

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

In the Matter of a Repository Docket in)
Which to Gather Information About the)
Lifeline Program and Evaluate the)
Purposes and Goals of the Missouri)
Universal Service Fund) Case No. TW-2014-0012

COMMENTS OF THE MISSOURI SMALL TELEPHONE COMPANY GROUP

In response to the Missouri Public Service Commission’s July 26, 2013 *Notice of Opportunity to Comment*, the Missouri Small Telephone Company Group (STCG)¹ states as follows:

a. What should be the purposes and goals of the Missouri USF?

The purposes and goals of the Missouri Universal Service Fund (MoUSF) are set forth in the authorizing statute, which establishes the MoUSF Board “to ensure just, reasonable, and affordable rates for reasonably comparable essential local telecommunications services throughout the state.” §392.248.1 RSMo. 2000. The statute specifies that funds from the MoUSF shall only be used:

- (1) To ensure the provision of reasonably comparable essential local telecommunications service, as that definition may be updated by the commission by rule, throughout the state including high-cost areas, at just, reasonable and affordable rates;
- (2) To assist low-income customers and disabled customers in obtaining affordable essential local telecommunications services; and

¹ See Attachment A.

(3) To pay the reasonable, audited costs of administering the universal service fund.

Section 392.248.2 RSMo. 2000. Any expansion that goes beyond these purposes and goals would require a statutory change. There does not appear to be any need to expand the general purposes and goals of the MoUSF at this time.

b. What problems should be addressed in the administration and operation of the Missouri USF?

In general, the day-to-day administration and operation of the MoUSF appear to be working satisfactorily at this time. The current Fund Administrator and PSC Staff have demonstrated a commitment to work with small incumbent companies to resolve minor compliance issues or questions that may arise from time to time. One issue that may deserve attention is how to ensure that contributions from all Voice over Internet Protocol (VoIP) providers (i.e. both “fixed” and “nomadic” VoIP providers) are accurately calculated and received by the MoUSF.

c. What changes should be made to the Missouri USF?

The Commission held a series of proceedings and workshops on MoUSF support for remote rural “high-cost areas” after the MoUSF statute was first passed, but these workshops were over 13 years ago and no MoUSF high-cost support fund was established. Recent actions by the Federal Communications Commission have significantly reduced federal high-cost support and intercarrier compensation revenues for small rural incumbent local exchange carriers (ILECs). Therefore, the Commission should examine whether to establish a “high-cost” fund component to ensure the continued provision “of reasonably comparable” service where rural ILECs have been

harmed by the FCC's actions.² High-cost funds have been established in at least 23 other states, including the neighboring states of Arkansas, Illinois, Kansas, Nebraska, and Oklahoma.³

The Commission may also want to consider whether support for Broadband deployment could be addressed under a "high-cost" component of the MoUSF.

d. Should wireless carriers be required to contribute to the Missouri USF and also be able to receive Missouri USF support?

No. As a threshold matter, adding wireless carriers to the MoUSF would require a statutory change. Such a statutory change is unlikely at this time. Concerns about waste, fraud, and abuse also weigh against adding wireless carriers given the many recent examples of problems that have arisen following federal USF funding of wireless carriers. Finally, wireless carriers already appear to be receiving substantial federal support which allows them to offer "free" handsets and service, so it does not appear that MoUSF support is needed for wireless service.

e. Should the Lifeline program be expanded in Missouri to ensure qualifying low-income consumers have access to broadband service? If yes, how should the program be expanded?

The FCC is currently examining this question, so the Commission may want to adopt a "wait and see" approach and monitor the FCC proceeding before considering a change to its own rules.

² See e.g. STATE USF WHITE PAPER: NEW RURAL INVESTMENT CHALLENGES, Ballhoff and Williams, June 2013, <http://www.balhoffrowe.com/pdf/BW%20State%20USF%20White%20Paper%20June%202013.pdf>.

³ See e.g. SURVEY OF STATE UNIVERSAL SERVICE FUNDS 2012, National Regulatory Research Institute, July 2012, <https://prodnet.www.neca.org/publicationsdocs/wwpdf/72012nrriusf.pdf>.

f. Should eligibility criteria for consumers to qualify for the Lifeline program be expanded? If so, how?

No. The FCC's rules now establish the baseline criteria to qualify for Lifeline, and the Commission recently changed its rules to mirror the FCC's criteria. There does not appear to be any need to expand the Lifeline eligibility criteria at this time. Likewise, the criteria for MoUSF disabled support eligibility do not appear to need expansion.

g. Should the Missouri USF support amount of \$3.50 be increased, decreased or remain the same?

At this time, the MoUSF support amount should remain the same. If the Commission determines that any future increases in the FCC's local rate benchmark will threaten the affordability of service, the Commission should consider increases at that time.

h. Do you anticipate the FCC's reforms, when fully implemented, will adequately address fraud, abuse and waste within the Lifeline program? Why or why not?

The FCC's reforms to address fraud, abuse, and waste appear to be a step in the right direction. This is another area where the Commission and the parties may want to wait and see how the FCC's efforts work.

i. What specific compliance efforts would be easy to implement to ensure companies and consumers comply with Lifeline program requirements?

No comment at this time.

j. Should the State of Missouri strive to implement a data base to confirm Lifeline subscriber eligibility? If yes, how should it be funded?

No. Despite the efforts by PSC Staff, there appears to have been difficulty in achieving the inter-agency cooperation necessary to establish, maintain, update, and pay for such a database. Therefore, the Commission should monitor the implementation of the pending federal database. If the federal database is successful, then the Commission may want to consider whether it should be used for the MoUSF.

k. What other issues should be considered in this workshop proceeding?

As noted above, the Commission should revisit the MoUSF High Cost Fund and determine if and how to implement a MoUSF High Cost Fund consistent with §392.248.2(1) to “ensure the provision of reasonably comparable essential local telecommunications service . . . throughout the state including high-cost areas, at just, reasonable and affordable rates.”

CONCLUSION

The STCG supports the Commission’s decision to gather information about the MoUSF. The STCG urges the Commission to revisit its investigation into a High Cost Fund in response to recent decisions by the FCC that have drastically reduced federal USF support and intercarrier compensation revenues for small, rural carriers.

Respectfully submitted,

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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was served electronically on this 30th day of August, 2013, to:

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/s/ Brian T. McCartney

ATTACHMENT A

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
Lathrop Telephone Company
Le-Ru 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
Oregon Farmers Mutual Telephone Company
Ozark Telephone Company
Peace Valley Telephone Company, Inc.
Rock Port Telephone Company
Seneca Telephone Company
Steelville Telephone Exchange, Inc.
Stoutland Telephone Company