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

| | | |
|---|---|---|
| In the Matter of the Review of the Competitive Classification of the Exchanges of Spectra Communications Group, LLC, d/b/a CenturyTel | ) ) ) ) | Case No. IO-2008-_____ |

**STAFF REPORT**

COMES NOW the Staff of the Missouri Public Service Commission and for its report states:

1. Section 392.245.5 RSMo (Cum. Supp.) provides a two-track procedure for a price-cap regulated incumbent local exchange telecommunications company to petition the Commission for competitive classification for its business service or its residential service, or both, in an exchange.

2. In Case No. IO-2006-0108, the Commission's Report and Order, effective October 9, 2005, granted Spectra competitive classification for residential services in 5 exchanges and for business services in 4 exchanges. In Case No. IO-2006-0317, the Commission's Report and Order granted Spectra competitive classification for residential services in 2 more exchanges. In Case No. IO-2007-0439, the Commission's Order Granting Competitive Classification granted Spectra competitive classification for residential services in 6 more exchanges.

3. Section 392.245.5 directs:

> The commission shall, *at least every two years*, or where an incumbent local exchange telecommunications company increases rates for basic local telecommunications services in an exchange classified as competitive, review those exchanges where an incumbent local exchange carrier's services have been classified as competitive, to determine if the conditions of this subsection for competitive classification continue to exist in the exchange and if the commission determines, after hearing, that such conditions no longer exist for the incumbent local exchange telecommunications company in such exchange, it shall reimpose

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upon the incumbent local exchange telecommunications company, in such exchange, the provisions of paragraph (c) of subdivision (2) of subsection 4 of section 392.200 and the maximum allowable prices established by the provisions of subsections 4 and 11 of this section, and, in any such case, the maximum allowable prices established for the telecommunications services of such incumbent local exchange telecommunications company shall reflect all index adjustments which were or could have been filed from all preceding years since the company's maximum allowable prices were first adjusted pursuant to subsection 4 or 11 of this section. (emphasis added)

4. In the attached verified Memorandum, the Staff discusses its review of the continued competitive classification for all of Spectra's competitively classified exchanges. In Staff's opinion, conditions for competitive classification continue to exist in Spectra's competitively classified exchanges.

WHEREFORE, the Staff requests the Commission to make Spectra a party to this case, to provide Spectra the opportunity to file a response to the Staff Report, and to review if the conditions for competitive classification continue to exist for all of Spectra's competitively classified exchanges.

Respectfully submitted,

/s/ William K. Haas
William K. Haas
Deputy General Counsel
Missouri Bar No. 28701

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## 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 4th day of October 2007.

/s/ William K. Haas
William K. Haas

Memorandum

To: Official Case File

From: John Van Eschen
Telecommunications Department

Date: October 3, 2007

Subject: Analysis of Spectra's competitively classified exchanges

Spectra Communications Group, LLC d/b/a CenturyTel ("Spectra") currently has thirteen exchanges with competitive classification for residential services and four exchanges with competitive classification for business services. Section 392.245.5(6) requires the Commission to review within certain time frames if competitive conditions continue to exist in these exchanges. Spectra's first exchanges received competitive classification effective October 9, 2005 in Case No. IO-2006-0108. Since that time the company has subsequently requested and received competitive classification for additional exchanges[1].

Section 392.245.5(6) describes how the Commission shall review whether the competitive conditions continue to exist in a company's competitive classified exchanges. Such a review will occur at least every two years or where the company increases rates for basic local telecommunications services. If the Commission determines competitive conditions do not exist within an exchange the Commission shall remove the exchange's competitive classification.

Staff's review consists of two parts. One part identifies Spectra's rate adjustments since August 28, 2005, the effective date of Senate Bill 237 which altered the process and criteria for achieving competitive status for an exchange. A review of Spectra's rate adjustments shows the company has not increased basic local telecommunications service rates in competitively classified exchanges during this two year time period. Rate increases for basic local telecommunications service in noncompetitively classified exchanges and rate increases for non-basic services were all within the limits of price cap regulation. Schedule A is a listing of rate adjustments for the company's services during this two year period.

The second part of Staff's review consists of analyzing whether a qualifying competitive local exchange company (CLEC) continues to provide service within a competitively classified exchange. All of the company's competitively classified exchanges received competitive classification under the 30-day track as described in Section 392.245.5. In general the competitive classification process requires a demonstration that at least two nonaffiliated entities are providing local voice service within an exchange in addition to the incumbent local telephone company. The 30-day track requires one of the nonaffiliated entities to be a carrier who is providing local voice service within the exchange on a full-facility basis (lines where the CLEC or its affiliate owns the switch and the lines)or a partial-facility basis (lines where the CLEC or its affiliate owns either the switch or the lines).

[1] See Case Nos. IO-2006-0317 and IO-2007-0440.

Schedules B and C list the company's competitively classified business and residential exchanges, respectively. These schedules identify the line counts for any CLEC with lines in the exchange based on a CLEC's 2004, 2005 and 2006 annual reports and if the CLEC provides service on a full-facility basis, partial-facility basis, and/or other-resale basis (lines where the CLEC leases facilities from the ILEC at a negotiated or arbitrated rate or an arrangement purchased via a commercial agreement). CLECs solely providing prepaid service or lines served through a pure resale arrangement are not included in these schedules. The 2006 annual report is the most recent annual report submitted to the Missouri Commission and identifies line counts as of December 31, 2006. Schedule C identifies one exchange, Sarcoxie, without line counts from any qualifying CLEC. Staff presumes MCC Telephony of Missouri, Inc. is continuing to provide residential service based on the relatively recent granting of competitive status for the exchange on June 16, 2007. Staff also assumes at least one nonaffiliated wireless company continues to provide service within all competitively classified Spectra exchanges. Such an assumption is consistent with Staff's analysis in Case No. TO-2007-0053, in the matter of the review of the competitive classification of the exchanges of Southwestern Bell Telephone, L.P., d/b/a AT&T Missouri.

In Staff's opinion, the evidence suggests competitive conditions continue to exist in Spectra's competitively classified exchanges. Consequently Staff recommends the Commission make a finding that competitive conditions continue to exist in Spectra's competitively classified exchanges.

Attachments:

| | |
|---|---|
| Schedule A | (Spectra's tariff rate increases) |
| Schedule B | (CLEC line information for Spectra's business competitively classified exchanges) |
| Schedule C | (CLEC line information for Spectra's residential competitively classified exchanges) |

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| In the Matter of the Review of the Competitive Classification of the Exchanges of Spectra Communications Group, LLC d/b/a CenturyTel | ) ) ) | Case No. IO-2008- |

**AFFIDAVIT OF John Van Eschen**

STATE OF MISSOURI )
) ss:
COUNTY OF COLE )

John Van Eschen, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in preparing the accompanying documents and that the facts therein are true and correct to the best of his knowledge and belief.

John Van Eschen

Subscribed and affirmed before me this 3rd day of October 2007
I am commissioned as a notary public within the County of Callaway,
State of Missouri and my commission expires on 9-21-10

NOTARY PUBLIC STATE OF MISSOURI NOTARY SEAL

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Susan L Sundermeyer
NOTARY PUBLIC

**Missouri Public Service Commission**
**Spectra Rate Adjustments since August 28, 2005 (Senate Bill 237)**

| Tariff Filing | PSC Mo. No. | Effective Date | Description Tariff Sheets | Other |
|---|---|---|---|---|
| JI-2006-0081 | 1 | 1-Sep-05 | Section 4, Sheets 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17; Section 5, Sheet 4; Section 6, Sheets 13, 14, 15, 16, 17, 18, 18.1; Section 7, Sheets 24, 24.4, 29, 97, 98; Section 9, Sheets 3, 3.3, 3.5, 7, 11; Section 14, Sheets 3, 4, 6 | Decreased residential and business basic local service rates in all exchanges by the CPI-TS factor of -2.1021%. Increased certain nonbasic service rates within 5% limit (e.g. Anonymous Call Block, Call Block, Call Forwarding, etc). |
| JI-2006-0082 | 2 | 1-Sep-05 | Sheets 151, 152, 152.1, 152.2, 153, 205, 215, 217, 219, 219.1, 219.2, 313 | Decreased switched access service rates by CPI-TS factor of -2.1021%. Increased certain nonbasic service rates within 5% limit. |
| JI-2006-0083 | 3 | 1-Sep-05 | Sheets 24, 27, 46, 47, 50, 55, 59 | Increased long distance message telecommunications service rates and certain nonbasic service rates within 5% limit. |
| JI-2007-0025 | 1 | 1-Sep-06 | Section 1, Sheets 1, 3, 4; Section 4, Sheets 1, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 17.1; Section 5, Sheets 4, 4.1; Section 6, Sheets 13, 14, 15, 16, 17, 18, 18.1, 21; Section 9, Sheet 7; Section 15, Sheet 1 | Increased certain nonbasic service rates within 5% limit (e.g. Anonymous call Block, Call Block, Call Forwarding, etc). |
| JI-2007-0025 | 1 | 1-Sep-06 | See above - listing of rate sheets | Decreased residential and business basic local service rates in noncompetitive exchanges by CPI-TS factor of -0.1578%. Residential and business basic local service rates in competitive exchanges were not adjusted. |
| JI-2007-0026 | 2 | 1-Sep-06 | Sheets 151, 152, 152.1, 152.2, 153, 313 | Decreased switched access service rates by CPI-TS factor of -0.1578%. |
| JI-2008-0033 | 1 | 1-Sep-07 | Section 4, Sheets 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 17.1, 17.2, 17.3, 17.4, 17.5,17.6, 17.7; Section 5, Sheet 4; Section 6, Sheets 13, 14, 15, 16, 17, 18, 18.1; Section 7, Sheets 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 24.4, 29, 35, 36, 83, 84, 85, 86, 87, 97, 98; Section 9, Sheets 3, 3.3, 3.5, 7; Section 10, Sheet 12; Section 11, Sheets 22, 23 | Increased residential and business basic local service rates in non-competitive exchanges by CPI-TS factor of +1.8887%. Residential and business basic local service rates in competitive exchanges were not adjusted. Increased certain nonbasic local service rates within 5% limit (e.g. Anonymous Call Block, Call Block, Call Forwarding, Call Return *69, etc). Changed rate group classification for the exchanges of Ellsinore and Perry to a different rate group where basic local rates are lower. |
| JI-2008-0034 | 2 | 1-Sep-07 | Sheets 151, 152, 152.1, 152.2, 153, 205, 219.1, 219.2, 313 | Increased switched access service rates by CPI-TS factor of 1.8887%. Increased certain nonbasic rate increases within 5% limit. |
| JI-2008-0035 | 3 | 1-Sep-07 | Sheets 24, 27, 46, 47, 50, 55, 59 | Increased long distance message telecommunications service rates and certain nonbasic service rates within 5% limit. |

## *CenturyTel (Spectra) Business Competitive Exchanges*

**Comparison of CLEC Line Information – 2004, 2005 & 2006 Annual Reports**

| Exchange (Competitive Status became effective on Date) | CLEC | Lines[1] 2004 Annual Report | 2005 Annual Report | 2006 Annual Report |
|---|---|---|---|---|
| **Ewing** (10/09/05) | Mark Twain Communications Company | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **La Belle** (10/09/05) | Mark Twain Communications Company | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Lewistown** (10/09/05) | Mark Twain Communications Company | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Macon** (10/09/05) | Chariton Valley Telecom Corporation | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| | | | | |
| **CLEC Totals** | | **611** | **842** | **913** |
| **ILEC Totals** | | ** ** | ** ** | ** ** |

[1] CLEC information combines CLEC lines served on a full-facility basis (lines where the CLEC or its affiliate owns the switch and the lines), partial-facility basis (lines where the CLEC or its affiliate owns either the switch or the lines), and other-resale basis (lines where the CLEC leases facilities from the ILEC at a negotiated or arbitrated rate or an arrangement purchased via a commercial agreement). CLECs solely providing prepaid service or lines served through a pure resale arrangement are not included in this table. No CLECs are found to be providing business service on an other-resale basis in these exchanges.

[2] Line count includes facilities-based (full- and/or partial-facilities) lines, and may include other resale lines. Line counts without this footnote are entirely other resale.

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Schedule B

## *CenturyTel (Spectra) Residential Competitive Exchanges*

**Comparison of CLEC Line Information – 2004, 2005 & 2006 Annual Reports**

| Exchange (Competitive Status became effective on Date) | CLEC | Lines[1] | | |
|---|---|---|---|---|
| | | 2004 Annual Report | 2005 Annual Report | 2006 Annual Report |
| **Brunswick** (06/16/07) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Cameron** (06/16/07) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Everton** (03/03/06) | MCC Telephony of Missouri, Inc. | ** ** | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Ewing** (10/09/05) | Mark Twain Communications Company | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Golden City** (06/16/07) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Greenfield** (06/16/07) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[2] |

[1] CLEC information combines CLEC lines served on a full-facility basis (lines where the CLEC or its affiliate owns the switch and the lines), partial-facility basis (lines where the CLEC or its affiliate owns either the switch or the lines), and other-resale basis (lines where the CLEC leases facilities from the ILEC at a negotiated or arbitrated rate or an arrangement purchased via a commercial agreement). CLECs solely providing prepaid service or lines served through a pure resale arrangement are not included in this table.

[2] Line count includes facilities-based (full- and/or partial-facilities) lines, and may include other resale lines. Line counts without this footnote are entirely other resale.

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Schedule C

| Exchange (Competitive Status became effective on Date) | CLEC | Lines[1] | | |
|---|---|---|---|---|
| | | 2004 Annual Report | 2005 Annual Report | 2006 Annual Report |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **La Belle** (10/09/05) | Mark Twain Communications Company | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Lawson** (06/16/07) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Lewistown** (10/09/05) | Mark Twain Communications Company | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Macon** (10/09/05) | Chariton Valley Telecom Corporation | ** **[2] | ** **[2] | ** **[2] |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Mount Vernon** (03/03/06) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[2] |
| | Trinsic Communications, Inc. d/b/a Z-Tel | ** ** | ** ** | ** ** |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Sarcoxie** (06/16/07) | MCC Telephony of Missouri, Inc. | ** ** | ** ** | ** **[3] |

[3] Although 2006 annual reports do not show any competing carriers providing local voice service in the exchange, competitive status was only recently granted, effective June 16, 2007 in Case No. IO-2007-0439 based on a signed affidavit from the identified CLEC who verified the carrier is providing local voice service to two or more residential customers within this exchange using facilities it owns in whole or in part.

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Schedule C

| Exchange (Competitive Status became effective on Date) | CLEC | Lines[1] | | |
|---|---|---|---|---|
| | | 2004 Annual Report | 2005 Annual Report | 2006 Annual Report |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| **Savannah** (10/09/05) | Charter Fiberlink – Missouri, LLC | ** ** | ** ** | ** ** |
| | **CLEC Totals** | ** ** | ** ** | ** ** |
| | **CenturyTel (Spectra)** | ** ** | ** ** | ** ** |
| | | | | |
| | | | | |
| **CLEC Totals** | | **1,900** | **2,215** | **2,741** |
| **ILEC Totals** | | ** ** | ** ** | ** ** |

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Schedule C