

# BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Chariton )  
Valley Telephone Corporation for Authority and )  
Approval to Issue a Note, Loan Agreement, )  
Mortgage, Security Agreement, Financing )  
Statement, to Borrow Funds from the Rural )  
Utility Services of the United States of America )  
and for Interim Financing )

**Case No. IF-2007-0278**

## **DISSENTING OPINION OF COMMISSIONER CONNIE MURRAY**

I do not support the majority's decision to grant Chariton Valley Telephone Corporation's Application.

In its application Chariton Valley states that it "has determined that such work will require a loan in order to equitably distribute the costs of such work among present and future customers . . . ." (Application, p 4, section 7) In reality, however, the costs will be borne not by Chariton Valley customers but by customers of other carriers who live in more urban areas. This is a result of Chariton Valley's receipt of an additional \$3,000,000 per year from the high cost Universal Service Fund, an increase from the \$4,000,000 per year Chariton Valley currently receives for its 8,000 customers.

This financing transaction and the nearly doubling of Universal Service Fund receipts will allow Chariton Valley to keep its customers' rates for basic local service at their current level,<sup>1</sup> while significantly enhancing its infrastructure and its

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<sup>1</sup> Chariton Valley represented that it does not intend to increase local basic rates to repay the loan. It currently tariffs residential and business each at \$12.00/mo. The state average in 2005 was \$13.77, still well below cost.

customers' access to advanced services. Chariton Valley will be able to bundle services and receive increased income from advanced services. Chariton Valley's subscribers will have access to the best level of services without an increase in local basic rates because they have the benefit of a large government subsidy. As I said in my Dissenting Opinion in TU-2005-0358, dated June 30, 2005, the Universal Service Fund should not be leveraged to provide rural, high-cost carriers with broadband and video capabilities that exceed the "reasonably comparable" standard, and that are unnecessary for provision of basic telecommunications service.

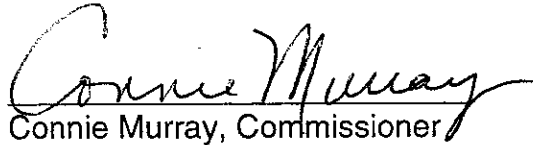
The Universal Service Fund program is, in my opinion, ripe for and severely in need of overhaul if not outright discontinuance.

In addition to reviewing the management, administration and oversight of the Universal Service Fund, the FCC continues to review the Inter-carrier Compensation regime in an attempt to craft a more equitable system. These reviews could result in lower payments to the carrier that terminates calls on its network. Should there be radical changes in the distribution of the Universal Service Fund or in the Inter-carrier Compensation regime, or both, the income that Chariton Valley is expecting to receive to cover its debt

service may evaporate or at least decrease substantially. Therefore, I do not believe that Chariton Valley's reliance on these revenue sources is reasonable.

For the above reasons, I respectfully dissent.

**Respectfully submitted,**

  
Connie Murray, Commissioner

Dated at Jefferson City, Missouri  
on this 20th day of March 2007.