BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Staff's Review of the)	
Commission's Chapter 31 Rules)	File No. TW-2017-0078

AT&T RESPONSES TO STAFF QUESTIONS CONCERNING USF SUPPORT FOR A BROADBAND-ONLY SERVICE

AT&T¹ appreciates the opportunity to respond to the questions posed by Staff² on the proposal to expand the Missouri Universal Service Fund ("USF") to support a broadband-only service within the state Lifeline and Disabled programs. AT&T respectfully states:

1. How, if at all, will Staff's projections that Missouri USF program participants will continue to decline at the rate of 15% per year be impacted by this proposal? If your response depends on the current Missouri USF support level, please clarify and explain.

<u>AT&T Response</u>: The proposal to expand the Missouri USF to support a broadband-only service could lead to higher participation levels than Staff projects. While the magnitude of the potential increase remains uncertain, expansion of the Lifeline and Disabled programs to include the additional supported service could result in undue and increased financial pressures on the fund because of the mismatch between contributing services (i.e., services subject to USF assessments) and supported services (i.e., services receiving subsidies). Currently, assessments fall solely on the state's diminishing customer base of wireline voice services, the only services for which state law authorizes support.³ The Commission has no jurisdiction to impose such assessments on wireless service.⁴ And the FCC has preemptively barred states from imposing any USF contribution requirement on broadband. In its *Open Internet Order*, the FCC stated:

Telecommunications companies shall:

(1) Collect from their end users the universal service fund surcharge in the same competitively neutral manner as other telecommunications companies and interconnected voice over internet protocol service providers, remit such collected surcharge to the universal service fund administrator, and receive, as appropriate, funds disbursed from the universal service fund, which may be used to support the provision of local voice service; (emphasis added)

See also Section 392.248 RSMo., which permits MoUSF support only for "essential local telecommunications services."

¹ Southwestern Bell Telephone Company, d/b/a AT&T Missouri, and its affiliates will be referred to herein as "AT&T."

² MoPSC Staff Request for Comment, File No. TW-2017-0078, filed May 18, 2017.

³ Section 392.611.1(1) RSMo. states:

⁴ Section 386.020(54)(c) RSMo. provides that "Telecommunications service does <u>not</u> include: . . . [T]he offering of radio communication services and facilities when such services and facilities are provided under a license granted by the Federal Communications Commission under the commercial mobile radio services rules and regulations . . ." (emphasis added)

[We] conclude that the imposition of state-level contributions on broadband providers that do not presently contribute would be inconsistent with our decision at the present time to forbear from mandatory federal USF contributions, and therefore, we preempt any state from imposing any new state USF contributions on broadband – at least until the [FCC] rules on whether to provide for such contributions. . . . We . . . are not aware of any current state assessment of broadband providers for state universal service funds. ⁵

2. Does your company offer landline broadband service? If yes, does your company offer broadband-only service? If broadband service is solely available on a bundled basis with voice service, please explain why a broadband-only service is not offered and whether the company intends to eventually offer a broadband-only service.

<u>AT&T Response</u>: Yes. AT&T offers landline broadband service, and does so on both a packaged and a stand-alone basis.

3. If your company offers a landline broadband-only service, how comparable are the rates for a broadband-only service versus a bundled package of voice and broadband services?

<u>AT&T Response</u>: The rate for a stand-alone service generally is discounted when included in a bundled package with other services. Price comparisons will vary depending on the package the customer selects.

- 4. If your company participates in the Lifeline program:
- a. How many Lifeline subscribers are currently provided with landline broadband-only service?
- b. How many Lifeline subscribers are currently provided with a landline bundled voice/broadband service?
- c. Will expanding Missouri USF support to a broadband-only service within the Lifeline and Disabled programs cause a significant impact on program participation?

<u>AT&T Response</u>: AT&T has relinquished its Eligible Telecommunications Carrier status and stopped enrolling new customers in the Lifeline and Disabled programs. AT&T will complete its withdrawal from the State Lifeline and Disabled Programs, effective July 5, 2017. Although AT&T will no longer be a recipient of support under these programs, it will remain a contributor to the USF fund with respect to its wireline voice services and remains interested in the fund's operations.

As noted in the response to Question No. 1 (above), expansion of support to a broadband-only service within the Lifeline and Disabled programs could result in undue and increased financial pressures on the fund because of the mismatch between the contributing services and supported services. To the extent the Commission seeks to make state-based USF support available for broadband service, the state USF statutory scheme will need to be amended to provide the

⁵Report & Order on Remand, Declaratory Ruling, and Order, *In the Matter of Protecting & Promoting the Open Internet*, FCC 15-24, ¶ 432, ¶ 432 n.1282 (released Mar. 12, 2015) (the "*Open Internet Order*").

⁶ Order Confirming AT&T Missouri's Relinquishment of its Eligible Telecommunications Carrier Designation, File No. IO-2017-0132, issued January 11, 2017, at p. 4.

Commission with necessary jurisdiction and to lay out the general framework for such a change that was not contemplated under the current law. Moreover, participation in any state Lifeline broadband program, like that established under the federal Lifeline program, should be voluntary (i.e., not impose mandatory obligations to offer state Lifeline discounts on internet access services on any provider who does not voluntarily opt to participate in the state program).

Irrespective of whether the state program is modified to provide support for internet access services, more than 30 fixed-location broadband service providers in Missouri, consisting of rate of return and price cap carriers, are receiving considerable amounts of funding from the federal Connect America Fund ("CAF") program. To be eligible to receive CAF support, each of these carriers must be designated as an eligible telecommunications carrier, and each is required to offer federal Lifeline discounts on internet access service where they make internet access service available pursuant to the CAF. In addition, AT&T understands that a number of mobile wireless Lifeline-only ETCs (such as Safelink Wireless (TracFone); Assurance Wireless; and QLink Wireless) are also offering federal Lifeline discounts on mobile wireless internet access services. Consequently, federal Lifeline discounts on internet access services should be widely available in Missouri.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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