

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

In the Matter of CenturyTel of Missouri,)
L.L.C.'s Annual Price Cap Filing for)
Basic Local Services.)

Case No. TT-2006-0077
Tariff File No. JI-2006-0076

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its Staff Recommendation states:

1. On August 24, 2005, CenturyTel of Missouri, LLC ("CenturyTel") filed revised tariff sheets with an effective date of October 1, 2005. The revised tariff sheets: 1) Decrease the maximum allowable prices for basic local service under Section 392.245.4.(1) RSMo 2000; and 2) Increase the maximum allowable prices for certain non-basic services under Section 392.245.11 (revision effective August 28, 2005 per Senate Bill 237).

2. Under Section 392.245.4(1), price cap regulated carriers are required to annually adjust their maximum allowable prices for basic local service by one of the two following methods:

(a) By the change in the telephone service component of the Consumer Price Index (CPI-TS), as published by the United States Department of Commerce or its successor agency for the preceding twelve months; or

(b) Upon request by the company and approval by the commission, by the change in the Gross Domestic Product Price Index (GDP-PI), as published by the United States Department of Commerce or its successor agency for the preceding twelve months, minus the productivity offset established for telecommunications service by the Federal Communication Commission and adjusted for exogenous factors.

3. CenturyTel's tariff revisions propose to implement CenturyTel's annual adjustment under Section 392.245.4(1)(a) by the change in the telephone service component of the Consumer Price Index (CPI-TS), thus proposing to reduce the maximum allowable prices for basic local services by 2.1021%.¹

4. CenturyTel's tariff revisions also propose to increase certain non-basic rates. Under Section 392.245.11, the maximum allowable prices for non-basic telecommunications services offered by CenturyTel may be increased by up to five percent annually.

5. In the attached Staff Memorandum, labeled Appendix A, the Staff concludes that CenturyTel's proposed tariff revisions meet the requirements of the price cap statute as set forth in Section 392.245. The Staff has no objections to the proposed changes in maximum allowable prices and recommends that the Commission approve the proposed tariff revisions.

WHEREFORE, the Staff respectfully recommends approval of the proposed tariff revisions.

¹ CenturyTel initially proposed, together with the Office of the Public Counsel, to use the CPI-TS reduction to offset the cost of expanding calling scopes for customers in the Branson area, currently being considered in Case No. TO-2003-0257, *In the Matter of the Request from Customers in the Rockaway Beach Exchange for an Expanded Calling Scope to Make Toll-Free Calls to Branson*. CenturyTel and OPC withdrew this proposal on August 24, 2005.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Marc Poston

Marc Poston
Senior Counsel
Missouri Bar No. 45722

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8701 (Telephone)
(573) 751-9285 (Fax)
marc.poston@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 20th day of September 2005.

/s/ Marc Poston

MEMORANDUM

To: Missouri Public Service Commission Official Case File
Case No: TT-2006-0077 File No: JI-2006-0076

From: Mike Scheperle
Telecommunications Department

<u>Natelle Dietrich / 9-19-05</u>	<u>Marc Poston / 9-19-05</u>
Utility Operations Division/Date	General Counsel's Office/Date

Applicant: CenturyTel of Missouri, LLC

Subject: Staff Recommendation for Approval of rate changes for various price capped rates for basic and non-basic services pursuant to Section 392.245 RSMo 2005 (effective August 28, 2005).

Date: September 19, 2005

P.S.C. Mo. No. 1

OVERVIEW

On August 1, 2005, CenturyTel of Missouri, LLC, (CenturyTel), an incumbent local exchange telecommunication carrier, submitted tariff revisions to change exchange access, basic and non-basic service rates pursuant to Section 392.245 RSMo 2005 in Tariff Filings JI-2006-0076, JI-2006-0077 and JI-2006-0079. However, the Commission Staff filed a Motion To Suspend Tariff Filing (only JI-2006-0076) on August 10, 2005, initiating Case No. TT-2006-0077. Staff contended in Case No. TT-2006-0077 that the Stipulation and Agreement in Case No. TO-2003-0257 (*In the Matter of the Request from the Customers in the Rockaway Beach Exchange for an Expanded Calling Scope to Make Toll-Free Calls to Branson*) by CenturyTel and Public Counsel proposed an unlawful solution to the expanded calling scope petition by proposing to use the annual price cap adjustment in a manner that is inconsistent with Section 392.245. On August 24, 2005, CenturyTel and Public Counsel filed their Notice of Rescission of Stipulation and Agreement in Case No. TO-2003-0257, rescinding their Stipulation and Agreement. Thereby, on August 24, 2005, CenturyTel filed revised tariff sheets in Case No. TT-2006-0077 (tariff filing JI-2006-0076) changing basic local rates by the full impact of the CPI-TS adjustment or -2.1021%. By the instant filing, CenturyTel proposes to decrease basic service rates for residential customers, business customers and service charges while increasing certain non-basic rates.

CenturyTel requests the Commission approve the proposed rates effective October 1, 2005. Please note that the tariff sheets reflect 30-day tariff effective dates, in accordance with the Commission's Order Granting Joint Application for Variance and Granting Motion for Expedited Treatment issued July 14, 2005 in Case No. TO-2006-0015. On August 25, 2005, CenturyTel extended the effective dates of the tariff sheets from September 1, 2005, to October 1, 2005.

The CenturyTel price cap filing (JI-2006-0076 for PSC Mo. No. 1, General and Local Exchange Tariff) proposes an annual rate reduction of ** HC----- **. This amount also includes price adjustments proposed in tariff filings JI-2006-0077 for PSC MO. No. 2 and JI-2006-0079 for PSC Mo. No. 3, not a part of this recommendation, as outlined below.

Summary of CenturyTel Price Cap Filings	Annual Adjustment
Annual Consumer Price Index - Telephone Services (CPI-TS) adjustment for basic services (PSC Mo. No. 1)	(** <u>HC</u> -----**)
Annual Consumer Price Index - Telephone Services (CPI-TS) adjustment for basic access services (PSC Mo. No. 2)	(** <u>HC</u> -----**)
Annual proposed non-basic increases (PSC Mo. Nos. 1, 2 and 3)	** <u>HC</u> -----**
Total Reductions	(** <u>HC</u> -----**)

Pursuant to Section 392.245.4(1), the change in the telephone service component of the Consumer Price Index (CPI-TS) was calculated using a twelve-month moving average to arrive at a -2.1021% adjustment. CenturyTel's tariff filing (JI-2006-0076) proposes a -2.1021% basic adjustment for each basic rate component.

BASIC SERVICE RATES (CPI-TS ADJUSTMENTS)

Pursuant to Section 392.245.4(1)(a), RSMo 2005, CenturyTel proposes to reduce its basic local exchange services overall by an amount equal to the percentage change in the telephone services component of the Consumer Price Index (CPI-TS). As discussed more fully below, this proposal reduces the current rates for business customers, residential customers and service rates by 2.1021% (based on average percent change).

Statutory Compliance

Section 392.245.4 states:

4. (1) Except as otherwise provided in subsections 8 and 9 of this section and section 392.248, the maximum allowable prices for exchange access and basic local telecommunications services of a small, incumbent local exchange telecommunications company regulated under this section shall not be changed for a period of twelve months after the date the company is subject to regulation under this section. Except as otherwise provided in subsections 8 and 9 of this section and section 392.248, the maximum allowable prices for exchange access and basic local telecommunications services of a large, incumbent local exchange telecommunications company regulated under this section shall not be changed prior to January 1, 2000. Thereafter, the maximum allowable prices for exchange access and basic local telecommunications services of an incumbent local exchange telecommunications company shall be annually changed by one of the following methods:

(a) By the change in the telephone service component of the Consumer Price Index (CPI-TS), as published by the United States Department of Commerce or its successor agency for the preceding twelve months; or

(b) Upon request by the company and approval by the commission, by the change in the Gross Domestic Product Price Index (GDP-PI), as published by the United States Department of

Commerce or its successor agency for the preceding twelve months, minus the productivity offset established for telecommunications service by the Federal Communication Commission and adjusted for exogenous factors;

CenturyTel used method (a) above to determine its proposed rates for applicable services, calculating a reduction in the CPI-TS of 2.1021% and applying such in the instant filing.

Residential, Business and Service Charge Reductions in Rates (CPI-TS Adjustments)

Residential Rate Changes

Service	Current Rate	Proposed Rate	Difference	Percent
Access Line - Residential				
Rate Group A1	\$9.13	\$8.93	(\$0.20)	-2.19%
Rate Group A2	\$9.61	\$9.40	(\$0.21)	-2.19%
Rate Group A3	\$10.09	\$9.87	(\$0.22)	-2.18%
Rate Group A4	\$10.56	\$10.33	(\$0.23)	-2.18%
Rate Group A5	\$11.04	\$10.80	(\$0.24)	-2.17%

Business Rate Changes

Service	Current Rate	Proposed Rate	Difference	Percent
Access Line - Business				
Rate Group A1	\$15.37	\$15.04	(\$0.33)	-2.15%
Rate Group A2	\$16.32	\$15.97	(\$0.35)	-2.14%
Rate Group A3	\$17.29	\$16.92	(\$0.37)	-2.14%
Rate Group A4	\$18.25	\$17.86	(\$0.39)	-2.14%
Rate Group A5	\$19.21	\$18.80	(\$0.41)	-2.13%

Service Charge Changes

Service Charges	Current Rate	Proposed Rate	Difference	Percent
Service Ordering Charge - Initial Residence	\$12.46	\$12.19	-\$0.27	-2.17%
Service Ordering Charge - Subsequent Residence	\$3.82	\$3.73	-\$0.09	-2.36%
Line Connection Charge - Residence	\$7.28	\$7.12	-\$0.16	-2.20%
Restoral Charge - Residence	\$11.12	\$10.88	-\$0.24	-2.16%
Service Ordering Charge - Initial Business	\$23.99	\$23.48	-\$0.51	-2.13%
Service Ordering Charge - Subsequent Business	\$8.63	\$8.44	-\$0.19	-2.20%
Line Connection Charge – Business	\$13.43	\$13.14	-\$0.29	-2.16%
Restoral Charge - Business	\$22.07	\$21.60	-\$0.47	-2.13%

NON-BASIC SERVICE RATES

Pursuant to Section 392.245.11, RSMo. 2005 (effective August 28, 2005), CenturyTel proposes to increase non-basic rates by ** HC-- ----- ** annually. This amount also includes price adjustments proposed in tariff filings JI-2006-0077 and JI-2006-0079, not a part of this recommendation. CenturyTel proposes increases for the following nonbasic services: key line and PBX trunks for business customers, customer calling services, directory listings, operator and directory services, packaged services, digital data and network services, and payphones.

Senate Bill 237, which has been passed by both branches of the Missouri legislature and signed into law by the governor, changes Section 392.245.11 to the following, effective August 28th, 2005:

11. The maximum allowable prices for nonbasic telecommunications services of a small, incumbent local exchange telecommunications company regulated under this section shall not be changed until twelve months after the date the company is subject to regulation under this section or, on an exchange-by-exchange basis, until an alternative local exchange telecommunications company is certified and providing basic local telecommunications service in such exchange, whichever is earlier. The maximum allowable prices for nonbasic telecommunications services of a large, incumbent local exchange telecommunications company regulated under this section shall not be changed until January 1, 1999, or on an exchange-by-exchange basis, until an alternative local exchange telecommunications company is certified and providing basic local telecommunications service in such exchange, whichever is earlier. *Thereafter, the maximum allowable prices for nonbasic telecommunications services of an incumbent local exchange telecommunications company may be annually increased by up to [eight] **five** percent for each of the following twelve-month periods upon providing notice to the commission and filing tariffs establishing the rates for such services in such exchanges at such maximum allowable prices.* This subsection shall not preclude an incumbent local exchange telecommunications company from proposing new telecommunications services and establishing prices for such new services. *An incumbent local exchange telecommunications company may change the rates for its services, consistent with the provisions of **subsections 2 through 5** of section 392.200, but not to exceed the maximum allowable prices, by filing tariffs which shall be approved by the commission within thirty days, provided that any such rate is not in excess of the maximum allowable price established for such service under this section.* (brackets are struck text, bold indicates added text, italics have been added)

This new language no longer requires these annual price cap price increases be consistent with Section 392.200.1, which reads as follows:

392.200. 1. Every telecommunications company shall furnish and provide with respect to its business such instrumentalities and facilities as shall be adequate and in all respects just and reasonable. All charges made and demanded by any telecommunications company for any service rendered or to be rendered in connection therewith shall be just and reasonable and not more than allowed by law or by order or decision of the commission. Every unjust or unreasonable charge made or demanded for any such service or in connection therewith or in excess of that allowed by law or by order or decision of the commission is prohibited and declared to be unlawful.

Furthermore, this new language changes the amount a price cap incumbent local exchange carrier (ILEC) may increase the price of a nonbasic telecommunications service from eight percent to five percent. Section 392.245.11 requires an analysis of all proposed nonbasic rate changes to ensure compliance with the percent limit. Staff has examined the proposed rate increase and found the proposed rate increase to be less than or equal to the maximum of five percent that are allowed by statute (effective August 28). Staff finds the proposed rate increase consistent with Section 392.245.11 RSMo 2005, with respect to the maximum allowable increase.

Rate Group Reclassification

The rate group classification for the exchange of Hermann has been revised. The change is due to a decrease in the number of customers served in this exchange. The Hermann exchange is changing from rate group A3 to rate group A2. Effective October 1, 2005, basic local service rates for Hermann are proposed as follows:

Hermann Exchange	Current Rate	Proposed Rate	Difference	Percent
Residential	\$10.09	\$9.40	-\$0.69	-6.84%
Business	\$17.29	\$15.97	-\$1.32	-7.63%

Customer Notice

Attached is a copy of notice to CenturyTel customers (Attachment A) noting the changes in basic and non-basic rates effective September 1, 2005. Staff notes that the notice reflects a 1% decrease for basic services when the decrease is actually 2.1%. The notice reflects a September 1, 2005 effective date whereas the actual changes are occurring on October 1, 2005 due to an extension by CenturyTel. Staff contacted CenturyTel and was told that CenturyTel does not intend to send a revised customer notice since basic local rates decreased and customer notice is only required for increases.

RECOMMENDATION

Staff has reviewed CenturyTel's proposed price cap filing and finds that it meets the requirements of the price cap regulations as set forth in Section 392.245, RSMo 2005 for tariff filing JI-2006-0076. Staff has no objections to the rate changes for JI-2006-0076. In conjunction with the aforementioned tariff filing, Staff recommends that the Commission approve the proposed tariff revisions to CenturyTel PSC Mo. No. 1 as revised, with an effective date of October 1, 2005. Staff is aware that tariff filings JI-2006-0077 and JI-2006-0079 affect or may be affected by this proposal.

- ☒ The Company is not delinquent.
☐ The Company is delinquent (☐ filing an annual report ☐ paying PSC assessment)



P.O. Box 6001
Marion, LA 71260-6001

Account Name: [REDACTED]

Account Number: [REDACTED]

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Bill Date: Aug. 21, 2005

Important Notices and Information :

CenturyTel may convert any payments made over the phone or over the Internet from your checking account to an Automated Clearinghouse (ACH) debit transaction. The debit transaction will appear on your bank statement, although a check may not be presented to your financial institution or returned to you. Any resubmissions due to insufficient funds may also occur electronically. Please be aware that your paying over the phone or over the Internet from your checking account constitutes acceptance of these terms.

At CenturyTel, we are committed to keeping you informed of changes to your account. The Public Service Commission of Missouri has ordered an increase in the Relay Missouri Surcharge from \$0.10 to \$0.13 effective September 1, 2005.

The Relay Missouri Surcharge funds a statewide program which offers a dual-party telephone relay service for the deaf, hearing-impaired and speech-impaired individuals. If you have any questions or need additional information, please call your CenturyTel Customer Contact Center at the number located on this bill. CenturyTel would like to thank you for the opportunity to serve as your telecommunications provider.

Important Changes to your phone bill effective September 1, 2005

At CenturyTel, we are committed to keeping you informed of changes to your account. Your bill will reflect a 1% rate decrease for the following services:

- Basic and single line business service
 - One-time service fee for new phone service and re-connection charges
- In addition to your rate decrease, your bill will reflect a rate increase up to 5% for each of the following services:
- Key system lines, PBX trunks, 3-Way Calling, Call Waiting and Call Forwarding
 - Directory Assistance and Operator services including 0+ Calling Card Calls (direct dial), collect calling and person-to-person calling, Local and National Directory Assistance, non-published/non-list services, additional/miscellaneous listings
 - Long Distance Calling Plans including Out-State Calling Area, Block-Of-Time, Discount Calling Plans I and II and Extended Exchange Calling Plan