

BEFORE THE

MISSISSIPPI PUBLIC SERVICE COMMISSION

DOCKET NO. 98-AD-35 RE: IN THE MATTER OF THE NEED

TO SELECT A FORWARD
LOOKING

COST PROXY MODEL FOR
CALCULATION OF
UNIVERSAL SERVICE
SUPPORT FROM THE
FEDERAL HIGH COST
UNIVERSAL SERVICE
FUND

O R D E R

COMES NOW, the Mississippi Public Service Commission (MPSC or Commission) and issues this order in the above-referenced matter. In support thereof, the Commission finds as follows:

1. That by order issued May 8, 1997, the Federal Communications Commission (FCC), In the Matter of Federal/State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order (USO), established federal (i.e., interstate) universal service support mechanisms for rural, insular and high cost areas. The FCC determined that the states could, "provide valuable assistance" (USO 247), and invited the states to "conduct their own forward-looking economic cost studies." USO 248

2. That if a state elected to accept the FCC's invitation and submitted a cost study, (i.e., a cost proxy model) (CPM), the FCC would seek comment thereon, and review the comments and the CPM to determine if it met the FCC's enumerated criteria. The FCC said, "only if we find that the state has conducted a study that meets our criteria will we approve those studies for use in calculating federal support for non-rural eligible telecommunications carriers, rural, insular, and high-cost areas..." (emphasis added) USO 248

3. That the FCC's acceptance of a state's CPM was conditioned on the same CPM being used by the state for intrastate universal service support levels. USO 251

4. That the USO provided further that if a state elected not to file a CPM, or if the FCC determined that the state submitted CPM did not meet its criteria, the FCC would, "determine the forward-looking economic cost of providing universal service in that state according to the Commission's forward-looking cost methodology. USO 249

5. That to preserve Mississippi's options and to fully inform ourselves of the issues involved, the MPSC, by letter dated August 5, 1997, advised the FCC of our intention to submit our own CPM. If we had failed to so advise the FCC, we would have lost the option of filing our own CPM prior to fully evaluating the

issue.

6. That on January 15, 1998, the MPSC instituted the instant docket to consider the selection of a "forward-looking cost proxy model for the calculation of federal high cost universal support for non-rural carriers." In our order establishing the docket, we adopted a procedural schedule, which required the parties to file and exchange their CPMs and to participate in CPM workshops.

7. That on February 18, 1998, the workshops on the CPMs were held and on March 17-19, 1998, the MPSC held full evidentiary hearings. At the hearings, evidence was received on the CPM, HAI 5.0a and its inputs sponsored by AT&T and others. Also, evidence was received on the CPM, BCPM 3.1, sponsored by BellSouth, and others. Evidence was also received on the benefits and detriments of the MPSC submitting its own CPM.

8. After having considered all of the pleadings and the evidence submitted at the hearing, the Commission is of the *opinion* that accepting the FCC's invitation to submit a CPM is not in the public interest for the following reasons:

(1) A submission at this time cannot take into account the CPM that the FCC prefers because, to this date, the FCC has been unable to select a preferred CPM.

(2) If the CPM submitted by the MPSC is accepted by the FCC, the MPSC is then committed to use of the same CPM for the state, (intrastate) portion of a universal service fund.

(3) Submitting a CPM does not require the FCC to approve our model, but it does commit Mississippi to a model that may later be found to be inappropriate.

(4) Submission and approval of a state CPM commits the MPSC to decisions in our unbundled network element (UNE) docket without a complete and full review.

(5) Submission and approval commits the MPSC to input values that may be inappropriate in our UNE docket and any future state universal service fund proceeding.

(6) The MPSC has plenary jurisdiction to implement its own intrastate universal service fund using its own CPM and inputs.

IT IS THEREFORE ORDERED, that the MPSC declines the FCC's invitation to submit a CPM for calculating the universal service support from the federal high cost universal service fund.

So ORDERED on this the 4th day of June 1998.

MISSISSIPPI PUBLIC SERVICE COMMISSION