

**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

**AT&T RESPONSES TO STAFF QUESTIONS**

AT&T<sup>1</sup> appreciates the opportunity to provide its views on the questions posed by Staff and respectfully states:

**1. Should the \$6.50 support amount be revised?**

AT&T Response: While AT&T takes no position on the appropriate level of universal service fund ("USF") support going forward, it would note that the Commission two and a half years ago increased the monthly Missouri USF support level from \$3.50 to \$6.50 to, in part, reduce the Missouri Universal Service Fund (USF) balance (it also reduced the assessment rate from .0017 to .0010).<sup>2</sup> The Commission adopted the increased support level at Staff's recommendation in order to help keep pace with rising rates for basic local telecommunications service. At that time, Staff related that the "Missouri USF balance is currently over \$3 million and continues to grow" and that reducing the assessment rate and increasing support" was expected to "reduce the fund balance and reach the target range by the end of 2017."<sup>3</sup> The fund, however, currently has a sizeable balance (\$2,400,998 according to Staff's latest report) projected to be able to fund benefits at current levels through at least 2023. Any increase in the support level will likely necessitate an increase in the assessment rate, resulting in the imposition of increased burdens on the diminishing base of wireline customers in the state, whose contributions currently make up the state low income fund.

**2. Should the Missouri USF support a broadband-only service?**

AT&T Response: On the federal side, the FCC in its 2016 *Lifeline Modernization Order*, amended its rules to give Lifeline providers the *option* of offering standalone broadband services as a Lifeline supported service.<sup>4</sup> To the extent Missouri seeks to make state-based USF support similarly available for broadband service, the state USF statutory scheme will likely need to be amended to provide the Commission with necessary jurisdiction,<sup>5</sup> recognizing that the FCC has

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<sup>1</sup> Southwestern Bell Telephone Company, d/b/a AT&T Missouri, and its affiliates will be referred to herein as "AT&T."

<sup>2</sup> Order Decreasing Assessment Rate and Increasing Monthly Support Rate, *In the Matter of the Amount Assessed on Companies, to Fund the Missouri Universal Service Fund*, TO-2014-0333, July 30, 2014 (the changes became effective October 1, 2014).

<sup>3</sup> Staff Memorandum, filed July 7, 2014, in Case No. TO-2014-0333, at p. 1.

<sup>4</sup> *Lifeline and Link Up Reform and Modernization et al.*, Third Report and Order, Further Report and Order, and Order on Reconsideration, 31 FCC Rcd 3962, para. 49 (2016) (*2016 Lifeline Modernization Order or Order*).

<sup>5</sup> Significant issues have been raised as to whether a standalone broadband service constitutes a "telecommunications service" under § 386.020(53), RSMo. and an "essential local telecommunications service" under 4 CSR 240-31.010(6). See, e.g., Verizon's Comments, filed October 20, 2016, in Case No. TW-2017-0078 at pp. 1-3.

reiterated that broadband internet access is an interstate service.<sup>6</sup> If a high cost program to support the availability of internet access services is established, like the Connect America Fund (“CAF”), participation in any state broadband program should be voluntary (i.e., not impose mandatory broadband deployment obligations on any provider who does not voluntarily receive available support). In addition, measures should be put in place to ensure that the fund complements – rather than duplicates – existing broadband networks and the significant support for broadband the FCC is making available through the CAF. This is particularly important given the significant amounts of support the CAF program is directing to Missouri:

- Rate-of-return ILECs who accepted CAF support based on the Alternative Connect America Cost Model, (“A-CAM”) will be receiving more than \$21 million/year in CAF support, or more than \$215 million over the 10-year funding period. Providers who accepted this support will be required to make 25 Mbps download/3 Mbps upload (“25/3”) internet access service available to more than 6,700 locations in Missouri; 10/1 internet access service available to more than 7,600 Missouri locations, and 4/1 internet access service to more than 1,900 Missouri locations. They will also be required to make 4/1 internet access available to more than 5,400 locations upon reasonable request.<sup>7</sup>
- Rate-of-return ILECs who did not accept model-based support, or who were ineligible for model-based support, will continue to receive federal USF high-cost support from the legacy mechanisms and, for stand-alone broadband lines, from the new CAF BLS (Broadband Loop Support) mechanisms.<sup>8</sup> In 2016, it appears from USAC support distribution databases that these rate of return carriers received more than \$36 million in legacy high-cost support.<sup>9</sup> Rate of return carriers who have less than 80% deployment of 10/1 internet access service in their entire study areas must utilize a specified percentage of their 5-year forecasted CAF BLS support to deploy 10/1 or better internet access service in areas where it is lacking, over a 5-year period.<sup>10</sup>
- Rate-of-return carriers serving Missouri also received more than \$13 million in CAF ICC (CAF Intercarrier Compensation) support in Missouri in 2016.<sup>11</sup>

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<sup>6</sup> “Today we reaffirm the [FCC’s] longstanding conclusion that broadband Internet access service is jurisdictionally interstate for regulatory purposes.” Report & Order on Remand, Declaratory Ruling, and Order, *In the Matter of Protecting & Promoting the Open Internet*, FCC 15-24, ¶ 431 (released Mar. 12, 2015) The D.C. Circuit has upheld this order, and several parties have filed a petition for *en banc* review.

<sup>7</sup> See FCC News Release, *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive \$454 Million Annually in Alternative Connect America Cost Model Support to Expand Rural Broadband*, WC Docket No. 10-90, DA 17-99 (released January 24, 2017), available at <https://www.fcc.gov/document/wcb-authorizes-182-companies-454m-annually-cam-support>, containing a hyperlink in FN3 to [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-343180A1.xlsx](https://apps.fcc.gov/edocs_public/attachmatch/DOC-343180A1.xlsx) (summarizing all carriers authorized to receive A-CAM, list of CBs eligible for A-CAM support, and the accompanying broadband location obligations).

<sup>8</sup> FCC, Report & Order, Order, & Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33, ¶ 66 (released March 30, 2016) (the “Rate-of-Return CAF Order”).

<sup>9</sup> See Universal Service Administrative Co. (USAC) Funding Disbursement Search, <http://www.usac.org/hc/tools/disbursements> (“USAC Funding Disbursement Search”).

<sup>10</sup> Rate-of-Return CAF Order, ¶ 168.

<sup>11</sup> See USAC Funding Disbursement Search. Windstream also receives a small amount of CAF ICC support for Missouri, but its CAF ICC support will be phased out over 3 years beginning this year.

- Certain price cap carriers accepted more than \$93 million in CAF Phase II model-based support for Missouri, requiring that they deploy 10/1 internet access to more than 189,000 locations in the state. The CAF II model-based support will total more than \$562 million over the 6-year funding period; and if carriers accept an optional 7<sup>th</sup> year of funding, will total more than \$656 million over 7 years.<sup>12</sup>

Given these significant amounts of federal CAF support and the significant broadband internet access availability that will result, any Missouri support must be directed in a targeted manner that does not duplicate the CAF and does not allow providers double-recovery.

### **3. Should the Missouri USF provide some form of high-cost service?**

AT&T Response: If the intent of the question is related to traditional voice service, AT&T does not believe such a fund should be implemented. Technology has evolved past the point where supporting traditional voice service makes sense. To the extent the intent of the question is related to support for broadband internet access service in high cost areas, this question remains premature. Sufficient information currently is not available to determine whether a need exists for the creation of a state high-cost fund or service, or how it should be structured. The FCC, through the Connect America Fund (“CAF”) proceedings, which began with the November 18, 2011, release of the *USF/ICC Transformation Order*<sup>13</sup> (and continues today), has committed billions of dollars in federal resources to address broadband availability needs in high-cost areas that would likely lack a business case for private sector facility deployment. While the FCC has implemented support mechanisms and has made substantial funding awards - which, as noted above, in Missouri, totals more than \$165 million in annual federal support - significant factors remain undetermined. CAF II model-based support declined by incumbent carriers (including funds declined by AT&T in Missouri) is still to be awarded via an upcoming CAF II auction by the FCC (rules for which the FCC recently voted to establish). The CAF II auction will then be followed by the FCC’s support awards under Phase II of the Mobility Fund, which will provide up to \$493 million/year, or a total of \$4.93 billion over the 10-year funding period, for ongoing support to expand and sustain mobile voice and broadband services in communities in which 4G LTE service would be unavailable absent federal support.<sup>14</sup> Until all such sources of high cost funding in the state are known, decisions concerning the existence of a need for a high cost fund or service cannot be made.

### **4. What should be the Missouri USF assessment level?**

AT&T Response: AT&T does not have sufficient information to make a recommendation at this time. However, it would note that in evaluating any changes to the state USF assessment level,

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<sup>12</sup> See FCC News Release, State, County and Carrier Data on \$9 Billion, Six-Year Connect America Fund Phase II Support for Rural Broadband Expansion (Sept. 15, 2015), and accompanying attachments, specifically, attachment labeled DOC-335269A5, a hyperlink to which is included in the text of the press release. The press release and attachment are available at <https://www.fcc.gov/document/connect-america-fund-phase-ii-funding-carrier-state-and-county>; and [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-335269A5.xlsx](https://apps.fcc.gov/edocs_public/attachmatch/DOC-335269A5.xlsx).

<sup>13</sup> *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*),

<sup>14</sup> See Report & Order & Further Notice of Proposed Rulemaking, *In the Matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 FCC 17-11 (released March 7, 2017), available at [https://apps.fcc.gov/edocs\\_public/attachmatch/FCC-17-11A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/FCC-17-11A1.pdf). *USF-ICC Transformation Order*, 26 FCC Rcd at 17778–79, para. 314 (differentiating between the purposes of Phase I and Phase II). See also *Fourth Order on Reconsideration*, 27 FCC Rcd 8814 (2012) (“*Fourth Order on Reconsideration*”), para. 8.

consideration should be given to the burden being shouldered by the diminishing base of wireline customers in the state, whose contributions currently make up the state low income fund.

**5. Should different assumptions be used to project Missouri USF revenues and expenses?**

AT&T Response: AT&T does not have a recommendation at this time.

**6. Are there any other issues relevant to maintaining the Missouri USF?**

AT&T Response: AT&T does not have a recommendation at this time.

**7. Should the Missouri USF be eliminated? If yes, how and when should it be done? What should be done with any unused funds?**

AT&T Response: While AT&T does not advocate for the elimination of the state USF, AT&T would not oppose its elimination if the Commission determined it appropriate (e.g., if the Commission determined that the costs to administer the program outweighed the benefits distributed through it).

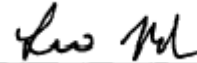
**8. Are there any other issues relevant to the future operations of the Missouri USF?**

AT&T Response: AT&T has no further suggestions at this time.

Respectfully submitted,

Southwestern Bell Telephone Company  
d/b/a AT&T Missouri

BY \_\_\_\_\_



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## CERTIFICATE OF SERVICE

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