

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

In the Matter of an Investigation Into)	
Various Issues Related to the Missouri)	Case No. TO-98-329
Universal Service Fund.)	

STAFF RESPONSE

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its Staff Response states:

1. On February 16, 2005, the Staff filed its Motion for Commission Order Regarding Assessments and Surcharges ("Motion"). The Staff's Motion requested a Commission order that: 1) approves a MoUSF assessment percentage to begin assessments for the Low-Income/Disabled portion of the MoUSF; 2) establishes a schedule for applicable carrier assessments and end-user surcharges; and 3) waives rule 4 CSR 240-31.050(3)(D) to allow low-income customers already receiving federal Lifeline support to be automatically eligible for MoUSF support.

2. On February 28, 2005, Southwestern Bell Telephone, L.P. d/b/a SBC Missouri ("SBC") filed its SBC Missouri's Response to Staff's Motion and for Commission Order Regarding Assessments and Surcharges ("Response"), and requested that the Motion be denied. SBC asks the Commission to direct the Administrator to recommend an implementation schedule as well as formal administrative procedures. The Commission directed the Staff to file a response to SBC's filing no later than March 4, 2005.

3. The initial purpose of the Staff's motion was to follow the Commission's *Report and Order Establishing the Low-Income/Disabled Fund*, which states:

Because there are rule changes needed, and because there are administrative matters that the Missouri Universal Service Fund Board needs to address, the Commission will establish in a later order the dates on which assessments are to begin, and on which carriers may begin adding the surcharge to customers' bills.¹

The Staff filed its Motion pursuant to the Commission's suggestion that it would establish in a later order the dates for assessments and carrier surcharges. Accordingly, the Staff's Motion requested an order that establishes May 1, 2005 as the first date for end-user surcharges and June 22, 2005 as the first date for carrier assessments.

4. The Staff further requested a Commission determination of the assessment percentage. This request is consistent with Section 392.248.3 RSMo 2000, which directs the Commission to "establish the level of the universal service fund funding requirement necessary to fund" the MoUSF.

5. Lastly, the Staff requested a waiver for certain low-income and disabled customers from following the Commission's MoUSF application rules. The Staff made this request pursuant to discussions during a meeting of the MoUSF Board regarding the necessity of requiring existing federal Lifeline customers to follow the application process of 4 CSR 240-31.050(D).

6. SBC requests an order from the Commission directing the Administrator to recommend a schedule that includes dates for: 1) carriers offering the discount, 2) the Fund Administrator's receipt and handling of requests for reimbursement, and 3) reimbursements to carriers. SBC further requests that the Commission direct the Fund Administrator to recommend formal procedures for accepting carrier applications and procedures for carrier disbursements. The Staff believes that it may be more appropriate for decisions regarding scheduling and other administrative procedural matters relating to the MoUSF to be handled by the Fund

¹ *Report and Order Establishing Low-Income/Disabled Fund*, pp. 16-17.

Administrator and the MoUSF Board, as opposed to a decision by the Commission. As the Commission is aware, Section 392.248.1 RSMo 2000 directs the MoUSF Board to supervise and manage the MoUSF. To aid carriers concerned with these dates and procedures, the Fund Administrator has agreed to furnish the Staff with a schedule of dates for discounts and reimbursements, and a recommended procedure for reimbursements, as requested by SBC. In recent discussions the Fund Administrator indicated that such information could be provided to the MoUSF Board and the Staff no later than noon on Wednesday, March 9, 2005. The Staff will submit these explanations by filing them in this case as soon as they are available to the Staff.

7. SBC also questions the sufficiency of the MoUSF's cash flow when customer discounts and carrier reimbursements begin. The Staff reminds the Commission that Section 2.3.7(b) of the Request for Proposal ("RFP") outlining the Fund Administrator's duties states that the Administrator "shall secure a line of credit of not less than \$500,000 on behalf of the MoUSF." This line of credit is "solely for the purposes of paying expenses of the MoUSF and of making disbursements to qualified local exchange carriers during periods of temporary cash shortfall." The MoUSF Administrator estimates that the initial months of the fund are when any shortfall is most likely to temporarily arise and believes that the line of credit will be more than sufficient to cover any and all required disbursements. If the approximate 46,000 low-income customers in Missouri that currently receive federal Lifeline support were immediately made eligible and received a \$3.50 MoUSF discount per month, the \$500,000 line of credit could potentially fund carrier disbursements for three months without collecting a penny through the end-user surcharge. While this does not alleviate the need to establish dates by which the

discounts and reimbursements will begin, it certainly lessens SBC's concern regarding sufficient cash flow and mitigates the potential for a MoUSF shortfall.

8. The Staff does not believe SBC has raised any questions regarding the implementation of the MoUSF that cannot be explained in sufficient detail by the Administrator. The Staff continues to support the requests it made in its Motion, and will immediately file the implementation dates and procedures as explained by the Administrator once they are provided to the Staff. However, as stated above, the Staff does not believe that the Commission needs to take action on those items since they involve the MoUSF Board's supervision and management of the MoUSF.

WHEREFORE, the Staff offers this response to SBC Missouri's Response to Staff's Motion and for Commission Order Regarding Assessments and Surcharges.

Respectfully submitted,

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/s/ Marc Poston

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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 4th day of March 2005.

/s/ Marc Poston
