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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 23rd
day of December, 1997.

In the Matter of the Development of a Forward-)
looking Economic Cost Study for Purposes of) Case No. TO-98-64
Determining Federal Universal Service Support)
in the State of Missouri.)
)

**ORDER APPROVING STIPULATION AND AGREEMENT
AND ADOPTING THE FCC'S FORWARD-LOOKING COST METHODOLOGY**

The Commission established this case by order on August 29, 1997,
for the purpose of investigating the development of a forward-looking
economic cost study for use in determining federal universal service
support in Missouri. The Commission gave notice to all telecommunications
companies and set the case for an early prehearing conference. The
Commission granted intervention to the following entities:

MCI Telecommunications Corporation and MCImetro
Access Transmission Services, Inc.;

Brooks Fiber Communications of Missouri, Inc.;

GTE Midwest Incorporated;

TCG St. Louis;

the Small Telephone Company Group¹;

¹ ALLTEL Missouri, Inc., BPS Telephone Company, Bourbeuse Telephone
Company, Cass County Telephone Company, Citizens Telephone Company of
Higginsville, Missouri, Inc., Craw-Kan Telephone Cooperative, Inc.,
Ellington Telephone Company, Farber Telephone Company, Fidelity Telephone
Company, Granby Telephone Company, Grand River Mutual Telephone Corpora-
tion, Green Hills Telephone Corporation, Holway Telephone Company,
Iamo Telephone Company, KLM Telephone Company, Kingdom Telephone Company,
(continued...)

Southwestern Bell Telephone Company;

AT&T Communications of the Southwest, Inc.;

COMPTEL-MO;

Kansas City Fiber Network, L.P.;

CMT Partners;

Ameritech Communications International, Inc.;

Missouri State Library; and

an Educators' Group comprised of Missouri National Education Association, Missouri Association of School Administrators, Missouri State Teachers Association, Missouri School Boards Association, Cooperating School District of Greater St. Louis, Cass County Reorganized School District R-IX of Harrisonville, Missouri, Reorganized School District R-VI of Greene County, Missouri, at Strafford, Blue Eye R-5 School District of Stone County, Missouri, at Blue Eye, and Missouri Federation of Teachers and School Related Personnel.

The parties met in a prehearing conference on September 10, and filed a Stipulation and Agreement and Alternative Procedural Schedule on September 26, recommending that the Commission not develop a Missouri state-specific forward-looking economic cost study for purposes of determining federal universal service support. Rather, the parties stated that the Commission should adopt the forward-looking economic cost study which will be developed by the Federal Communications Commission (FCC). Because not all of the parties were signatories to the Stipulation and Agreement, the Commission issued a notice permitting time for those nonsignatory parties to request a hearing. No party made such a request

¹ (...continued)

Lathrop Telephone Company, Le-Ru Telephone Company, Mark Twain Rural Telephone Company, McDonald County Telephone Company, Miller Telephone Company, New Florence Telephone Company, New London Telephone Company, Orchard Farm Telephone Company, Oregon Farmers Mutual Telephone Company, Rock Port Telephone Company, Steelville Telephone Exchange, Inc., and Stoutland Telephone Company.

and, therefore, the Stipulation and Agreement filed in this case will be treated as a unanimous stipulation in accordance with 4 CSR 240-2.115(3).

The Commission conducted a stipulation hearing on November 17 for the purpose of allowing the parties to make presentations in favor of the Stipulation and to respond to Commission questions.

Discussion:

In the text of the Stipulation, and at the November 17 hearing, the parties offered several reasons for the recommendation to adopt the FCC's cost methodology. First, the parties pointed out that state models must be approved and submitted to the FCC by February 6, 1998. It would take a significant amount of time to choose and refine a model and develop state-specific inputs. Therefore, the Commission would be working under serious time pressure and would not be able to develop the most accurate and appropriate cost model. This lack of time could have serious consequences, especially since the FCC has ordered that any study proposed by a state for use in determining federal universal service support must also be used by that state in determining intrastate universal service support levels pursuant to 47 U.S.C. § 254(e).²

The parties also pointed out that the states will have the opportunity to file comments on the forward-looking cost model being developed by the FCC. The FCC's model will not be completed until August 31, 1998.

Finally, the parties argued that the adoption of a state-specific cost model creates a risk that Missouri telecommunications companies will

² In the Matter of Federal-State Joint Board on Universal Service, FCC 97-157 (released May 8, 1997), ¶ 251.

receive less support than they might using an FCC model, because the Missouri model could yield costs substantially less than those derived from the FCC model. On the other hand, if the Commission-approved model were to yield results significantly above those derived from the FCC model, it would be unlikely that the FCC would approve Missouri's model.

Findings and Conclusions:

The Commission has reviewed the Stipulation of the parties, the transcript of the hearing, and the applicable law and finds that the stipulation should be approved in resolution of the issues.

The FCC directed states wishing to submit proposed cost studies for purposes of federal universal service support to file them by February 6, 1998.³ States electing not to submit proposals have the option of adopting the FCC's forward-looking cost methodology to be completed in 1998.⁴ The Commission finds that the complexity and contentiousness of the costing model issue make it unlikely that this Commission could develop an acceptable model within any reasonable time frame, and certainly not by the February, 1998 deadline currently in effect. The Commission is also concerned that its options for Missouri universal service fund implementation not be foreclosed by approving a costing model for the federal fund.

Missouri law permits the Commission to adopt a stipulation entered into by the parties in resolution of a contested case. § 536.060 RSMo Supp. 1996. The Commission finds that the Stipulation filed in this

³ *Id.*, at 248.

⁴ *Id.*, at 249.

case presents a reasonable resolution of the issues that is in the public interest and it shall be approved.

IT IS THEREFORE ORDERED:

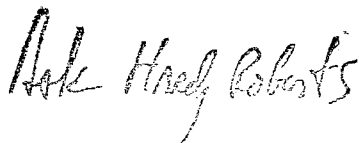
1. That the Stipulation of the parties filed on September 26, 1997, is adopted in resolution of the issues.

2. That the Staff of the Commission will prepare comments for the purpose of providing input to the development of the Federal Communications Commission's forward-looking cost methodology in accordance with FCC 97-57, paragraph 249.

3. That this order shall become effective on January 2, 1998.

4. That this case will be closed on January 6, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Drainer
and Murray, CC., concur.

Wickliffe, Deputy Chief Regulatory Law Judge