COMPETITIVE COMMUNICATIONS GROUP

May 14, 2002

Ms. Blanca Bayo
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

020000-PU

Re: Disaggregation of FUSF Support – Northeast Florida Telephone Company, Study Area Code 210335

In compliance with the provisions of 47 C.F.R. §54.315, we are submitting an original and seven copies of the enclosed Path 3 Disaggregation Plan on behalf of Northeast Florida Telephone Company.

Copies of this filing have also been submitted to the Universal Service Administration Company as required in 47 C.F.R. §54.315(f)(1).

Please acknowledge receipt of this filing by returning a date-stamped copy in the envelope provided. Any questions may be directed to the undersigned at (512) 231-8072, or to James Galloway at (512) 231-8428.

Yours truly,

Judy Poole

Judy Spurlock Poole
Authorized Representative
Northeast Florida Telephone Company

Enclosures

cc: Townes Telecommunications Services Corporation
Universal Service Administrative Company

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STATE OF Florida
Florida Public Service Commission

Northeast Florida Telephone Company
Path 3 Election and Disaggregation Plan

Northeast Florida Telephone Company ("NEFL" or "Company") is electing to disaggregate its federal high cost support pursuant to 47 C.F.R. §54.315(d), *Path 3, Self Certification of the Disaggregation and Targeting of Support* ("Path 3"). This disaggregation plan demonstrates that the disaggregation election made by NEFL is fair and reasonable, and complies with the Federal Communications Commission's ("FCC") Reports and Orders ("Orders") in its CC Docket Nos. 96-45 and 00-256[1]. The plan has been prepared pursuant to and consistent with the relevant portions of 47 C.F.R. §54.315, which sets out the Federal Communications Commission's ("FCC") requirements for Path 3 election and disaggregation filings. These requirements are summarized in Attachment I.

Plan Summary

The Company serves a single study area in the State of Florida, which has been assigned the Study Area Code number 210335. This study area contains two wire centers, MacClenny and Sanderson. The plan establishes two support zones – a low-cost Zone 1 receiving $1.34 per line per month of support, and a higher-cost Zone 2 receiving $21.26. Zone 1 consists of the area within the municipal boundaries of the towns of MacClenny and Sanderson, both of which are located within the MacClenny wire center in close proximity to the switch location. Zone 2 will consist of the portions of the MacClenny wire center that are not in these Zone 1 areas, as well as the entire Sanderson wire center. The maps contained in Attachment III Page 3, and Attachment IV Page 1 clearly show the NEFL study area and the Zone 1 boundaries To the greatest extent possible the Company used publicly available data sources to develop the plan.. No competitive telecommunications carriers have been designated as an eligible telecommunications carrier ("ETC") in the Company's study area prior to June 19, 2001

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[1] *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Fourteenth Report and Order and Twenty-Second Order on Reconsideration, *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers,* CC Docket No. 00-256, Report and Order, 16 FCC Rcd 11244 (released May 23, 2001), and *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers,* CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Fifteenth Report and Order, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-ofReturn Regulation,* CC Docket No. 98-77, Report and Order, *Prescribing the Authorized Rate of Return From Interstate Services of Local Exchange Carriers,* CC Docket No. 98-166, Report and Order, 16 FCC Rcd 19613, FCC 01-304 (2001), *recon. pending.*

Current Federal Support

Total support available to the Company's study area is summarized by category on Attachment II, Page 1, and is currently $147,178 per month. The amounts for High Cost Loop support (HCL), Long Term Support (LTS) and Local Switching Support (LSS) are actual amounts for the first quarter of 2002, obtained from USAC report HC1. The amounts for Interstate Common Line Support (ICLS) are based upon estimates provided by NECA for the year ending June 30, 2003.

Disaggregation of Support

The Company's disaggregated per-line support is summarized by category for each zone on Page 2 of Attachment II. Under the Company's plan per-line switch related support is $1.34 per line per month in both zones. The per-line loop-related support is zero in Zone 1, and $19.92 per line per month in Zone 2. The support available to the Company's study area under its disaggregation plan equals the total support available to the study area without disaggregation, as shown in Attachment II on Page 3.

Methodology For Disaggregating Support

As anticipated in the FCC's Orders, different approaches were used to disaggregate switch-related (i.e., LSS) and loop-related (i.e. HCL, LTS and ICLS) support mechanisms. Pursuant to 47 C.F.R. §54.301 LSS is available to study areas with less than 50,000 lines. This mechanism is intended to support the higher cost of distributing the fixed switching cost over a relatively small number of lines. Since switching costs are the same for all customers in a wire center and are not influenced by factors such as distance and density, the Company's plan provides for the same per-line level of LSS in both Zone 1 and Zone 2. Loop-related support is composed of HCL support, LTS and ICLS. These mechanisms provide support to carriers with high loop costs. While the methodologies for determining study area support are not identical, the general principle under each mechanism is that the higher the cost of a loop, the more support a carrier will receive under these programs. In the Company's plan, no loop related support is provided for Zone 1, which has been identified as a low-cost zone. Page 4 of Attachment II shows the average per-line amounts for each of the loop-related mechanisms in Zone 2. (Note: per CFR § 54.901 if a Competitive Eligible Telecommunications Carrier (CETC) is designated for this study area, then different amounts of

protable ICLS support will be provided for Residence and Single-Line Business lines than for Multiline Business Lines.)

The approach utilized by the company will make it easier to ensure that the relationships between the cost zones for each type of support will remain fixed as the total support to the study area changes over time.

Zone Identification Process

The zone boundaries established by the Company are shown on the maps on Page 1 of Attachment IV. Zone 1 contains areas of dense customer concentration, in reasonably close proximity to the switch location, where costs are low enough that no explicit loop-related support is necessary. As described more fully below, the general criteria for Zone 1 consideration is that average subscriber density be higher than 100 households per square mile. Zone 2 encompasses the remainder of the study area which has lower subscriber density and therefore higher costs. It is these higher-cost customers who require the loop-related support, and this plan allows this support to be targeted specifically to these customers. To identify and define the zones, the Company developed maps that show the wire center boundary, the switch location and housing density at the Census Block level. This data was analyzed to identify areas where a group, or groups, of customers are both sufficiently concentrated and sufficiently different in cost characteristics from the remainder of the study area to justify the creation of a separate support zone. The map shown on Attachment IV Page 1 clearly indicates the boundaries of the Zone 1 areas.

The Company's approach ensures that the zones are reasonable related to the cost of providing service in each zone because of two fundamental cost relationships. As demonstrated by the charts on Page 1 of Attachment III, the cost of providing basic telephone service is 1) inversely proportional to subscriber density, and 2) directly proportional to the distance from the serving central office. Typically, higher concentrations of customers are found in a town or other type of densely populated area that surrounds most wire centers, while the population density drops dramatically outside of these areas and the cost of providing telephone service increases significantly. Therefore costs are usually lower in areas where population density is relatively high and customers are located close to one another. Conversely, where population density is low costs are generally higher, primarily due to fewer customers and greater distance between customers.

In designing the Zone 1 area, the Company relied on the fact that customers located in an area with household density of 100 per square mile or higher and in reasonable proximity to the wire

center generally do not require explicit high-cost support. This is confirmed by publicly available data developed during the FCC's proxy model proceeding. This data is summarized on Page 2 of Attachment III which shows the monthly cost for basic telephone service for several different density groupings as developed by the FCC. Under the current USF rules, a study area does not qualify for high-cost support if its average per-line cost is less than 115% of the nationwide average cost. The Company's methodology extends this logic to conclude that a specific area of geography would not require explicit high-cost support if its cost is less than 115% of the nationwide average. The nationwide average cost from the publicly available proxy model is $27.02, meaning that the 115% benchmark would be $31.07. The proxy data clearly indicates that at the 100 households per square mile density level and higher, costs are clearly below this benchmark. The map on Appendix IV Page 1 clearly indicates that the line density in the Zone 1 areas exceeds the 100 lines per square mile benchmark. The following chart confirms the Zone 1 density for the Zone 1 areas of the NEFL study area:

Zone 1	**Area mi^2**	**Households**	**HH/mi^2**
MacClenny	3.29	1,644	500
Glen St. Mary	0.42	196	467
Total	**3.71**	**1,840**	**496**

It is important to note that the data from the publicly available proxy model is used solely to support the relationship between subscriber density and cost, and solely for purposes of designating areas for distribution of the fixed amount of total study area support. Under the FCC's rules the total amount of support available to the study area will continue to be determined using embedded costs and the traditional support formulas.

In performing this analysis, the Company utilized the Benchmark Cost Proxy Model Version 3.0 ("BCPM3") with FCC Common Inputs that was placed on the public record in CC Docket 96-45 by the model sponsors Bell South, Sprint and US WEST on December 11, 1997. This is the only proxy model for which results for all rural study areas are available on the public record. While the cost data was submitted in late 1997, the model utilizes a forward-looking cost methodology, and reflects a network architecture that is currently used today and is similar to that used in the Hybrid Cost Proxy Model ("HCPM"), which was approved by the FCC for determination of non-rural universal service support. In addition, the computed results of the HCPM for rural study areas are not publicly available, whereas the results from the BCPM3 with FCC Common Inputs are. For

these reasons this data forms a publicly available and reasonable basis for evaluating the relationship of cost and density. The Company does not support the use of proxy models for the determination of the amount of high-cost support that would be "sufficient" for rural carriers, and agrees with the conclusions of the Rural Task Force that proxy models are not, and likely never will be, sufficiently accurate at the individual rural wire center level for this purpose.

Effective Date

Pursuant to 47 C.F.R. §54.315(s)(4) the Company's plan is effective as of the date of this certification to the Florida Public Service Commission and will remain in effect for four years unless otherwise ordered by the Commission.

Conclusion

Based upon the foregoing, Northeast Florida Telephone Company certifies that the Company's plan meets the requirements of 47 C.F.R. §54.315 for election of Path 3 and self-certification of the disaggregation and targeting of federal universal service support.

Summary of FCC Requirements – Election of Path 3

Description:	**Reference:**
Requirements Regarding Election of Path 3:	
An incumbent local carrier cannot elect to disaggregate under Path 3 if a competitive carrier has been designated as an eligible telecommunications carrier ("ETC") in the incumbent carrier's study area prior to June 19, 2001, the effective date of the FCC's rule.	47 C.F.R. §54.315(a)
A carrier's election of Path 3 becomes effective upon certification by the carrier to the state commission.	47 C.F.R §54.315(d)(3)
A carrier is required to disaggregate and target support under Path 3 for at least four years from the date of certification to the state commission.	47 C.F.R. §54.315(d)(4)
A state commission may require, on its own motion or upon petition by an interested party or by the rural incumbent local exchange carrier, modification to the disaggregation and targeting of support under this path.	47 C.F.R. §54.315(d)(5)
Requirements Concerning Filings Of Path 3 Disaggregation Plans:	
The filing must include a statement certifying that the carrier has disaggregated support to the wire center level, or disaggregated support into no more than two cost zones per wire center.	47 C.F.R. §54.315(d)(1)(i) and (ii)
The plan must clearly specify the per-line level of support in each disaggregation zone for each category of high-cost universal service support provided pursuant to §§54.301, 54.303, and/or 54.305 and/or part 36, subpart F of the FCC's rules.	47 C.F.R. §54.315(d)(2)(iii)
Support available to the carrier's study area under its disaggregation plan shall equal the total support available to the study area without disaggregation.	47 C.F.R. §54.315(e)(i)
The plan must be supported by a description of the rationale used, including the methods and data relied upon to develop the disaggregation zones, and a discussion of how the plan complies with the requirements of this paragraph. Such filing must provide information sufficient for interested parties to make a meaningful analysis of how the carrier derived its disaggregation plan.	47 C.F.R. §54.315(d)(2)(i)
The plan must be reasonably related to the cost of providing service for each disaggregation zone within each disaggregated category of support.	47 C.F.R. §54.315(d)(2)(ii)
If the plan uses a benchmark, the carrier must provide detailed information explaining what the benchmark is and how it was determined. The benchmark must be generally consistent with how the total study area level of support for each category of costs is derived to enable a competitive eligible telecommunications carrier to compare the disaggregated costs used to determine support for each cost zone.	47 C.F.R. §54.315(d)(2)(iv)

Summary of FCC Requirements – Election of Path 3

Procedures Governing The Operation Of Path 3:

The ratio of per-line support between disaggregation zones for each disaggregated category of support shall remain fixed over time.	47 C.F.R. §54.315(e)(2)
The ratio of per-line support shall be made publicly available.	47 C.F.R. §54.315 (e)(3)
Per-line support amounts for each disaggregation zone shall be recalculated by the administrator whenever the rural incumbent local exchange carrier's total annual support amount changes using the changed support amount and lines at that point in time.	47 C.F.R. §54.315 (e)(4)
Until a competitive eligible telecommunications carrier is certified in a study area, monthly payments to the rural incumbent local exchange carrier will be made based on total annual amounts for its study area divided by twelve.	47 C.F.R. §54.315 (e)(6)
When a competitive eligible telecommunications carrier is certified in a study area, per-line amounts used to determine the competitive eligible telecommunications carrier's disaggregated support shall be recalculated by the administrator based on the rural incumbent local exchange carrier's then-current total support levels, lines, and disaggregated support relationships.	47 C.F.R. §54.315 (e)(7)

Study Area Federal High Cost Support

Support Category		(A) Monthly Support	(B) Per-Line Support
High Cost Loop Support	HCL	$81,771	$7.96
Long Term Support	LTS	45,789	4.45
Interstate Common Line Support	ICLS	5,828	0.57
Local Switching Support	LSS	13,790	1.34
Total		$147,178	$14.32

Sources of Information: Col (A): Appendix #HC1, Universal Service Administration Company (USAC), *Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2002,* Submitted to the Federal Communications Commission January 31, 2002.

Col (B) = Col (A)/Total study area access lines per Company records

Disaggregated Per-Line Level of Support By Category

Support Category		(A) Zone 1 Support	(B) Zone 2 Support
High Cost Loop Support	HCL	$ -	$ 12.21
Long Term Support	LTS	-	6.84
Interstate Common Line Support	ICLS	-	0.87
Local Switching Support	LSS	1.34	1.34
Total		$ 1.34	$ 21.26

Sources of

HCL, LTS, ICLS - from Attachment II, Page 4
LSS - Per-line level of support from Attachment II, Page 1.

Comparison of Total Available Support

		Zone 1			Zone 2			
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
		Access Lines	Per-Line Support	Zone 1 Monthly Support	Access Lines	Per-Line Support	Zone 2 Monthly Support	Total Monthly Support
Available Support Under Disaggregation Plan:								
High Cost Loop Support	HCL	-	$ -	$ -	6,698	$ 12.21	$ 81,771	$ 81,771
Long Term Support	LTS	-	-	-	6,698	6.84	45,789	45,789
Interstate Common Line Support	ICLS	-	-	-	6,698	0.87	5,828	5,828
Local Switching Support	LSS	3,581	1.34	4,804	6,698	1.34	8,986	13,790
								$ 147,178
Total Disaggregated Support								
Total Monthly Support Available To The Entire Study Area								$ 147,178

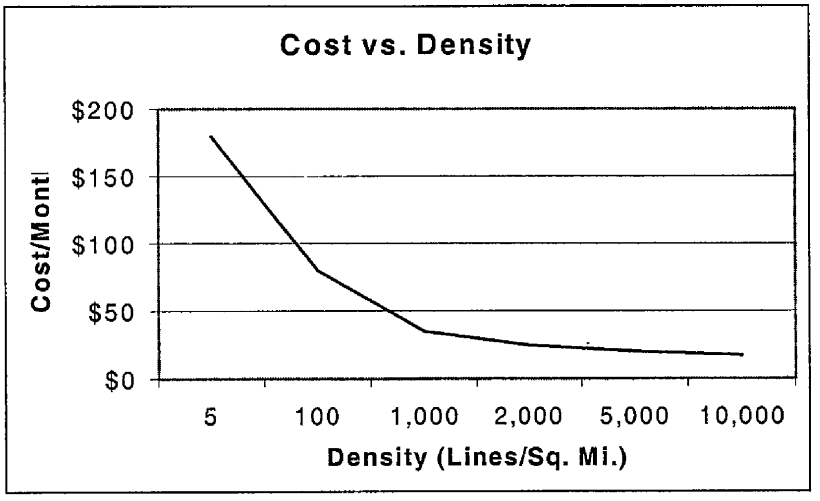
Source of Information:

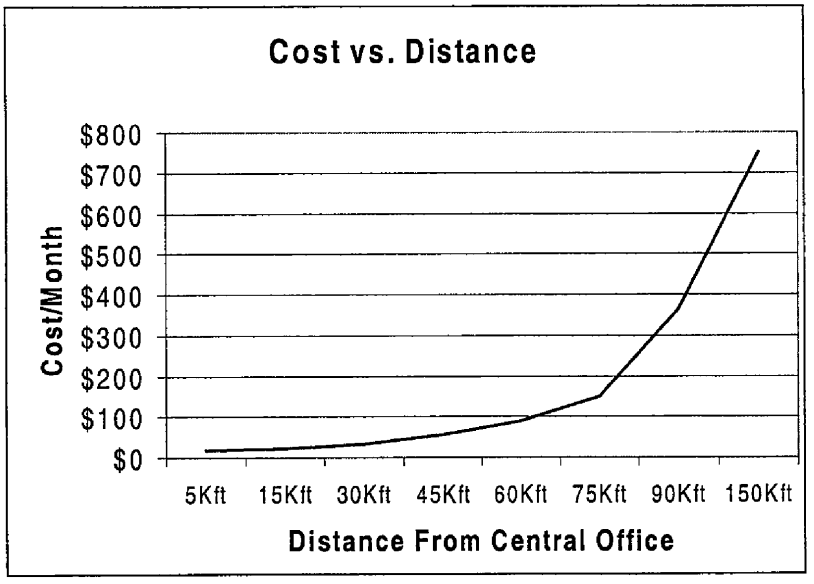
(A) Per Company Records
(B) Attachment II, Page 2
(C) Col A * Col B
(D) Per Company Records
(E) Attachment II, Page 2
(F) Col D * Col E
(G) Col C + Col F

Disaggregated Loop Related Support

Support Category		(A) Zone 1 Support	(B) Zone 2 Support
High Cost Loop Support	HCL		$81,771
Divide By: Total Access Lines			6,698
Per-Line HCL			$12.21
Long Term Support	LTS		$45,789
Divide By: Total Access Lines			6,698
Per-Line LTS			$6.84
Interstate Common Line Support	ICLS		$5,828
Divide By: Total Access Lines			6,698
Per-Line ICLS			$0.87

Sources of Information: HCL, LTS & ICLS - Total from Attachment II, Page 1 is assigned to Zone 2.
Access lines per zone - per Company records





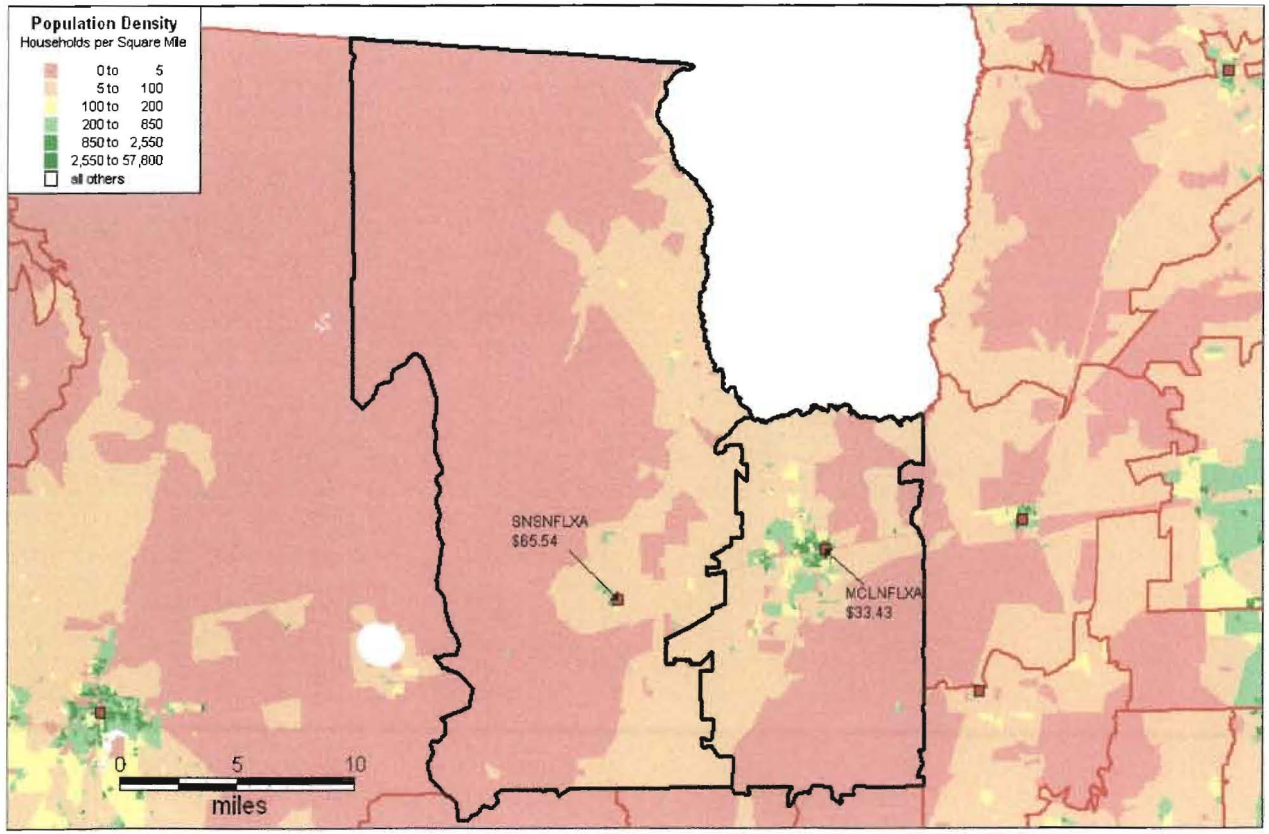
Source of Information: Results from the BCPM3 Model, submitted December 11, 1997 by Bellsouth Corporation, Bellsouth Telecommunications, Inc., U S. West, Inc. and SPRINT Local Telephone Companies, *Federal State Joint Board on Universal Service,* CC Docket No. 96-45 and *Forward-Looking Mechanism for High Cost Support for Non-Rural LECs,* CC Docket No. 97-160.

Basic Telephone Service - Cost vs. Density

Households per Square Mile	Monthly Cost
0-5	$ 133.00
5-100	48.44
100-200	30.72
200-850	26.43
850-2500	23.11
2500+	20.29

Source of Information: Results from the BCPM3 Model, submitted December 11, 1997 by Bellsouth Corporation, Bellsouth Telecommunications, Inc., U.S. West, Inc. and SPRINT Local Telephone Companies, *Federal State Joint Board on Universal Service,* CC Docket No. 96-45 and *Forward-Looking Mechanism for High Cost Support for Non-Rural LECs,* CC Docket No. 97-160.

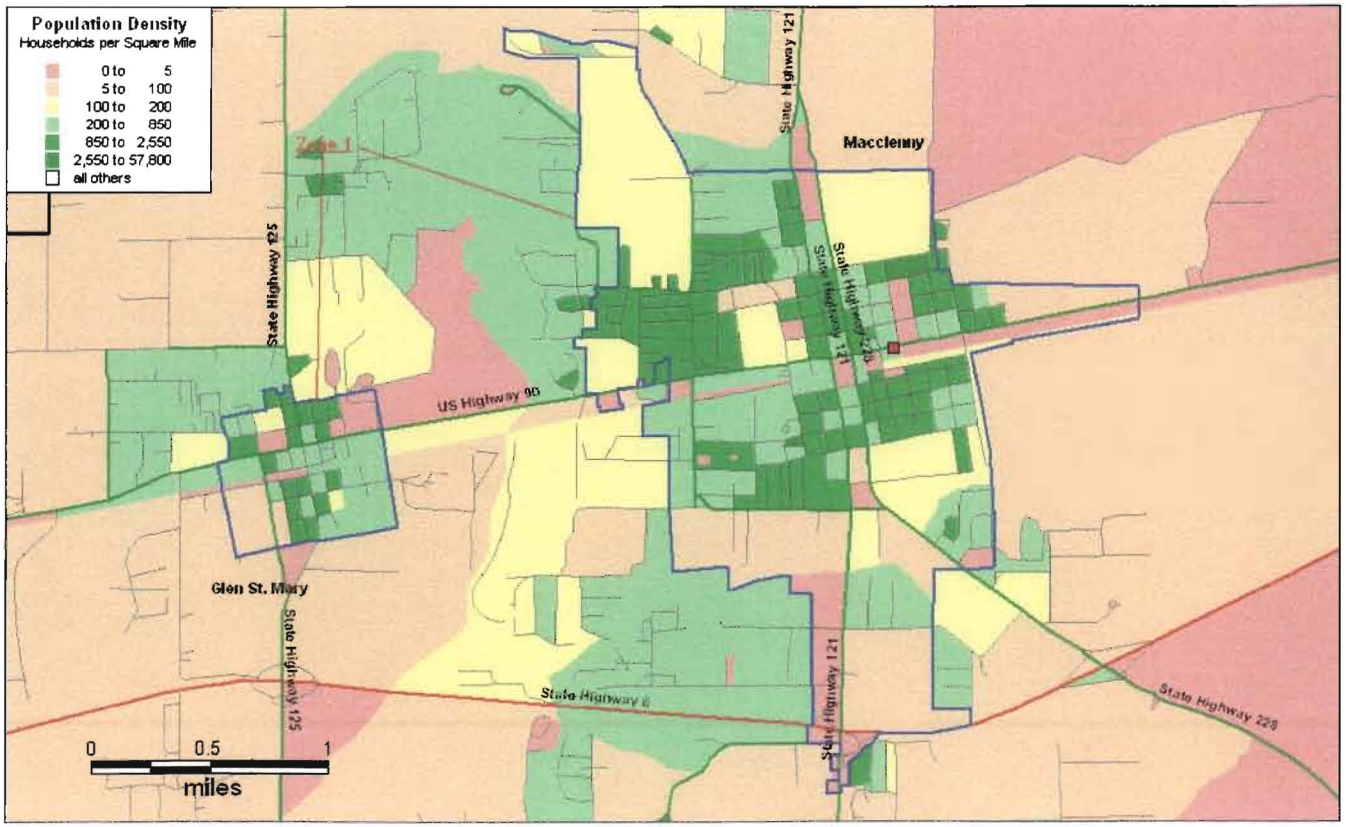
Study Area Population Density



Exchange Boundary

Company Wire Center

Zone 1 Boundary



City and Zone 1 Boundaries

Company Wire Center