

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Amount Assessed on)
Companies to Fund the Missouri Universal) File No. TO-2014-0333
Service Fund.)

THE OFFICE OF THE PUBLIC COUNSEL’S COMMENTS

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Comments states as follows:

Introduction

On May 6, 2014, the Staff of the Missouri Public Service Commission Staff (Staff), on behalf of the Missouri Universal Service Board (MoUSB), filed a *Motion to Alter Assessment* asking the Missouri Public Service Commission (Commission) to open a docket to consider changing the amount assessed on companies to fund the Missouri Universal Service Fund (MoUSF).

On May 9, 2014, Staff filed a Report written by Mr. John Van Eschen and Ms. Kari Salsman of the Staff Telecommunications Unit. Staff notes that the MoUSF balance is significantly above the current target range of \$623,000 to \$1.16 million. In the Report, Staff recommended the Commission seek feedback on what should be done including comments on anything contained within the Report. In particular, Staff recommended the Commission seek feedback on the following specific issues:

- The Missouri USF assessment should be reduced from the existing .0017 to what level?

- Should the Missouri USF support amount be increased from the existing \$3.50? If yes, explain why and to what level. If no, why not?
- Are the projections pertaining to the following two basic assumptions reasonable? If not what should be assumed?
 - Net jurisdictional revenues will change at the rate -.50% per month.
 - Support disbursements will change at the rate of -2.01% per month.
 - Should the Missouri USF remittances policies (i.e., monthly, quarterly) be revised? If so, how?

The timeline proposed by Staff is for Board recommendation and Commission approval by August 1, 2014, in order effectuate an assessment change on October 1, 2014. Therefore, Staff asked that the Commission set June 13, 2014, as the due date for feedback to Staff's Report.

Background

The Missouri Universal Service Fund is statutorily created. Section 392.248, RSMo, establishes the MoUSF "to ensure just, reasonable and affordable rates for reasonably comparable essential local telecommunications services throughout the state." Section 392.248.3, RSMo, states that the Commission shall establish the level of universal fund funding requirement necessary to fund the purposes set forth in the statute. 4 CSR 240-31.060(7) provides that the MoUSB may implement changes in assessment levels as appropriate to adjust the fund's receipts to meet its funding obligations. 4 CSR 240-31.060(3)(D) also states that an assessment adjustment recommendation must be accepted by the MoUSF Board and approved by the Commission. It is also necessary per 4 CSR 240-31.060(3)(E) that a 60-day notice be given prior to any assessment change.

The existing MoUSF assessment is 0.0017 and the existing support disbursement is \$3.50 per month per subscriber. In order to ensure sufficient funds for support disbursements, a MoUSF balance of 5 to 9 months of support disbursement expenses is desired. The current target range for the MoUSF balance is \$623,000 to \$1.16 million. However, Staff projects that if the MoUSF assessment and the MoUSF support disbursement amount remain unchanged, then the MoUSF balance will continue to grow from \$3.2 million as reported for March 2014 to over \$5.3 million by December 2018.

Staff's Report states that the reasons for the increasing MoUSF balance are varied, however much of it is tied to declining customer disbursements. MoUSF support disbursements are only for landline customers. However, the Report states many customers are switching from landline service to wireless service. Staff's Report also states that in 2012 a large decline in disbursements occurred due to subscriber de-enrollment in the programs for failure to respond to new Federal Communications Commission (FCC) annual verification requirements. It is assumed that some of the de-enrolled consumers may be reapplying with wireless Lifeline providers who do not receive MoUSF support. The FCC also took steps to weed out consumers receiving multiple Lifeline benefits within a single household. As a result, Staff is seeking comments how to right-size the MoUSF balance given today's landline customer participation.

Public Counsel's Comments

There are two mechanisms to control the amount of the MoUSF fund balance: (1) reduce the amount of the MoUSF assessment; and (2) increase the amount of MoUSF support disbursement to customers. Staff's Report states that the MoUSF assessment needs to be lowered from 0.0017 to 0.0003 or lower to reach the desired target range based on Staff's own current projections. Public Counsel does not support suspending the MoUSF assessment or

taking the assessment too low. Once the assessment has been suspended, the state runs the risk of not being able to re-instate the assessment in the future. Similarly, if the assessment is lowered significantly from the current rate, there is a real risk that the state will not be able to significantly increase the assessment in the future. Additionally, as Staff notes, lowering the assessment significantly from the current rate may require re-examination of the remittance policy. Public Counsel cannot support a drastic decrease in the assessment to 0.0003.

Alternatively, Staff points out that another consideration is whether to increase the existing MoUSF support of \$3.50 per month per low-income and disabled program provider. Staff provides no recommendation but rather recommends the Commission seek feedback on whether this amount should be increased and if so how much. Staff points out that this may require a shift in policy and would require stakeholder input to determine what the reasonable amounts should be.

To facilitate the discussion, Staff provided four graphs which portray Staff's projections of the fund balances at various levels of assessment and support. According to the graphs in Staff's Report, the only scenario that would result in the MoUSF fund balance being in the target range within the desired timeframe would be to set the MoUSF assessment at 0.0010 and set the MoUSF support level at \$6.50. The proposed MoUSF assessment in this scenario would alleviate the concern of lowering the assessment too far as to deter increases in the future as necessary. This scenario also has the potential of providing an increased support benefit to landline customers that could make landline be a more viable option for some customers as opposed to wireless. However, this potential can only be achieved if the customer receives the full benefit of the increased support level. Public Counsel agrees that this may require a shift in policy regarding the MoUSF.

Another avenue to lower the MoUSF fund balance which Staff does not address is to make a concerted effort to ensure that all those who qualify for Lifeline or the disabled programs are reasonably able to do so. Staff's Report is based on the assumption that the growth in the MoUSF balance is due to a declining number of support disbursements due to fewer landline customers participating in the low-income and disabled programs. While Public Counsel will agree that may be a part of the story, as the Report also states, one FCC reform greatly impacting MoUSF support payments is the requirement to annually verify the continued eligibility of all Lifeline subscribers or be automatically de-enrolled. Steps need to be taken to ensure customers are provided a reasonable opportunity to verify eligibility without the need for onerous administrative hoops and allowed to keep their enrollment until it can be verified that they are indeed not eligible. Additionally, steps need to be taken to provide information to customers about the availability and benefit of these low-income and disabled programs. The more outreach that is done to potential subscribers throughout Missouri, the greater the likelihood that these programs will thrive.

Conclusion

It is Public Counsel's view that any change of the assessment should go hand-in-hand with an increase in the customer support disbursement to reflect rising basic local telecommunication service rates. The only scenario offered by Staff that would result in the MoUSF fund balance being in the target range within the desired timeframe is to set the MoUSF assessment at 0.0010 and set the MoUSF support level at \$6.50. Public Counsel could support that proposal as long as the customers themselves receive the full benefit of the increased support. Additionally, Public Counsel suggests that the Commission prioritize communications

and outreach efforts in order to ensure that all those who qualify for Lifeline or the disabled programs are reasonably able to do so.

WHEREFORE, Public Counsel respectfully submits its Comments.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the parties of record this 13th day of June 2014.

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