

Exhibit Number:

Issue: ETC Designation and  
Public Interest  
Witness: Robert C. Schoonmaker  
Supplemental Rebuttal  
Testimony  
Sponsor: Small Telephone  
Company Group  
Case No.: TO-2005-0384

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

**In the Matter of the Application of USCOC )  
of Greater Missouri, LLC for Designation as )  
an Eligible Telecommunications Carrier ) Case No. TO-2005-0384  
Pursuant to the Telecommunications Act )  
of 1996. )**

**SUPPLEMENTAL REBUTTAL TESTIMONY OF  
ROBERT C. SCHOONMAKER**

**On behalf of The Small Telephone Company Group**

**November 14, 2006**

**NON-PROPRIETARY**

**\*\* Denotes Excluded Highly Confidential Material\*\***

TABLE OF CONTENTS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I.	BACKGROUND OF WITNESS	3
II.	PURPOSES OF TESTIMONY	3
III.	REGULATORY CHANGES OCCURRING SINCE THE PRIOR HEARING	4
IV.	ISSUES RELATED TO THE COMMISSION RULES	7
V.	USCOC'S AUGUST 15, 2006 COMPLIANCE FILING	12
VI.	USCOC'S SERVICE COVERAGE	17
VII.	COMMISSION RULES REGARDING FINANCIAL REPORTS	22
VIII.	PUBLIC POLICY ISSUE	26
IX.	SUMMARY	29

1  
2 **SUPPLEMENTAL REBUTTAL TESTIMONY OF**  
3 **ROBERT C. SCHOONMAKER**  
4  
5

6 **I. BACKGROUND OF WITNESS**  
7

8 Q. Please state your name and address.

9 A. My name is Robert C. Schoonmaker. My business address is 2270 La Montana  
10 Way, Colorado Springs, Colorado 80918.  
11

12 Q. By whom are you employed and in what capacity?

13 A. I am President and CEO of GVNW Consulting, Inc., a consulting firm  
14 specializing in working with small telephone companies.  
15

16 Q. Are you the same Robert C. Schoonmaker that previously filed testimony in this  
17 proceeding?

18 A. Yes, I am.  
19

20 Q. Are you continuing to provide testimony on behalf of the Small Telephone  
21 Company Group (STCG)?

22 A. Yes. Members of the STCG were provided in RCS Schedule-1 attached to my  
23 Rebuttal Testimony filed on September 12, 2005.  
24

25 **II. PURPOSE OF TESTIMONY**  
26

27 Q. What is the purpose of your Supplemental Rebuttal Testimony?

1 A. Since it has been a considerable time since the bulk of the evidence was presented  
2 in this case, I will summarize some of the salient issues in this case that have been  
3 addressed in prior testimony, particularly in relationship as to whether  
4 circumstances have changed since that previous testimony was presented. In  
5 addition, I will provide testimony on the two-year plan provided by US Cellular  
6 (USCOC) in its filing with the Commission on August 11, 2006.

7

8 **III. REGULATORY CHANGES OCCURRING SINCE THE PRIOR**  
9 **HEARING**

10

11 Q. Have there been changes in the regulatory environment relating to the granting of  
12 ETC status in Missouri since the prior hearing in this case?

13 A. Yes. There have been some. These include the adoption of a rule regarding the  
14 granting of ETC status, implementation of the Missouri Universal Service Fund  
15 (MoUSF) for Lifeline, Linkup, and other handicapped customers, and the granting  
16 of ETC status by the Commission to two other wireless carriers in the state.<sup>1</sup>

17

18 Q. Let's turn first to the adoption of a rule by the Commission regarding the granting  
19 of ETC status. I presume that you are referring specifically to 4 CSR 240-3.570  
20 which was added to the Commission's rules. Is that correct?

21 A. Yes, it is. The rules contained in this section became effective on June 30, 2006  
22 after being published in the State Register. They contain the provisions that the

---

<sup>1</sup> Mo PSC Case No. TO-2005-0466 (Northwest Missouri Cellular) and TO-2006-0172 (Missouri RSA No. 5, aka Chariton Valley Cellular).

1 Commission has adopted in regard to both the granting of ETC status and the  
2 annual certification of that status to the FCC.

3

4 Q. Does the adoption of these rules have an impact on this case and the decisions that  
5 the Commission will need to make in regard to USCOC's application?

6 A. Yes. The adoption of these rules provides specific guidance on how the  
7 Commission will view ETC applications and the criteria that an applicant must  
8 address and meet in order for them to be granted ETC status. In a number of  
9 cases, the additional specificity provided by the Commission's rules will have an  
10 impact on this case as it was previously presented. In addition it is important to  
11 note that the Commission applied its rules to the Northwest Missouri Cellular and  
12 Chariton Valley Cellular applications.

13

14 Q. Can you give an example of this?

15 A. Yes. 4 CSR 240-3.570(2)(B) states that a CMRS carrier applying for ETC status  
16 has to make a commitment to abide by a consumer code adopted by the Cellular  
17 Telecommunications and Internet Association (CTIA). This rule is similar to  
18 requirements adopted by the FCC in this regard for carriers filing for ETC status  
19 before the FCC. In my Rebuttal Testimony, I recommended that the Commission  
20 go beyond this requirement and require CMRS providers to comply with rules  
21 similar to those imposed on incumbent local exchange carriers (ILECs). The  
22 STCG recognizes that the Commission rule did not adopt the position we  
23 recommended in this case. While we don't necessarily agree that the Commission

1 made the right decision in its rule in this regard, we recognize now that the issue  
2 in this case should relate specifically to whether USCOC is in compliance with  
3 the CTIA Consumer Code. I will briefly address this issue later in my testimony.

4  
5 Q. You mentioned also that the MoUSF had been implemented since the testimony  
6 was presented in the prior hearing. What is the impact of this change on the  
7 issues in this proceeding?

8 A. This will primarily impact the public interest considerations in regard to the  
9 comparability of rates between USCOC and the ILECs for Linceline service. With  
10 the implementation of the MoUSF, Lifeline customers of wireline service will  
11 receive substantially greater discounts than before the MoUSF was implemented  
12 and greater discounts in comparison to CMRS providers.

13  
14 Q. What significance does the Commission's granting ETC status to two other  
15 CMRS providers have on considerations in this case?

16 A. First, simply because the Commission granted ETC status to Northwest Missouri  
17 Cellular and Chariton Valley Cellular in their applications, it should not  
18 automatically conclude that USCOC should also be granted ETC status. The  
19 factual situations regarding the applications are different in some significant  
20 respects. The Commission should continue to review the USCOC application  
21 based on the specific factual information provided by USCOC in regard to the  
22 requirements established by federal statute and by its rules and those factual

1 situations are different in the USCOC application from the prior applications that  
2 were approved.

3 Second, since USCOC is requesting ETC status in some of the same areas that  
4 ETC status has been granted in the prior applications, the Commission should  
5 consider, from a policy standpoint, whether it should grant multiple wireless ETC  
6 applications in the same areas.

7  
8 **IV. ISSUES RELATED TO THE COMMISSION RULES**

9 Q. Let's turn back now and address in more detail issues that arise from changes in  
10 the Commission's rules. First, did the Commission's rules contain any specific  
11 provisions on updating ETC applications?

12 A. They did. 4 CSR 240-3.570(5)(F) requires carriers with requests for ETC status  
13 pending before the Commission to file any updated information required by the  
14 new rules within 30 days of the effective date of the rules or to file a statement  
15 indicating that no updates need to be made.

16  
17 Q. Did USCOC make such a filing?

18 A. It is my understanding that they did not within that time frame. They did file their  
19 updated two-year plan for use of USF funds, information that is required by the  
20 new rules, on August 11, 2006, a few days beyond the date required by the new  
21 rules. In a later pleading before the Commission, on September 21, 2006,  
22 USCOC argued that the record that had been previously established contained all

1 the information in compliance with the Commission's rule (with the exception of  
2 the two (2) year plan) and did not need to be supplemented further.

3

4 Q. In reviewing the requirements of the new rules are there issues which you believe  
5 that USCOC did not address in their prior testimony?

6 A. Yes. 4 CSR 240-3.570(2)(C) specifies that "...each request for ETC designation  
7 shall include a plan outlining the method for handling unusual construction or  
8 installation charges. 4 CSR 240-3.570(3)(C)3B and C discuss steps that a CMRS  
9 provider shall undertake in responding to requests for service where they do not  
10 currently provide service. Subparagraph 3C indicates that where unusual  
11 circumstances are encountered that customers requesting service may be charged  
12 for some of the constructions charges associated with additional construction.  
13 While in the direct testimony of Mr. Wright on Page 8, he outlined procedures  
14 that he indicated USCOC would follow similar to those required in 4 CSR 240-  
15 3.570(3)(C)3B, he provided no information on the process or procedures that  
16 USCOC would use in regard to charging construction charges. USCOC has not  
17 addressed in its case, this specific issue required by the Missouri rules.

18

19 Q. In your Rebuttal Testimony on Page 33 you addressed concerns as to whether  
20 USCOC had adequate procedures to comply with the steps that Mr. Wright  
21 outlined. Do those concerns continue?

22 A. Yes. As I explained in that testimony, we asked in a data request to provide the  
23 procedures that would be used and that are used in other states, USCOC indicated



1 that the procedures were being developed, but could provide no specific  
2 procedures that it had in place. In data requests submitted on September 29,  
3 2006, to USCOC, the STCG included a request (DR 2.13) asking for responses to  
4 any previous data requests to be updated if new information had been developed  
5 or the answers had changed because of passage of time. Attached as RCS  
6 Schedule-14, is USCOC's reply indicating that there were no updates to previous  
7 data requests. I can only presume then, that USCOC still does not have any  
8 procedures developed for implementing the steps required by the Commission's  
9 rules.

10

11 Q. 4 CSR 240-3.570(2)(A)10 requires an ETC application to commit to offer a local  
12 usage plan comparable to the plan offered by the ILEC in the requested area. Do  
13 you believe that USCOC has, in fact, offered such a plan.

14 A. I do not. In my Rebuttal Testimony, I included RCS Schedule-2 which showed  
15 the local service rates for the STCG ILEC study areas for which US Cellular had  
16 requested ETC status. As I explained there, the ILEC rates in general range  
17 between \$11 and \$19 per month including the federal Subscriber Line Charge  
18 (SLC). At that time the lowest USCOC rate plan, as shown on RCS Schedule-3  
19 was a \$39.95 plan which included 1000 minutes (originating and terminating).

20

21 Q. Does the Schedule NW-1 which Mr. Wright propounded as US Cellular's current  
22 rate plans still reflect their current plans?

1 A. Apparently it does not. I had my staff access the USCOC website on November  
2 10, 2006 and extract the latest rate plans available for customers in Missouri.  
3 Attached as RCS Schedule-15 is the data we found on the lower priced "Wide  
4 Area Plans" that USCOC currently offers.

5

6 Q. Is a \$39.99 plan the lowest plan rate that USCOC currently offers?

7 A. No, they now apparently offer a \$29.99 plan with 300 originating and terminating  
8 minutes included in the plan. However, I do note that their \$39.99 plan only  
9 includes 700 minutes now, and to receive 1000 originating and terminating  
10 minutes, the price is now \$49.99. While several of the USCOC higher rated plans  
11 include unlimited terminating minutes, none of them include unlimited originating  
12 minutes. I also note for the lower priced plans, the cost of roaming minutes has  
13 increased from \$0.40 per minute to \$0.49 per minute.

14

15 Q. Do the plans that USCOC offer to comply with 4 CSR 240-3.570(2)(A)10  
16 compare to the plans that are offered by Northwest Missouri Cellular and  
17 Chariton Valley Cellular.

18 A. No. Both of those CMRS providers committed to offer a plan comparable to the  
19 ILEC calling plans which includes unlimited local calling within a calling area  
20 similar to the ILEC calling area. USCOC does not offer a similar plan, nor has it  
21 made such a commitment.

22

1 Q. 4 CSR 240-3.570(2)(A)10 also requires a CMRS provider requesting ETC status  
2 to offer Lifeline and Link-up plans comparable to ILEC offerings. Can you  
3 comment on the Linline plan that USCOC proposed?

4 A, Yes. I discussed this previously on pages 23 and 24 of my Rebuttal Testimony.  
5 At that time USCOC offered a Lifeline plan at \$25.00 per month with 125  
6 minutes of use and \$0.40 per minute for additional usage. USCOC has offered no  
7 information that indicates that their pricing for Lifeline service has changed.  
8 However, in our review of USCOC's website on November 10, 2006 we found  
9 that their Lifeline pricing in other states where they have been granted ETC  
10 service has changed. In those states their Essential Lifeline service offering is  
11 priced at \$29.99 and includes 300 minutes of service. Based on Mr. Wright's  
12 earlier testimony they would, to eligible customers, provide a discount of \$8.25 to  
13 STCG customers who subscribed to such service (\$6.50 federal SLC discount  
14 plus \$1.75 Tier II discount).<sup>2</sup> RCS Schedule 16 which is attached to this  
15 testimony is a copy of the USCOC web page regarding Lifeline rates as of  
16 November 10, 2006.

17

18 Q. How has implementation of the MoUSF changed the comparability of Lifeline  
19 rates between USCOC and the incumbent ILECs?

20 A. Since by Missouri law, USCOC is not defined as a "telecommunications carrier",  
21 USCOC neither contributes to or receives funding from the MoUSF. The ILECs  
22 both contribute to and receive MoUSF funding for Lifeline customers. Thus the

---

<sup>2</sup> See Wright direct testimony, p. 6.

1 implementation of the MoUSF increases the cost disparity between the ILEC  
2 lifeline rates and USCOC lifeline rates.

3

4 Q. With the implementation of the MoUSF what is the potential Lifeline discount  
5 that an eligible Lifeline customer could receive from an ILEC and from USCOC?

6 A. The maximum they could receive from an ILEC is \$13.50 consisting of the \$6.50  
7 federal SLC, the Tier II discount of \$1.75, the MoUSF discount of \$3.50 and the  
8 federal Tier III discount of \$1.75. From USCOC, the maximum discount would  
9 be \$8.25 consisting of the \$6.50 federal SLC and the Tier II discount of \$1.75.

10

11 Q. Have you prepared a comparison of the Lifeline Rates that customers of the  
12 ILECs and of USCOC would pay.

13 A. Yes, I have prepared RCS Schedule-16 to illustrate the comparison between the  
14 ILEC and USCOC Lifeline rates.

15

16 Q. Are the USCOC Lifeline rates, in your opinion, comparable to the ILEC Lifeline  
17 rates?

18 A. No. As illustrated on RCS Schedule-16 they are considerably higher. It is clear  
19 from this Schedule that a Lifeline customer, from a financial standpoint, would  
20 not be financially better off by subscribing to the USCOC Lifeline service.

21

22 **V. USCOC's AUGUST 15, 2006 COMPLIANCE FILING**

23

1 Q. Have you reviewed USCOC's filing of August 15, 2006 and additional materials  
2 received through data request responses to the parties related to that filing?

3 A. Yes.

4  
5 Q. After reviewing these materials does the new data presented have an impact on  
6 your earlier discussion (Rebuttal Testimony, pages 61 through 73) regarding the  
7 provision of service throughout the territory for which USCOC has requested  
8 ETC designation?

9 A. Yes, the additional materials presented may impact that discussion for some of the  
10 STCG companies.

11

12 Q. Did USCOC provide with its filing an updated map of the coverage provided by  
13 its towers in Missouri?

14 A. Yes. Appendix 4 of the filing (designated HC) is a map of USCOC's existing  
15 coverage of Missouri. The copy of this Appendix available to the STCG from the  
16 Commission's web site is a black and white copy only. Further, the Legend and  
17 other text descriptions are too small to be legible. The STCG received a copy of  
18 the four color version of the map on November 13 and is currently evaluating the  
19 data shown in more detail on the map.

20

21 Appendix 5 of the filing (also designated as HC) shows the coverage that will  
22 result from the additional sites included in USCOC's two-year plan. This was also  
23 only available in black and white on the Commission's web site and in the

1 information provided to counsel. However, upon request from USCOC I also  
2 received a color copy of this map on November 13, 2006. I have requested Mr.  
3 Glenn Brown to provide me with additional maps showing the coverage areas as  
4 shown in these maps in relation to the STCG exchange boundaries. RCS  
5 Schedule 18(HC), Page 1 shows the USCOC existing coverage from USOC's  
6 August filing in comparison to the STCG exchanges.

7  
8 Q. Did you compare the existing coverage area as shown in Appendix 4 of USCOC's  
9 August compliance filing as shown on RCS Schedule 18(HC), Page 1, with the  
10 coverage area identified by USCOC last year as depicted in RCS Schedule 7(HC),  
11 Page 3?

12 A. Yes, I did. This is displayed in RCS Schedule 18(HC), Page 2. On this Schedule  
13 the existing coverage map is displayed in black while the coverage provided  
14 earlier in this proceeding is depicted in grey. In reviewing these maps visually it  
15 is quite evident that the coverage area depicted for existing coverage on the  
16 current map is larger than that depicted in RCS Schedule 7(HC), Page 3. In  
17 response to a data request from CenturyTel (DR #16), (See Schedule RCS-19)  
18 USCOC provides an explanation as to why the coverage area is different.  
19 Basically, USCOC indicates the coverage area has been expanded because they  
20 have added "...numerous cell sites..." in the interim period and because they have  
21 "...tuned or adjusted..." their propagation model.

22

1 Q. Are the locations of the additional towers that USCOC constructed in the interim  
2 period between the production of the maps displayed on RCS Schedule 18(HC),  
3 Page 2?

4 A. Yes. These are depicted by the red dots on the Schedule. In reviewing the  
5 locations of these sites, it is evident that the increased coverage in some areas of  
6 the state, such as the southwestern corner of the state and the southern part of the  
7 state in general, has not been the result of new towers near the STCG exchanges.  
8 Tower locations in the central and northeastern parts of the state would appear in  
9 some cases to have provided improved coverage for STCG exchanges in some  
10 instances.

11  
12 Q. What is your reaction to the considerable increase in coverage depicted by  
13 USCOC in its August filing in comparison to that provided earlier in the  
14 proceeding?

15 A. I am puzzled by the substantial increase in the coverage area where new towers  
16 have not been constructed. I have reviewed the current map in comparison with  
17 the prior one and the level of coverage is identified using the same scale in both  
18 maps. I believe that USCOC owes a more detailed explanation so that the parties  
19 and the Commission can better ascertain which of the two coverage maps is most  
20 credible.

21  
22 Q. Did USCOC provide a coverage map for the towers that they included in their  
23 two-year plan for future construction?

1 A. Yes. RCS Schedule 18(HC), Page 4 is a depiction of the coverage projected by  
2 USCOC from the towers they propose to build in their two-year plan. RCS  
3 Schedule 18(HC), Page 5 combines the existing and proposed coverage areas with  
4 the proposed coverage area depicted in red while the existing area is in black.

5

6 Q. What are your observations regarding these two maps?

7 A. First, I note that there are relatively few STCG exchanges that will receive  
8 improved coverage as a result of the construction of the additional towers during  
9 the two-year plan. Secondly, it is my observation that the new towers are being  
10 located in areas where they will, to a large extent, strengthen coverage in areas  
11 where coverage already exists, and to a much smaller extent expand coverage to  
12 areas where there is no coverage. I would also observe that at this rate of  
13 expansion it will take a considerable time to cover the large parts of USCOC's  
14 requested ETC area where they currently provide no service.

15

16 Q. Why is the level of coverage important for the Commission to consider in this  
17 case?

18 A. As I indicated on Page 57 of my Rebuttal Testimony, Section 214(e) of the Act  
19 states that for an ETC applicant to receive designation and support in a rural  
20 telephone company's service area, it must provide services for which it will  
21 receive support "throughout the service area for which the designation is  
22 received". The evidence presented in this case by the parties involved clearly  
23 demonstrates that in at least some of the study areas for which USCOC is



1 requesting ETC status, they do not provide service “throughout the study area”.  
2 In several of these cases, they do not provide service at all in the study area for  
3 which they are requesting ETC status.  
4

5 **VI. USCOC’S SERVICE COVERAGE**

6 Q. Are there study areas where the STCG concedes that USCOC provides service  
7 throughout the study area?

8 A. Yes. As I indicated on Page 65 of my Rebuttal Testimony, the STCG recognizes  
9 that the coverage provided in the Choctaw, Farber, Granby, Miller, New Florence,  
10 and New London study areas is generally adequate throughout the study area.  
11 The STCG would not challenge the granting of ETC status in these study areas on  
12 the basis of the lack of providing service throughout the study area, though we  
13 continue to challenge granting that status on other grounds.  
14

15 Q. At the opposite end of the spectrum are there other study areas where USCOC  
16 clearly does not provide service and should not be granted ETC status for no other  
17 reasons than that they do not provide service “throughout the study area”?

18 A. Yes. As indicated on Page 65 of my Rebuttal Testimony, in the BPS, Goodman,  
19 Holway, IAMO, LeRu, and Steelville study areas, the USCOC coverage was very  
20 limited or non-existent and I recommended that the Commission not approve ETC  
21 status for USCOC in these areas.  
22

1 Q. Has the passage of time and the new information provided by USCOC changed  
2 your recommendation in any of these study areas?

3 A. In most cases, no. In reviewing the additional data provided by USCOC, I note  
4 that none of the additional towers constructed by USCOC are sufficiently close to  
5 these study areas to have any impact of increasing coverage. While the new  
6 coverage map provided by USCOC seems to indicate somewhat increased  
7 coverage in the Holway, Le-Ru, and Goodman study areas from their previous  
8 map, the coverage is not substantially changed from that indicated by Mr.  
9 Brown's previous analysis.

10

11 Q. Have you done any additional analysis to confirm this?

12 A. Yes. I had a member of my staff review the USCOC web site on November 13,  
13 2006, to identify the communities in which USCOC indicates that it provides  
14 service in Missouri. RCS Schedule 20 contains a list by study area of all the  
15 STCG exchanges for which USCOC has requested ETC status and whether or not  
16 USCOC provides service as indicated by the alphabetical list on their web site of  
17 communities in Missouri where they offer service. In these study areas USCOC's  
18 web site indicates that it offers service in only three of the exchanges, the  
19 Clearmont exchange of IAMO, the Stella exchange of Le-Ru, and the Vibernum  
20 exchange of Steelville. While the USCOC web site indicates the offering of  
21 service in Clearmont and Vibernum, the coverage maps, both last year's and this  
22 year's, indicate no coverage in those exchanges. I continue to maintain that  
23 USCOC should not be granted ETC status for the BPS, Goodman, Holway,

1 IAMO, and Steelville study areas. Based on the combined coverage data for Le-  
2 Ru from the prior hearing and the current maps, and USCOC's web site indication  
3 that it provides service in the Stella exchange, I cannot be so certain that they  
4 should be denied ETC status in the Le-Ru study area based on lack of coverage.  
5

6 Q. On pages 66-73 of your Rebuttal Testimony you discuss the Craw-Kan, Ellington,  
7 Fidelity, Grand River, Kingdom, Mark Twain, Mid-Missouri, Northeast Missouri,  
8 Orchard Farm, Peace Valley, Seneca, and Stoutland study areas on an individual  
9 basis. Is your analysis as presented in that testimony still valid for some of these  
10 study areas?

11 A. Yes. My analysis for the Craw-Kan, is the same now as it was at that time.  
12

13 For Ellington I would arrive at the same conclusions, that there are serious  
14 questions whether the service coverage in Ellington constitutes serving  
15 "throughout the area". While the newer coverage maps indicate somewhat  
16 increased coverage over that presented earlier, as shown on RCS Schedule 20,  
17 USCOC only claims to provide service in two of Ellington's five exchanges.  
18

19 For the Fidelity study area, I still conclude that the coverage is inadequate to meet  
20 the statutory requirement. While examination of the revised coverage map  
21 indicates some increased coverage in the Fidelity study area, coverage is still  
22 lacking in several exchanges including Sullivan which is the largest exchange.

1 USCOC only claims to serve one of Fidelity's exchanges, Owensville as shown  
2 on RCS Schedule 20.

3  
4 I also continue to conclude that coverage in the Grand River study area clearly  
5 doesn't meet the statutory requirement of coverage "throughout the service area."  
6 My analysis, as stated on Page 68 of my Rebuttal Testimony, is basically  
7 unchanged with the new coverage maps, although there may be somewhat higher  
8 coverage in three or four of Grand River's 30 exchanges for which USCOC has  
9 requested ETC status than there was previously.

10  
11 In regard to Mid-Missouri Telephone Company, a review of the coverage data  
12 from both the prior period and the current maps, along with the tower construction  
13 data would lead me to a realization that a recommendation to deny ETC status  
14 based on lack of coverage "throughout the service area" would be closer than it  
15 was at the time Rebuttal Testimony was filed. However, I would continue to  
16 make that recommendation since USCOC does not, on its web site, offer service  
17 to four of the seven Mid-Missouri exchanges.

18  
19 In regard to Northeast Missouri Telephone Company my overall analysis has not  
20 changed, but I recognize that both recent and proposed tower additions impacting  
21 this study area will improve service coverage over that recognized at the time of  
22 my Rebuttal Testimony.

23

1 While it appears from the newly submitted coverage analysis that coverage in the  
2 Orchard Farm study area may have increased, I continue to recommend that ETC  
3 status not be granted since USCOC, as shown on Schedule RCS-20, does not  
4 offer service in the Orchard Farm exchange.

5  
6 My previous observations regarding Peace Valley Telephone Company, Seneca  
7 Telephone Company, and Stoutland Telephone Company are still valid.

8  
9 Q. Has your analysis changed for some of the study areas that were covered on an  
10 individual company basis in your Rebuttal Testimony?

11 A. Yes. While I indicated that I had mixed observations in regard to Kingdom  
12 Telephone Company in my Rebuttal Testimony and recommended ultimately that  
13 ETC status not be granted to USCOC for this study area, my conclusion now  
14 would be less certain. In reviewing the coverage, as shown on RCS Schedule  
15 7(HC) Pages 29 and 30, along with the updated coverage maps, I note that at least  
16 one tower constructed in the past year has likely improved coverage in Kingdom's  
17 study area and that another listed in the two-year plan would also do so. Given  
18 these updates, I admit that the decision as to whether coverage of Kingdom's  
19 study area is sufficient is a judgmental one that the Commission will need to  
20 make. In doing so they should take into consideration that USCOC only indicates  
21 it provides service to three of Kingdom's seven exchanges as shown on RCS  
22 Schedule 20.

1 I would also alter my conclusion in regard to Mark Twain Telephone Company.  
2 Based on a review of the updated USCOC coverage data, additional tower  
3 construction that has taken place in the Mark Twain area, a review of the Glenn  
4 Brown analysis on RCS Schedule 7(HC), Page 33, and the fact that USCOC  
5 claims to provide service in all but one of Mark Twain's exchanges as shown on  
6 RCS Schedule 20, I would now recognize that service coverage in Mark Twain's  
7 study area may be sufficient to qualify as providing service "throughout its  
8 service area".

9  
10 Q. Are there other considerations that the Commission should take into consideration  
11 that have come to light from USCOC's August, 2006 filing and subsequent  
12 information gathered from data responses?

13 A. Yes, there are. Among these are: 1) the ability of USCOC to report in the future  
14 on their specific Missouri expenditures in their designated ETC area, if the  
15 Commission grants part of their request; 2) the appropriate measurement of the  
16 incremental investments that USCOC makes in response to a potential ETC  
17 designation; and 3) the public policy consideration associated with granting  
18 multiple competitive ETC designations in a given area.

19

20 **VII. COMMISSION RULES REGARDING FINANCIAL REPORTS**

21 Q. What provisions are there in the Commission's rules that relate to reporting on  
22 expenditures and investments made within Missouri related to the ETC  
23 designation given to a CMRS carrier?

1 A. I note several rules that relate to these requirements:

2 First, 4 CSR 3.570 (2)(A)2 requires:

3 "2. A two (2)-year plan demonstrating, with specificity, that high-cost  
4 universal service support shall only be used for the provision,  
5 maintenance and upgrading of facilities and services for which the  
6 support is intended in the Missouri service area in which ETC  
7 designation was granted."  
8

9 Second, 4 CSR 3.570 (2)(A)3.D. provides that the two-year plan:

10 "D. The estimated amount of investment for each project that is funded  
11 by high cost support;"  
12

13 Third 4 CSR 3.570 (2)(A)3.G. provides that the two-year plan must include:

14 "G. A statement as to how the proposed plans would not otherwise occur  
15 absent the receipt of high-cost support and that such support will be used  
16 in addition to any expenses the ETC would normally incur;" (emphasis  
17 added).  
18

19 Fourth, 4 CSR 3.570 (4)(A) includes the following requirement:

20 "The affidavit will be accompanied by documentation or support  
21 received and cost incurred."  
22

23 Fifth, 4 CSR 3.570 (4)(B)1. states in part:

24 "1. A two (2)-year improvement plan shall include progress updates on  
25 any previously submitted plan."  
26

27 Sixth, 4 CSR 3.570 (4)(D) states:

28 "(D) ETC shall submit a demonstration that high-cost support was used  
29 to improve coverage, service quality or capacity in the Missouri service  
30 area in which ETC designation was granted and that such support was  
31 used in addition to any expenses the ETC would normally incur."  
32 (emphasis added).  
33

1 Q. In regard to these reporting requirements what are some of the requirements that  
2 you believe the Commission should be concerned about?

3 A. As I interpret the Commission's rules, the first significant requirement I believe is  
4 inherent in these rules is that USCOC will be required to provide a two-year plan  
5 outlining with specificity how the plan to spend USF amounts received within  
6 their designated ETC area in Missouri over and above what they would otherwise  
7 spend, assuming that the Commission grants them that designation in some study  
8 areas. USCOC's August, 2006 Compliance filing largely filled that requirement,  
9 although it did not include any indication of what they would spend absent an  
10 ETC designation.

11

12 Q. Is there evidence that USCOC is investing further in its rural service area even  
13 without an ETC designation?

14 A. Yes, there is. Based on responses to Staff DR #3 and CenturyTel DR #13 it  
15 appears that USCOC has constructed **\*\*[REDACTED]\*\*** additional towers in its rural areas  
16 between August, 2005 and September, 2006. Using the average **\*\*[REDACTED]\*\***  
17 per site that USCOC has based its estimates on, excluding certain other types of  
18 equipment, this means that in this one year period, USCOC has invested  
19 **\*\*[REDACTED]\*\*** in its rural areas. The issue that is not clear is whether the  
20 investments projected in USCOC's two-year plan are in addition to planned  
21 investments, or would include projects that they would otherwise invest in.

22



1 Q. Are there responses to data requests that the STCG has received that lead you to a  
2 conclusion that there is a lack of clarity as to whether the two-year plan is in  
3 addition to investments that USCOC would otherwise make?

4 A. Yes. Attached as RCS Schedule 21(HC) is USCOC's response to BPS, et. al. data  
5 request 2.06 which asked USCOC to provide capital expenditure budgets for  
6 Missouri for 2006, 2007, and 2008. As can be seen from RCS Schedule 21(HC)  
7 USCOC indicates that \*\* [REDACTED]

8 [REDACTED]\*\*. They also state that it would be \*\* [REDACTED]  
9 [REDACTED]  
10 [REDACTED]\*\* In my mind

11 these answers leave the Commission in a significant dilemma if their rules are to  
12 be followed. How can the Commission know whether the two-year plan includes  
13 items "...in addition to any expenses the ETC would normally incur;" unless the  
14 Commission can have access to what the "normal" circumstances would be.  
15 From USCOC's data request response this appears to be information \*\* [REDACTED]

16 [REDACTED]  
17 [REDACTED]\*\*

18  
19 Q. Is there another significant requirement inherent in the rules you cited above?

20 A. I believe that the second significant requirement is for USCOC to come to the  
21 Commission in future years and in conjunction with the new two-year plan that  
22 they file, file reports on how well they have complied with the plan previously  
23 submitted. Since the plan is submitted in project detail, it would be reasonable to

1 assume that such reports should include information on specific projects  
2 completed in the ETC area designated in Missouri and their cost in comparison to  
3 the prior plan.

4  
5 Q. Do USCOC's data request responses raise a concern as to whether they will be  
6 able to provide such reports?

7 A. Yes. RCS Schedule 22(HC) is the response of USCOC to a data request (BPS et.  
8 al. DR #2.05) requesting capital expenditure data for the past three years. While  
9 the response is a little confusing because the response is couched in terms of  
10 "budgets" rather than capital expenditures, it appears that capital expenditure data  
11 is \*\* [REDACTED]

12 [REDACTED]\*\* Again it  
13 seems, based on USCOC's representations to the STCG companies, that the  
14 Commission may have difficulty getting the reports that are anticipated by the  
15 rule.

16 This is further verified by USCOC's response to BPS et. al. Data Request #2.08  
17 attached as RCS Schedule 23(HC) where USCOC indicates that it \*\* [REDACTED]  
18 [REDACTED]\*\*

19

20 **VIII. PUBLIC POLICY ISSUE**

21 Q. Do you see this as a greater issue in this case than it was in the Northwest  
22 Missouri Cellular and Chariton Valley Cellular ETC cases?

1 A. I do. In both of those cases the companies operated wholly within Missouri and  
2 wholly within the area for which they requested ETC designation. The areas they  
3 serve are only rural areas where USF funds are intended to offset the high cost of  
4 providing service. In the USCOC case, circumstances are different. USCOC  
5 operates in a number of states, and in both urban and rural areas. Because of the  
6 concerns regarding USCOC's financial reporting capabilities at a sufficiently low  
7 level discussed in RCS Schedules 21(HC) and 22(HC), it will be much more  
8 difficult for the Commission to identify whether USF funds are being used within  
9 Missouri and within the areas that receive ETC designation.

10

11 Q. You mentioned earlier that there was a public policy issue that you believe the  
12 Commission should consider in making its decision on granting ETC status in  
13 response to USCOC's application. Could you describe that issue?

14 A. Yes. The Commission previously approved ETC applications from Northwest  
15 Missouri Cellular and Chariton Valley Cellular in their requested service areas.  
16 USCOC's application includes requests for ETC designation in the same study  
17 areas where Northwest Missouri Cellular and Chariton Valley Cellular have  
18 previously received that designation. The public policy question that the  
19 Commission is faced with for the first time with this application is the question of  
20 whether it is an appropriate use of universal service funds to support multiple  
21 wireless carriers in the same service area. The Commission must now answer the  
22 question as to whether it serves the public good to support competition by  
23 multiple carriers in the same area for "universal service" purposes.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Q. Do you believe that a grant of ETC designation to USCOC in areas where the Commission has already granted another wireless carrier an ETC designation to be in the public interest?

A. No, I do not. In applying the public interest test in the Northwest Missouri Cellular case, the Commission found that:

“Granting NWMC an ETC designation will benefit the public by enabling NWMC to bring wireless service, including E911 (specifically in Worth County) and CDMA, to many remote locales and by increasing competition for primary telephone service in remote areas. In addition, Lifeline and Link-up customers will have access to service that would otherwise be unavailable to them. (Footnote omitted). The Commission concludes that the benefits to the public in rural Missouri of granting NWMC ETC status will outweigh the potential detriments to the USF.” (Report & Order, pp. 30-31)

The Commission made similar findings in the Chariton Valley Cellular case (Report & Order, pp. 33-34). In the instant case, the Commission must determine if there is any incremental benefit to granting an ETC designation to USCOC in those areas where it has previously granted ETC designations to Northwest Missouri Cellular and Chariton Valley Cellular. Based on the Commission’s analysis in the Northwest Missouri Cellular and Chariton Valley Cellular cases, it would appear that this is not the case. For example, wireless service, including 911, is already being provided in areas served by Northwest Missouri Cellular and Chariton Valley Cellular. Competition for primary telephone service in remote areas has now been enhanced by a grant of ETC designation to Northwest

1 Missouri Cellular and Chariton Valley Cellular. Lifeline and Link-up customers  
2 will now have access to wireless service that was previously unavailable to them.  
3 In other words, a grant of ETC designation to USCOC in areas where Northwest  
4 Missouri Cellular and Chariton Valley Cellular currently serve will not result in  
5 any additional benefits in these areas that have not already been achieved as a  
6 result of the Commission's decision to award ETC designation to Northwest  
7 Missouri Cellular and Chariton Valley Cellular. On the other side of the scale,  
8 however, incremental costs will be incurred as USCOC will be eligible for  
9 Universal Service Fund support in addition to that being received by the  
10 underlying ILECs, Northwest Missouri Cellular and Chariton Valley Cellular.  
11 So, in applying a public interest test to areas where the Commission has already  
12 granted an additional ETC designation to a wireless carrier, the incremental  
13 benefits of such designation will not outweigh the incremental costs and the  
14 Commission should decline to grant USCOC ETC status in those areas where it  
15 has previously granted ETC designation to other wireless carriers.

16  
17 **IX. SUMMARY**

18 Q. Can you provide a summary of the key issues that the Commission needs to  
19 review in this case and your recommendations for the Commission?

20 A. Yes. I would remind the Commission again, as I did in the summary of my  
21 Rebuttal Testimony, that although USCOC only filed one application for ETC  
22 status, that the Commission is required to individually evaluate the requests for  
23 ETC status on a study area basis. For example, the Commission must carefully

1 review the data presented regarding the provision of service “throughout the  
2 service area” as required by federal statute. In this regard, I have recommended  
3 that the Commission deny USCOC’s application for ETC in the following study  
4 areas because this requirement is not met:

- 5 BPS Telephone Company
- 6 Ellington Telephone Company
- 7 Fidelity Telephone Company
- 8 Goodman Telephone Company
- 9 Grand River Mutual Telephone Corporation
- 10 Holway Telephone Company
- 11 IAMO Telephone Company
- 12 Mid-Missouri Telephone Company
- 13 Orchard Farm Telephone Company
- 14 Seneca Telephone Company
- 15 Steelville Telephone Company

16  
17 In addition, I have recommended that the Commission carefully review the extent  
18 of the service coverage in the following area to make its own determination  
19 regarding the sufficiency of that service coverage:

- 20 Kingdom Telephone Company
- 21 Le-Ru Telephone Company
- 22 Mark Twain Telephone Company
- 23 Northeast Missouri Telephone Company
- 24 Peace Valley Telephone Company
- 25 Stoutland Telephone Company

26  
27 Secondly, I believe that the Commission needs to examine closely whether the  
28 USCOC rate offerings and Lifeline offerings meet the Commission’s requirement  
29 as comparable to the ILEC offerings. I believe the USCOC application differs  
30 significantly from the prior applications by Northwest Missouri Cellular and  
31 Chariton Valley Cellular in this regard. If the USCOC application does not meet

1 the appropriate comparability standard, the Commission should deny ETC status  
2 to USCOC.

3  
4 Third, I have recommended in my prior Rebuttal Testimony that the Commission  
5 closely review USCOC's application for ETC status in the Craw-Kan study area  
6 because of the cream-skimming issue raised by the proposed redefinition of  
7 Craw-Kan's study area.

8  
9 Finally, in applying the public policy test the Commission must also determine  
10 whether the additional benefits of designating USCOC as an ETC in areas where  
11 another wireless carrier has received ETC designation outweighs the additional  
12 costs.

13

14 Q. Does this conclude your Supplemental Rebuttal Testimony?

15 A. Yes.