

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

In the Matter of an Investigation Into)
Various Issues Related to the Missouri)
Universal Service Fund.)

Case No. TO-98-329

**MOTION FOR COMMISSION ORDER
REGARDING ASSESSMENT AND
MOTION FOR EXPEDITED TREATMENT**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its Motion for Commission Order Regarding Assessments and Surcharges states:

1. In this motion the Staff requests a Commission order that approves a modification to the Missouri Universal Service Fund ("MoUSF") assessment percentage for the Low-Income/Disabled portion of the MoUSF from 0.0018 to 0.0029.

2. Section 392.248 RSMo 2000 establishes the MoUSF "to ensure just, reasonable and affordable rates for reasonably comparable essential local telecommunications services throughout the state." Funds from the MoUSF may only be used: 1) to ensure reasonably comparable essential local telecommunications service 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 costs of administering the MoUSF.

3. The Commission established the Low-Income/Disabled portion of the MoUSF in its March 21, 2002 *Report and Order Establishing Low-Income/Disabled Fund* ("Order"). In 2003 the Commission amended its rules to implement the Low-Income/Disabled portion of the MoUSF as outlined in the Commission's *Order*.

Assessment Percentage

4. The MoUSF is to be funded through assessments on all applicable telecommunications companies in the state which shall be based on Missouri jurisdictional telecommunications services revenue and other nondiscriminatory factors as determined by the Commission. Applicable carriers shall recover their assessments from the Missouri Universal Service Fund through an explicit surcharge on bills to end-users. 4 CSR 240-31.065. Assessments are to be determined according to 4 CSR 240-31.060(5):

(A) The Fund Administrator shall summarize the funding requests from companies serving high cost areas and from companies providing service to low-income customers and disabled customers to calculate a statewide funding requirement for the MoUSF. At the inception of the fund, the Fund Administrator may also make estimates of the funding requirements for those companies whose funding has not been finally determined.

(B) The Fund Administrator shall submit to the board its determination of the funding requirements, along with its determination of the revenues upon which the assessments shall be made and the percentage assessment to be made upon the net jurisdictional revenues of each applicable carrier.

(C) The board shall review the Fund Administrator's submission and approve an appropriate percentage assessment to be made upon the applicable revenues to each Missouri telecommunications company to provide funding for the MoUSF.

The Commission established an assessment of 0.0018 in its Order of March 17, 2005, as amended by its Notice of Correction of March 18, 2005. On March 8, 2007 the MoUSF Board approved a 0.0029 assessment pursuant to the recommendation from the MoUSF Administrator and supported by the Board's Staff. See Appendix A and attachments. Accordingly, the Staff requests a Commission order authorizing the MoUSF Administrator to begin assessing telecommunications carriers 0.0029, pursuant to 4 CSR 240-31.060(5).

5. Staff will file a subsequent motion in this case after receiving additional information from carriers regarding implementation capabilities, including its recommendation on an implementation schedule.

MOTION FOR EXPEDITED TREATMENT

6. Staff requests expedited treatment under 4 CSR 240-2.080(16). Staff requests that the Commission act as quickly as possible on its Motion, due to the urgency of the potential shortfall in the Universal Service Fund's bank account. There will be no negative effect on customers or the general public if the Commission acts at its earliest convenience. This pleading is filed as soon as it possibly could be filed to address the financial situation of the MoUSF. As part of its request for expedited treatment, Staff requests that the Commission shorten the response time to this pleading under the provisions of 4 CSR 240-2.050(3), and direct the Data Center to send notice to all interexchange carriers, competitive local exchange carriers, and incumbent local exchange carriers advising them that this Motion has been filed and that their response time has been expedited, with responses to be submitted by 5:00 P.M. on Wednesday, March 14, 2007.

WHEREFORE, the Staff respectfully requests that the Commission issue an order that: 1) approves a modification to the current MoUSF assessment percentage from 0.0018 to 0.0029 for the Low-Income/Disabled portion of the MoUSF in an expedited manner; and 2) directs a response from carriers on an expedited basis.

Respectfully submitted,

/s/ David A. Meyer

David A. Meyer
Senior Counsel
Missouri Bar No. 46620

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of March 2007.

/s/ David A. Meyer

AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF COLE)

On March 5, 2007, the Universal Service Board Staff received a call from the Universal Service Fund Administrator indicating checks had been written in excess of the balance in the Fund. In response, Staff requested various forms of documentation to review the balance of the Fund.

According to Administrator-provided reports, the balance in the Fund as of February 28, 2007 was in excess of \$200,000. In reality, according to the Administrator's general ledger, the fund balance on February 28, 2007 was <\$15,663.55> and on March 5, 2007 was <13,343.86>.

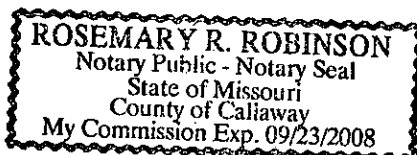
As can be seen by Attachment 1, disbursements from the Fund have been steadily increasing, while receipts remain flat. Therefore, Staff recommends that the Commission increase Missouri Universal Service Fund assessment from the current rate of 0.0018 to 0.0029.

Attachment 2 represents the dire need for prompt action. Even with an increase in the Missouri Universal Service Fund assessment, as a result of the misleading information provided by the Missouri Universal Service Fund Administrator the Fund will not have a positive balance until approximately October 2007.

Natelle Dietrich

Natelle Dietrich
Regulatory Economist III
Affiant

Subscribed and affirmed before me this 8th day of March 2007. I am
commissioned as a notary public within the County of Cole, State of Missouri,
and my commission expires on 9-23-2008.



Rosemary R. Robinson
NOTARY PUBLIC

MEMORANDUM

TO: MISSOURI UNIVERSAL SERVICE BOARD
FROM: PETER GOSE
SUBJECT: RECOMMENDATION FOR ASSESSMENT PERCENTAGE CHANGE
DATE: 3/8/2007
CC: MICHAEL STARKEY

SUMMARY

The purpose of this Memorandum is to request the Board to increase in the MoUSF assessment percentage. My recommendation is that the assessment percentage be increased from .0018 to .0029. I believe this is the course of action that should be pursued in order to sustain growth and reestablish a reasonable reserve over the next 12 months. Staff has performed its own analysis and has reviewed our recommendation and underlying analysis and is in agreement with this recommendation.

ANALYSIS

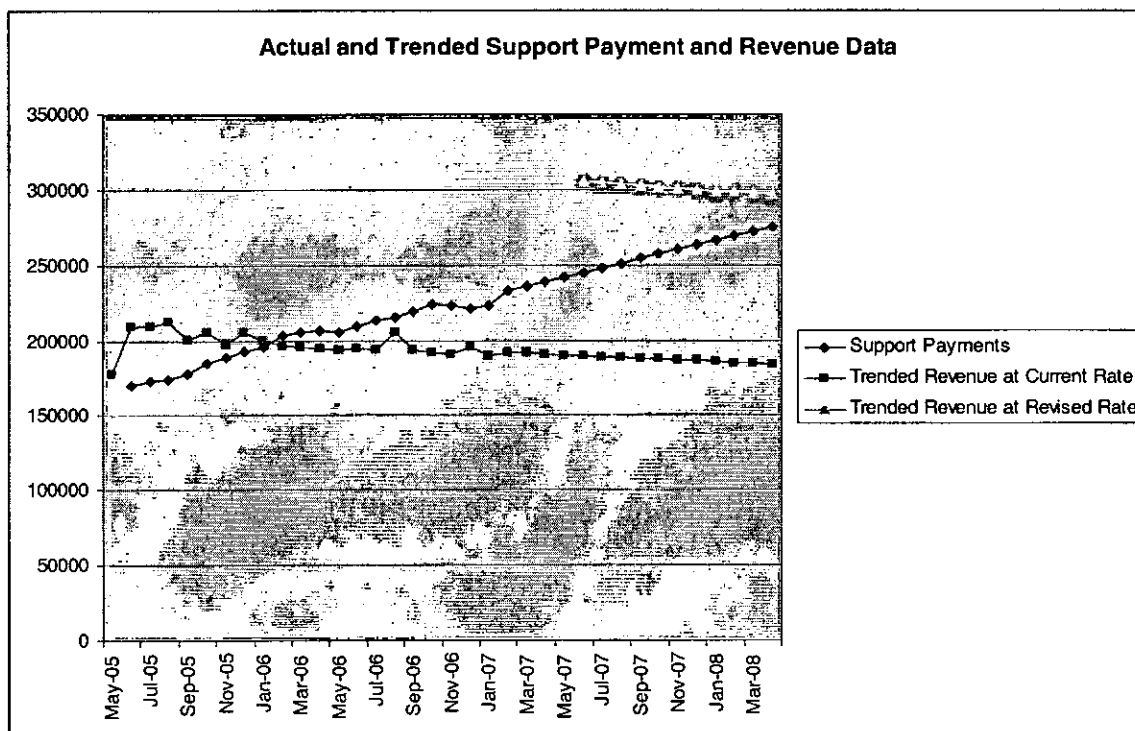
I arrived at the .0029 figure by [1] analyzing the actual disbursements from the fund since its inception and trending the growth of the fund out over a 1 year period from March 2007 through February 2008, and [2] looking at actual remittances and trending those remittances over the same time frame. The chart on the following page depicts that analysis and also includes the estimated revenues that would be generated given a revised assessment percentage. The chart assumes that additional revenues generated by the increased assessment percentage would be realized beginning in June 2007. In addition to the trending of revenues and disbursements the analysis further considers the reasonable expenses of the fund over that same timeframe.

The increased assessment is intended to accomplish three goals: (a) maintain an uninterrupted flow of funds sufficient to meet disbursement requirements between now and March 2008, (b) establish a reasonable reserve to accommodate unforeseen fluctuations in either receipts or disbursements and (c) provide for the recovery of any payments advanced to the fund by the administrator to cover any shortfall that may be experienced in the near term while the new assessment percentage is phased in.

RESULTS OF RECOMMENDED ASSESSMENT PERCENTAGE

Application of an increased assessment percentage of .0029 to the current base of assessable revenue indicates that the fund would generate approximately \$3,860,000.00 in the first 12 months after the new percentage is phased in. After covering all disbursements I calculate that the fund would have a cushion of \$249,700.00 twelve months from today.

ASSESSMENT PERCENTAGE MEMORANDUM



It seems clear that the magnitude of monthly disbursements will continue to increase based upon increased demand from eligible subscribers. However, it seems clear from past data that at the current assessment level receipts may well remain relatively flat over the same timeframe or even possibly experience a slight decrease.

To conclude, I believe that this recommendation will establish a reasonable reserve for the fund that can be reestablished within several months of the new assessment percentage being adopted. Please contact me at any time with questions.

Missouri Universal Service Board **Cash Flow Estimates .0029 Assessment**

Month	Beginning Balance	Receipts	Subtotal	Expenses	Ending Balance
Mar-07	(\$13,000)	\$201,250	\$188,250	\$238,557	(\$50,307)
Apr-07	(\$50,307)	\$201,250	\$150,943	\$255,700	(\$104,757)
May-07	(\$104,757)	\$201,250	\$96,493	\$244,597	(\$148,104)
Jun-07	(\$148,104)	\$201,250	\$53,146	\$247,616	(\$194,470)
Jul-07	(\$194,470)	\$322,980	\$128,510	\$264,759	(\$136,249)
Aug-07	(\$136,249)	\$322,980	\$186,731	\$253,656	(\$66,925)
Sep-07	(\$66,925)	\$322,980	\$256,055	\$256,675	(\$620)
Oct-07	(\$620)	\$322,980	\$322,360	\$273,817	\$48,543
Nov-07	\$48,543	\$322,980	\$371,523	\$284,715	\$86,808
Dec-07	\$86,808	\$322,980	\$409,788	\$265,733	\$144,055
Jan-08	\$144,055	\$322,980	\$467,035	\$282,876	\$184,159
Feb-08	\$184,159	\$322,980	\$507,139	\$271,781	\$235,358
Mar-08	\$235,358	\$322,980	\$558,338	\$274,792	\$283,546
Apr-08	\$283,546	\$322,980	\$606,526	\$291,934	\$314,592
May-08	\$314,592	\$322,980	\$637,572	\$280,832	\$356,740
Jun-08	\$356,740	\$322,980	\$679,720	\$283,850	\$395,870
Jul-08	\$395,870	\$322,980	\$718,850	\$300,993	\$417,857
Aug-08	\$417,857	\$322,980	\$740,837	\$289,890	\$450,947
Sep-08	\$450,947	\$322,980	\$773,927	\$292,909	\$481,018
Oct-08	\$481,018	\$322,980	\$803,998	\$310,051	\$493,947
Nov-08	\$493,947	\$322,980	\$816,927	\$320,949	\$495,978
Dec-08	\$495,978	\$322,980	\$818,958	\$301,967	\$516,991
Jan-09	\$516,991	\$322,980	\$839,971	\$319,110	\$520,861
Feb-09	\$520,861	\$322,980	\$843,841	\$308,016	\$535,825

Attachment 2 to Appendix A