

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Amount Assessed on)
Companies to Fund the Missouri Universal) File No. TO-2014-0333
Service Fund)

**Comments of the Missouri Small Telephone Company Group and
the Missouri Independent Telephone Company Group**

In response to the Missouri Public Service Commission (Commission) Staff Motion to Alter Assessment, the Missouri Small Telephone Company Group (STCG) and Missouri Independent Telephone Company Group (MITG),¹ hereinafter collectively referred to as the STCG, offer the following comments:

I. Introduction

The STCG is made up of thirty-five (35) small, Incumbent Local Exchange Carriers (ILECs), each serving between approximately 200 and 15,000 access lines in predominately rural areas within the state of Missouri. The STCG companies have a long history of providing excellent telecommunication service to rural Missouri. Many STCG members have been providing service for over 100 years, and the STCG companies continue to upgrade their networks to provide advanced telecommunications services, including broadband transmission services, in rural Missouri. The STCG companies' ability to provide state-of-the art telecommunications services, including broadband services, is due, in no small measure, to the high-cost support they receive from the Federal Universal Service Fund (USF).

¹ See Attachment A.

In 2011, the Federal Communications Commission (FCC) issued an *Order*² that dramatically changed the way Federal Universal Service Funding and intercarrier compensation (ICC) will be administered. As part of its *Order*, the FCC required small rural ILECs such as the STCG companies to raise their basic local rates for residential service in order to continue receiving Federal USF high-cost support. As a result, nearly all of the STCG companies have raised their residential rates to \$14.00 per line, per month.³

On June 10, 2014, the FCC issued another *Order*⁴ that established a December 1, 2014 deadline (less than six months away) for a \$16.00 ILEC rate floor (a \$2.00 increase and the third rate increase in as many years). The FCC's *Order* also establishes an \$18.00 floor for 2016 and a \$20.00 floor for 2017.⁵ In sum, local rates for the STCG companies have increased significantly over the past two years and will continue to increase significantly through 2017 due to the FCC's *Orders*, but the amount of Missouri Universal Service Fund (MoUSF) support for disabled and low-income subscribers has remained constant at \$3.50.

II. Response to Staff

A. Missouri USF Low-Income and Disabled Support Should Be Increased.

Staff's memorandum suggests that the Commission and the MoUSF Board "may want to consider an increase in the amount of support provided to Lifeline customers."⁶

² *Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 et al; *In the Matter of the Connect America Fund*; FCC 11-161; released Nov. 18, 2011.

³ Prior to the FCC's *Order*, many STCG companies had rates below \$10.00 per line, per month.

⁴ *Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 et al; *In the Matter of the Connect America Fund*; FCC 11-161; released June 10, 2014, ¶180.

⁵ *Id.* at ¶180. In the event that the FCC's 2016 and 2017 urban rate survey results produce rates lower than \$18.00 and \$20.00, respectively, then the rate floor is subject to a "whichever is lower" clause.

⁶ Staff Memorandum, p. 10.

The STCG supports increased MoUSF support for low-income and disabled customers. Over the last two years, the FCC's *Order* has resulted in significant rate increases, and its latest *Order* establishes a December 1, 2014 deadline for \$16.00 rates. But MoUSF support amounts have remained the same, so rural disabled and low-income customers have seen significant rate increases. Low-income customers are the least able to withstand a \$6.00 (or more) monthly rate increase over three years. Increased MoUSF support could lessen the impact of the rate increases on these customers.

The funds currently sitting in the MoUSF were collected and designated to assist low-income and disabled customers, so they should be put to the use they were intended by increasing the MoUSF support amount for disabled/low-income customers. Thus, the STCG supports Staff's suggestion of raising the support amount to \$6.50.

B. The MoUSF Assessment Should Be Reduced Carefully, If At All.

Decreasing the assessment will likely produce no noticeable benefit for subscribers. The assessment is already set at a very low rate, resulting in only a few pennies each month. In the past, emergency measures were required when the MoUSF Fund balance dropped below sufficient levels. Therefore, the Commission and MoUSF Board should use a careful, measured approach if it decides to reduce the current MoUSF Assessment.

If the MoUSF Assessment is set at an even lower level, then it may also cause billing problems. For example, a \$14.00 monthly local rate times the current rate of .0017 equals \$0.0238 which would be rounded to 2 cents on a customer bill for most companies. However, a \$14.00 local rate times .0003 equals \$0.0042 which would round to zero in most billing systems. Therefore, the STCG recommends that the

Commission and the MoUSF Board use a cautious approach if they decide to reduce the MoUSF Assessment.

C. High-Cost USF Support Should Be Considered.

Section 392.248.2 of Missouri's Revised Statutes states that funds from the MoUSF shall only be used for three purposes:

- (1) To ensure the provision of reasonably comparable essential local telecommunications service, as that definition may be updated by the commission by rule, **throughout the state including high-cost areas**, at just, reasonable and affordable rates;
- (2) To assist low-income customers and disabled customers in obtaining affordable essential telecommunications services; and
- (3) To pay the reasonable, audited costs of administering the universal service fund.

(Emphasis added.) Currently, the MoUSF is only being used to: (a) assist low-income and disabled customers in obtaining affordable telecommunications service; and (b) pay reasonable, audited costs of administering the MoUSF.

Although the Commission held numerous weeks of hearings and technical workshops between 1998 and 2000, the "High-Cost" component of the MoUSF was never implemented. Circumstances have changed dramatically since 2000 in the wake of the FCC's November 2011 *Connect America Fund Order*. Currently, the question of whether the MoUSF should include High-Cost support is before the Commission in File No. TW-2014-0012, and initial comments were filed in February of this year. Because the question of MoUSF High Cost support is pending before the Commission in an ongoing proceeding, the Commission should be aware that any decision to establish MoUSF High Cost support mechanisms could create the need to increase the MoUSF Assessment. This presents another reason for the Commission to use caution in

reducing the MoUSF Assessment. If the MoUSF Assessment is reduced significantly and a High Cost Fund is subsequently established, then this could create a need to increase the MoUSF Assessment significantly. This “yo-yo” effect can be avoided by making cautious, incremental changes to the MoUSF Assessment.

III. Conclusion

The STCG recommends that MoUSF disabled/low-income support be increased to \$6.50. The STCG also recommends that the Commission and MoUSF Board employ a cautious approach if they decide to reduce the MoUSF Assessment.

At this time, the STCG has no comments or position on the other specific issues identified in Staff’s memorandum.

Respectfully submitted,

Brydon, Swearngen & England, P.C.

/s/ Trip England
W. R. England, III Mo. Bar #23975
Brian T. McCartney Mo. Bar #47788
312 East Capitol Avenue
P. O. Box 456
Jefferson City, Missouri 65102-0456
Telephone: (573) 635-7166
Facsimile: (573) 634-7431
Email: trip@brydonlaw.com
bmccartney@brydonlaw.com

Attorneys for Missouri STCG

Johnson and Sporleder, LLP

/s/ Craig S. Johnson
Craig S. Johnson
2420 Hyde Park Road, Suite C
Jefferson City, MO 65109
(573)659-8734
(573)761-3587 fax
cj@cjlaw.com

Attorney for MITG

ATTACHMENT A

Missouri Small Telephone Company Group

BPS Telephone Company
Citizens Telephone Company of Higginsville, Mo.
Craw-Kan Telephone Cooperative, Inc.
Ellington Telephone Company
Farber Telephone Company
Fidelity Telephone Company
Goodman Telephone Company
Granby Telephone Company
Grand River Mutual Telephone Corporation
Green Hills Telephone Corporation
Holway Telephone Company
Iamo Telephone Company
Kingdom Telephone Company
K.L.M. Telephone Company
Le-Ru Telephone Company
Lathrop Telephone Company
Mark Twain Rural Telephone Company
McDonald County Telephone Company
Miller Telephone Company
New Florence Telephone Company
New London Telephone Company
Northeast Missouri Rural Telephone Company
Orchard Farm Telephone Company
Oregon Farmers Mutual Telephone Company
Ozark Telephone Company
Peace Valley Telephone Company, Inc.
Rock Port Telephone Company
Seneca Telephone Company
Steelville Telephone Exchange, Inc.
Stoutland Telephone Company

Missouri Independent Telephone Company Group

Alma Communications Company d/b/a Alma Telephone Company
Chariton Valley Telephone Corporation
Choctaw Telephone Company
MoKAN DIAL Inc.
Otelco Mid-Missouri, LLC