

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

In the Matter of CenturyTel of Missouri,)
LLC's Application for a Commission)
Finding that 55 Percent of CenturyTel of)
Missouri, LLC's Total Subscriber Access)
Lines are Located in Exchanges Where)
Services Have Been Declared Competitive)

Case No. IO-2009-0216

RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through its General Counsel, and for its Recommendation states as follows:

1. On November 20, 2008, CenturyTel of Missouri, LLC (CenturyTel) filed an Application for Competitive Classification pursuant to Section 392.245.5(7), RSMo, as amended by House Bill 1779. On November 26, 2008, the Commission issued its *Order Directing Filing Of Staff Recommendation* to no later than December 11, 2008

2. The Staff has completed its review of CenturyTel's application. For reasons explained in Staff's Memorandum, attached as Appendix I with supporting Highly Confidential Exhibits A and B, the Staff finds CenturyTel meets the criteria of Section 392.245.5(7) for classification as a competitively classified company.

WHEREFORE, the General Counsel, on behalf of the Staff, recommends the Commission issue an order granting CenturyTel status as a competitively classified company and approve the company's proposed tariff filing.

Respectfully submitted,

/s/ Robert S. Berlin

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or e-mailed to all counsel of record 9th day of December 2008.

/s/ Robert S. Berlin

Memorandum

To: Official Case File
Case No. IO-2009-0216

From: John Van Eschen
Telecommunications Department

Date: December 3, 2008

Subject: CenturyTel of Missouri, Application for Competitive Classification

CenturyTel of Missouri, LLC (CenturyTel or Company) has filed an Application for Competitive Classification. The Company has made the filing pursuant to Section 392.245.5(7) RSMo, as amended by House Bill 1779. The Commission Staff (Staff) has reviewed the Company's filing and has no objections to granting CenturyTel status as a competitively classified company. CenturyTel surpasses the criteria that 55% or more of its access lines are in exchanges where its services have been declared competitive. CenturyTel's application also contains a tariff filing with a December 20, 2008 effective date reflecting CenturyTel as a competitively classified company. Staff has no objections to the proposed tariff filing. The remainder of this memorandum further explains Staff's recommendation.

Section 392.245.5(7) RSMo allows an incumbent local exchange telecommunications company to be declared a competitively classified company upon a finding that 55% or more of the company's access lines are in exchanges where the company's services have been declared competitive. Classifying an incumbent as a competitive company means the incumbent will have greater pricing flexibility for residential basic local service in non-competitively classified exchanges and no longer be limited by price cap regulation.¹ Nevertheless, an incumbent classified as a competitive company will still be under some pricing restrictions for basic local residential service in non-competitive exchanges.² Pricing restrictions will also remain on the incumbent's exchange access rates (a/k/a switched access rates) in that the incumbent's exchange access rates are limited to the rates charged at the time the company is deemed competitive.

CenturyTel meets the new law's criteria for classification as a competitive company as shown in Exhibit A. Exhibit A lists all of CenturyTel exchanges and provides the company's number of access lines within each exchange. This information is segregated between residential and business services and then further separated on the

¹ Regardless of competitive classification, the rates for all business services have unlimited pricing flexibility as allowed by Section 392.200.8(3) RSMo. Likewise, Section 392.245.11 RSMo allows unlimited pricing flexibility for all nonbasic telecommunications services for an incumbent subject to price cap regulation.

² For example, the company will be limited to increasing such rates in non-competitive exchanges to be no higher than the company's statewide average rate in competitive exchanges. In addition, the company will be limited to increasing such rates no more than \$2.00 per line per month for the next four years.

basis of whether such services have been previously classified as competitive or remain non-competitively classified. The access line totals are based on line quantities contained in CenturyTel's most recent annual report. Technically this report quantifies the number of access lines served as of December 31, 2007. For comparison purposes CenturyTel's filing uses the same line quantities and consequently concurs in the percentage of CenturyTel lines with competitive classification.

Exhibit B shows each CenturyTel exchange along with the name of any competitive local exchange carrier (CLEC) operating within the exchange and its respective number of lines served within the exchange depending on residential versus business service based on CLEC 2007 annual reports. These CLEC lines are further segregated based on whether the CLEC is providing service on a full-facility basis, partial facility basis, other resale and pure resale. Full-facility refers to arrangements where the CLEC is providing service using its own or an affiliate's switch and loops. Partial facility refers to an arrangement where the CLEC is providing service using its own or an affiliate's switch but is using the incumbent's loops. Other resale arrangements refer to arrangements where the CLEC leases facilities from the incumbent at a negotiated or arbitrated rate that is not simply a discount from the incumbent's tariffed rate. Pure resale arrangements refer to arrangements where the CLEC leases facilities/services from the incumbent at a discount from the incumbent's tariffed rate. The Commission has previously recognized competition based on all of these service arrangements in prior CenturyTel competitive classification proceedings. Exhibit B indicates competition continues to exist in all CenturyTel exchanges with competitive classification.

In summary, Staff finds CenturyTel meets the criteria of Section 392.245.5(7) for classification as a competitively classified company. The Commission should grant CenturyTel status as a competitively classified company and approve the company's proposed tariff filing. CenturyTel is current in paying the Commission assessment, paying into the Relay Missouri and Missouri Universal Service funds and has a current annual report on file with the Commission.

Attachments:

- Exhibit A: CenturyTel's exchange-specific access line quantities (highly confidential)
- Exhibit B: CLEC exchange-specific access line quantities in CenturyTel exchanges (highly confidential)

