

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI



In the Matter of the Joint Application of GTE Midwest)
Incorporated, d/b/a Verizon Midwest, and CenturyTel)
of Missouri, LLC, for 1) Authority to Transfer and Acquire)
Part of Verizon Midwest's Franchise, Facilities or System)
Located in the State of Missouri; 2) for Issuance of)
Certificate of Service Authority to CenturyTel of)
Missouri, LLC; 3) to Designate CenturyTel of Missouri,)
LLC, as Subject to Regulation as a Price Cap Company;)
and 4) to Designate CenturyTel of Missouri, LLC, as a)
Telecommunications Carrier Eligible to Receive Federal)
Universal Service Support.)

Case No. TM-2002-232

REPORT AND ORDER

Issue Date: May 21, 2002

Effective Date: May 31, 2002

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Joint Application of GTE Midwest Incorporated, d/b/a Verizon Midwest, and CenturyTel of Missouri, LLC, for 1) Authority to Transfer and Acquire Part of Verizon Midwest's Franchise, Facilities or System Located in the State of Missouri; 2) for Issuance of Certificate of Service Authority to CenturyTel of Missouri, LLC; 3) to Designate CenturyTel of Missouri, LLC, as Subject to Regulation as a Price Cap Company; and 4) to Designate CenturyTel of Missouri, LLC, as a Telecommunications Carrier Eligible to Receive Federal Universal Service Support.

Case No. TM-2002-232

APPEARANCES

W.R. England, III, Esq., and Sondra B. Morgan, Esq., Brydon, Swearengen & England, P.C., 312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102, for CenturyTel of Missouri, LLC.

James M. Fischer, Esq., and Larry W. Dority, Esq., Fischer & Dority, P.C., 101 Madison Street, Suite 400, Jefferson City, Missouri 65101, for GTE Midwest, Inc., doing business as Verizon Midwest.

J. Steve Weber, Esq., AT&T Communications of the Southwest, Inc., 101 West McCarty Street, Suite 216, Jefferson City, Missouri 65101, for AT&T Communications of the Southwest, Inc., and TCG St. Louis, Inc.

Sheldon K. Stock, Esq., Greensfelder, Hemker & Gale, P.C., 200 Equitable Building, 10 South Broadway, St. Louis, Missouri 63102-1774, for Fidelity Communication Services II, Inc.

Paul G. Lane, General Counsel-Missouri, Leo J. Bub, Senior Counsel, Anthony K. Conroy, Senior Counsel, and Mimi B. MacDonald, Attorney, Southwestern Bell Telephone Company, One Bell Center, Room 3518, St. Louis, Missouri 63101, for Southwestern Bell Telephone, L.P., doing business as Southwestern Bell Telephone Company.

Michael F. Dandino, Senior Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Public Counsel and the public.

Marc D. Poston , Senior Counsel, Office of the General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

REGULATORY LAW JUDGE: Kevin A. Thompson, Deputy Chief.

REPORT AND ORDER

Procedural History

On November 28, 2001, GTE Midwest, Inc., doing business as Verizon Midwest, and CenturyTel of Missouri, LLC, filed their Joint Application seeking (1) authority for Verizon to sell, and for CenturyTel to purchase, certain of Verizon's Missouri facilities, including some 96 exchanges; (2) certificates of service authority authorizing CenturyTel to provide basic local and interexchange telecommunications services in Missouri in connection with the facilities and exchanges to be acquired from Verizon; (3) authorizing Verizon to cease providing telecommunications services in the exchanges transferred to CenturyTel; (4) designation of CenturyTel as a company subject to price cap regulation pursuant to Section 392.245, RSMo 2000; and (5) designation of CenturyTel as a carrier eligible to receive Universal Service Fund^c support. Together with their Joint Application, Verizon and CenturyTel also filed their Motion for Protective Order and Motion for Waiver of Commission Rule 4 CSR 240-2.080(8), which prescribes the number of copies that must be filed with the Commission. In support of the Joint Application, Verizon and CenturyTel filed over 2000 pages of documents and 200 pages of maps showing exchange boundaries.

On December 6, the Commission issued its Order and Notice, setting an intervention deadline of January 4, 2002. On December 7, the Commission adopted its

¹ All statutory references, unless otherwise specified, are to the Revised Statutes of Missouri (RSMo), revision of **2000**.

standard protective order for this case. On January 3, 2002, the Office of the Public Counsel filed its request for an evidentiary hearing. On January 11, 2002, the Commission granted the timely intervention applications of Fidelity Communication Services II, Inc., Southwestern Bell Telephone Company, AT&T Communications of the Southwest, Inc., and TCG St. Louis, Inc. On the same day, the Commission set a prehearing conference for January 28.

The prehearing conference was held on January 28, as scheduled. On February 6, Verizon reported on the status of settlement negotiations and requested that the Commission establish a procedural schedule. The Commission adopted a procedural schedule by order issued on February 20. The Joint Applicants filed Direct Testimony on February 21, proposed issues, and proposed findings of fact and conclusions of law on February 28. On March 7, the Intervenor filed responses to the Joint Application. On March 14, Charter Fiberlink-Missouri, LLC, sought leave to intervene out-of-time. On March 21, a nonunanimous stipulation and agreement was filed. Verizon, CenturyTel, the Commission's Staff, Public Counsel, and AT&T and TCG St. Louis signed the nonunanimous stipulation and agreement. On March 22, Southwestern Bell responded to the nonunanimous stipulation and agreement, indicating that it had no objection to it. On March 26, Fidelity Communications requested the Commission to approve a Memorandum of Understanding between it and CenturyTel, thereby resolving all issues between them. Fidelity advised the Commission that it would have no objection to the Stipulation and Agreement so long as its Memorandum of Understanding was approved.

The Commission convened an evidentiary hearing on April 25, 2002. All parties were represented at the evidentiary hearing.

Discussion

The Joint Application:

Verizon and CenturyTel filed a Joint Application seeking (1) authority for Verizon to sell, and for CenturyTel to purchase, Verizon's Missouri system, including 96 local exchanges; (2) certificates of service authority authorizing CenturyTel to provide basic local and interexchange telecommunications services in Missouri in connection with the facilities and exchanges to be acquired from Verizon; (3) authorizing Verizon to cease providing telecommunications services in the exchanges transferred to CenturyTel; (4) designation of CenturyTel as a company subject to price cap regulation pursuant to Section 392.245; and (5) designation of CenturyTel as a carrier eligible to receive Universal Service Fund support.

The Stipulation and Agreement:

Six of the eight parties herein filed a nonunanimous Stipulation and Agreement on March 21, 2002. By Commission rule, the failure of either of the remaining two parties to file a timely objection or request for hearing rendered the Stipulation and Agreement unanimous.² The Stipulation and Agreement is made part of this Report and Order and is attached hereto as Attachment 1. The Stipulation and Agreement provides as follows:

The parties stipulate and agree that CenturyTel possesses adequate managerial, engineering and financial skills and resources sufficient to operate Verizon's Missouri system at the same level of quality as Verizon. CenturyTel will retain all of Verizon's current employees and contemplates no immediate change in rates, terms and conditions

² Commission Rule 4 CSR 240-2.115, (1) and (3).

of service. The parties urge the Commission to approve the proposed transaction as described in the Joint Application and the Asset Purchase Agreement.

The parties stipulate and agree that CenturyTel possesses adequate managerial, engineering and financial skills and resources sufficient to provide basic local and interexchange telecommunications services in Missouri. The parties urge the Commission to grant the requested certificates, effective on the date of the closing of the transaction, and to cancel Verizon's certificates upon receipt of notice that the contemplated transaction has in fact closed.

The parties stipulate and agree that CenturyTel shall, within 30 days of the issuance of a Commission order approving the proposed transaction, file tariffs with a minimum 45-day effective date stating the services it will offer, as well as the rates, rules and conditions of service. CenturyTel shall simultaneously file a pleading in this case stating that the tariffs have been filed. The parties urge the Commission to cancel Verizon's tariffs on the effective date of CenturyTel's tariffs, which date shall be the closing date of the proposed transaction.

The parties stipulate and agree that, as of the closing date of the contemplated transaction, CenturyTel shall have met all requirements for price cap status. The parties urge the Commission to find that CenturyTel is subject to price cap status as of the closing date of the transaction.

The parties stipulate and agree that CenturyTel has met all requirements necessary for designation as a carrier eligible for federal universal service fund support. CenturyTel stipulates that it will offer all of the supported services and that it will advertise

their availability and the charges therefor in media of general circulation within its service area. The parties urge the Commission to designate CenturyTel as an eligible carrier.

The parties further stipulate and agree that the authorizations, certificates and approvals granted by the Commission shall include the following conditions:

CenturyTel shall use the same rates, terms and conditions of service as Verizon on the date of the closing of the transaction. CenturyTel shall, in good faith, negotiate interconnection agreements with all carriers who currently have interconnection agreements with Verizon and who desire to interconnect with CenturyTel. Where technically feasible, the new agreement will have the same rates, terms and conditions as did the agreement with Verizon. These agreements will differ from the Verizon agreements only with respect to technical differences to reflect the way CenturyTel interfaces with the interconnecting carrier. In cases in which services are being provided under these interconnection agreements, CenturyTel will cooperate with the interconnecting carriers to secure expeditious approval of a replacement interconnection agreement and to ensure continuity of service for their customers. CenturyTel shall provide local interconnection services as set out in the interconnection agreement between Verizon and Intervenor AT&T, and adopted by Intervenor Fidelity, for a period of one year following the closing of the proposed transaction. Any interconnection agreement not replaced within one year shall continue in force on a month-to-month basis until replaced.

CenturyTel agrees to submit monthly surveillance data reports to the Commission's Financial Analysis Department until ordered otherwise. Verizon agrees to provide three monthly quality of service reports to the Public Counsel and the Commission's Staff, beginning 90 days before the close of the contemplated transaction. For every

service objective not met, Verizon will submit a separate report explaining the reason the objective was not met and the steps taken to improve service quality. CenturyTel shall submit monthly quality of service reports, with separate explanatory reports as necessary, until all quality of service objectives have been met for each of six consecutive months. CenturyTel and Verizon will provide a detailed transition timeline to Staff and the Public Counsel.

CenturyTel agrees to utilize the same depreciation rates as Verizon. Verizon will provide all necessary data in electronic form to CenturyTel at the transfer of assets and CenturyTel will maintain and update this data. CenturyTel will submit the data received from Verizon to Staff within 45 days of receipt.

Finally, in the event that the Commission approves the Stipulation and Agreement, the parties stipulate and agree that they will waive their rights to present testimony, to cross-examine witnesses, to submit briefs or make oral arguments, to require that the Commissioners read the record, and to seek judicial review.

Staff's Supporting Suggestions:

Staff filed Suggestions in Support of the Stipulation and Agreement on April 8. Staff urges the Commission to approve the proposed transaction as not detrimental to the public interest. Staff states that it is satisfied that CenturyTel possesses the expertise and financial resources necessary to operate the exchanges at an acceptable quality level. Staff states that CenturyTel's stated intentions, which include retaining all of Verizon's employees and essentially adopting Verizon's tariffs, pose no threat of public detriment. Staff states, it "has found no evidence to suggest that the transfer of assets is detrimental to the public interest."

Staff also recommends that the Commission grant the certificates of service authority sought by CenturyTel. The Commission may grant such certificates when the statutory requirements are met and the grant is in the public interest. Staff asserts that, as in the case of the transfer of assets, the grant is in the public interest because CenturyTel has the requisite technical and managerial expertise and adequate financing.

Staff further advises the Commission to find that CenturyTel is subject to price cap regulation. Section 392.245 conditions this finding upon a finding that an alternative local exchange carrier has been certificated to provide basic local service within the service area of a large ILEC and is actually providing such service. Staff suggests that, upon the closing of the proposed transaction, CenturyTel will be a large ILEC and that Intervenor TCG St. Louis is a facilities-based alternative local exchange carrier that is duly certificated and actually providing basic local telecommunications service within CenturyTel's service area.

Staff also urges the Commission to designate CenturyTel as a carrier eligible to receive federal universal service fund support, based upon certain stipulations made by CenturyTel.

Finally, Staff counsels the Commission to condition these authorities, certificates and approvals upon the several specific conditions set out in the Stipulation and Agreement and agreed to by all of the parties.

The Memorandum of Understanding:

On March 26, CenturyTel and Fidelity filed their Memorandum of Understanding and moved the Commission to approve it, advising the Commission that, in the event of its

approval, Fidelity would have no objection to the nonunanimous stipulation and agreement filed on March 21.

The provisions of the Memorandum of Understanding, while not identical, are largely similar to the provisions of Paragraph 6.13 of the Stipulation and Agreement. In summary, the Memorandum of Understanding provides that CenturyTel will honor Fidelity's existing interconnection agreement with Verizon until it expires and that CenturyTel will then negotiate, in good faith, a new interconnection agreement. Meanwhile, the existing one will remain in force month-by-month until replaced. The Memorandum of Understanding also describes the ordering system by which Fidelity will deliver orders to CenturyTel. The underlying principle is that CenturyTel will work cooperatively with Fidelity to avoid any service interruptions for Fidelity's customers.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact. The Commission in making this decision has considered the positions and arguments of all of the parties. Failure to specifically address a piece of evidence, position or argument of any party does not indicate that the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision.

The Parties:

GTE Midwest, Inc., does business as Verizon Midwest. Verizon is a Delaware corporation and is duly authorized to do business in Missouri under its registered fictitious name. Verizon provides interexchange and basic local telecommunications services to approximately 369,000 access lines in numerous local exchanges in the state of Missouri,

pursuant to authority granted by this Commission in Case Nos. TA-88-43, TA-88-78 and TA-88-81. Verizon's principal place of business is located at 601 Monroe Street, Suite 304, Jefferson City, Missouri.

CenturyTel of Missouri, LLC, is a Louisiana limited liability corporation that is duly authorized to do business in Missouri. CenturyTel's principal place of business is located at 100 CenturyTel Drive, Monroe, Louisiana. CenturyTel is a new corporation, formed for the purpose of acquiring and conducting Verizon's telecommunications business in the state of Missouri. CenturyTel is a subsidiary of CenturyTel, Inc., which provides telecommunications services to over three million customers in 21 states. CenturyTel, Inc., concentrates on the provision of communications services in rural exchanges. CenturyTel, Inc.'s affiliate, CenturyTel of Northwest Arkansas, provides telecommunications services in two Missouri exchanges. CenturyTel, Inc., is also an owner of Spectra Communications Group, LLC, which does business in Missouri as CenturyTel and which operates 107 rural Missouri exchanges previously purchased from Verizon.

Several parties were permitted to intervene in this matter. AT&T Communications of the Southwest, Inc., is a competitive interstate and intrastate inter-exchange telecommunications carrier that also provides local exchange and basic local exchange services in parts of Missouri. TCG St. Louis, Inc., is a facilities-based alternative local exchange carrier which provides basic local telecommunications service in St. Louis, Missouri. TCG is an affiliate of AT&T. Southwestern Bell Telephone, L.P., does business as Southwestern Bell Telephone Company. Bell is a large incumbent local exchange carrier. Fidelity is a telecommunications company that is seeking authority to provide local exchange telecommunications services in Verizon's Missouri exchanges.

The Sale of System Assets by Verizon:

Verizon and CenturyTel entered into an Asset Purchase Agreement dated October 22, 2001. Under this agreement, Verizon will sell certain of its Missouri assets to CenturyTel, including 96 local exchanges. Upon the closing of the transaction, Verizon will cease providing telecommunications services in the transferred exchanges. CenturyTel, if granted the certificates sought in this proceeding, will become the service provider in the transferred exchanges. CenturyTel plans to retain all of Verizon's employees. CenturyTel also plans to provide services at the same rates, terms and conditions as Verizon. CenturyTel plans to adopt Verizon's tariffs as of the closing date of the proposed transaction. The proposed transaction will not affect the tax revenues of any Missouri political subdivision.

Requirements of Certification:

The Commission may grant an application for a certificate of service authority to provide basic local telecommunications service upon a showing (1) that the applicant has met the statutory requirements,³ and (2) that the grant of authority is in the public interest. The applicant must also comply with the Commission's procedural rules.⁵ The Commission may grant an application for a certificate of service authority to provide interexchange telecommunications service upon a showing that the grant is in the public interest.⁶

³ See Sections 392.450 and 392.455.

⁴ Sections 392.430 and 392.440.

⁵ See Chapter 2, 4 CSR 240.

⁶ Sections 392.430 and 392.440.

A. Requirements of the Commission's Rules:

Commission Rule 4 CSR 240-2.060, at subsections (1) and (6), requires an entity seeking certification to provide basic local telecommunications services to provide various items of information to the Commission in its application. These include a description of the business organization of the applicant, supported by the certificate of the Missouri Secretary of State; names and addresses for contact purposes; a disclosure of any pending or final judgments or decisions against it from any state or federal agency or court involving customer service or rates; a verified statement that there are no outstanding annual reports or assessment fees owed to this Commission; a request to be classified as a competitive telecommunications company, if applicable, and a description of the types of service the applicant intends to provide; the exchanges in which service is to be offered; and a proposed tariff with an effective date which is not fewer than 45 days after its issue date.

Having reviewed the application and supporting materials filed by the Joint Applicants, the Commission finds that CenturyTel has complied with each of these requirements except for the proposed tariff. CenturyTel requests a temporary waiver of 4 CSR 240-2.060(4)(H) until the Commission has approved the transfer of assets and the closing date of that transaction is known. CenturyTel will then submit to the Commission for approval an adoption notice, adopting Verizon's tariffs as of the date of the closing of the transfer.

B. Requirements of Section 392.450:

Section 392.450.1 provides that the Commission may grant a basic local certificate only upon a finding, after notice and a hearing, that the applicant has complied with the certification process established under Section 392.455. Thus, an applicant's

satisfaction of the requirements of the Commission's regulations and of Section 392.455 also satisfies Section 392.450.1. As explained below, the Commission does find that CenturyTel has satisfied the requirements of the Commission's regulations and of Section 392.455, and consequently finds that CenturyTel has complied with the certification process established by the Commission in satisfaction of Section 392.450.1.

Section 392.450.2 provides that an applicant for a basic local certificate must (1) file and maintain tariffs with the Commission in the same manner as the incumbent local exchange carriers and (2) meet the minimum service standards, including quality of service

and billing standards, that the Commission requires of incumbent local exchange carriers. CenturyTel did not file a proposed tariff in support of its application. However, CenturyTel states that it will comply with all applicable Commission rules and that it will adopt Verizon's existing tariffs. Thereby, CenturyTel has agreed to provide services that will meet the minimum basic local service standards required by the Commission, including quality of service and billing standards. The parties stipulate and agree that the certificate be granted. Having reviewed CenturyTel's application and supporting materials, as well as the Stipulation and Agreement and Staff's supporting suggestions, the Commission finds that Century-Tel has met the requirements of Section 392.450.2.

C. Requirements of Section 392.455:

Section 392.455 authorizes the Commission to establish a process to grant basic local certification to new entrants and to grant certificates to new entrants to provide basic local telecommunications service on a common carriage basis. That section further

⁷ Incumbent local exchange carrier," or "ILEC," is a term of art in the telecommunications industry which refers to a telephone company authorized to provide local telephone service in a specific geographic area as of December 31, 1995. See Section 386.010(22).

requires that a new entrant (1) possess sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service; (2) demonstrate that the services it proposes to offer satisfy the minimum standards established by the Commission; (3) set forth the geographic area in which it proposes to offer service and demonstrate that such area follows the exchange boundaries of the incumbent local exchange telecommunications company and is no smaller than an exchange; and (4) offer basic local telecommunications service as a separate and distinct service. Finally, that section also requires that the Commission give due consideration to equitable access for all Missourians to affordable telecommunications services, regardless of where they live or their income.

CenturyTel is not a typical new entrant. CenturyTel seeks to step into Verizon's place as an incumbent local exchange carrier, operating a system including 96 local exchanges. Thereby, CenturyTel will become a major provider of telecommunications services in Missouri. In support of its application, CenturyTel filed a pro forma balance sheet and income statement showing the effect of the transaction upon CenturyTel (Exhibit 6). Based on its review of this information, Staff concludes that CenturyTel has sufficient financial resources and recommends that the application be granted.⁸

In its verified Joint Application, CenturyTel asserts that it "possesses the managerial, engineering and financial expertise necessary to continue to provide the quality of service that Verizon currently provides to its customers in the enumerated exchanges." CenturyTel, Inc., CenturyTel's corporate parent, is a major telecommunications carrier,

⁸In analyzing an applicant's resources, Staff applies two tests: First, does the applicant have a total debt-to-capital ratio not exceeding 62 percent and pretax interest coverage of at least 2.3x? Second, does the applicant have a cash balance equal to four months operating expenses, including interest expense and taxes? The applicant need only meet one of these two tests.

providing services to more than 3,000,000 customers in 21 states. Related corporations already operate in Missouri. An affiliate, CenturyTel of Northwest Arkansas, provides local exchange services in two Missouri exchanges. Spectra Communications Group, LLC, which does business as CenturyTel, operates 107 rural Missouri exchanges previously purchased from Verizon. CenturyTel, Inc., is one of the owners of Spectra. The parties agree, and the Commission finds, that CenturyTel has met the requirements of Section 392.455(1) in that it has shown that it possesses sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service.

As noted previously, CenturyTel has stated that it will provide services at the same level of quality as Verizon in the transferred exchanges. CenturyTel will use Verizon's existing infrastructure and personnel to operate the purchased exchanges and will also use Verizon's existing tariffs, including rates, services and access rates. The transition will be "seamless" from the customer's point of view. Based on these considerations, the Commission finds that CenturyTel has demonstrated that the services it proposes to offer satisfy the minimum standards established by the Commission, in satisfaction of Section 392.455(2).

In the Joint Application, CenturyTel seeks certification in some 96 Missouri exchanges operated by Verizon. The Joint Application contains a list of these exchanges and is supported by maps showing the boundaries of each of these exchanges. The parties agree, and the Commission finds, that CenturyTel has met the requirements of Section 392.455(3) in that it has set forth the geographic areas in which it proposes to offer service and has demonstrated that each such area follows the exchange boundaries of the

Incumbent local exchange telecommunications company and is no smaller than an exchange.

In the Joint Application, CenturyTel states that it will offer basic service as a separate and distinct service. Based on this statement, the Commission finds that CenturyTel has met the requirements of Section 392.455(4), that all providers offer basic local telecommunications service as a separate and distinct service.

In the Joint Application CenturyTel states that it will give consideration to equitable access for all Missourians, regardless of where they reside or their income, to affordable telecommunications service. In fact, it is the Commission that the statute directs to consider this matter, not the applicant. CenturyTel's services are intended for the general public in each of the 96 exchanges it is acquiring from Verizon. Therefore, granting the requested certificate will further the goal announced by the Legislature.

D. The Public Interest:

Section 392.430 provides that the Commission shall approve an application for a certificate of service authority to provide either interexchange telecommunications service or basic local telecommunications service upon a finding that the grant of service authority is in the public interest.

CenturyTel is a member of a corporate family that constitutes a major provider of telecommunications services in the United States. At least two related entities - CenturyTel of Northwest Arkansas and Spectra Communications Group, LLC, d/b/a CenturyTel - already provide telecommunications services in Missouri at an acceptable level of quality. CenturyTel possesses the experience, skills and financial resources to operate a 96-exchange incumbent local exchange company. Verizon desires to sell 96 local exchanges and to be relieved of its obligation to provide services with respect to those .

exchanges; CenturyTel desires to acquire those 96 exchanges and to assume the service obligations previously imposed upon Verizon.

Withdrawal of Verizon from the Transferred Exchanges:

The Joint Application contains a prayer by Verizon to be relieved, if the proposed transaction is approved, from any obligation to provide telecommunications services in the transferred exchanges after the day the sale closes. That prayer will be granted. Verizon must file proposed amended tariff sheets which delete all references to the transferred exchanges and which make any other appropriate changes consequent to this transaction.

Price-cap Regulation:

In order to qualify for price cap regulation under Section 392.245.2, CenturyTel must show: (1) that an alternative local exchange company is properly certificated to provide local exchange telecommunications services in the Applicant's service area, and (2) that the alternative local exchange carrier is, in fact, providing such services in any part of the Applicant's service area.

The Commission finds, after consideration of the Joint Application and supporting materials, the Stipulation and Agreement and Staffs Suggestions, that Intervenor TCG St. Louis is a facilities-based, alternative local exchange carrier that is duly certificated and actually providing basic local telecommunications service within CenturyTel's service area. The Commission further finds that, upon the closing of the proposed transaction, CenturyTel will be a large ILEC within the intendments of Section 392.245.2 in that it will operate in excess of 100,000 access lines.

Eligibility of CenturyTel for Universal Service Fund Support:

The parties stipulated and agreed that CenturyTel has met all requirements necessary for designation as a carrier eligible for federal universal service fund support. CenturyTel, further, stipulated and agreed that it will offer all of the supported services and that it will advertise their availability and the charges therefor in media of general circulation within its service area. The parties urged the Commission to designate CenturyTel as an eligible carrier.

Based on the record presently before it, the Commission finds that as of the date of this Report and Order, CenturyTel does not offer or provide any of the supported services within a Missouri service area. Likewise, CenturyTel does not advertise either their availability or the charges therefor in media of general circulation within a Missouri service area.

Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law.

Jurisdiction:

The Missouri Public Service Commission has jurisdiction over the services, activities, and rates of Verizon pursuant to Section 386.250 and Chapter 392. The Commission likewise has jurisdiction over CenturyTel, as the prospective purchaser of a portion of Verizon's Missouri network and as an applicant for Missouri certification.

The Stipulation and Agreement:

This case has been resolved by the filing of a nonunanimous stipulation and agreement. The Commission's practice rules provide that, upon the filing of a

nonunanimous stipulation and agreement, the non joining parties have seven days within which to file a request for a hearing.⁹ No party filed a timely request for a hearing and the nonunanimous stipulation and agreement thus became unanimous by operation of law.¹⁰ The Commission has the legal authority to accept a stipulation and agreement in resolution of the issues raised in this case.¹¹

The Memorandum of Understanding:

CenturyTel and Fidelity jointly moved the Commission to approve their Memorandum of Understanding. The Memorandum of Understanding, in turn, is an agreement between those parties relating to the existing interconnection agreement between Verizon and Fidelity. The Memorandum of Understanding "settles the outstanding issues between [Verizon and Fidelity] with respect to this proceeding." Its provisions, summarized elsewhere in this Report and Order, are for the most part a restatement of the pertinent part of the Stipulation and Agreement.

The joint movants did not, in their Motion, cite the Commission to any source of authority that empowers the Commission to approve private agreements such as the Memorandum of Understanding. The Commission has reviewed the Memorandum of Understanding and concludes that approval or other action by the Commission is not necessary.

⁹ Commission Rule 4 CSR 240-2.115(3).

¹⁰ Commission Rule 4 CSR 240-2.115, (1) and (3).

¹¹ Section 536.060.

The Sale of System Assets by Verizon:

"No telecommunications company shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, facilities or system, necessary or useful in the performance of its duties to the public ... without having first secured from the commission an order authorizing it so to do."¹² The statute does not contain a standard to guide the Commission in the exercise of its discretion. That is provided by the Commission's own rules. An applicant for such authority must state in its application "[t]he reason the proposed sale of the assets is not detrimental to the public interest."¹³ Referring to a statute applicable to water corporations, the Missouri Court of Appeals stated, "The obvious purpose of [the statute] is to ensure the continuation of adequate service to the public served by the utility."¹⁴ To that end, the Commission has previously considered such factors as the applicant's experience in the utility industry; the applicant's history of service difficulties; the applicant's general financial health and ability to absorb the proposed transaction; and the applicant's ability to operate the asset safely and efficiently.¹⁵

The parties herein agree that CenturyTel has adequate experience, skills and financing to operate an incumbent local exchange company in 96 local exchanges. The record shows that CenturyTel is part of a corporate family that provides telecommunications services to millions of customers in some 21 states. There is no evidence in the record suggesting that the acquisition will unduly burden CenturyTel's finances or indicating a

¹² Section 392.300.

¹³ Commission Rule 4 CSR 240-2.060(5)(D).

¹⁴ State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz, 596 S.W.2d 466, 468 (Mo. App., E.D. 1980).

¹⁵ See In the Matter of the Joint Application of *Missouri Gas Energy et al.*, Case No. GM-94-252 (Report and Order, issued October 12, 1994) 3 Mo.P.S.C.3d 216, 220.

history of service quality problems. Verizon desires to sell the system and to be relieved of the obligations that go with it; CenturyTel desires to buy the system and to undertake the associated obligations. Based on the record before it, the Commission concludes that the transaction is not detrimental to the public interest and should be approved.

The Commission has reviewed and carefully considered the Stipulation and Agreement and the conditions contained therein. The parties conditioned their support of the Joint Application upon that agreement. Therefore, the Commission will approve CenturyTel's acquisition of Verizon's exchanges subject to the conditions contained in the Stipulation and Agreement.

Certificates of Service Authority:

Having found that CenturyTel has met all of the requirements for certification to provide basic local and interexchange telecommunications services as a common carrier, it remains to determine whether it is in the public interest to grant the requested certificates.

The public interest is found in the

positive, well-defined expression of the settled will of the people of the state or nation, as an organized body politic, which expression must be looked for and found in the Constitution, statutes, or judicial decisions of the state or nation, and not in the varying personal opinions and whims of judges or courts, charged with the interpretation and declaration of the established law, as to what they themselves believe to be the demands or interests of the public.'

"(If there is legislation on the subject, the public policy of the state must be derived from such legislation:"

¹⁶ *in re Rahn's Estate*, 316 Mo. 492, 501, 291 S.W. 120, 123 (1926), *cert. den'd*, 274 U.S. 745, 47 S.Ct. 591, 71 L. Ed. 1325.

¹⁷ *Moorshead v. Railways Co.*, 203 Mo. 121, 165, 96 S. W. 261, 271 (banc 1907).

In consideration of the foregoing, and based upon the findings of fact made herein, including its finding that CenturyTel has met all of the requirements for the requested certifications, the Commission concludes that granting the requested certifications is in the public interest.

Withdrawal of Verizon from the Transferred Exchanges:

The joint application contains a prayer by Verizon to be relieved, if the proposed transaction is approved, from any obligation to provide telecommunications services in the transferred exchanges after the day the sale closes. That prayer will be granted. Verizon must file any necessary amended tariff sheets to delete all references to the transferred exchanges and to make any other appropriate changes consequent to this transaction.

Waiver of the "Slamming" Rule:

Commission Rule 4 CSR 240-33.150 requires customer verification of carrier-initiated changes of a customer's designated telecommunications service provider. This rule was adopted to prevent the practice of "slamming," the changing of a customer's telecommunications service provider without the customer's knowledge or consent. Upon the closing of the transfer herein approved, all of Verizon's customers in the transferred exchanges will become CenturyTel's customers. This transfer is not "slamming" and Rule 4 CSR 240-33.150 shall therefore be waived.

Price-cap Regulation:

A "large incumbent local telecommunications company shall be subject to regulation under this section upon a determination by the commission that an alternative local telecommunications company has been certified to provide basic local telecommunications service and is providing such service in any part of the large incumbent

company's service area.,¹⁸ The record shows that, upon the closing of the proposed transfer of assets, CenturyTel will meet the conditions contained in Section 392.245.2, and thus will be subject to price cap regulation.

Section 392.245.3 provides that the maximum allowable rates for a company subject to price cap regulation are those in effect on December 31 of the year preceding the year in which the company is first subject to price cap regulation, except as otherwise provided in the statute. Therefore, the Commission determines that the initial maximum allowable prices that CenturyTel may charge for its telecommunications services are the prices that were in effect in the 96 exchanges on December 31, 2001.

Eligibility of CenturyTel for Universal Service Fund Support:

Section 254 of the Telecommunications Act of 1996, provides for Universal Service.¹⁹ Universal Service is a principal component of federal telecommunications policy and seeks to ensure access to telecommunications services for all Americans. One aspect of Universal Service is the availability of subsidies from the Universal Service Fund created by the Act. Only carriers designated as eligible carriers pursuant to Section 214(e) of the Act may receive such subsidies.

Section 214(e) provides that the Commission

Upon request and consistent with the public interest, convenience, and necessity ... [the State Commission] may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State

¹⁸ Section 392.245.2.

¹⁹ Codified at 47 U.S.C. Section 254.

²⁰ 47 U.S.C. Section 254(e).

Commission, so long as each additional requesting carrier meets the requirements of paragraph ⁽¹⁾.²¹

Section 214(e)(1), in turn, provides:

A common carrier designated as an eligible telecommunications carrier ... shall be eligible to receive universal service support in accordance with section 254 and shall, throughout the service area for which the designation is received-

(A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and

(B) advertise the availability of such services and the charges therefore using media of general distribution ²²

Section 214(e)(1) of the Act requires that a designated carrier both offer and advertise the eligible services throughout the designated service area. The Commission has previously concluded that the statutory language is not a meaningless formality and that the Act requires that a carrier both offer and advertise the services in question throughout its designated service area upon designation ²³ CenturyTel is not presently either offering or advertising the services in question.

However, the present case differs significantly from those cited in Note 23, above. Verizon is an eligible carrier and both offers and advertises all of the eligible services in its exchanges. On the date that the transfer approved elsewhere in this Report and Order closes, CenturyTel will step into the shoes of Verizon in 96 exchanges.

²¹ 47 U.S.C. Section 214(e)(2).

²² The FCC's implementing regulation at 47 CFR Section 54.201 repeats the language of the Act.

²³ *In the Matter of the Application of Fidelity Communication Services 1*, Case No. TA-2002-122 (Order Granting Designation as an Eligible Carrier, issued November 6, 2001) at 4; *In the Matter of the Application of ExOp of Missouri, Inc.*, Case No. TA-2001-251 (Order Granting Designation as an Eligible Carrier, issued May 15, 2001) at 9.

CenturyTel will offer all of the eligible services from that moment at the same rates and under the same regulations and conditions as does Verizon. This is a far different case from that of a fledgling CLEC that seeks designation for services it has never either offered or advertised. CenturyTel is taking over a going concern that is already designated.

The Commission finds, based upon the Joint Application, the Stipulation and Agreement, and Staff's Suggestions, that CenturyTel meets the requirements set out in 47 U.S.C. Section 214(e)(1) and that the requested designation is consistent with the public interest, convenience and necessity. The record does not show that any of the exchanges in question are served by a rural telephone company.²⁴ Therefore, the Commission must grant the requested designation for each of the 96 exchanges.

IT IS THEREFORE ORDERED:

1. That all pending motions not already ruled herein are denied.
2. That the Stipulation and Agreement filed herein on March 21, 2002, is approved. The various grants of authority and certificates of service authority to CenturyTel of Missouri, LLC, contained in this Report and Order are subject to the conditions contained in the Stipulation and Agreement filed herein on March 21, 2002, a copy of which is attached hereto as Attachment 1. CenturyTel of Missouri, LLC, is ordered to comply with those conditions.
3. That, as of the date of the closing of the transaction approved in Ordered Paragraph 4, below, GTE Midwest, Inc., doing business as Verizon Midwest, is relieved from any obligation to provide telecommunications services in any of the exchanges sold to CenturyTel of Missouri, LLC.

²⁴ 47 U.S.C. Section 214(e)(2).

4. That GTE Midwest Inc., doing business as Verizon Midwest, is authorized to transfer and sell to CenturyTel of Missouri, LLC, subject to the conditions referred to in Ordered Paragraph 2, above, all of its telecommunications facilities, assets and equipment located in the several exchanges described in Exhibit 3 of the Joint Application filed herein on November 28, 2001, a copy of which is attached hereto as Attachment 2, pursuant to the Asset Purchase Agreement set out in Exhibit 2 (proprietary) of the Joint Application, and to take all other lawful actions necessary to consummate this transaction.

5. That nothing in this Report and Order is intended to alter the terms of any existing interconnection agreement without the assent of the parties.

6. That CenturyTel of Missouri, LLC, is granted a certificate of service authority to provide intrastate interexchange telecommunications services in the state of Missouri, subject to all applicable statutes and Commission rules and subject to the conditions referred to in Ordered Paragraph 2, above. The certificate of service authority shall become effective when the company's tariff becomes effective.

7. That CenturyTel of Missouri, LLC, is granted a certificate of service authority to provide basic local exchange telecommunications services in the state of Missouri, subject to all applicable statutes and Commission rules and subject to the conditions referred to in Ordered Paragraph 2, above. The certificate of service authority shall become effective when the company's tariff becomes effective.

8. That the request for waiver of the filing requirements of 4 CSR 240-2.060(4)(H), which requires the filing of a 45-day tariff, is granted. CenturyTel of Missouri, LLC, is hereby ordered to file its tariff not less than 45 days prior to the closing date of the transaction authorized in Ordered Paragraph 4, above. Any such tariff shall

adopt in all material respects the tariffs of GTE Midwest, Inc., doing business as Verizon, as of the closing date of the transaction authorized in Ordered Paragraph 4, above. CenturyTel of Missouri, LLC, shall simultaneously file a pleading in this case advising the Commission that the tariffs have been filed.

9. That the request for waiver of Commission Rule 4 CSR 240-33.150 is granted.

10. That CenturyTel of Missouri, LLC, shall be subject to price cap regulation pursuant to Section 392.245.2, RSMo 2000.

11. That CenturyTel of Missouri, LLC, shall not charge prices in excess of those effective in the transferred exchanges on December 31, 2001, except as otherwise allowed by Section 392.245, RSMo 2000.

12. That CenturyTel of Missouri, LLC, is hereby designated as an eligible carrier to receive federal Universal Service Fund support in each of the exchanges transferred from GTE Midwest, Inc., doing business as Verizon Midwest.

13. That GTE Midwest, Inc., doing business as Verizon Midwest, shall, within ten days of the closing of the transaction herein approved, file in this case its motion requesting that its tariffs be canceled, specifying with particularity each sheet to be canceled, and advising the Commission that the transaction has closed.

14. That this Report and Order shall become effective on May 31, 2002.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Dale Hardy".

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(SEAL)

Simmons, Ch., Murray, Lumpe, Gaw,
and Forbis, CC., concur and certify
compliance with the provisions of
Section 536.080, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 21 st day of May, 2002.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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In the Matter of the Joint Application of
GTE Midwest, Inc., d/b/a Verizon
Midwest and CenturyTel of Missouri,
LLC for 1) Authority to Transfer and
Acquire Part of Verizon Midwest's
Franchise, Facilities and System Located
in the State of Missouri; 2) For Issuance of
Certificate of Service Authority to
CenturyTel of Missouri, LLC; 3) To
Designate CenturyTel of Missouri, LLC as
Subject to Regulation as a Price Cap
Company; and 4) To Designate
CenturyTel of Missouri, LLC as a
Telecommunications Carrier Eligible to
Receive Federal Universal Service
Support.

Case No. TM-2002-232

NONUNANIMOUS STIPULATION AND AGREEMENT

On November 28, 2001, CenturyTel of Missouri, LLC ("CenturyTel") and GTE Midwest Incorporated d/b/a Verizon Midwest ("Verizon"), filed a Joint Application with the Missouri Public Service Commission ("Commission") requesting authority for Verizon to sell and CenturyTel to acquire certain of Verizon's telephone properties consisting of 96 Missouri exchanges. In the Joint Application, CenturyTel also requested certificates of service authority to serve the subject exchanges, and Verizon requested that it be authorized to discontinue providing service in those exchanges. CenturyTel also requested that the Commission determine that it is subject to price cap regulation pursuant to § 392.245, RSMo, and that the Commission designate it an eligible telecommunications carrier eligible to receive federal Universal Service Fund funds.

As a result of meetings and discussions between the parties ("Parties") concerning the above-described transactions, the parties to this Stipulation and Agreement reached the following agreements and make the following recommendations to the Commission.

1. Transfer of assets

The Parties stipulate that CenturyTel possesses the managerial, engineering and financial expertise necessary to continue to provide the quality of service Verizon currently provides to its customers in the enumerated exchanges. CenturyTel's parent company, CenturyTel, Inc., provides telecommunications services to more than three million customers in 21 states. CenturyTel proposes no immediate change in the field operation of the Verizon properties and proposes to retain all of Verizon's existing employees. Moreover, CenturyTel proposes no immediate changes in the rates, terms and conditions of the telecommunications service currently provided to the customers in the enumerated exchanges.

The Parties recommend that the Commission issue its order finding that the transfer is not detrimental to the public interest and approving the transfer and acquisition of that part of Verizon's franchise, facilities and system used in providing service to the public in the Missouri exchanges listed on Exhibit 3 to the Joint Application in accordance with the terms of the Asset Purchase Agreement attached to the Joint Application as Exhibit 2.

2. Issuance of certificates

The Parties stipulate that CenturyTel possesses the necessary technical, financial and managerial resources and abilities to provide telecommunications services, including basic local telecommunications services and interexchange telecommunications service.

The Parties recommend that the Commission grant conditional certificates of service authority to CenturyTel to provide local telecommunications service, including basic local

telecommunications service and interexchange telecommunications service, in the subject exchanges to become effective on the date of closing of the sale. The Parties also recommend that Verizon's certificate(s) to provide telecommunications services should be cancelled following notice from Verizon that the sale has closed.

3. Tariffs

CenturyTel shall file tariff sheets with a minimum 45-day effective date reflecting the rates, rules, regulations, terms and conditions, and the services it will offer, within 30 days of a Commission order approving transfer of Verizon's Missouri assets to CenturyTel, and shall simultaneously file a pleading in this case advising the Commission that the tariffs have been filed. Upon the effective date of CenturyTel's tariffs, which will be the date of the asset transfer, all Verizon tariffs will be cancelled.

4. Price Cap Status

The Parties stipulate that upon the transfer of the enumerated exchanges, CenturyTel will have met the conditions necessary to be designated as a price cap company pursuant to § 392.245.2, RSMo, in that a competitive local exchange company ("CLEC") is properly certified to provide service in its service area and that the CLEC is, in fact, providing service in the CenturyTel service area.

The Parties, therefore, recommend that the Commission find that CenturyTel is subject to price cap regulation pursuant to § 392.245.2, RSMo, effective and commencing as of the date of transfer.

5. Eligible Telecommunications Carrier Status

The Parties stipulate that CenturyTel has, through its verified application, satisfied all of the requirements necessary to be designated by the Commission as an eligible

telecommunications carrier, eligible to receive federal universal service support. CenturyTel stipulates that it will offer all of the services supported by the federal universal service support, including Lifeline services, and will advertise the availability of and charges for such services using a media of general distribution within its service area. The Parties, therefore, recommend that the Commission designate CenturyTel as an eligible telecommunications carrier eligible to receive federal universal service support.

6. Conditions

As a condition of the authorizations recommended in paragraphs 1-4 above, CenturyTel and Verizon agree to the following:

A. Rates

CenturyTel agrees to use the same rates, terms and provisions, including intrastate access rates, that Verizon charges customers as of the date of transfer for telecommunications services in the subject exchanges.

B. Interconnection agreements

CenturyTel agrees to negotiate in good faith new interconnection agreements with all CLECs who currently have interconnection agreements with Verizon and who desire to have interconnection with CenturyTel. Where it is not technically infeasible, CenturyTel will enter into agreements which have the same rates, terms and conditions as those agreements previously negotiated with Verizon. These agreements will be substantially similar to the current agreements with Verizon with only technical differences to reflect the way CenturyTel interfaces with the CLEC. If CenturyTel and any CLEC are unable to agree on the terms of these agreements, CenturyTel agrees to submit any disputes to the Commission for resolution. In those situations where the CLEC is already providing service in an exchange to be transferred,

CenturyTel agrees to cooperate with the CLEC in requesting expedited approval of these new interconnection agreements from the Commission. CenturyTel shall cooperate with CLECs to ensure continuity of service for all CLEC customers.

CenturyTel agrees to provide local interconnection services, as defined in Part 51 of the Rules of the Federal Communications Commission, as set forth in the interconnection agreement between Verizon and AT&T Communications of the Southwest, Inc. and adopted by Fidelity Communication Services II, Inc., (hereinafter "CLECs") including, but not limited to, interconnection trunking, number portability and 911 service, for one year after the closing of the sale of the telephone properties referenced herein. If any particular interconnection agreement has not been replaced through negotiation or arbitration within one year, that agreement will continue in force on a month-to-month basis until so replaced. CenturyTel shall perform all obligations set forth in such interconnection agreements except for functions, services or elements that CenturyTel is technically incapable of providing. In any proceeding concerning the technical infeasibility or unreasonableness of a particular provision of the Interconnection Agreement, the burden is on CenturyTel to prove such assertion. Notwithstanding the forgoing, CLECs understand and agree that the method used by CenturyTel to process service orders will be different from the method currently utilized by Verizon. CenturyTel agrees to make available at the time of the transfer an Internet-based e-mail service ordering system, and CLECs may choose between placing orders by facsimile or e-mail.

C. Surveillance reports

Verizon currently submits surveillance data reports to the Financial Analysis Department of the Commission on a monthly basis. As a condition of approval for this transaction, CenturyTel agrees to submit surveillance data reports in accordance with the Commission's

standard format for its Surveillance Utility Reporting Tracking System to the Financial Analysis Department on a monthly basis until otherwise ordered by this Commission.

D. Service quality

Verizon agrees to provide three monthly Quality of Service Reports to the Office of Public Counsel and the Staff of the Commission ("Staff"), beginning 90 days before the close of the transaction. Quality of Service Objectives are set forth in Commission rule 4 CSR 240 32.080. For every service objective not met each month, Verizon will submit a report to the Office of Public Counsel and Staff detailing why Verizon service objective(s) were not met and what action is being taken to improve service quality. Verizon's obligation to file Quality of Service Reports ends after the filing of the third report.

CenturyTel of Missouri, LLC and Spectra Communications Group, LLC d/b/a CenturyTel each agree to provide Quality of Service Reports to the Office of Public Counsel and Staff on a monthly basis until the company meets all Service Objectives for six consecutive months. Quality of Service Objectives are set forth in Commission rule 4 CSR 240-32.080. For every service objective not met each -month, the above CenturyTel companies will submit a report to the Office of Public Counsel and Staff detailing why service objective(s) were not met and what action is being taken to improve service quality.

CenturyTel and Verizon transition teams will provide to the Office of Public Counsel and Staff a detailed timeline of system conversions and updates. This timeline will state operations being transferred from Verizon responsibility, the date of transfer, the changes in facilities and services, customer assistance number changes, and CenturyTel transition team coordinators' names and contact information.

E. Depreciation

CenturyTel agrees to implement the same depreciation rates as those used by Verizon at the time of the transfer of assets. CenturyTel further agrees to notify the Staff of the Commission if, in the future, the Company changes these rates. Verizon agrees to provide all available historical plant mortality data (annual additions, retirements, and balances) to CenturyTel in an electronic format prior to or coincident with the transfer of assets. CenturyTel agrees to maintain and update this data on an annual basis. CenturyTel will submit a file of all of the historical plant mortality data it receives from Verizon to Staff, in Staffs requested format, no more than 45 days after receipt of the data from Verizon.

7. Additional Terms

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Signatories waive, with respect to the issues resolved herein, their respective rights to present testimony and to cross-examine witnesses pursuant to '§ 536.070(2) RSMo 2000, and to present oral argument or written briefs pursuant to § 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to § 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to § 386.510 RSMo 2000.

The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement and the other parties shall have the right to file responsive suggestions or prepared testimony. All responsive suggestions, prepared testimony, or memorandum shall be subject to the terms of any Protective Order that may be entered in this case.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably

practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is required from the Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.


Respectfully submitted,

DANA K. JOYCE
General Counsel

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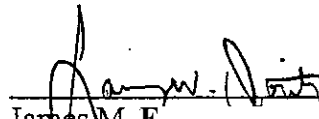


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 21st day of March 2002.

Sale of Missouri Properties to CenturyTel of Missouri, LLC

EXCHANGE

Alton
Ashland
Augusta
Ave
Belle
Bland
Blue Eye
Bourbon
Bradleyville
Branson
Branson West
Buffalo
Cabool
Cape Fair
Cassville
Caulfield
Cedar Creek
Centralia
Chamois
Clark
Columbia
Conway
Crane
Cross Timbers
Cuba
Dardenne
Defiance
Dora
Elkland
Exeter
Foley
Fordland
Foristell
Forsyth
Gainesville
Galena

EXCHANGE

Hallsville
Hawk Point
Hermann
Hermitage
High Hill
Highlandville
Holstein
Hurley
Jamestown
Jenkins
Jonesburg
Kimberling City
Koshkonong
Leesburg
Louisburg
Mano
Mansfield
Marshfield
Marthasville
Morrison
Moscow Mills
Mount Sterling
Mountain View
New Melle
Niangua
O' Fallon
Old Monroe
Ozark
Pittsburg
Prairie Home
Preston
Protem
Reeds Springs
Rocheport
Rockaway Beach

EXCHANGE

Safe
Seymour
Shell Knob
Sparta
St. James
St. Peters
Sturgeon
Summersville
Thayer
Theodosia
Thomasville
Troy
Truxton
Urbana
Vichy
Warrenton
Washburn
Wasola
Wentzville
West Plains
Wheatland
Willow Springs
Winfield
Woolridge
Wright City