

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of an Investigation Into)	
Various Issues Related to the Missouri)	Case No. TO-98-329
Universal Service Fund.)	

**SBC MISSOURI’S RESPONSE TO STAFF’S MOTION FOR COMMISSION ORDER
REGARDING ASSESSMENTS AND SURCHARGES**

COMES NOW Southwestern Bell Telephone, L.P., d/b/a SBC Missouri (“SBC Missouri”), and for its response to the Staff of the Missouri Public Service Commission’s (“Staff’s”) Motion for Commission Order Regarding Assessments and Surcharges (“Motion”), states as follows:

1. Staff’s February 16, 2005 Motion requests a Commission order that: 1) approves a Missouri Universal Service Fund (“MoUSF”) assessment percentage to begin carrier assessments for the Low-Income/Disabled portion of the MoUSF; 2) establishes a schedule for carrier assessments and end-user surcharges; and 3) waives rule 4 CSR 240-31.050(3)(D) to allow customers currently receiving federal Universal Service Fund support to be automatically eligible for MoUSF support.

2. While SBC Missouri remains committed to actively supporting implementation of the MoUSF and appreciates Staff’s efforts working with QSI Consulting to help coordinate implementation of the MoUSF, it respectfully submits that Staff’s Motion lacks important details, and thus should be denied as incomplete. SBC Missouri is not opposed to Staff’s proposal to begin billing the customer surcharge on May 1. However, as is explained further below, Staff’s Motion is incomplete in that it does not discuss either the timing of discounts available to eligible low-income and disabled customers nor the timing of reimbursements to

carriers that afford their customers such discounts. These timing issues are particularly important because, among other things, if the Commission accelerates the date on which carriers will begin offering their customers Lifeline discounts (as Staff appears to request), the MoUSF may not be adequately funded to reimburse those carriers for several months. SBC Missouri thus recommends that the Commission direct the MoUSF Fund Administrator (“Administrator”) to provide the Board a concrete plan for addressing these discount and carrier reimbursement timing issues. A later motion from Staff with this plan in hand would better allow the Commission to make an informed and reasoned decision. Alternatively, if the Commission decides to grant Staff’s present Motion, then SBC Missouri requests that the Commission address and clarify the several issues identified in this Response, which are not addressed by Staff’s Motion.

3. According to Staff’s Motion, on January 21, 2005 the MoUSF Board approved a 0.18% assessment pursuant to the Administrator’s recommendation. Motion, p. 2. Staff requests that the Commission issue an order directing applicable carriers to begin billing end-user surcharges on May 1, and further directing that carriers pay their assessments to the Administrator on the twenty-second day of every month, with the first assessment due on June 22. Id., p. 3.

4. Absent in Staff’s Motion is any indication of whether the Administrator has addressed the further handling of these funds – and in particular, the timing of disbursements – but it is clear that the Administrator should do so before carriers are required to pay their assessments. In this regard, the Administrator must balance two key considerations expressed in the Commission’s rules. Specifically, the Fund Administrator is charged with the responsibility to ensure that timely support payments are made to carriers seeking to receive funds from the

MoUSF. This responsibility is grounded in the Commission's rule requiring the Administrator to "schedule dates for payments of assessments in a manner which will provide sufficient cash flow and timing so that the Fund Administrator will be able to meet the fund's obligations to make support payments." 4 CSR 240-31.070(2). The Administrator is also charged with the responsibility to ensure that the MoUSF does not build up unnecessary cash. This responsibility is grounded in the Commission's rule providing that "[p]ayments of assessments shall not begin until a time close in proximity to the time that support payments shall begin so that the fund will not accrue an unnecessary cash surplus." 4 CSR 240-31.070(3).

5. In short, these considerations require the Administrator to strike a balance between the timing of carrier payments of assessments and two matters of great importance under the Commission's rules: (a) the timing of discounts available to eligible low-income and disabled customers and (b) the timing of reimbursements to carriers that afford their customers such discounts. It does not appear, at least from the Motion, that the Administrator has formally addressed either of these timing issues.

6. Unfortunately, because Staff's Motion fails to address these issues, when customer discounts and carrier reimbursement begin, it is an open question as to whether the MoUSF's cash flow will be sufficient in time to make support payments to carriers. Moreover, Staff's waiver request exacerbates this concern. Under the Commission's rules, individuals who qualify for low-income or disabled support are required to certify in writing "on an application designed for that purpose" that they are eligible for support. 4 CSR 240-31.050(3)(D). Staff's Motion, however, "requests that the Commission waive this requirement for the approximately 46,000 low-income Missouri telecommunications service customers that already receive federal Lifeline support since the eligibility criteria for the federal Lifeline program and the low-income

MoUSF are identical.” *Id.*, p. 4. Staff observes that “[a]llowing customers currently receiving federal Lifeline support to be automatically eligible for low-income support under the MoUSF would avoid an unnecessary application process since these customers have already met one of the eligibility criteria listed in the Commission’s rules at 4 CSR 240-31.010(9).” *Id.*, p. 5. (emphasis added).

7. It may well be that granting Staff’s waiver request would alleviate an administrative “application processing” burden, but the fact that customers would become “automatically eligible” for support could be problematic for carriers applying for reimbursements (i.e., applying to receive funds from the MoUSF). Staff’s Motion fails to provide any information as to the whether either the Staff or the Administrator believes (or intends) that these “newly-approved” 46,000 customers would immediately begin to receive the additional lifeline discount.¹ In any case, if it is either the Staff’s or the Administrator’s belief (or intent) to begin customer discounts any time before the collection of carrier assessments begins, it is difficult to discern under the incomplete schedule offered by Staff’s Motion precisely how the Administrator will timely pay carrier requests for reimbursements.

8. Again, the core problem is that Staff’s Motion, limited on its face to requesting an “Order Regarding Assessments and Surcharges” (*id.*, p. 1), does not address the concerns for which the Administrator must provide additional guidance, if not a firm and sufficiently detailed recommendation. That is not to say that the commencement dates for carrier assessments and surcharges should be made any earlier than Staff suggests. To the contrary, these dates should

¹ Staff’s use of the term “automatically eligible” and the tenor of its discussion suggest an assumption on its part that customer discounts would occur more quickly if the Commission rules on Staff’s waiver request as early as March 15, 2005 (as Staff’s Motion recommends. Motion, p. 3). It is also possible that Staff assumes only that assessments would occur more quickly if the Commission rules on Staff’s waiver request as early as March 15, 2005, thus permitting the MoUSF to develop the needed working capital to comfortably meet carrier requests for reimbursements precipitated by customer discounts offered in later (but unspecified) months. The Motion does not provide the clarity needed to identify what assumptions are made or intended.

not be made any earlier because, among other things, SBC Missouri and other carriers need to complete the process of bill message notifications to customers and to prepare and submit tariffs for the Commission's consideration and approval. But in all events, discounts to customers must be timed to occur properly. They cannot occur so early that the Fund Administrator will be unable "to meet the fund's obligations to make support payments," (4 CSR 240-31.070(2)), nor so late that the fund will accrue "an unnecessary cash surplus." 4 CSR 240-31.070(3).

9. SBC Missouri has considered potential dates that could address the timing of both customer discounts and carrier reimbursements and that would not require altering any of the dates proposed by Staff's Motion. Assuming that carriers begin billing surcharges on May 1, and that they also begin paying assessments on June 22, then (1) carriers could begin providing discounts effective June 1, (2) carriers could apply for reimbursements from the Administrator in early to mid-July of the cumulative discounts they provided low-income/disabled customers during June, and (3) the Administrator could make disbursements to carriers for those June discounts no later than the last business day of each month, i.e., starting July 29.

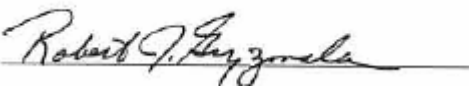
10. The integration of the foregoing proposed dates with those already proposed by Staff's Motion seeks to ensure that funds representing "two months of assessments" would always be available to pay carrier reimbursements representing "one month of discounts." At a minimum, it deserves serious consideration by the Administrator. The Administrator can then determine whether, in its view, this schedule would ensure that the MoUSF could both "meet the fund's obligation to make support payments" and do so without incurring "an unnecessary cash surplus."

11. In sum, SBC Missouri supports an expeditious implementation of the MoUSF for the benefit of low-income and disabled Missourians. However, because the need for a complete

and integrated schedule is critical to the program's success, Staff's Motion must be denied as incomplete. SBC Missouri recommends that the Commission direct the Administrator to consider and recommend a schedule that includes planned implementation dates for (a) carriers to offer eligible customers the Lifeline discount, (b) the Administrator's receipt and handling of carrier requests for reimbursements, and (c) the Administrator's making of disbursements to requesting carriers, including the potential dates suggested herein for the Administrator's consideration. Additionally, the Fund Administrator should be directed to recommend formal administrative procedures "for accepting applications [for support] from companies" and procedures for "disbursement[s]," both of which were specifically noted as initial action items in the Commission's March, 2002, Report and Order Establishing Low Income-Disabled Fund (p. 9). Only after these tasks are accomplished will the Commission then have a sufficiently informed basis on which to consider the matters raised by Staff's Motion. Alternatively, if the Commission decides to grant Staff's present Motion, then the Commission should address and provide the needed answers to all of these important issues.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE, L.P.

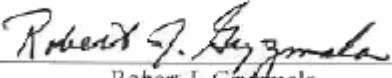
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Certificate of Service

I hereby certify that copies of the foregoing have been electronically mailed to all counsel of record this 28th day of February 2005.


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