

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

In the Matter of Staff's Review of the Commission's)
Chapter 31 Rules) File No. TW-2017-0078

Response of the Missouri Small Telephone Company Group

In response to the Commission's invitation to comment on the future of the Missouri Universal Service Fund (MoUSF), the Missouri Small Telephone Company Group (STCG),¹ states as follows:

Introduction

On May 18, 2017, Commission Staff requested information regarding the financial impact to the Missouri USF of including broadband-only support within the Lifeline and Disabled programs. As a threshold matter, it is difficult to comment with any certainty on Staff's subscribership projections due to insufficient data and the uncertain nature of small rural markets. As a general matter, the STCG agrees with Staff's observation that landline telephone subscribership has been declining in the state of Missouri and will likely continue to decline. Also, the vast majority of Lifeline customers in Missouri subscribe to wireless Lifeline services, and wireless eligible telecommunications carriers (ETCs) do not participate in the MoUSF.

Although any comments or predictions must be speculative in nature, it is unlikely that adding broadband-only support in rural STCG service areas will have any significant financial impact on the MoUSF.

¹ See Attachment A.

STCG Responses to Staff Questions

- 1. How, if at all, will Staff's projections that Missouri USF program participants will continue to decline at the rate of 15% per year be impacted by this proposal? If your response depends on the current Missouri USF support level, please clarify and explain.**

There is not sufficient information to answer this question with accuracy. The STCG believes that the major driver in the decline of MoUSF participants is the overall decline in landline subscribership and increase in wireless subscribership. The STCG does not expect that expanding MoUSF Lifeline support to broadband-only service would dramatically reverse this trend.

- 2. Does your company offer landline broadband service? If yes, does your company offer broadband-only service? If broadband service is solely available on a bundled basis with voice service, please explain why a broadband-only service is not offered and whether the company intends to eventually offer a broadband-only service.**

All of the STCG Companies offer landline broadband service, and most STCG Companies also offer landline broadband service in a bundle (or package) with voice service. A few STCG Companies do offer landline broadband service on a standalone basis, but most do not.

Nearly all of the STCG companies receive some form of Federal Universal Service Fund (FUSF) high-cost support. Many STCG Companies participate in the National Exchange Carrier Association (NECA) interstate tariff rates for broadband/DSL service. Partially as a result of historical FCC policies and FUSF rules regarding allocation of cost for high-cost support, the broadband-only rates in the NECA tariff are generally much higher than the rates for broadband service provided in conjunction with traditional voice service. In fact, most NECA broadband-only rates for Missouri STCG

companies are significantly higher than bundled service and are thus cost prohibitive. In other words, the price for a bundle of voice and broadband service is much less than a broadband-only service.²

3. If your company offers a landline broadband-only service, how comparable are the rates for a broadband-only service versus a bundled package of voice and broadband services?

The price for broadband-only service is often substantially higher than a bundle of voice and broadband. In fact, the broadband-only rate can be from \$20 to over \$100 more than the bundled rate for broadband and voice.

4. If your company participates in the Lifeline program:

a. How many Lifeline subscribers are currently provided with landline broadband-only service?

Currently, only two of 28 STCG companies have broadband-only Lifeline subscribers, and a total of three (3) broadband-only (federal) Lifeline subscribers.

b. How many Lifeline subscribers are currently provided with a landline bundled voice/broadband service?

Among 28 STCG companies, fewer than 1,400 total Lifeline customers are provided with a bundled voice/broadband service.

c. Will expanding Missouri USF support to a broadband-only service within the Lifeline and Disabled programs cause a significant impact on program participation?

Probably not at this time due to the higher NECA tariff rates for broadband-only service. The only way that expansion would have a significant impact on program

² This problem may be changing, and a number of STCG companies are interested in offering a broadband-only service if it can be offered at a competitive price.

participation is if a large number of Lifeline-eligible customers, who are not currently Lifeline customers, decide to subscribe to a broadband-only service. Given the current prices for such service, this is unlikely.

Respectfully submitted,

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/s/ Trip England

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ATTACHMENT A

Missouri Small Telephone Company Group

BPS Telephone Company
Citizens Telephone Company of Higginsville, Mo.
Craw-Kan Telephone Cooperative, Inc.
Ellington Telephone Company
Farber Telephone Company
Fidelity Telephone Company
Goodman Telephone Company
Granby Telephone Company
Grand River Mutual Telephone Corporation
Green Hills Telephone Corporation
Holway Telephone Company
Iamo Telephone Company
Kingdom Telephone Company
K.L.M. Telephone Company
Le-Ru Telephone Company
Lathrop Telephone Company
Mark Twain Rural Telephone Company
McDonald County Telephone Company
Miller Telephone Company
New Florence Telephone Company
New London Telephone Company
Northeast Missouri Rural Telephone Company
Orchard Farm Telephone Company
Ozark Telephone Company
Peace Valley Telephone Company, Inc.
Rock Port Telephone Company
Seneca Telephone Company
Steelville Telephone Exchange, Inc.
Stoutland Telephone Company