

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

In the Matter of the Petition of VCI)
Company for Designation as an Eligible) Case No. CO-2006-0464
Telecommunications Carrier.)

AT&T MISSOURI'S POSITION STATEMENT

AT&T Missouri¹ hereby submits its position statement, in accordance with the Commission's September 11, 2006, Order Amending Procedural Schedule.

1. This issue presented in this case is whether VCI Company (“VCI”) has demonstrated that it meets the applicable state and federal requirements for designation as an Eligible Telecommunications Carrier (“ETC”). AT&T Missouri submits that, based on the record and the governing law, VCI has not made the required demonstration. Thus, its application must be denied.

2. Although AT&T Missouri's position rests on several considerations, two are particularly significant. The first involves the local usage plan showing required of an ETC applicant. The second involves the public interest showing required of an ETC applicant.

3. Commission Rule 3.570(2)(A)(10) (4 CSR 240-3.570(2)(A)(10)) requires that the ETC applicant “commit[] to offer a local usage plan comparable to those offered by the incumbent local exchange carrier in the areas for which the carrier seeks designation. Such commitment shall include a commitment to provide Lifeline and Link Up discounts and Missouri Universal Service Fund (MoUSF) discounts pursuant to 4 CSR 240-31, if applicable, at rates, terms and conditions comparable to the Lifeline and Link Up offerings and MoUSF offerings of the [ILEC] providing service in the ETC service area.” (emphasis added). The Commission’s

¹ Southwestern Bell Telephone, L.P. d/b/a AT&T Missouri (“AT&T Missouri”).

rule stems from the FCC's own requirement applicable to ETC applications filed with that agency.²

4. VCI's efforts to address the local usage plan requirement hardly amount to the commitment required of ETC applicants. For example, VCI's claim -- that its rates need not "be exactly the same" as those of AT&T Missouri³ -- surely falls short. Moreover, the claim is beside the point, as no one has suggested that the rule requires VCI's rates to mirror those of AT&T Missouri. VCI's additional claim -- that comparing the rates of a competitive carrier with those of the ILEC is "inappropriate"⁴ -- amounts to an admission that VCI has not made and will not make the requisite commitment. In any case, its view is plainly contradicted by the Commission's rule requiring "comparability." In this case, the undisputed evidence is that VCI's are not "comparable" to those of AT&T Missouri. Indeed, this is so by a wide margin.⁵

5. In addition, Commission Rule 3.570(2)(A)(5) (4 CSR 240-3.570(2)(A)(5)) requires that the ETC applicant "demonstrate[e] that the commission's grant of the applicant's request for ETC designation would be consistent with the public interest, convenience and necessity." This rule likewise effectively adopts the FCC's own requirement applicable to ETC applications filed with that agency.⁶ In AT&T Missouri's view, VCI has failed to submit competent and substantial evidence demonstrating that granting its application would be consistent with the public interest.⁷

6. Finally, other considerations suggest that the Commission should not agree to subsidize VCI's business plan with universal service funds. One is AT&T Missouri's position

² Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 20 FCC Rcd 6371 (2005) ("ETC Designation Order"), ¶¶ 32-34.

³ VCI Direct (Johnson), p. 16.

⁴ VCI Surrebuttal (Johnson), p. 5.

⁵ AT&T Missouri Direct (Stidham), pp. 6-8.

⁶ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 20 FCC Rcd 6371 (2005) ("ETC Designation Order"), ¶¶ 3, 40, 42, 61.

⁷ AT&T Missouri Direct (Stidham), pp. 11-17.

that the FCC's rules do not presently allow designation of a "low income-only" ETC. At a minimum, the issue as to whether an ETC designation can be "bifurcated" is not at all clear. Presumably, VCI views such a limited designation as excusing it from various requirements it regards as applicable only to carriers seeking "high cost" support. Given the lack of a definitive ruling from the FCC, and in light of several concerns about the stability and sustainability of the universal service fund, AT&T Missouri recommends that VCI petition the FCC for forbearance from (or alternatively, clarification of) the FCC's ETC requirements.

7. Finally, it does not appear that VCI will demonstrably advance universal service in Missouri. Rather, previous and ongoing efforts to advance universal service already have produced enviable results. According to the FCC, "[t]he number and percentage of households that have telephone service represent the most fundamental measures of the extent of universal service."⁸ Missouri's telephone penetration rate stands at 96.5%, well above the 94.6% average and that of most states.⁹ It is unclear to AT&T Missouri that the federal universal service fund, already strained by growing subsidies paid to competitive LECs, should absorb further strain by providing subsidies to a company which appears to offer no facilities-based services, relying instead on wholesale services procured from AT&T Missouri (whose own Lifeline rates are well below those of VCI)..

⁸ Telephone Subscribership in the United States (Data through July 2006), released January, 2007), p. 1 (accessible via <http://www.fcc.gov/wcb/stats>).

⁹ Telephone Subscribership in the United States (Data through July 2006), released January, 2007), p. 8, Table 2, "Telephone Penetration by State."

AT&T Missouri appreciates the opportunity to provide the Commission its position on this matter.

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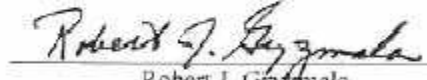
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document were served to all parties by e-mail on April 6, 2007.


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