

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

In the Matter of a Repository Docket in)	
Which to Gather Information About the)	
Lifeline Program and Evaluate the)	Case No. TW-2014-0012
Purposes and Goals of the Missouri)	
Universal Service Fund)	

**SPRINT COMMENTS IN RESPONSE TO THE NOTICE OF
OPPORTUNITY TO COMMENT**

Sprint Communications Company L.P., Sprint Spectrum L.P. and Virgin Mobile USA, L.P. d/b/a Assurance Wireless Brought To You By Virgin Mobile (collectively “Sprint”) hereby provides comments in response to the Notice of Opportunity To Comment (“Notice”) issued by the Commission on July 26, 2013. Sprint responds as follows:

I. INTRODUCTION

1. There is no need for the Missouri Public Service Commission (the “Commission”) to expand the existing Missouri Universal Service Fund (“Missouri USF” or “MUSF”). The data on subscribership indicates that additional subsidies are unnecessary to ensure that the citizens of Missouri continue to have access to voice service. In addition, there is no need to expand the MUSF to include support for broadband or wireless service at this time. To avoid additional administrative burden and expense, the Commission should mirror federal requirements for determining eligibility for Lifeline support, and should utilize the federal database for ensuring that customers do not receive duplicate Lifeline subsidies, once that database is developed.

II. PURPOSES AND GOALS OF THE MISSOURI UNIVERSAL SERVICE FUND

2. The Commission asks what the purposes and goals of the MUSF should be. The purpose of any USF is to provide affordable service to as many people as possible so that they can connect to the network, while minimizing the distortion of the market that occurs whenever a service is subsidized. Historically, universal service support has been provided for two different reasons.

3. In some areas, the cost of providing service is so high that the price customers are willing to pay for service is less than the cost of serving them. To address this issue, high cost funds, such as the high cost portion of the current federal USF, have been created to subsidize the cost of service in high cost areas.

4. The second reason for providing support is that some customers, even those not in high cost areas, are unable to afford service at the prevailing price. Both the Federal and existing Missouri USFs include this type of low income support.

5. Sprint does not support expanding the existing Missouri USF at this time. The existing Federal USF provides support to both high cost areas and low income customers, and the Missouri USF provides additional support for low income customers. There is no evidence that the current levels of support are insufficient to keep customers in Missouri from dropping off the network. Indeed, Missouri has a higher penetration rate¹ than the national average at all levels of income, as shown in Table 1 below.

¹ The penetration rate is the percentage of households in the state that have access to telephone service.

Income	<\$10K	\$10K to <\$20K	\$20K to <\$30K	\$30K to <\$40K	\$40K+	All
Missouri	93	97.2	98.6	98.4	98.9	96.8
United States	92	95.3	96.9	97.8	98.3	95.9

Source: 2012 Universal Service Monitoring Report, Table 3.8, available online at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-319744A1.pdf

More of Missouri’s citizens at all income levels are on the network, compared to the national average. Indeed, the penetration rate for all but the lowest income level in Missouri is higher than the national average penetration rate for all income levels. This clearly indicates that no expansion of USF subsidies is needed.

III. THE SCOPE OF THE MISSOURI USF DOES NOT NEED TO BE EXPANDED

6. As discussed above, Missourians of all income levels are able to connect to the network. The Commission asks if the existing USF needs to be expanded to include wireless or broadband services as well. Sprint does not believe that either of those modifications is necessary at the present time.

7. Ideally, any support should be provided on a technology-neutral basis to any carrier using any technology. However, determining the necessary level of support in such an ideal world would require that the Commission determine the lowest cost technology for providing service to each location, and providing the same level of subsidy to any carrier who served that location. The Federal Communications Commission (FCC) has in the past set its high cost support levels based on a cost model, but that cost model considered only circuit

switched wireline technology and even with that limitation it still took several years to develop the cost model and decide the hundreds of inputs that were used in the cost model.²

8. If the Missouri Commission were to expand the current USF to include a high cost component that correctly reflected today's technology choices, it would have to consider at a minimum wireline circuit switched service, voice over internet protocol (VOIP) technologies (including cable telephony), and wireless service. Needless to say, determining the cost model and ruling on the inputs needed for the cost model would be a very resource intensive process. Since there is no indication that there is any need to expand support, there is no need for the Commission and industry to dedicate resources to such an undertaking.

9. If wireless carriers are not eligible to receive funding, it would also be competitively unfair to require them to pay into the MUSF. As it is, wireless carriers must compete for customers against the federal subsidies received by wireline carriers. Requiring wireless carriers to pay into the MUSF would make the wireless carriers' prices even higher, as they would have to pass through to their customers the cost of any subsidy they had to pay.³

10. The available data also suggest that wireless carriers do not need subsidy to enable them to serve customers throughout Missouri. Based on the latest data available, there are 5,749,000 wireless customers in Missouri, but only 2,413,000 wireline customers.⁴ Although

² The FCC is currently developing a cost support model that reflects today's choices of wireline technology, but it still does not reflect wireless technology.

³ See Connect America Fund, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("*USF/ICC Transformation Order*" or "*Order*"); pets. for review pending sub nom. In re: FCC 11-161, No. 11-9900 (10th Cir. filed Dec. 8, 2011); Connect America Fund, WC Docket No. 10-90 et al., Order on Reconsideration, 26 FCC Rcd 17633 (2011); Connect America Fund, WC Docket No. 10-90 et al., Second Order on Reconsideration, FCC 12-47 (rel. Apr. 25, 2012) (Second Reconsideration Order), ¶ 857 ("...The excess of the payments over the associated costs constitutes an implicit subsidy of local phone networks – a subsidy paid by consumers and businesses everywhere in the country. This distorts competition, placing actual and potential competitors that do not receive these same subsidies at a market disadvantage, and denying customers the benefit of competitive entry.")

⁴ The data are for the second quarter of 2012, and come from *Local Telephone Competition: Status as of June 30, 2012*, released June 2013 by the Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, and available online at http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf.

these counts are not broken out by income levels, the fact that there are more than twice as many wireless as wireline customers suggests that wireless carriers have been able to attract customers from all income groups without the aid of additional state subsidy – but also without the drawback of paying subsidy for wireline MUSF support.

11. Neither should Missouri extend its USF subsidy to broadband service at this time. The FCC has recently redesigned its USF program, and as part of that redesign has targeted support to include broadband services.⁵ Sprint suggests that it would be preferable to monitor the results of federal broadband support initiatives before considering an extension of the Missouri USF to cover broadband services. Those trials should provide information on what types of support prove most effective and efficient at achieving the goal of enabling broadband services. Moreover, federal mechanisms are designed to provide fully adequate support such that no separate state support is needed.⁶

12. It is also important to note that the money used to provide support to broadband came from savings achieved in other parts of the USF program. Were Missouri to add support now for broadband services, it would need to identify a source for funding that added support. Either it would have to reduce payments under the existing program, or it would have to broaden the base of services that pay into the fund. Broadening the base of carriers (or services) that pay into the MUSF would distort the markets that are newly assessed, as it would result in a pass through of the increased subsidy costs to the customers of those carriers (or services). Until the

Wireline customer counts are in Table 9 of that report, and include carriers of all types, using both circuit switched and VOIP technology. Wireless customer counts are reported in Table 18.

⁵ See *USF/ICC Transformation Order*, ¶¶ 20, 115.

⁶ *USF/ICC Transformation Order*, ¶ 795 (“Our recovery mechanism will provide carriers with recovery for reductions in interstate *and* intrastate revenue. *As a result, states will not be required to bear the burden of establishing and funding state recovery mechanisms for intrastate access reductions ...*”) (emphasis added)

Commission can assess the effects of the FCC's broadband trials, Sprint urges the Commission not to expand MUSF support to broadband services.

IV. THE \$3.50 PER LINE PER MONTH SUPPORT AMOUNT SHOULD NOT BE INCREASED

13. The Missouri USF currently provides carriers who are certified as eligible telecommunications carriers with a \$3.50 per line per month subsidy for each customer who qualifies for Lifeline subsidy. This amount was instituted in 2005, when Missouri established its MUSF program. Before revising this support amount, the Commission should assess the effect that this subsidy has had on penetration rates since 2005, and increase the subsidy amount only if it is clear that an increase is necessary to have a significant effect on penetration rates without unduly distorting market competition. As discussed above, Missouri already enjoys a penetration rate at all levels of income that is above the national average. For that reason, Sprint believes the Commission would find that it is unnecessary to increase the per line subsidy amount.

V. TO MINIMIZE BURDEN, MISSOURI SHOULD GENERALLY MIRROR FEDERAL CRITERIA FOR ELIGIBILITY AND COMPLIANCE

14. The Commission asks whether it should expand the list of eligibility criteria for its Lifeline program. For administrative simplicity, it would be advisable to continue to mirror the eligibility criteria that the FCC uses, as Missouri currently does. These criteria should enable all customers who are truly in need of a low-income subsidy to qualify, and Sprint does not believe that any further criteria need to be added.

15. Similarly, mirroring the federal compliance requirements would minimize burden on both carriers and customers. The administrative burden on carriers, and thus the cost of the Missouri USF program, can be minimized by using the same compliance requirements for

carriers, so they do not have to follow two sets of rules. At a minimum, if Missouri does adopt different or additional compliance requirements for carriers, it should ensure that those compliance requirements do not conflict with the federal requirements. For the same reasons, using the same compliance requirements for customers as the FCC does will minimize customer confusion. If they have to provide one type of certification to their carrier for compliance with the FCC's program, and then a separate certification for the state USF program, they are likely to become confused, or will just assume that the second certification request is a duplicate request and therefore ignore it.

VI. MISSOURI NEED NOT IMPLEMENT ITS OWN DATABASE

16. The Commission asks whether it should implement a data base to confirm Lifeline subscriber eligibility. To the extent that Missouri implements the same eligibility criteria for Lifeline as the FCC does, it will not need to create its own database; it can simply use the FCC's database, once it is developed. Using the same database (and the same eligibility criteria) will reduce administrative costs of the Missouri USF and thereby minimize the burdens on Missouri ratepayers.

17. Missouri's USF also provides Lifeline support only to wireline carriers. This greatly reduces, if not eliminates, the likelihood that more than one carrier can serve a Lifeline customer and receive support. Thus, the main advantage of the customer eligibility database – that multiple carriers can confirm that a potential customer is not already receiving support for service bought from a different carrier – is rendered unnecessary. So long as support is limited only to wireline carriers, the benefit of a customer eligibility database is reduced, and therefore the potential benefit of creating a state-specific database is also lower.

VII. CONCLUSION

18. The Commission should not expand the existing Missouri USF at this time. There is no reason to believe that the existing support for voice services needs to be increased, nor that the expansion of coverage to include wireless or broadband services is necessary. The Commission should minimize administrative burden by continuing to mirror the federal eligibility rules, and can use the federal database once it is developed to confirm customers' eligibility for Lifeline support.

Respectfully submitted this 29th day of August, 2013.

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Certificate of Service

**Missouri Public Service Commission
Service List for Case No. TW-2014-0012**

The undersigned hereby certifies that on this 29th day of August, 2013, a copy of the above and foregoing SPRIN T COMMENTS IN RESPONSE TO THE NOTICE OF OPPORTUNITY TO COMMENT was served via electronic mail to the email address of each party to this proceeding as it appears on the Commission's official service list.

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