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Sponsoring Party: U.S. Cellular
Case No: TO-2005-0384

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO: TO-2005-0384

SUPPLEMENTAL SURREBUTTAL TESTIMONY

OF

DON J. WOOD

ON BEHALF OF

USCOC OF GREATER MISSOURI, LLC d/b/a U.S. CELLULAR

December 7, 2006

****Denotes Highly Confidential Information****

USCOC Exhibit No. 27-NP
Case No(s). TO-2005-0384
Date 12/18/06 Rptr MV

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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 Pursuant To The Telecommunications Act Of 1996	)))))	Case No. TO-2005-0384

AFFIDAVIT OF DON J. WOOD

I, Don J. Wood, under penalty of perjury, affirm and state this 7th day of December, 2006:

1. My name is Don J. Wood. I am a principal in the firm of Wood & Wood Consulting, Inc. My business address is 30000 Mill Creek Avenue, Suite 395, Alpharetta, Georgia 30022.

2. Attached hereto and made a part hereof for all purposes is my Supplemental Surrebuttal Testimony on behalf of USCOC of Greater Missouri, LLC d/b/a U.S. Cellular, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby affirm that my answers contained in the attached testimony to the questions propounded, including any attachment thereto, are true and accurate to the best of my knowledge, information and belief.

Don J. Wood

Purpose of Testimony

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, an economic and financial consulting firm. My business address is 30000 Mill Creek Avenue, Suite 395, Alpharetta, Georgia 30022.

Q. ARE YOU THE SAME DON WOOD WHO PREFILED DIRECT TESTIMONY IN THIS PROCEEDING ON JULY 12, 2005 AND SURREBUTTAL TESTIMONY ON OCTOBER 3, 2005?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR ADDITIONAL SURREBUTTAL TESTIMONY?

A. I have been asked by USCOC of Greater Missouri, LLC ("USCOC") to respond to the November 14, 2006 testimonies of Mr. Adam McKinnie on behalf of Commission Staff, Mr. Glenn H. Brown on behalf of Spectra Communications Group, LLC, d/b/a CenturyTel and CenturyTel of Missouri, LLC, Mr. Robert C. Schoonmaker on behalf of The Small Telephone Company Group (together with CenturyTel, the "rural ILECs"), and Mr. James E. Stidham on behalf of Southwestern Bell Telephone, L.P. d/b/a AT&T Missouri ("SBC").

Q. WHAT IS YOUR UNDERSTANDING OF THE SCOPE OF THE OUTSTANDING ISSUES AT THIS POINT IN THE PROCEEDING?

A. In its March 21, 2006 Order,[1] the Commission noted that it had received evidence and arguments regarding the issues in the case, and indicated that with regard to one issue it had not received sufficient detail: "the Commission finds that U.S. Cellular has not presented sufficient evidence regarding how it intends to use the support it would receive from the Universal Service Fund to improve its network through improved coverage, signal strength, or capacity, in ways that would not otherwise occur without the receipt of high-cost support." The Commission also stated that "other parties will be given an opportunity to respond to whatever additional evidence U. S. Cellular submits."

Based on the language of the Order, it is my understanding that the additional testimony of other parties is properly limited to the additional evidence produced by USCOC regarding its plans to "to use the support it would receive from the Universal Service Fund to improve its network through improved coverage, signal strength, or capacity."

Q. IS THE ADDITIONAL TESTIMONY OF OTHER PARTIES LIMITED TO THIS ISSUE?

A. While Staff witness McKinnie's testimony is limited to the issue at hand, the additional testimonies of Mr. Brown, Mr. Schoonmaker, and Mr. Stidham go well beyond this issue. The ILEC witnesses use their additional testimony to re-argue issues of public policy, the interpretation of FCC orders, alleged harm to ILECs, service area requirements, and other issues that have nothing whatsoever to do with the question of whether USCOC will "use

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[1] Order Directing Applicant to File Additional Information about Intended Use of High-Cost Support, Case No. TO-2005-0384, Issued and Effective March 21, 2006.

the support it would receive from the Universal Service Fund to improve its network through improved coverage, signal strength, or capacity" if designated as an ETC.

Q. HAVE YOU REVIEWED THE "MISSOURI ETC RULE" (4 CSR 240-3.570) THAT BECAME EFFECTIVE ON JUNE 30, 2006?

A. Yes. In its March 21, 2006 Order, the Commission indicated that the then-proposed regulation could provide a "good guide" for the information that the Commission is seeking from USCOC regarding how the company plans to use USF support to "improve its network." As Mr. McKinnie points out in his testimony, the new rule can be used to evaluate the information provided by USCOC regarding its network improvement plans.

Response to the Additional Testimony of Mr. McKinnie

Q. HOW IS MR. MCKINNIE'S TESTIMONY ORGANIZED?

A. Mr. McKinnie has structured his testimony around the requirements of the new Missouri ETC Rule (4 CSR 240-3.570). This is a logical approach and I will follow it in my testimony.

Q. BASED ON HIS ANALYSIS OF USCOC'S FILING AND HIS EVALUATION OF THE FILING PURSUANT TO THE REQUIREMENTS OF THE MISSOURI ETC RULE, WHAT IS MR. MCKINNIE'S CONCLUSION AND RECOMMENDATION?

A. In his September 12, 2005 testimony, Mr. McKinnie recommended (p. 21) that the Commission designate USCOC as an ETC, based on his observation that "U.S. Cellular has met four of the five guidelines in the latest FCC *Report and Order* put forth for competitive ETC carriers, and has provided enough information on the remaining guideline to satisfy Staff's review." Mr. McKinnie's stated area of concern regarding USCOC's application was with the details of USCOC's proposal for network investment. Because the FCC rules were not yet effective, no concrete guidelines then existed for the evaluation of the company's proposal. Since that time, the Missouri ETC Rule has become effective and now provides the guidelines for evaluating USCOC's filing.

Regarding this final area of inquiry, Mr. McKinnie concluded (p. 14) that USCOC's filing meets the criteria of "most of the paragraphs discussed in the Intended Use Order and MO ETC Rule." He remained concerned about some of the criteria, however, and ultimately concluded that Staff could not recommend approval of USCOC's request for ETC designation at the time his testimony was filed because of these remaining concerns. My testimony, along with the additional testimony of USCOC witnesses Nick Wright and Alan Johnson will attempt to address each of Mr. McKinnie's stated concerns.

Q. DOES MR. MCKINNIE AGREE THAT USCOC HAS PROVIDED SUFFICIENT INFORMATION TO PERMIT THE COMMISSION TO CONCLUDE THAT THE COMPANY'S EXPENDITURES WILL EXCEED THE AMOUNT OF USF SUPPORT RECEIVED?

A. Yes. Mr. McKinnie does state (pp. 4-5) a concern, though, with two of the expenditures that were included in the information provided by USCOC in its filing and in response to Staff's data requests.

First, Mr. McKinnie indicates that "Staff has not found any justification to include **_______** as a supported service for USF." I agree. **_______** is not a supported service functionality listed in 47 CFR §54.101. Any investment or expenses that are incremental to the provisioning of a **_______** functionality (and that can be

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segregated from other investments) should not be included in a demonstration that a company's network improvement expenditures equal or exceed the amount of federal USF support received.

Any carrier that is designated as an ETC and receives federal universal service support must then "use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended" (47 U.S.C. § 254(e); 47 C.F.R. § 54.7). To be clear, *all* ETCs – including both wireline ILECS and wireless carriers – have common facilities and equipment in their networks that is used to provide both service functionalities "for which the support is intended" and other functions that customers may demand (such as **________** or other features). For example, an ILEC may use the same local loop facility to provide both supported service functionalities and enhanced services such as voice mail or DSL. The use of the loop to provide these additional enhanced functions does not mean that it is inappropriate for the ILEC to utilize federal USF support to provision, maintain, or upgrade that local loop, because the local loop is an essential part of an ILEC's ability to provided the nine supported service functionalities listed in 47 CFR §54.101. Similarly, a wireless provider may use the same investment in towers, transmission facilities, or switching in order to provide both a supported service functionality and an enhanced function, such as **___ ___**.

I do agree with Mr. McKinnie, however, that any expenditure that is specific to a non-supported function should not be included in a carrier's demonstration that its expenditures will equal or exceed the amount of USF support received. It is my understanding that USCOC's investment associated with **_______** is nominal and

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that after its removal, USCOC's planned expenditures, net of any of the costs to provision or provide **_______**, continue to exceed the amount of support that it is expected to receive. Of course, a much more meaningful demonstration of how USF support *is actually used* to provide service in a given area is made in an ETC's annual recertification filing with the Commission. While it is reasonable to require *all* ETCs (both ILECs and CETCs) to provide a forecast of expected or planned expenditures, it is important to be mindful that such a forecast is a projection that is inherently limited by uncertainties in future costs, customer needs, and – for CETCs – the amount of support that will ultimately be received during the planning period.[2] The actual expenditure information that must be provided to the Commission by all ETCs as a part of the annual recertification process provides the opportunity for the Commission to determine that all of the USF support received was used "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended."

Mr. McKinnie also expresses some concern that without more detailed information regarding what has been included, "the applicability of **_____________________** to supported services is not clear." USCOC witness Alan Johnson will be providing this additional detail. It is important to note that simply because equipment is classified as "common" does not disqualify the expenditure from USF

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[2] ILECs and CETCs are in a fundamentally different position in their ability to forecast expenditures based on USF support. An ILEC knows in advance the amount of total support that it will receive during a given year, and can plan accordingly. In contrast, the support received by a CETC is based on the number of customers actually served in the area and reported to USAC on a quarterly basis. Because the amount of support is uncertain, a CETC must engage in more of a contingency planning process and cannot forecast or budget with the same precision that the ILECs – with the additional certainty that they enjoy regarding the amount of USF support to be received – can do.

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support. In either a wireless or wireline network, a significant amount of "common" equipment is needed to make the network more reliable, to enable testing, and to meet other network operations-related needs. If this equipment is needed in order for the carrier to provide the nine supported service functionalities listed in 47 CFR §54.101, then it is properly supported by USF. As was the case with **______** above, equipment that is needed only because enhanced or non-supported service functions are being provided (in other words, if the equipment is incremental to the carrier's decision to offer the non-supported function), then it would not properly be included in either a forecast of USF-related expenditures or in a carrier's demonstration to the Commission, in the annual recertification process, that all USF support was used "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended."

Q. TURNING TO THE SPECIFIC REQUIREMENTS OF THE MISSOURI ETC RULE, DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (2)(A)(1)?

A. Paragraph 2(A)(1) requires an ETC applicant to provide information regarding the "intended use of the high-cost support" that it expects to receive. My understanding of Mr. McKinnie's testimony (pp. 5-6) is that Staff is satisfied with much of the information provided, but continues to have some questions.

Specifically, Mr. McKinnie states (p. 6) that the black and white map provided by USCOC does not contain "easily discernable information on 'existing tower site locations'." In order to address this concern, USCOC is providing maps with higher print quality and that clearly depict tower locations.

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Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (2)(A)(2)?

A. Yes. Mr. McKinnie states at pp. 6-7 that Staff is satisfied with the information provided by USCOC.

Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (3)(A)?

A. According to Mr. McKinnie, Staff is satisfied with the information regarding USCOC's coverage area before and after the planned improvements have been made, but – as was the case with Paragraph (2)(A)(1), – believes that USCOC needs to more clearly identify "existing site tower locations." As described above, USCOC is providing this information.

Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPHS (3)(B) and (3)(C)?

A. Yes.

Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (3)(D)?

A. Mr. McKinnie acknowledges (pp. 8-9) that USCOC has provided an estimate of the number of towers to be constructed and a projection of the amount of investment per tower, but expresses a concern that USCOC has not provided a plan containing a separate and specific projection of expenses for each individual site location. I do not share Mr. McKinnie's concern for several reasons.

First, while I agree that any ETC applicant should provide the most accurate and detailed information that it has in its possession, it is important to keep in mind that the development of such information is far from cost-free. Developing site-specific investment budgets would be an expensive process, and a decision to do so one or two years in advance of construction – given the high degree of uncertainty regarding customer needs and demands, the amount of support that will ultimately be received, and the availability of internal sources of capital beyond the carrier's normal budgeting cycle – is unlikely to prove to be a prudent one. Simply selecting a cell site and acquiring the contractual and legal rights (e.g. zoning) to a cell site is a significant undertaking. It seems unreasonable to expect any carrier seeking designation to go through such an expensive process before it knows whether it will be designated as an ETC.[3]

Second, the information provided by USCOC appears to be consistent with the language of the rule. Paragraph (3)(D) requires a requesting carrier to provide "the estimated amount of investment for each project that is funded by high-cost support." USCOC has provided such an estimate. The question becomes one of what is reasonable to require regarding a detailed estimate "for each project." My recommendation is that

[3] As USCOC witness Johnson explains in his testimony, even with a significant up-front expenditure it is often impossible to accurately project the total cost of the construction of a specific cell site prior to the beginning of the site acquisition process. Under those circumstances, resources that would otherwise have been available for network improvements will have been expended but a significant level of uncertainty regarding the ultimate cost of the project will remain.

an ETC applicant should be required to provide project estimates at the level of detail that the company uses in its own capital planning and budgeting process.[4]

Third, it is important to keep in mind that while the up-front projections can provide some assurance to the Commission that the carrier will properly use the USF support that it may receive, it is the annual recertification process that will provide the Commission with the opportunity to see how the funds were *actually* used. The kind of detailed cost information that Mr. McKinnie is looking for is properly provided in the annual reporting process (and should be required of all ETCs, including ILECs). As a part of the annual recertification process, the Commission will have this detailed information so that it can see with precision how the support was used and can review an ETC's performance to determine whether it should be recertified for another year.

Finally, in other ETC designation proceedings in which I have participated, the information provided to – and accepted by – regulators regarding forecasted expenditures has been based on exactly the kind of per-site averaging performed by USCOC. The acceptance of information at this level of detail reflects a recognition that (1) costs associated with the development of detailed project-specific information can exceed the benefit, and (2) regulators have the opportunity to examine more detailed information as a part of the annual recertification process.

[4] This approach would avoid a potential delay in network deployment by the newly-designated ETC. If expenses are incurred to conduct a level of project-specific planning and budgeting that would not have been undertaken by the company in the normal course of business, these expenses represent funds that are no longer available to provision, maintain, or upgrade facilities needed to improve service.

Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (3)(E)?

A. Yes.

Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (3)(F)?

A. It appears that Staff believes that additional information should be provided, but I am unsure exactly what additional information can be provided in this area.

Paragraph (3)(F) states that "*if* an applicant believes that service improvements in a particular wire center are not needed, it must explain the basis for this determination and demonstrate how funding would otherwise be used to further the provision of supported services in that area" (emphasis added). To my knowledge, USCOC has made no claim that service improvements in any particular wire center are not needed, so there is ultimately no information to provide in response to this requirement. In reality, it seems unlikely that any ETC – whether an ILEC or wireless CETC – could responsibly make a claim that no improvements will ever be needed in a given wire center. As new technologies become available and as customer needs and expectations change accordingly, it is likely that new investment will be needed in all areas at some point in the future. It would particularly difficult for a newly-designated ETC to reach such a conclusion at a relatively early stage of its network development.

It is important to differentiate a claim that "service improvements in a particular wire center are not needed" from a plan for network investment that does not provide improvements to all wire centers within the first two years. USCOC's two-year plan provides a prioritization of projects (based on customer needs and demands) that USCOC expects to be able to complete (based on its existing capital resources and the amount of federal USF support that it would expect to receive if designated as an ETC). As Mr. McKinnie notes in his testimony (p. 10), USCOC has stated in response to Staff's data requests that "U.S. Cellular has targeted all available support to constructing and operating as many cell sites as possible" but that the capital resources available in the first two years of operation as an ETC are not expected to be sufficient to extend and enhance service to all wire centers.[5] This is not equivalent to a claim that USCOC believes that service in none of the remaining wire centers can be improved; it is instead a statement that, based on USCOC's current understanding of customer needs and its expectations regarding the amount of support available, that customers will receive the most bang for each ETC buck if the list of projects contained in its proposal are completed first.

Q. DOES STAFF AGREE THAT USCOC HAS PROVIDED THE INFORMATION REQUIRED IN PARAGRAPH (3)(G)?

A. Yes, although Staff has expressed some concern (pp. 11-13 of Mr. McKinnie's testimony) that USCOC's list of projects that are likely to be completed only if USF support is available has not remained static over time.

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[5] The development of the networks of the rural ILECs provides some perspective on this issue. The ILECs built out their networks over time based on the availability of (initially implicit, and later explicit) subsidies. The existing reach of the ILEC networks was certainly *not* obtained during the first two years that some USF-equivalent implicit subsidy was available. Instead, the ILEC networks were built out over an extended period of time as resources were available. While I expect that the buildout of USCOC's network to a comparable area will require less time than was required by the ILECs, it would be unreasonable to expect USCOC to accomplish in two years something that took the ILECs decades to accomplish.

Specifically, USCOC has constructed four cell sites that it had previously included on a list of projects to be constructed using USF support. As Mr. McKinnie notes in his testimony (pp. 12-13), USCOC advanced the priority ranking of two of these sites because "the company received a significant amount of feedback from its customers, sales associates, and third-party agents that service in these areas needed improvement" and changed the priority of the other two because their construction would have additional network impacts by improving "the signal strength and reliability" of the company's microwave transmission network.

Such a change in investment priorities is not unusual. While capital resources remain finite, any properly-managed carrier will continuously seek to utilize those resources in the best manner possible. The ranking of potential projects does – and should – change based on an ongoing process of evaluation and the consideration of new information. In this case, USCOC has changed the ranking of projects in its capital budgeting process in order to respond to customer feedback and to increase the reliability of its network.

It is important not to let the trees get in the way of the forest. The purpose of the exercise of developing a two-year plan is to provide some additional assurance to the Staff and Commission that a carrier seeking ETC designation will use any and all USF support for the intended purposes (the ultimate demonstration of the use of this support is made as a part of the annual recertification process). Of course, it would be more beneficial to the people living and working in the area if the new ETC not only limits the use of USF support to the purposes set forth in 47 CFR 54.7, but also uses these funds in ways that maximize the customer benefit. USCOC has shown that it is engaging in an ongoing process of adjusting capital spending priorities based on customer feedback and efforts to improve network reliability; this process can help ensure that any funds invested (whether derived from USF support or other sources of capital) provide the maximum benefit to customers.

With all due respect to Mr. McKinnie, I believe that Staff's concern is misplaced in this regard. I would be much more concerned about the future performance of a potential ETC that had demonstrated a rigid adherence to prior capital spending priorities while ignoring feedback from customers and opportunities to increase network reliability. Such a carrier might be in technical compliance with the requirements of 47 CFR §54.7 and yet make network investments that do not provide the maximum customer benefit in the shortest time. In contrast, USCOC will – as it must – demonstrate to the Commission each year that it has used all USF support only for the intended purposes, and it will also engage in an ongoing process to be as responsive to customers as possible while doing so.

Response to the Additional Testimony of Mr. Brown, Mr. Schoonmaker, and Mr. Stidham

Q. HAS MR. BROWN, MR. SCHOONMAKER, OR MR. STIDHAM PROVIDED ANY NEW INFORMATION REGARDING USCOC'S PLANS TO "USE THE SUPPORT IT WOULD RECEIVE FROM THE UNIVERSAL SERVICE FUND TO IMPROVE ITS NETWORK THROUGH IMPROVED COVERAGE, SIGNAL STRENGTH, OR CAPACITY"?

A. No. Instead, the ILEC witnesses compare USCOC's plans to a set of fictitious standards that do not exist in federal or state law and with which the ILECs could not (and do not) comply.

Q. WHAT ARE THE REQUIREMENTS REGARDING USCOC'S USE OF FEDERAL USF SUPPORT?

A. Pursuant to federal law, any carrier that is designated as an ETC and receives federal universal service support must "use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended" (47 U.S.C. § 254(e); 47 C.F.R. § 54.7).[6] According to the Missouri ETC Rule, an ETC applicant must provide a two-year plan showing its intentions to use universal service support only "for the provision, maintenance, and upgrading of facilities and services for which the support is intended in the Missouri service area in which ETC designation was granted ... For purposes of this section, 'support is intended' is defined consistent with the Telecommunications Act" (4 CSR 240-3.570 (2)(A)(2)).

Q. DO MR. BROWN, MR. SCHOONMAKER, OR MR. STIDHAM PROVIDE ANY EVIDENCE THAT USCOC HAS NOT OR WILL NOT COMPLY WITH THESE REQUIREMENTS?

A. No.

Q. MR. BROWN (P. 13), MR. SCHOONMAKER (PP. 16-18), AND MR. STIDHAM (PP. 2-4) ALL ARGUE THAT USCOC SHOULD NOT BE DESIGNATED AS AN ETC IN THE REQUESTED AREAS BECAUSE IT DOES NOT CURRENTLY HAVE SIGNAL COVERAGE THROUGHOUT THESE AREAS. IS THIS OBSERVATION A BASIS FOR DENYING USCOC'S APPLICATION UNDER FEDERAL OR STATE LAW?

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[6] As I explained in my October 3, 2005 surrebuttal testimony, compliance with this requirement is impossible to demonstrate up front (i.e. before the carrier receives an ETC designation for a given area and before any investments are made), but such a demonstration should be part of the annual recertification process for *all* ETCs.

A. No. Mr. Schoonmaker devotes a significant amount of his testimony (beginning at p. 16) to an effort to show that USCOC does not currently "provide service throughout the [ILEC] study area." Mr. Stidham argues (p. 2) that the buildout plan is meant to demonstrate a carrier's ability to serve throughout an area. Mr. Brown refers (p. 13) to USCOC's coverage maps and the "white area" where USCOC currently does not provide service, and concludes that USCOC should not be designated as an ETC for this reason.[7] Yet Mr. Schoonmaker, Mr. Stidham, and Mr. Brown all neglect to mention that neither the FCC nor any state regulator has ever adopted such a standard.

Q. WAS THIS ISSUE THOROUGHLY ADDRESSED IN PREVIOUS TESTIMONY AND AT THE PRIOR HEARING IN THIS PROCEEDING?

A. Yes. The ILECs' claims are not new and certainly did not arise as a result of USCOC's compliance filing. I responded to the testimony of Mr. Brown and Mr. Schoonmaker in my October 3, 2005 surrebuttal testimony (pp. 43-52),[8] and they have provided no new evidence in their additional testimony.

Q. DOES USCOC CONTEND THAT IT CURRENTLY PROVIDES SERVICE THROUGHOUT THE AREA FOR WHICH IT SEEKS DESIGNATION AS AN ETC IN MISSOURI?

A. No. USCOC has made investments, without USF support, in these areas whenever such investment has proven to be economically rational. It began by investing in the more

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[7] Interestingly enough, when arguing that USCOC should not be designated as an ETC because it does not currently serve throughout the proposed area, Mr. Brown makes no attempt to reconcile this position with his previous argument that USCOC should not be designated because it already provides service in these areas (see p. 25 of Mr. Brown's September 12, 2005 rebuttal testimony).

[8] This issue was discussed in USCOC's Post-Hearing brief at pp. 7-9.

densely populated areas (or areas of more dense potential usage) first, before building out into less dense areas. The ILECs built out their networks, over time, in exactly the same way: they began with construction in areas of highest density and expanded outward from those areas. The key distinction between the history of the ILECs' network expansion and USCOC's network buildout to date is that the ILECs made their investments while receiving either implicit or explicit support.

USCOC now seeks to expand its geographic coverage to improve its service quality, and to reinforce its service reliability in order to provide to people in rural areas a level of service that is comparable to that which is available in urban areas. This is the investment that is made possible, whether the carrier is an incumbent ETC or CETC, through USF support. The fact that USCOC or any other potential ETC cannot currently serve throughout the area represents compelling evidence in support of a conclusion that USF support is needed in order to make further investment feasible.

Q. IS AN ETC REQUIRED TO PROVIDE SERVICE THROUGHOUT ITS ETC SERVICE AREA AT THE TIME OF DESIGNATION?

A. No. The FCC has explicitly recognized that its is unlikely that a CETC will be able to offer ubiquitous service prior to receiving USF support: "to require a carrier to actually provide the supported services before it is designated as ETC has the effect of prohibiting the ability of prospective entrants from providing telecommunications services."[9] Instead, the FCC has focused on a CETC's ability and willingness to respond to

[9] *Virginia Cellular Order*, ¶ 17, citing *Declaratory Ruling*, 15 FCC Rcd at 15173-74.

reasonable requests for service.[10] As set forth in USCOC's Application, the company has agreed to adopt the same checklist that was approved by the FCC in the *Virginia Cellular Order*. This checklist provides a step-by-step means of providing service to customers who do not currently receive coverage at their home or business location.

Q. MR. BROWN PROPOSES TO TAKE THIS FICTIONAL REQUIREMENT A STEP FURTHER AND ASKS THE COMMISSION TO CONCLUDE THAT IT IS NOT IN THE PUBLIC INTEREST TO DESIGNATE A CARRIER AS AN ETC UNLESS THAT CARRIER IS WILLING TO "ENTER INTO AN ENFORCEABLE COMMITMENT TO EVENTUALLY PROVIDE SERVICE THROUGHOUT THE SERVICE TERRITORY." WOULD SUCH A REQUIREMENT HAVE AN IMPACT ON THE ILECS?

A. Yes. Mr. Brown's proposed requirement, if adopted in a competitively neutral fashion, would disqualify the ILECs as ETCs. As explained in detail in my October 3, 2005 surrebuttal testimony (pp. 45-49), no ILEC, using its wireline network, can "provide service throughout its service area;" in reality it can provide service only to a very small percentage of this area (specifically, to the area at or very near the end of a transmission wire). Service coverage by wireline carriers can *never* meet Mr. Brown's proposed standard, and it would be unreasonable for the Commission to require the ILECs to "enter into an enforceable agreement" to extend their networks to provide service *throughout* the entirety of their service area. It would be similarly unreasonable to require a carrier seeking ETC designation to demonstrate an ability to provide such service prior to designation and in over two dozen ETC designation cases in which I have participated at the FCC and across the country I am not aware of a case in which such a requirement has ever been imposed.

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[10] *Virginia Cellular Order*, ¶ 15.

Q. MR. BROWN AND MR. SCHOONMAKER ARGUE THAT AN ETC APPLICANT'S PLAN FOR THE INTENDED USE OF USF SUPPORT MUST SHOW A BROAD EXPANSION OF THE CARRIER'S NETWORK COVERAGE FOOTPRINT IN ORDER TO BE VALID. DOES SUCH A REQUIREMENT EXIST?

A. No. Mr. Brown argues (pp. 6-7, 11) that USCOC's plan for the use of USF support is somehow improper because some of the planned construction "will not be used to expand service into currently unserved areas."

While such a geographic expansion of coverage is one permissible use of USF support, it is certainly not the only permissible use. The use of all support received for the provisioning, maintenance, and upgrading of facilities and services for which the support is intended" (47 CFR §54.7, 4 CSR 240-3.570 (2)(1)) is not limited exclusively to the expansion of a carrier's network footprint; in fact, 4 CSR (3) refers explicitly to three possible uses of universal service support: increasing coverage, improving service quality, and increasing capacity.

In this light, Mr. Schoonmaker's argument (p. 16) that USCOC's plan should be rejected (or otherwise found to be inadequate) because some of the proposed new cell sites will "strengthen coverage" in some areas rather than expand USCOC's network footprint falls flat: investments made in order to *strengthen coverage* certainly fall well within a requirement to use support for the "provisioning, maintenance, and upgrading of facilities" in order to "improve coverage, service quality, or capacity."

Q. UNDERSTANDING THAT EXPENDITURES MADE TO "STRENGTHEN COVERAGE" ARE A PERMISSIBLE USE OF FEDERAL USF SUPPORT THAT CAN PROVIDE SUBSTANTIAL PUBLIC BENEFIT, ARE MR. BROWN AND MR. SCHOONMAKER RIGHT WHEN THEY CLAIM THAT MOST OF

USCOC'S PLANNED INVESTMENTS WILL DO LITTLE TO EXPAND ITS COVERAGE FOOTPRINT?

A. No. As USCOC witness Johnson explains in detail in his testimony, USCOC's planned network investments will – when considered from the perspective of an engineer who designs wireless systems – expand the company's coverage into unserved and underserved areas.

Q. MR. STIDHAM ARGUES (PP. 4-5) THAT THE PUBLIC HEALTH AND SAFETY BENEFITS DESCRIBED IN YOUR DIRECT TESTIMONY WILL NOT BE REALIZED UNLESS USCOC'S PRIMARY FOCUS IS ON INVESTMENTS THAT WILL EXPAND ITS FOOTPRINT. DO YOU AGREE?

A. Absolutely not. It is certainly true that expanding USCOC's network footprint will provide public health and safety benefits, but such an expansion is not the only method of doing so. Investments that fill in areas of weak or no coverage within the existing footprint, investments that increase service reliability, and investments that increase service quality (collectively what Mr. Schoonmaker disparagingly refers to as investments made to "strengthen coverage") can also be expected to provide important public health and safety benefits that Mr. Stidham should not be so quick to dismiss.

Q. MR. BROWN AND MR. SCHOONMAKER ARGUE THAT THE COMMISSION SHOULD REQUIRE USCOC TO MAKE A MINIMUM LEVEL OF INVESTMENT THAT EXCEEDS THE AMOUNT OF USF SUPPORT RECEIVED. IS THERE ANY REASONABLE BASIS FOR SUCH A REQUIREMENT?

A. No. If designated as an ETC, USCOC – like all ETCs – must demonstrate to the Commission that all federal USF support received has been used for the "provision, maintenance, and upgrading of facilities and services for which the support is intended."

A carrier seeking designation must, according to the Missouri ETC Rule, provide a two-year plan that sets forth that carrier's then-current plans for the use of these funds. As a part of the annual recertification process, *all* ETCs (ILECs and CETCs) must demonstrate that all support received was in fact properly used during the preceding year.

Mr. Brown and Mr. Schoonmaker have become fixated on the number of cells sites that USCOC has constructed and expects to construct going forward. For example, Mr. Brown points out (p. 12) that during the past year, USCOC has been able to construct **____** cell sites in the area for which it seeks designation as an ETC. In other words, USCOC has been able to make a business case for the construction of these sites and has been able to obtain the necessary capital for their construction from sources other than USF support. With no factual basis whatsoever, Mr. Brown makes a leap of logic and concludes (p. 12) that this level of construction "should from a conservative baseline for the determination of the normal construction activity that could be expected absent high-cost support," and argues that USCOC should be required, going forward, to make annual investments of this amount *in addition to* the amount of any federal USF support received.[11]

Mr. Brown's proposed new "baseline expenditure" requirement must be rejected for several reasons. First, no such requirement exists in the federal or state rules. All ETCs must demonstrate that all USF support received has been used only for the intended purposes, but there has been no proposal from either the Joint Board or FCC that carriers be required to make some additional level of minimum investment beyond that amount.

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[11] Mr. Schoonmaker makes a similar argument at pp. 24-26 of his testimony.

Second, Mr. Brown's proposal is based on the unsupported (and ultimately flawed) assumption that an inexhaustible supply of projects (pursuant to Mr. Brown's and Mr. Schoonmaker's fixation, "cell sites" or "towers") that can be justified without USF support. In other words, Mr. Brown is assuming that USCOC will be able to make a rational business case – exclusive of USF support – for a *minimum* of **__** additional cell sites within its Missouri ETC service area *every year*. This is absurd. Mr. Brown has no factual basis for this assumption at all – for all he knows, the **__** sites constructed by USCOC in past year represent the total list of available projects for which a rational business case can be made. It is more likely that, based on expectations of demand growth and other factors, a carrier like USCOC will be able to make a rational business case for a varying number of projects each year.

Third, Mr. Brown's proposal is based on the unsupported (and ultimately flawed) assumption that a carrier such as USCOC has a constant and unwavering level of capital available each year. In reality, a company such as USCOC is much more likely to have a varying level of capital available for investment from year to year.

Fourth, Mr. Brown's tower fixation has caused him to improperly equate "network investment" with "cell site construction." His recommendation is actually for the Commission to require USCOC to construct a minimum number of cell sites in addition to those proposed in its two-year plan. Of course, there are many ways for a wireless carrier to "improve coverage, service quality, or capacity" that are unrelated to the construction of cell sites. A wireless carrier may invest in new switching facilities that will increase the quality of service provided in a given area, for example, or it might increase network capacity by investing in the transmission facilities used to connect cell sites to those switching facilities. Even an effort to "improve coverage" is not necessarily related to "tower construction" as Mr. Brown assumes; new transmission equipment can be placed on structures owned by other entities (thereby obviating the need to construct a new "tower"), or more robust transmission equipment can be placed on an existing towers.

Finally, Mr. Brown's proposal, if applied in a competitively neutral manner, is likely to be problematic for the ILECs. It is unlikely that the ILECs can demonstrate that their annual network expenditures exceed the total amount of USF support received plus the level of expenditures that could be justified absent such support.

Q. MR. BROWN (PP. 3-4) AND MR. SCHOONMAKER (PP. 27-29) ARGUE THAT BECAUSE TWO ILEC-AFFILIATED WIRELESS CARRIERS HAVE BEEN DESIGNATED AS ETCS IN PARTS OF THE AREA FOR WHICH USCOC SEEKS DESIGNATION, THAT IT IS NOT IN THE PUBLIC INTEREST TO DESIGNATE USCOC AS AN ETC IN THOSE AREAS. DO THEIR ARGUMENTS MAKE SENSE?

A. No. Mr. Schoonmaker argues (p. 27) that "the public policy question that the Commission is faced with for the first time with this application is the question of whether it is an appropriate use of universal service funds to support multiple wireless carriers in the same service area." To the extent that Mr. Schoonmaker is suggesting that it would somehow be more costly or result in a greater draw from the federal fund to "support multiple wireless carriers" than it would to support a single wireless carrier in a given area, Mr. Schoonmaker is simply wrong. As Mr. Schoonmaker is (or ought to be) aware, wireless carriers (whether or not ILEC-affiliated) receive funding on a different basis than the ILECs. The ILECs receive a total amount of support based on the prior year's qualifying expenditures, but this amount does not vary based on the number of customers served. As a result, it would be inherently inefficient and very costly to support multiple ILEC networks in the same area. In direct contrast, a wireless carrier receives support based on the number of customers actually served in the area. Because the number of customers remains constant, the total amount of USF support being provided to a given area is the same whether one or one hundred wireless carriers have been designated as ETCs in that area.[12]

Q. MR. SCHOONMAKER ARGUES THAT THE COMMISSION'S PREVIOUS DESIGNATION OF TWO OTHER WIRELESS ETCS DIMINISHES THE PUBLIC INTEREST OF USCOC'S DESIGNATION. DO YOU AGREE?

A. No. Specifically, Mr. Schoonmaker argues (p. 28) that "the Commission must determine if there is any incremental benefit to granting an ETC designation to USCOC."[13] As an initial matter, Mr. Schoonmaker is again attempting to create a standard that does not exist in federal or state law. Setting aside the question of the legal standard, there are several reasons that I disagree with Mr. Schoonmaker's conclusion that the designation of USCOC will not result in incremental benefits to customers.[14]

First, as Mr. Schoonmaker points out (p. 27), Northwest Missouri Cellular and Chariton Valley Cellular operate only within Missouri and only in rural areas, while

[12] For example, in an area with 100 wireless subscribers and USF support available of \$10/line/month, the total USF provided to the area would be \$1000/month. If a single wireless ETC serves every customer in the area, the total support disbursed is \$1000/month; if two wireless ETCs serve the area, the total amount of support remains unchanged (assuming each wireless ETC serves one-half of the wireless subscribers, each carrier would be eligible for \$500/month).

[13] Mr. Brown makes a similar argument at p. 16 of his testimony.

[14] As explained above, Mr. Schoonmaker's claim of an incremental cost is incorrect. Mr. Brown also made a number of claims regarding the impact of an ETC designation on carrier costs in his September 12, 2005 rebuttal testimony. I responded to Mr. Brown's flawed analysis at pp. 54-68 of my October 3, 2005 surrebuttal testimony.

USCOC operates in a number of states, and in both urban and rural areas. It is likely that many of the existing and potential customers of wireless telephone service who live and work in these areas may want to subscribe to a wireless service that permits them to make on-network calls to places that are beyond their immediate rural area; to places that are in the more urban areas of Missouri or to locations that are out of state.

Second, as Mr. Schoonmaker correctly points out (pp. 9-12), USCOC offers a variety of rate plans to its customers and continues to adapt these offerings in response to customer needs and demands. The presence of USCOC as a viable competitor in these areas will provide customers with additional pricing options and service plans with the calling volumes and geographic scope that best meets their needs. Many of Missouri's rural ILECs offer "basic service" for a low price, but only offer "unlimited" service to a few hundred or a few thousand telephone numbers. In areas where wireless signal strength is weak, rural consumers have no choice but to pay toll charges for all other calls. I have attached as Exhibit A a chart, derived from ILEC tariffs, which illustrates this point. This problem disproportionately impacts low-income consumers, who can least afford to pay high intra-lata toll charges. USCOC's offerings allow consumers to select a rate plan that suits their calling patterns. The benefits to consumers of the many new choices that USCOC's rate plans afford should not be underestimated.

Third, as the FCC has repeatedly concluded, the entry of an additional ETC into a rural area can be expected to create the following benefits: "[to] provide incentives to the incumbent to implement new operating efficiencies, lower prices, and offer better service to its customers."[15] The FCC refers to the provision of "customer choice, innovative services, and new technologies" as benefits of a competitive ETC designation in a rural area, but also explicitly notes that "competition will result not only in the deployment of new facilities and technologies, but will also *provide an incentive to the incumbent rural telephone companies to improve their existing network to remain competitive*,"[16] and "*competition may provide incentives to the incumbent to implement new operating efficiencies*, lower prices, and offer better service to its customers."[17] The designation of USCOC as an ETC in these areas can provide this benefit, but it is far less likely that an ILEC's affiliated wireless carrier would have such an impact. Given lack of opposition by their ILEC ownership, it is much more likely that Northwest Missouri Cellular and Chariton Valley Cellular will be managed in a way that avoids direct competition with the wireline ILEC.

Q. MR. STIDHAM OFFERS HIS OPINION THAT U.S. CELLULAR SHOULD NOT BE ELIGBLE TO RECEIVE HIGH-COST SUPPORT IN AREAS SERVED BY AT&T MISSOURI. DO YOU AGREE?

A. No. Mr. Stidham is entitled to his opinion, but he is incorrect as a matter of law. Section 54.307 of the FCC's rules, which he cites, describes how much support a competitive ETC receives. It says nothing about where such support can be invested and nothing in the federal statute or the FCC's rules restricts the use of support as Mr. Stidham suggests. Since this is a

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[15] *In the Matter of Western Wireless Corporation Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming*, CC Docket No. 96-45, *Memorandum Opinion and Order*, DA 00-2896, ¶ 2 (rel. Dec. 26, 2000).
[16] *Id.*, ¶ 17 (emphasis added).
[17] *Id.*, ¶ 22 (emphasis added).

federal program, the FCC is in charge of how program funds are distributed. As far as I can tell, Mr. Stidham's opinion has never been adopted by the FCC or any other state that has considered the matter. His views are similar to a case I was involved in up in Vermont, where the Public Service Board rejected an ILEC claim that support is "drawn" from a service area and must therefore be "reinvested" back into the same area. The fact is, AT&T Missouri serves rural areas in the state. Mr. Gryzmala admitted as much in his opening statement (Tr. p. 36). USCOC is licensed in some of those rural areas. It is entirely appropriate and legal for the company to use high-cost support funds to meet its obligations to build facilities within its designated ETC service area, irrespective whether it is technically "rural" or "nonrural" as defined by the FCC. Indeed that is the fundamental purpose of the federal statute. See 47 U.S.C. Section 214(e). Finally, as a practical matter, it would make no sense for USCOC to apply for AT&T Missouri's service area unless it needed funding to improve service there. By rejecting Mr. Stidham's opinion, the Commission will ensure that consumers in these rural areas get the benefits that USCOC is proposing to provide through its future investments of federal high-cost support.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
BPS Telephone Company	(Res.) $6.50-$7.00 (Bus.) $13.00-$14.00 depending on exchange (tariff, sec. 4, sh. 2)	Range from $1.00 - $6.00; Caller ID $7.00 (from tariff)	Basic rates include Local Calling to certain BPS and SBC exchanges. Bernie has local calling to Parma & Malden (ATT). Parma has local calling to Bernie, Riscol, ATT), New Madrid (ATT), Lilbourn (ATT), Essex (ATT). Steele has local calling to Caruthersville (ATT) Hornersville (ATT), Deering (ATT). From 2003 Annual Report – 3 exchanges: Bernie 1,091 (Res.), 269 (Bus.); Parma 360 (Res.), 51 (Bus.); Steele 1,606 (Res.), 369 (Bus.)
Choctaw Telephone Company	(Res.) $9.90 touchtone (Bus.) $12.40 touchtone (tariff, sh. 1)	Range from $2.00 to $5.00; CallerID by number $5.00 (from tariff)	Basic Rates include Halltown exchange only. 559 (Res.) and 72 (Bus.) in 2002 Annual Report. Additional $11.45 (Res.) and $21.75 (Bus.) get the Springfield Metro Calling Area.
Craw-Kan Telephone Cooperative, Inc. www.ckt.net	(Res.) $5.00, $5.75, $7.25 (Bus.), $7.75, $8.75, $10.75 (varies by exchange) (tariff, sh. 3)	Range from $2.00 to $5.00; CallerID by number and name $6.00 (from tariff)	Basic rates include Craw-Kan exchanges only. (9 total) Access lines from 2004 report. (Res.) 2,350 (Bus.) 396.
Ellington Telephone Company	(Res.) $6.70 touchtone (Bus.) $10.50 touchtone (tariff, sh. 1)	Range from $1.00 to $2.50; CallerID by number $4.00 (from tariff)	Basic Rates include Ellington exchanges only. 1,717 (Res.) 618 (Bus.) access lines in 2004 Annual Report.

EXHIBIT A

COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
Farber Telephone Company	(Res.) $7.75 touchtone (Rural Res.) $11.75, (Bus.) $12.25 (tariff, sh. 1)	Range from $1.00 to $3.00; CallerID by number $4.50 (from tariff)	Basic rates include Farber exchanges only. Access lines filed as confidential.
Fidelity Telephone Company	(Res.) $10.25 (Bus.) $19.95 (tariff, sh. 1)	Range from $.75 to $10.00. Caller ID by name (Res.) $7.50, (Bus.) $12.00 (tariff sh. 28.7)	Basic rates include all 9 Fidelity exchanges. Access line information was filed under seal.
Goodman Telephone Company	(Res.) $7.60 (Bus.) $12.65 (tariff, sh. 1)	Range from $2.00 to $3.50 CallerID $5.00 (from tariff)	Basic rates include all Goodman, Ozark and Seneca exchanges. (Goodman, Lanagan, Noel, Seneca, Southwest City, Tiff City). Goodman had 1,705 (Res.) and 270 (Bus.) in Annual Report. Seneca had 2,728 (Res.) 626 (Bus.) in 2004 Annual Report. Ozark had 2,060 (Res.) 558 (Bus.) in 2004 Annual Report.
Granby Telephone Company	(Res.) $6.60 (Bus.) $8.85 (tariff, sh. 1)	Custom Calling Features: Range from $3.00 to $4.50 CallerID (name & number) $4.95 (from tariff)	Basic rates include Diamond and Grandby exchanges: 2,188 (Res.) 551 (Bus.) access lines in 2004 Annual Report.

COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
Grand River Mutual Telephone Corporation	Five rate groups based on callable lines (Res.) $7.22 to 8.89 (Bus.) $13.09 to 14.76 (tariff, sh. 9)	Range from $1.00 to $2.00 CallerID (name & number) $5.95	Basic rates include access to exchange (8-10) in that rate group plus a few specific non-toll points outside of Grand River such as Trenton, MO. Access line information was filed under seal.
Holway Telephone Company	(Res.) $13.00 (Bus.) $25.00 (tariff, sh. 1)	Available in packages only $3.95 to $10.95. CallerID $4.95 (from tariff)	Basic rates include access to Skidmore and Maitland exchanges. There are 495 (Res.) 54 (Bus.) access lines in 2004 Annual Report.
IAMO Telephone Company	(Res.) $8.00 (Bus.) $10.00 (tariff, sh.3)	$1.00 each; CallerID $4.00 (from tariff)	Basic rates include two other IAMO exchanges. Westboro exchange includes two Iowa exchanges. Access lines from 2004 Annual Report 1,006 (Res.), 139 (Bus.).
Kingdom Telephone Company	(Res.) $8.50 (Bus.) $11.75 (tariff, sh. 4-5)	$1.00 to $3.50 each; CallerID name $7.00 (from tariff)	Basic rates include all Kingdom exchanges (Auxuasse, Big Spring, Hatton, MoKane, Rhineland, Tebbetts, Williamsburg). Access lines from 2004 Annual Report 4,467 (Res.), 1,187 (Bus.).
Le-Ru Telephone Company	(Res.) $10.50 (Bus.) $17.00 (tariff, sh. 1)	$2.50 each; CallerID number $3.75 (Res.) $4.50 (Bus.) (from tariff)	Basic rates include access to Stella and Powell exchanges. There are 1,496 (Res.) 154 (Bus.) access line per 2004 Annual Report

COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
Mark Twain Rural Telephone Company	(Res.) $9.00 (Bus.) $10.25 (tariff, sh.5)	$1.00 to 4.00 each; CallerID $4.00(from tariff)	Basic rates include all 14 Mark Twain exchanges (Baring, Bethel, Brashear, Durham, Greentop, Hurdland, Knox City, Leonard, Newark, Novelty, Philadelphia, Steffenville, Williamstown, Wyaconda) Greentop has EAS to Queen City (NWMO Rural). Access line information filed under seal.
Mid-Missouri Telephone Company	(Res.) $8.00 (Bus.) $12.85 (tariff, sh. 1)	$1.50 to $3.50 each; CallerID name and number $5.95 (from tariff)	Company has 12 exchanges (Arrow Rock, Blackwater, Bunceton, Fortana, Gilliam, High Point, Latham, Marshall Junction, Miami, Nelson, Pilot Grove, Speed). For some exchanges basic rates include up to two other exchanges. 2004 Annual Report Access lines 3,580 (Res.), 800 (Bus.).
Miller Telephone Company	(Res.) $9.00 (Bus.) $14.00 (tariff, sh. 1)	$2.00 to $4.00 each; CallerID name and number $6.00 (from tariff)	Basic rates include Miller exchange only. Access lines reported confidentially.
New Florence Telephone Company	Touchtone (Res.) $5.75 (Bus.) $7.75 (tariff, sh. 1)	$1.75 to $3.00 each; CallerID number $4.50(from tariff)	Basic rates include New Florence exchange only. Access lines reported confidentially.
New London Telephone Company	(Res.) $12.30 (Bus.) $22.10 (tariff, sec 3, sh. 2)	$.75 to $1.25 each; CallerID $5.50 -$7.50 (from tariff)	Basic rates include New London exchange only. 2004 Annual Report 771 (Res.), 240 (Bus.).

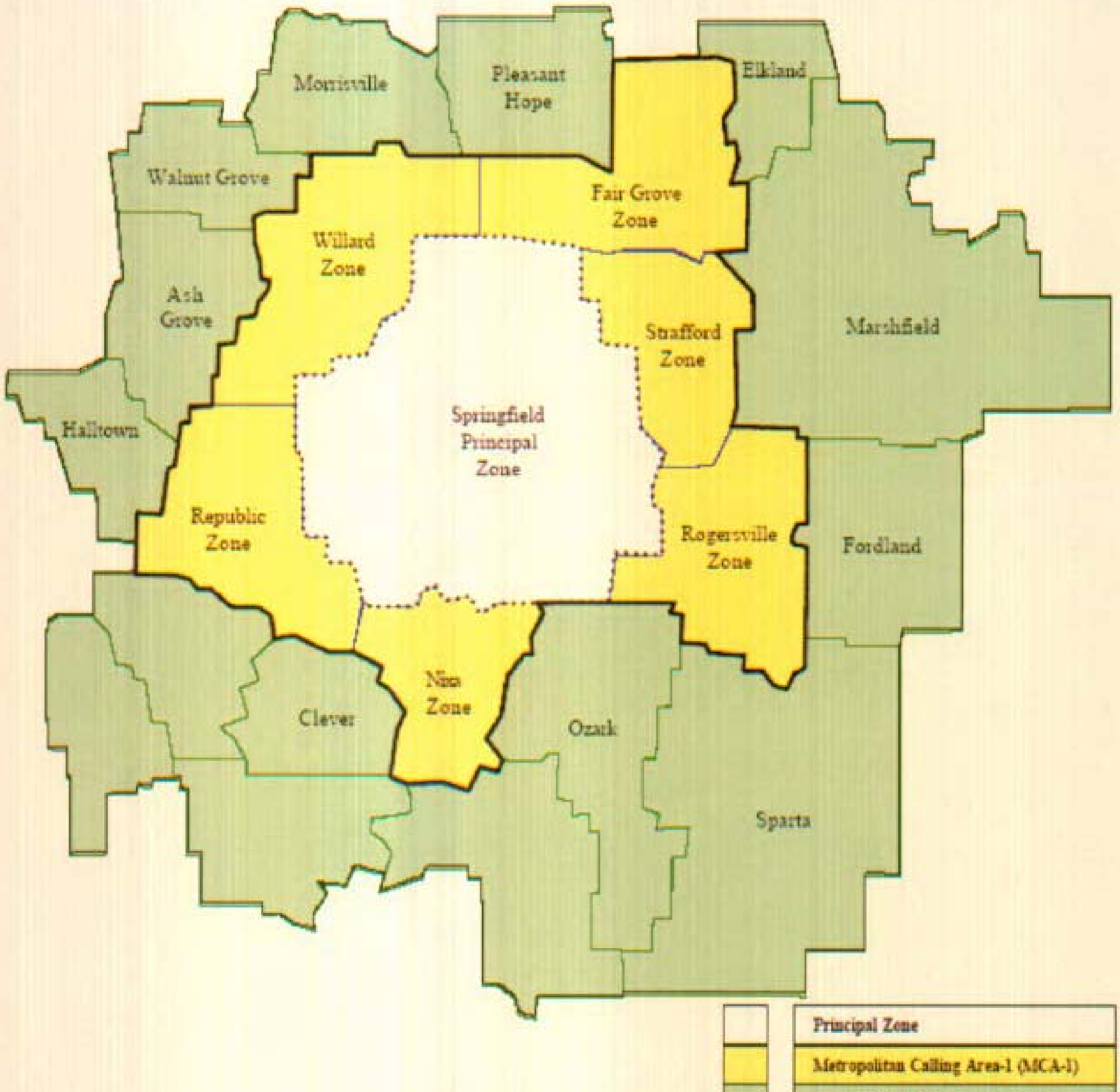
COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
Northeast Missouri Rural Telephone Company	(Res.) $10.00, (Bus.) $15.00 (tariff sheet 4-4)	$1.00 -$4.95 per month for custom calling features. Caller ID -$3.95	Basic rates include all NEMO exchanges. (Arbela, Brock, Green City-GreenCastle, Lemons, Luray, Marfinetown, Noveinger, Omaha, Pollock, Tubin Creek-Rutrledge, Winigan) The Luray and Queen City exchanges have EAS to Kahoka and Greentop at an additional charge of .25 to .65 per month. 2004 Annual Report 6,460 (Res.), 1,915 (Bus.).
Orchard Farm Telephone Company	(Res.) $12.25 (Bus.) $24.40 plus $1.00 for touch tone (Tariff sec. 4, sheet 2)	Most are $3.50 per month, Caller ID $5.50-$7.50	Basic rates include Orchard Farm exchange only. For an additional ($12.35 (Res.), $24.80 (Bus) customers can have access to the St. Louis MCA3 calling scope. 2004 Annual Report 572 (Res.), 277 (Bus.).
Peace Valley Telephone Company	Touchtone (Res.) $6.50 (Bus.) $7.50 (tariff, sh. 1)	$1.00 to $5.00 each; CallerID $4.00 - $5.00(from tariff)	Basic rates include Peace Valley exchange only. 478 (Res.) 55 (Bus.) access line per 2004 Annual Report
Seneca Telephone Company	(Res.) $8.10 (Bus.) $11.80 (tariff, sh. 1)	$2.00 to $3.50 each; CallerID $5.00(from tariff)	Basic rates include all Goodman, Ozark and Seneca exchanges. (Goodman, Lanagan, Noel, Seneca, Southwest City, Tiff City). Goodman had 1,705 (Res.) and 270 (Bus.) in Annual Report. Seneca had 2,728 (Res.) 626 (Bus.) in 2004 Annual Report. Ozark had 2,060 (Res.) and 558 (Bus) in 2004 Annual Report.
Steelville Telephone Exchange, Inc.	(Res.) $8.95 (Bus.) $14.45 (tariff, sh. 1)	$1.50 to $3.00 each; CallerID number $6.00(from website)	Basic rates include all Steelville exchanges (Steelville, Huzzah, Cherryville, Viburnum). 2003 Annual Report 3,617 (Res.), and 1,217 (Bus.).

COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
Stoutland Telephone Company	(Res.) $8.75 (Bus.) $13.25 (tariff, sh. 1)	$1.25 to $1.75 each; CallerID $5.50 -$7.50 (from tariff)	Basic rates include all Stoutland exchanges (2). 2004 Annual Report 1,381 (Res.), 218 (Bus.).
CenturyTel of Missouri	Six different rate groups (Res.) $8.91 to $10.78; (Bus.) $15.01 to 18.77 based upon number of access lines in exchange. Higher rates in competitive exchanges. In addition some areas have EAS adders. (tariff, sec. 4, sh. 17-18)	$1.20 to $6.00 each; CallerID name and number (Res.) $8.50 (Bus.) $11.50 (from tariff)	Tariff Sheets, Section 4, Sheets 6-15, list the exchanges and associated EAS rates. Not all exchanges have EAS routes. Access lines per exchange are reported under seal.
Spectra Communications Group, LLC dba CenturyTel	Five different rate groups (Res.) $7.61 to $9.53; (Bus.) $13.82 to $17.65 based upon number of access lines in exchange. Higher rates in competitive exchanges. In addition some areas have EAS adders. (tariff, sec.4, sh. 17-18)	$1.20 to $6.00 each; CallerID name and number (Res.) $8.50 (Bus.) $11.50 (from tariff)	Tariff sheets Section 4, Sheets 6-15, list the exchanges and associated EAS routes. Not all exchanges have EAS routes. Access Lines per exchange are reported under seal.
Southwestern Bell Telephone, L.P. dba SBC	Different rate groups based on number of access lines in exchange and access to metropolitan calling area.	(Res.) $2.70 to $8.10, (Bus.) $2.97 to $8.00 each; CallerID (Res.) $7.99 (Bus.)	EAS routes are listed in tariff. The following maps detail the Metropolitan Calling Areas and prices. http://www.psc.state.mo.us/teleco/mca/MCA_Springfield_PH.pdf

COMPANY NAME	BASIC RATES	CUSTOM CALLING FEATURES	BASIC RATE CALLING SCOPE
	(Res.) $7.15 to $20.33 $ (Bus.) $15.93 to $46.00. In addition some areas have EAS adders(tariff, sh. 2)	$9.50(from tariff)	http://www.psc.state.mo.us/teleco/mca/MCA_St_Louis_PH.pdf Access lines per exchange are filed under seal.

Springfield Metropolitan Calling Area (MCA) Telephone Exchanges

Residential Subscribers	Business Subscribers	
MCA Principal Zone (Includes Local Service) monthly charge: $ 9.74 *MCA-1* (Includes Local Service) monthly charge: $ 11.01 *MCA-2* (Optional; Local Service not included) **Additional** monthly charge: $ 11.45	*MCA Principal Zone* (Includes Local Service) monthly charge: $ 24.81 *MCA-1* (Includes Local Service) monthly charge: $ 27.03 *MCA-2* (Optional; Local Service not included) **Additional** monthly charge: $ 21.75	* *All MCA-Central and MCA-1 customers can call:* all MCA-Central and MCA-1 customers, and all MCA-2 subscribers. * *MCA-2 subscribers can call:* all MCA-Central and MCA-1 customers, and all MCA-2 subscribers. * *MCA-2 nonsubscribing customers can call:* all customers in their own local exchange and EAS points, if any.



Prepared By A.P.Kuss, MoPSC Telecommunications Department. Effective December 01, 2004
Source: SBC MO PSC Tariff No. 24, Sheets 2, 3, 41.

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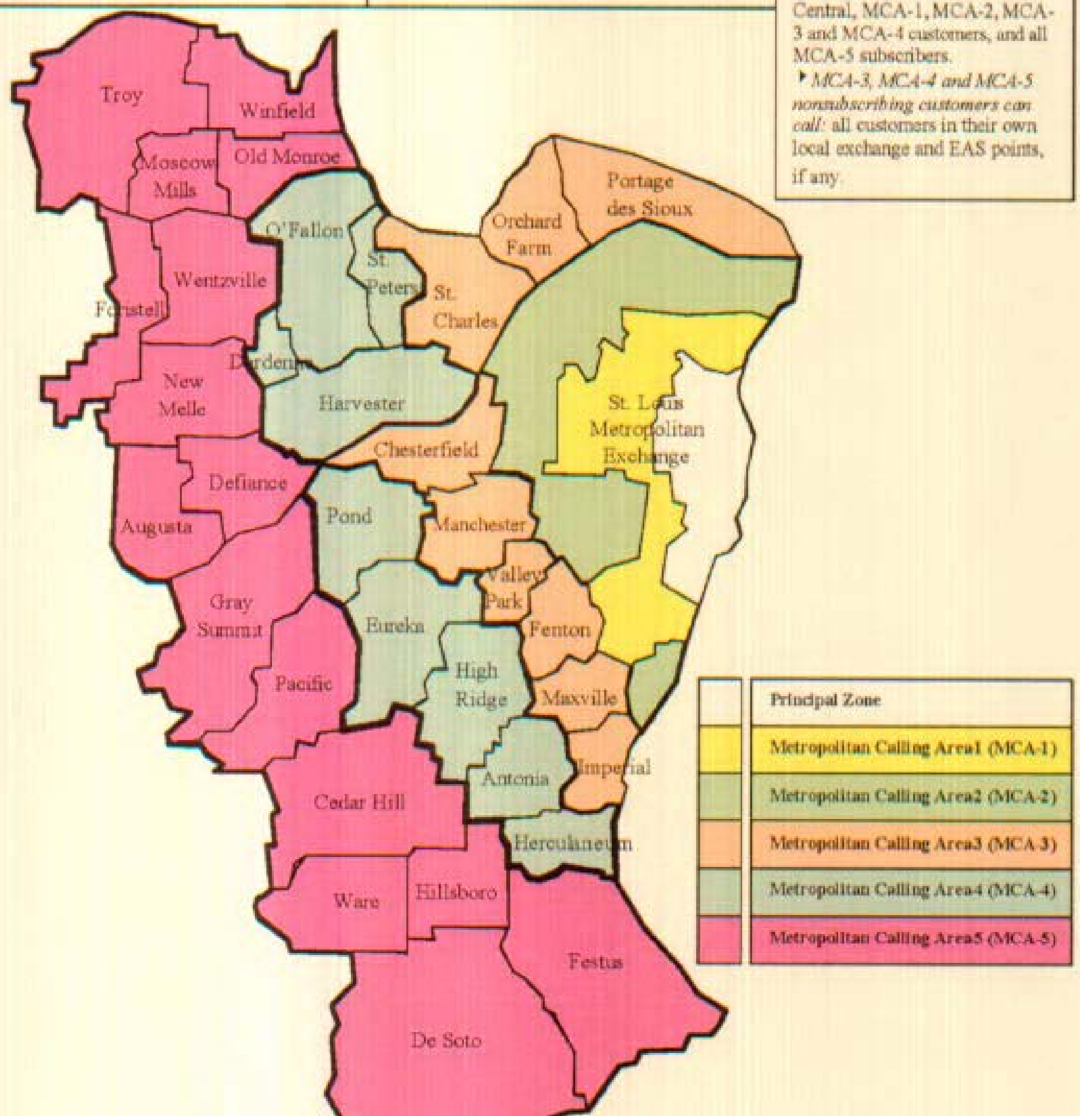
St. Louis Metropolitan Calling Area (MCA) Telephone Exchanges

Residential Subscribers MCA Rates	
Principal Zone (Includes Local Service)	
Monthly charge:	$10.96
MCA-1 (Includes Local Service)	
Monthly charge:	$11.43
MCA-2 (Includes Local Service)	
Monthly charge:	$12.07
MCA-3 (Optional; Local Service not included)	
Additional MCA monthly charge	$12.35
MCA-4 (Optional; Local Service not included)	
Additional MCA monthly charge	$21.55
MCA-5 (Optional; Local Service not included)	
Additional MCA monthly charge	$32.50

Business Subscribers MCA Rates	
Principal Zone (Includes Local Service)	
Monthly charge:	$36.50
MCA-1 (Includes Local Service)	
Monthly charge:	$37.50
MCA-2 (Includes Local Service)	
Monthly charge:	$38.50
MCA-3 (Optional; Local Service not included)	
Additional MCA monthly charge	$24.80
MCA-4 (Optional; Local Service not included)	
Additional MCA monthly charge	$46.75
MCA-5 (Optional; Local Service not included)	
Additional MCA monthly charge	$70.70

- *All MCA-Central, MCA-1 and MCA-2 customers can call:* all MCA-Central, MCA-1 and MCA-2 customers, and all MCA-3, MCA-4 and MCA-5 subscribers.
- *MCA-3 subscribers can call:* all MCA-Central, MCA-1, MCA-2 and MCA-3 customers, and all MCA-4 and MCA-5 subscribers.
- *MCA-4 and MCA-5 subscribers can call:* all MCA-Central, MCA-1, MCA-2, MCA-3 and MCA-4 customers, and all MCA-5 subscribers.
- *MCA-3, MCA-4 and MCA-5 nonsubscribing customers can call:* all customers in their own local exchange and EAS points, if any.



Prepared by A.P.Kuss, MoPSC Telecommunications Department. Effective December 01, 2004
Source: SBC MOPSC Tariff No. 24, Sheets 2, 3, 41, 41.01.