the goal of reaching a balanced solution on this compensation issue, the National Association of Regulatory Utility Commissioners (NARUC) has developed a set of principles against which the various proposals to reform intercarrier compensation can be measured and evaluated. The principles address the design and the functioning of, and the prerequisites to, a new intercarrier compensation plan. These principles, along with the proposals from a number of industry groups have been provided to the FCC to assist in crafting a plan that will replace some or all of the existing compensation mechanisms.

4. Long Distance Carriers

The long distance market in Nebraska is made up of approximately 300 companies. Many of these companies provide service in each community in the state, while others target a particular market such as business customers, inmate facilities, or data service providers. However, in this competitive arena, there have also been a number of failures and companies who have filed for bankruptcy protection. Mergers and stock purchases have also taken place to continually change the number and names of the carriers competing in Nebraska.

As a result of the 1984 divestiture of the Bell System, the Regional Bell Holding Companies (RBOCs) were prevented from providing interLATA long distance services. The federal Telecommunications Act of 1996 (the Act) provided a means for RBOCs to return to the interLATA market once they had opened their local markets to competitive local exchange carriers. Once this determination was made by the state Commission, further review by the Department of Justice and the FCC would be required before entry into the interLATA market could be obtained. On June 12, 2002, this Commission approved Qwest's application for interLATA relief under Section 271 of the Act, and recommended to the FCC that Qwest had fulfilled its obligations under the Act. The FCC subsequently approved Qwest's entry into the interLATA market in December of 2002.

5. Explanation of Telephone Bill Charges

Recent changes to telephone bills have been directed at providing customers with the essential information to understand their bills and to make informed decisions. The following *provides a brief description of the various charges that may appear on telephone bills and relevant information as to the rate that applies to the charge.*

**Explanation of Charges Which
May Appear on Your Telephone Bill**

Basic Residential Line - The monthly rate for providing service to a residence (home or apartment) and includes local calling within the exchange.

Extended Area Service - The monthly charge for provision of local calling to other exchanges in addition to customer's serving exchange.

Number Portability Charge - A charge set by the Federal Communications Commission (FCC) to cover a part of the costs of facility upgrades necessary to allow customers to retain their telephone number when changing from one local service provider to another.

Federal Access Charge (Federal Subscriber Line Charge) - A charge set by the FCC to cover part of a local telephone company's cost of operating and maintaining its local telephone network. This charge is currently capped at \$6.50 per month for the first residential line and single business line, but the actual charge can vary by company.

Telecommunications Dual-Party Relay Fund (Nebraska Relay Fund) - A charge set by the Nebraska Public Service Commission to provide a statewide network to allow communication between hearing-and/or speech-impaired customers and individuals without such disabilities. This charge is set at \$.07 per access line.

911 Service Surcharge - A charge assessed by the city or county to provide funding to operate emergency service centers. Typically this charge is between \$.50 and \$1.00 per month per access line.

Wireless E911 Surcharge - A charge assessed by the state to provide funding to implement Phase 1 Wireless E911. Currently the charge is \$.50 per wireless subscriber per month.

Nebraska Universal Service - A charge set by the Nebraska Public Service Commission to provide funds to local exchange companies to assist in the provision of services to high-cost areas and low-income customers. This charge is currently 6.95 percent of the Nebraska portion of the bill.

Federal Tax (Excise Tax) - A three percent tax which funds general government operations and will appear on both the local and long distance portion of the bill.

State Tax (Sales Tax) - The state sales tax, which is 5.5 percent of the Nebraska portion of the bill, to fund general government obligations. This tax will appear on both the local and long distance portion of the bill.

City Tax (Sales Tax, If Applicable) - The rate varies by city, but the funds will go towards general municipal obligations.

City Tax (Occupation or Franchise Tax, If Applicable) - The percentage (varies by city) assessed by the city to the telephone company and passed on to the customers, for the right to do business.

Universal Connectivity Charge - (Rate varies with each long distance company) A federal charge assessed to long distance companies to support low-income consumers, consumers in high-cost areas, and support for schools, libraries, and rural health care providers.

PART IV

Recommendations for the 2005 Legislative Session

The Commission, as of the date of this Annual Report, recommends the Legislature consider the following legislation for the 2005 Session to achieve the purposes of the Nebraska Telecommunications Regulation Act:

Legislation conferring to the Commission regulatory authority over wireless telecommunications carriers, *depending on the outcome of an investigative proceeding, conducted to further the purpose of LRs 264 and 309 (2004), including several hearings across the state, looking into various issues pertaining to such potential regulation.*

Legislation amending *Neb. Rev. Stat. § 86-463* to remove language allowing for fiscal year lapse of funds in the Enhanced Wireless 911 Fund after July 1, 2004.

Legislation amending *Neb. Rev. Stat. § 86-457* to increase the cap on the Enhanced Wireless 911 Surcharge.

The Commission and its staff are available to review any proposed telecommunications legislation for the benefit of the Legislature and its Committees. Senators and legislative staff are invited to contact Andy Pollock, Executive Director, at 471-0211, to request a review of proposed legislation at any stage of the legislative process or with any questions concerning telecommunications or its oversight.

PART V

Applications and Tariffs

The Commission received a total of 256 applications during the period of July 1, 2003, to June 30, 2004. Much of the activity involved competition in the local market where 13 additional carriers applied for local authority and 112 interconnection agreement approval requests were received. Following is a summary of the applications received during this period.

Type of Application	Number of Applications Filed
Local Certification	13
Reseller Certification	26
Amend Certification	48
Cease and Desist	1
Boundary/LEC	2
Boundary/Customer	1
Depreciation	2
Rate Increase/LEC	0
Loan	1
Commission-Initiated	8
EAS	3
Interconnection	112
Contract Carrier Certification	1
ETC	3
Other	3
Total	256

There were 618 tariff changes filed with the Commission during this period. Individual applications and tariff filings can be obtained upon request.

PART VI

Nebraska Universal Service Fund

Purpose

To ensure that all Nebraskans have access to quality telecommunications and information services at affordable and comparable rates. To accomplish this goal, the Commission has created three programs within the Nebraska Universal Service Fund.

1. High-Cost Program, which seeks to make telecommunications and information rates generally affordable and comparable across Nebraska.
2. Nebraska Telephone Assistance Program (NTAP), which was formerly known as the Lifeline/Link-Up Program. This program provides discounted rates to qualifying low-income Nebraskans.
3. Rural Tele-Health Program, which supports the provision of telecommunications services to a statewide tele-health network.

Legislative History

In 1997, the Legislature passed LB 686, authorizing the Commission to create the Nebraska Universal Service Fund (NUSF). The goal of the NUSF is, in conjunction with federal universal service funds, to ensure that all Nebraskans have comparable access to telecommunications services at rates affordable prices. In 1999, the Legislature passed LB 514, exempting persons receiving support from the Lifeline/Link-Up program from any NUSF surcharge. In 2001 and 2002, the Legislature passed LB 389 and 1211, respectively, clarifying the Commission's NUSF authority regarding wireless companies. Also, in 2002, the Legislature passed LB 1105, which re-codified the applicable NUSF statutes from §§ 86-1401 to 86-1411 to §§ 86-316 to 86-329. LB 37, passed in 2002, during the special session, allows the State to borrow monies from the Universal Service Fund with the following caveats: a 60-day reserve must be maintained in the Fund, and interest of five percent must be paid on any monies borrowed for more than 30 days. The borrowing provisions sunset on June 30, 2007. In 2004, LB 1004 changed the name of the Lifeline/Link-Up Program to the Nebraska Telephone Assistance Program.

Assessment

The Commission, by order and after public hearing, has maintained the NUSF surcharge at 6.95 percent of in-state retail telecommunications revenue. Interstate and Internet services are not subject to the NUSF surcharge. The Commission determines assessable services through the use of Federal Communications Commission (FCC) federal universal service definitions in order to reduce the amount of duplicate administrative work for telecommunications providers. Specific categories of services subject to the NUSF surcharge are: