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this case to investigate various issues related to the Missouri Universal Service Fund (USF). Following the suggestions of the Staff of the Commission (Staff), the Commission divided the issues into three phases: determination of a just, reasonable and affordable (JRA) rate; selection of a costing method; and determination of subsidies and other payments. The Commission issued an order directing scenarios on December 7, 2000, and responses to the scenarios were submitted

and choose elements from various parties' proposals, and the resulting scenario responses were not what the Commission expected. In fact, some of the results appear counterintuitive. For the Commission to fine tune the results using the scenario process would be grossly inefficient. The Commission and the parties could spend months, or even years, in a series of scenario iterations. The Commission will therefore direct the parties to establish a series of technical

workshops to collaboratively develop a proposal (or proposals)<sup>1</sup> for the USF. By working together to create a coherent proposal, the parties can ensure that the USF created by the Commission will be workable, will treat all facets of the telecommunications industry fairly, and will comport with the statutes and rules governing the USF. Both the Small Telephone Company Group and Sprint suggested variations of the workshop approach the Commission is adopting herein.

The Commission will appoint the Manager of the Telecommunications Department of the Utility Operations Division of the Staff (Telecom Department) as coordinator and leader. The Telecom Department will be responsible for scheduling and organizing the workshops, as well as for reporting to the Commission on progress made. The Commission will schedule the first workshop, and the parties, with the assistance of the Telecomm Department, will schedule further workshops. To ensure that discussions progress steadily, the Commission will require that two- or three-day workshops be held twice each month. The Commission will not require that parties be represented by attorneys at these workshops, and in fact encourages parties to participate through employees or consultants with technical rather than legal expertise<sup>2</sup>.

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1 The Commission realizes that it is possible that not all parties will agree on a single proposal. In that event, the Commission expects that the parties will submit more than one proposal, but that each will be complete, and the Commission will be able to choose one cohesive proposal without having to resort to assembling a possibly unworkable fund from discrete elements.

2 The Commission will waive the requirements of 4 CSR 240-2.116(3) insofar as it requires representation by an attorney. The Commission will not waive the requirement that each party be represented at each workshop.

The Commission will establish only the broadest parameters at this time so as not to impinge on the parties' ability to be creative and attain consensus. The parties may propose one statewide or up to three different JRA rates. The parties may not propose a hypothetical cost model, but may propose a cost model based on embedded cost<sup>3</sup>. The embedded cost calculations should use the most recent data available (1999 data, if possible). The parties should identify the level at which costs are developed (exchange, wire center, cluster, etc.), and explain the rationale for using that level. The parties may propose any "package" of subsidies and other payments, but the package should be consistent with the costing model proposed. The parties should propose that all carriers be assessed, and that assessments be based on the level of net jurisdictional revenues<sup>4</sup> from the preceding calendar year or, if a company was not in business for the entire preceding calendar year, then on the level of net jurisdictional revenues from the preceding calendar quarter. Only primary residential lines shall be eligible for USF support.

The parties' first objective will be to agree upon and propose to the Commission a low income fund. The parties should be able to submit a complete low income fund proposal to the Commission within seven months. The Commission will also require the Telecom Department, through pleadings, to inform the Commission of progress

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3 The Commission may consider hypothetical cost models at a later date, should there be reason to believe such models are sufficiently mature.

4 Net jurisdictional revenue shall be regulated intrastate end user retail revenues, net of any uncollectibles.

made. The Telecom Department will be required to file status reports at the beginning of each month, starting in September 2000. The Telecom Department will also be required to inform the Commission after three months whether it appears possible that the parties will be able to reach consensus on a proposal or proposals.

**IT IS THEREFORE ORDERED:**

1. That a workshop will be held at the Commission's offices on July 25, 2000, through July 27, 2000, for the purpose of beginning the collaborative process to develop a proposed Missouri Universal Service Fund.

2. That the parties shall meet twice monthly until they have developed a complete proposal or proposals to implement the Missouri Universal Service Fund.

3. That, no later than January 25, 2001, the parties shall submit their proposal or proposals to implement the low income portion of the Missouri Universal Service Fund.

4. That the Telecommunications Department of the Utility Operations Division of the Staff of the Commission, through pleadings filed by the General Counsel's Office, shall inform the Commission of the progress made by the parties as discussed herein.

5. That this order shall become effective on July 7, 2000.

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read "Dale Hardy Roberts". The signature is written in a cursive, somewhat stylized script.

**Dale Hardy Roberts**  
**Secretary/Chief Regulatory Law Judge**

(S E A L)

Lumpe, Ch., Drainer, Murray, Schemenauer,  
and Simmons, CC., concur

Mills, Deputy Chief Regulatory Law Judge