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June 9, 2000

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Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. TM-2000-471

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Robert V. Franson
Assistant General Counsel
(573) 751-6651
(573) 751-9285 (Fax)

RF/dkf
Enclosure
cc: Counsel of Record

FILED²
JUN 09 2000
Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

JUN 09 2000

Missouri Public
Service Commission

In the Matter of the Application of GTE)
Arkansas Incorporated and Century Tel of)
Northwest Arkansas LLC for Authority to)
Transfer and Acquire Part of GTE)
Arkansas Incorporated's Franchise,)
Facilities or System Located in the State)
of Missouri and for Issuance of)
Certificates of Service Authority to)
CenturyTel of Northwest Arkansas LLC.)

Case No. TM-2000-471

STAFF RECOMMENDATION

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

1. On February 1, 2000, GTE Arkansas Incorporated ("GTE") and CenturyTel of Northwest Arkansas, LLC ("CenturyTel") filed a joint application ("Application") with the Missouri Public Service Commission ("Commission") for authority for GTE to sell to CenturyTel part of GTE's franchise, facilities and system located in Missouri. CenturyTel also seeks a certificate of service authority authorizing it to provide telecommunications services in the two exchanges.

2. The sale of assets is pursuant to Section 392.300 RSMo 1994 and 4 CSR 240-2.060(7). Applicable case law provides for the Commission (Commission) to approve an asset transfer if it is "not detrimental to the public interest." See State ex. rel Fee Fee Trunk Sewer, Inc. v. Litz, 596 S.W.2d 466, 468 [3] (Mo. App. E.D. 1980).

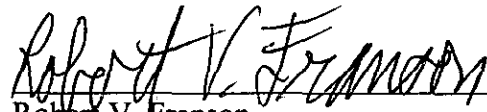
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3. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Commission find the sale of assets to not be detrimental to the public interest. Therefore, the Staff recommends that the Commission issue an Order approving the transfer of assets from GTE to CenturyTel. Staff also recommends that the Commission approve CenturyTel's application for certificates of authority to provide basic local, local exchange and interexchange telecommunications service, and approve CenturyTel's Tariff P.S.C. Mo. No. 1.

WHEREFORE, the Staff recommends that the Commission grant the Application to sell certain assets to CenturyTel and grant CenturyTel a certificate of authority to provide basic local, local exchange and interexchange telecommunications service upon the conditions outlined in the "Recommendation" Section of the Memorandum.

Respectfully submitted,


DANA K. JOYCE
General Counsel


Robert V. Franson
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Missouri Bar No. 34643

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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 9th day of June, 2000.



MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. TM-2000-471
GTE Arkansas Incorporated and CenturyTel of Northwest Arkansas, LLC

FROM: William A. Meyer, Project Coordinator *WAM 6/9/2000*
David Broadwater, Financial Analysis Department *DB*
Lisa Mahaney, Telecommunications Department *LM*
David G. Winter, Accounting Department *DW*

William A. Meyer 6/9/2000 *6-9-00*
Project Coordinator/Date *Man Post* General Counsel's Office/Date *6-9-2000*

SUBJECT: Staff's Recommendation Concerning Authority to Transfer and Acquire Part of GTE Arkansas Incorporated's Franchise Facilities or System Located in the State of Missouri.

DATE: June 9, 2000

On February 1, 2000, GTE Arkansas Incorporated ("GTE") and CenturyTel of Northwest Arkansas, LLC ("CenturyTel" or "Applicant"), filed a joint application ("Application") with the Commission for authority for GTE to sell to CenturyTel part of GTE's franchise, facilities and system located in Missouri. CenturyTel also seeks a certificate of service authority authorizing it to provide telecommunications services in the two (2) enumerated exchanges. The application was docketed as Case No. TM-2000-471.

Detriment to the Public Interest Standard

Staff utilized the "detriment to the public interest" in this proceeding. If the Joint Applicants fail to show that the proposed sale of certain GTE exchanges to CenturyTel is not detrimental to the public interest in Missouri (i.e., if it is demonstrated that the Missouri public will be harmed by the proposed sale), then the Commission should reject this application and not approve the proposed sale. Staff Counsel has advised that the "not detrimental to the public interest" standard is based on case law generally cited in court opinions such as State ex rel. City of St. Louis v. Public Serv. Comm'n, 73 S.W.2d 393 (Mo. banc 1934); State ex rel. Fee Fee Trunk Sewer Co., Inc. v. Litz, 596 S.W.2d 466 (Mo. App. 1980). Staff Counsel also advises that the Commission has incorporated the "not detrimental to the public interest" standard in its rules 4 CSR 240-2.060(7)(D).

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Consistent with Staff's position in other acquisition and merger cases, Staff views the members of the "public" that are to be protected as those consumers taking and receiving utility service from the GTE exchanges that are being sold to CenturyTel in the State of Missouri.

In this case, Staff would define "public interest" as referring to the nature and level of the impact or effect that CenturyTel's acquisition will have on its Missouri customers. There is a fundamental concern in the regulation of public utilities that the public being served will not be impacted adversely or harmed by those responsible for providing monopoly services. Public utilities in Missouri are charged with providing safe and adequate service at just and reasonable rates. If this merger results in adverse or negative impacts to CenturyTel's Missouri customers, then the Commission should not approve the Joint Applicants' Transfer Application or, in the alternative, impose conditions sufficient to overcome the detriments of the merger.

SALE OF SYSTEM ASSETS

GTE proposes to sell to CenturyTel all 103 of GTE's local telephone exchanges (213,651 access lines) located in the State of Arkansas. Two of these exchanges include a total of approximately 800 access lines that serve customers physically located in Missouri. Those two (2) exchanges are the Pea Ridge, Arkansas exchange which extends into McDonald County, Missouri and the Seligman exchange that extends into Barry County, Missouri.

This sales transaction is part of GTE's announced initiative to sell approximately 1.6 million telephone lines or about 8 percent of its domestic telephone network in the United States. It does not affect GTE's long distance, Internet, and wireless services consumers in the State(s) of Arkansas or Missouri. The Arkansas Public Service Commission in Docket No. 99-220-U (Attachment 1) approved the sale of GTE's Arkansas telephone properties to CenturyTel.

The Commission in Case No. TM-2000-182 (GTE and Spectra Communications Group, L.L.C.) approved a similar type of transaction when it addressed the sale of a portion (107 Missouri exchanges or approximately 120,000 switched access lines) of GTE's Missouri network. Further, the Commission in Case No. TM-2000-403 (GTE and Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom) approved a comparable transaction when its approved the sale of three (3) Iowa exchanges that include a total of approximately 105 access lines that serve customers physically located in Missouri.

Based on the "Detriment to the Public Interest Standard" discussed above and the conditions as outlined in the "Recommendations" section of this memorandum, the Staff recommends the Commission approve the sale of the Missouri system assets to CenturyTel.

CERTIFICATE, TARIFF AND OTHER ISSUES

The Telecommunications Department Staff reviewed the Joint Application of GTE and CenturyTel. CenturyTel has requested certificates of authority to provide basic local, local

exchange and interexchange telecommunications service. The Application in this case states that CenturyTel "proposes no immediate change in the operation of GTE's properties as a result of the proposed transaction." CenturyTel has filed a proposed tariff for the exchanges involved in this application which is substantially similar to the existing GTE tariff. Based on this statement and on its review of CenturyTel's proposed tariff, the Telecommunications Department Staff believes that CenturyTel will continue to provide the same rates and level of service that has been provided by GTE in the past.

CenturyTel has reached an agreement with the Office of Public Counsel (Attachment 2) which states: "... CenturyTel will commit to work with Office of Public Counsel and GTE customers in Seligman (as well as GTE customers located in Pea Ridge) Missouri to develop an expanded calling plan which will give them affordable access to communities of interest within Missouri, such as the county seat, schools and medical facilities. Within six months after the closing of the sale of these properties, CenturyTel will finalize and file for the necessary regulatory approval(s) such an expanded calling plan. In addition, CenturyTel commits, within one year after the closing of the sale of these properties, to establish a local Internet access in the Seligman and Pea Ridge, Missouri exchanges so that customers in these exchanges will be able to access an Internet service provider on a local dial-up basis without incurring any toll charges. Finally, CenturyTel will ensure its billing procedures and customer service systems will be able to differentiate between customers of the Seligman and Pea Ridge exchanges residing in Missouri and those residing in Arkansas and give those customers prompt and courteous service." The Staff concurs with these steps and commitments.

The Telecommunications Department Staff believes that if the Commission approves this Application, no harm to the quality of service for these customers will result. The Application is generally in order regarding the certificate of authority from the Missouri Secretary of State, the identification of exchanges in which CenturyTel will offer service, and identification of sufficient technical and managerial resources and abilities to provide telecommunications service. This information is sufficient to support granting CenturyTel's Application for certificates.

Based on GTE's stated intent to discontinue providing telecommunications services in the affected exchanges, GTE needs to file a proposed tariff to remove from GTE's tariff any and all references to the provisioning of basic local exchange, local exchange, and interexchange telecommunications service to the exchanges being sold to CenturyTel.

Staff has reviewed CenturyTel's proposed tariff with an effective date of July 1, 2000, and finds it acceptable.

Staff recommends the Commission approve CenturyTel's application for certificates of authority to provide basic local, local exchange and interexchange telecommunications service. The certificates should become effective on the same date CenturyTel's proposed tariff becomes

effective. The Commission should direct GTE to officially file its proposed tariff with the same effective date as CenturyTel's proposed tariff.

FINANCING ISSUES

The Financial Analysis Department has reviewed CenturyTel's Application and financial information provided by the Company. CenturyTel's capital structure consists of 53.67% long-term debt, 0.20% preferred stock, and 46.13% common equity, and CenturyTel corporate bond rating is "BBB+" according to Standard & Poor's. Based on the analysis conducted by the Financial Analysis Department and Telecommunication's review of the managerial and technical ability of CenturyTel, the Financial Analysis Department has concluded that CenturyTel appears to have the financial ability to raise sufficient capital at reasonable rates to operate this Company.

ACCOUNTING ISSUES

The sales of the exchanges is considered as a taxable transaction by CenturyTel. Taxable acquisitions generally require the recognition of gain or loss by the Seller (GTE) in the year of sale. The buyer of the assets (CenturyTel) does not receive the benefit of any deferred income taxes.

As a taxable asset sale, the deferred taxes attributable to GTE's assets will, in essence, be paid by GTE upon the recognition of the gain on the sale of its assets. This recognition would cause the deferred taxes to be eliminated from GTE's accounting records and rate base. The Staff would consider the loss of GTE's deferred taxes to be detrimental to the public interest and the basis for the Commission to deny authorization for this proposed merger. GTE's regulated customers otherwise would be harmed because they will lose the ratemaking benefit of the deferred taxes offset to rate base and the resulting decrease in revenue requirement associated with this rate base offset.

The Staff recommends as a condition of this transaction that a deferred income tax provision be recognized for the Missouri properties. This provision would ensure that there would be no financial detriment to Missouri ratepayers as a result of the loss of GTE's regulated accumulated deferred tax reserve, as well as deferred tax credits.

RECOMMENDATION

The Staff recommends that the Commission approve the Joint Application with the following provisions:

- 1) The Commission should approve CenturyTel's proposed tariff with an effective date of July 1, 2000. The specific tariff sheets recommended for approval are:
 - PSC Mo. No. 1, Section 1, Original Sheets 1-13
 - PSC Mo. No. 1, Section 2, Original Sheets 1-2
 - PSC Mo. No. 1, Section 3, Original Sheets 1-14
 - PSC Mo. No. 1, Section 4, Original Sheets 1-21
 - PSC Mo. No. 1, Section 5, Original Sheets 1-58
 - PSC Mo. No. 1, Section 6, Original Sheets 1-13
 - PSC Mo. No. 1, Section 7, Original Sheets 1-72
 - PSC Mo. No. 1, Section 8, Original Sheets 1-5
 - PSC Mo. No. 1, Section 9, Original Sheets 1-13
 - PSC Mo. No. 1, Section 10, Original Sheets 1-3
 - PSC Mo. No. 1, Section 11, Original Sheets 1-5
 - PSC Mo. No. 1, Section 49, Original Sheets 1-5
- 2) GTE shall file proposed tariff sheets to remove from GTE's tariffs any and all references to the provisioning of basic local exchange¹, local exchange², and interexchange telecommunications service³ to the exchanges being sold to CenturyTel;
- 3) The Commission should grant certificates of authority to provide basic local exchange, local exchange and interexchange telecommunications service to CenturyTel which should become effective on the same date CenturyTel's proposed tariffs become effective;
- 4) The proposed tariffs of GTE and CenturyTel shall contain the same proposed effective date; and

¹ As defined in 386.020 (4) RSMo 1999

² As defined in 386.020 (31) RSMo 1999

³ As defined in 386.020 (24) RSMo 1999

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- 5) A deferred income tax provision shall be recognized for the Missouri properties. This provision would ensure that there would be no financial detriment to Missouri ratepayers as a result of the loss of GTE's regulated accumulated deferred tax reserve, as well as deferred tax credits.

Mar 29 1 57 PM '00

ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE JOINT APPLICATION)
OF GTE SOUTHWEST INCORPORATED, GTE)
ARKANSAS INCORPORATED AND GTE)
MIDWEST INCORPORATED FOR AUTHORITY)
TO SELL AND FOR CENTURYTEL OF)
NORTHWEST ARKANSAS, LLC AND)
CENTURYTEL OF CENTRAL ARKANSAS, LLC)
TO ACQUIRE CERTAIN ASSETS AND FOR)
RELINQUISHMENT OF CERTAIN RIGHTS)
UNDER CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY)

DOCKET NO. 99-220-U
ORDER NO. 15

ORDER

On August 13, 1999, GTE Southwest Incorporated, GTE Arkansas Incorporated and GTE Midwest Incorporated (collectively "GTE") and CenturyTel of Northwest Arkansas, LLC and CenturyTel of Central Arkansas, LLC (collectively "CenturyTel") filed a Joint Application pursuant to Ark. Code Ann. § 23-3-102 and Rules 6.01-6.03 of the Commission's Rules of Practice and Procedure requesting authority to transfer to CenturyTel certain assets of GTE. According to the Application, GTE and CenturyTel have entered into a definitive agreement whereby GTE will sell its operating facilities and equipment in certain of its Arkansas exchanges to CenturyTel. CenturyTel will take title to the facilities of GTE and operate the facilities as a local exchange carrier serving the approximately 213,000 switched access lines in the state covering 103 different exchanges. The base purchase price which CenturyTel will pay GTE is \$843.3 million.

On August 23, 1999, AT&T Communications of the Southwest, Inc. (AT&T) filed a Petition

to Intervene. ALLTEL Communications, Inc. and ALLTEL Arkansas, Inc. (collectively "ALLTEL") filed a Petition to Intervene on August 25, 1999 and Southwestern Bell Telephone Company (SWBT) filed a Petition to Intervene on August 31, 1999. The Petitions to Intervene of AT&T, ALLTEL and SWBT were granted in Order No. 1 entered on September 3, 1999. On September 22, 1999, MCI WorldCom Communications, Inc. (MCI) filed a Petition to Intervene which was granted in Order No. 5 entered on September 24, 1999. The Motion to Intervene filed by Sprint Communications Company L.P. on October 8, 1999, was granted in Order No. 8 entered on October 12, 1999.

A public hearing on the Application was held on December 14, 1999. Testimony on behalf of GTE and CenturyTel was presented by Mr. Gerald Shannon, Director-Regulatory and Governmental Affairs central Region for GTE Service Corporation, Ms. Susan W. Smith, Director-Governmental Relations CenturyTel Service Group, Inc., and Mr. Nolan A. Moullé, Jr., Vice President of Separations/Access CenturyTel Service Group, Inc. Mr. Jeffery Reynolds, ALLTEL Vice President-Wholesale Marketing and Mr. Leonard Beurer, ALLTEL Staff Manager of Access Tariffs, testified on behalf of ALLTEL. Testifying on behalf of SWBT was Ms. Deborah O. Heritage, Director-Industry Relations. Mr. Michael J. Pauls, Manager, Access Landscape Management, testified on behalf of AT&T and Ms. Laura M. Kukta, Regulatory Manager for Regulatory Access Planning testified on behalf of Sprint.

The Application of GTE and CenturyTel was filed pursuant to Ark. Code Ann. §23-3-102 which requires that a public utility receive Commission approval to sell "any public utility plant, or property constituting an operating unit or system." Ark. Code Ann. §23-3-102(a)(3). The

application for approval:

[S]hall be made by the interested public utility and shall contain a concise statement of the proposed action, the reasons therefor, and such other information as may be required by the commission.

(2) Upon the filing of an application, the commission shall investigate it, with or without public hearing, and in case of a public hearing, upon such notice as the commission may require. If it finds that the proposed action is consistent with the public interest, it shall give its consent and approval in writing.

(3) In reaching its determination, the commission shall take into consideration the reasonable value of the property, plant, equipment, or securities of the utility to be acquired or merged. Ark. Code Ann. §23-3-102(b).

Rules 6.02 and 6.03 of the Commission's *Rules of Practice and Procedure* provide that:

Rule 6.02 Content

When application is made by a public utility for an order authorizing the acquisition, sale, lease, assignment, or other disposition (not including mortgaging or otherwise encumbering) of the whole or any part of a public utility plant or property constituting an operating unit or system necessary or useful in the performance of its duty to the public or any franchise or permit, or any right thereunder, the application must be made by all public utilities who are parties to the proposed transaction, and in addition to other requirements of these Rules, must show:

- (a) The reasons on the part of each applicant for entering into the proposed acquisition, sale, lease, assignment, or other disposition of such property, franchise, or permit, and all the facts warranting same and showing that it is consistent with the public interest.
- (b) An accurate detailed description of the property to be sold or leased, together with the original cost to applicant and applicant's statement as to the present value thereof.

Rule 6.03 Information Required

With the application the following information must be filed:

- (a) A financial statement, if required by the Commission.

- (b) A statement detailing the form of the instrument used in the transaction.

Mr. Shannon testifying for GTE and CenturyTel stated that on November 5, 1998, GTE announced a plan to sell about 1.7 million of its 21.5 million total domestic access lines representing approximately 7% of GTE Network Service's total lines. The plan to sell GTE properties is "intended to position GTE in markets that offer greater efficiencies in operations and higher growth opportunities." T. 36. Mr. Shannon testified that this is part of an overall plan to generate funds to be used to pursue other strategic opportunities.

CenturyTel witness Smith testified that GTE and CenturyTel entered into an Asset Purchase Agreement on June 29, 1999, "whereby GTE agreed to sell, transfer and assign to CenturyTel its right, title and interest in the affected exchanges to its telephone plant, earned end-user accounts receivable, material and inventory supply, non-regulated construction work in progress, FCC license and also including assigned permits, assigned contracts, certain books and records, real property leases and all other property, assets and rights that relate primarily to the affected Arkansas exchanges." T. 97. CenturyTel will pay a base purchase price of \$843.3 million for 103 GTE exchanges with a total of approximately 213,000 access lines. The sale excludes the Texarkana exchange. It includes the Mammoth Springs exchange owned by GTE Midwest Incorporated, the Oklahoma exchanges of Colcord and Watts, the Seligman, Missouri exchange and a group of customers in Jacket, Missouri served out of the Pea Ridge, Arkansas exchange.

Mr. Shannon testified that on the closing date of the sale GTE employees will become CenturyTel employees at the same or comparable total compensation which the employees are receiving from GTE currently. According to Mr. Shannon, there are 252 hourly employees and 37

salaries of GTE affected by the sale. Century Tel will establish a mirror plan for the bargaining unit employees, and salaried employees will have their pension plan accrual formula and early retirement provisions protected for five years. T. 39-40.

Ms. Smith testified that CenturyTel, the holding company, is a regional diversified communications provider which offers local exchange, wireless, long distance and internet services through its subsidiaries. She stated that CenturyTel serves customers with more than 1,200,000 access lines in rural areas in 21 states and operates over 10,000,000 cellular pops. According to the witness, CenturyTel operates approximately 45,000 access lines in Arkansas as well as providing long distance and wireless service in 27 counties in the state. It has over 30 years experience operating local exchanges in Arkansas. T. 95. Ms. Smith testified that as part of CenturyTel's strategic growth plan, it has concentrated on acquiring small and mid-size telephone companies and local exchanges in rural and suburban areas. She stated that CenturyTel has successfully concluded 16 transactions in the past 10 years including integrating 18 rural exchanges from Ameritech in Wisconsin. T. 97.

The CenturyTel witness testified that it would implement rates and charges for local and toll service that are identical to the rates and charges of the GTE companies and to the extent possible CenturyTel would keep the same terms and conditions for service. CenturyTel also commits to keeping the current local calling areas and to honoring GTE's existing contractual agreements for 911 and E-911 services. Ms. Smith testified that CenturyTel's purchase of the GTE properties would not have an adverse impact on GTE's existing interconnection agreements. T. 101-3.

CenturyTel witness Moullé testified that the GTE companies are not subject to the same type of intrastate or interstate regulation as the CenturyTel companies. In the intrastate jurisdiction, GTE is the only remaining incumbent local exchange carrier (ILEC) that is rate base regulated. Therefore, the traffic sensitive (TS) portion of GTE's access charges mirror the interstate TS element of its access charges as directed by the Commission in Orders No. 37 and No. 56 in Docket No. 83-042-U. On the interstate side, GTE is a price cap company subject to the Federal Communications Commission's (FCC) Access Charge Reform Order, CC Docket No. 96-262 released May 16, 1997. Mr. Moullé testified that pursuant to the FCC's Order, GTE made certain downward adjustments in the TS portion of its interstate access rates and an upward adjustment to its interstate Common Line element. To mirror its interstate access rates in compliance with Order No. 56 in Docket No. 83-042-U, GTE reduced its intrastate TS access rates. "However, since Common Line settlements from the Arkansas Intrastate Carrier Common Line Pool (AICCLP) were frozen by Arkansas Act 77 of 1997, GTE was unable to recover any of this revenue neutral shift in revenue requirements either from the AICCLP or from their intrastate access rates." T. 128-9

Mr. Moullé testified that the CenturyTel local exchange carriers (LEC's) are rate of return regulated in the interstate jurisdiction and are not subject to the FCC's Access Charge Reform Order. According to the witness, CenturyTel intends to seek a price cap waiver from the FCC for the GTE properties it is acquiring. He stated that the FCC normally grants these waivers. The waiver would make the acquired GTE properties rate of return in the interstate jurisdiction as are all the CenturyTel LECs and the new companies will be in the National Exchange Carriers Association (NECA) Pool. CenturyTel will also maintain the newly acquired properties as rate of return in the intrastate

jurisdiction. He testified that the ultimate impact of the conversion to rate of return on the interstate side and maintenance of rate of return on the intrastate side would be an increase in switched access charges for the newly acquired ILECs. The interstate TS rate would increase and through parity on the intrastate side as ordered in Docket No. 83-042-U, intrastate access rates would increase. Mr. Moullé testified that he did not know which NECA rate band the acquired companies would be assigned to and therefore, he could only estimate the access charges that would apply to the new CenturyTel LECs. However, he did testify that even with an increase in access rates, the new CenturyTel companies would have access rates which are lower than the switched access rates of all the ILECs except SWBT.

Staff witness Bethel testified that the customers currently served by GTE will not experience a change in rates and charges for local and toll service or experience a change in local calling areas. The Staff witness testified that CenturyTel's plan to place the GTE properties in the NECA pools "will produce an increase in the traffic sensitive elements of switched access service." T. 364. Mr. Bethel testified that GTE's current switched access service rates are lower than all the other ILECs except SWBT and the "post-asset-sale" switched access service rates will be lower than all other ILECs except SWBT. He noted that "the potential changes in the rates for the traffic sensitive elements of switched access service are not of such a nature that would lead me to oppose the asset sale." T. 365.

The Staff witness recommended that the Commission approve the proposed sale of assets to CenturyTel. He testified that he had "not identified any condition inconsistent with the public interest that would prohibit the Commission from approving the proposed transaction." T. 368.

The witnesses for AT&T, ALLTEL, SWBT and Sprint (collectively referred to as "the intervenors") all testified that the asset sale is not in the public interest if CenturyTel is allowed to increase the TS element of intrastate switched access charges through an FCC price cap waiver and mirroring interstate rates for intrastate access charges. In addition, the intervenors question the right of CenturyTel to adopt the GTE revenue requirement for participation in the AICCLP.

The witness for AT&T testified that CenturyTel's proposal for access rates would increase AT&T's access cost approximately \$3 million which would be an increase of 188% above what AT&T now pays GTE for access. Mr. Pauls testified that in his opinion it is unfair to cause an increase in switched access charges due to a simple transfer of properties from GTE to CenturyTel. According to AT&T's witness, it is discriminatory to increase rates for access customers only. He testified that if CenturyTel believes it is entitled to additional revenues, it should file a rate case and adjust the rates of all customer classes. T. 244-5.

ALLTEL witness Beurer testified that since CenturyTel has not made the necessary federal filings to obtain a waiver, it is not possible to "know the rate or rate effect until the studies are completed, the filings made and approvals obtained from the federal jurisdiction." T. 277. Mr. Beurer also stated that "it is inappropriate for the Commission to allow CenturyTel to establish interstate rates of its choosing and to mirror those rates for application to intrastate access customers, absent a full review of CenturyTel's rates and earnings." T. 278. ALLTEL's witness warned that:

If CenturyTel is successful in increasing the intrastate access rates that are charged to customers in the GTE exchanges, this state will have rejected recent policy and practice associated with access regulation. Historically, access rates have been priced above economic cost and have provided some contribution to local rates. The clearly recognized trend and goal of most regulators is to lower, not raise, access rates, and certainly increases of the

magnitude suggested in this proceeding have never been contemplated. T. 279.

SWBT witness Heritage testified that if CenturyTel is allowed to increase access charges it will be a huge windfall to CenturyTel which will be funded by Arkansas ratepayers. She also testified that allowing CenturyTel to mirror interstate TS access charges in the intrastate jurisdiction is inconsistent with the original objectives of the Commission in Order No. 37 in Docket No. 83-042-U. According to Ms. Heritage, the Commission adopted parity as a way to reduce access charges. She testified that it is illogical to allow CenturyTel to purchase GTE properties and increase the access charges because little will have changed except ownership of the companies. T. 217-8.

The Sprint witness testified that it is not in the public interest for CenturyTel to increase access charges after it purchases the GTE properties. Ms. Kukta testified that there is "no evidence that CenturyTel requires an increase in overall revenue relative to current GTE revenue as a result of purchasing these exchanges." T. 345.

During the hearing, AT&T made a motion to dismiss the Application on the grounds that CenturyTel had presented insufficient evidence to establish that the purchase of the GTE properties is in the public interest. AT&T contends that CenturyTel failed to provide evidence of how a company with revenues of less than \$2 billion a year will recover a \$600 million premium. According to AT&T, the price CenturyTel is paying for the GTE properties will result in rate increases and therefore, the acquisition is not in the public interest and should be denied.

On December 1, 1999, AT&T filed a Motion to Declare Inapplicable or to Set Aside Access Parity Requirement and Rescind Applicable Orders. In its Motion, AT&T contends that

CenturyTel's application of access parity would frustrate the purpose of access parity set forth in Order No. 56 in Docket No. 83-042-U. Further, AT&T states that GTE is the only remaining ILEC that is subject to the access parity requirement. AT&T contends that it is possible that CenturyTel considers the absence of parity to be a material adverse effect which would allow CenturyTel to rescind the transaction. Therefore, AT&T asserts that a decision on its Motion may make other issues in this docket moot. ALLTEL filed a Response on December 8, 1999, supporting AT&T's Motion.

CenturyTel and GTE, and the Staff filed Responses to AT&T's Motion requesting that the Motion be denied. In its Response, Staff contends that there are good reasons for maintaining parity even though parity only applies to GTE. According to Staff:

Interstate and Intrastate access service are virtually identical. The costs of those services should be the same, and the access charges associated with these services therefore should be the same. Further, in its First Report and Order FCC 97-158, released May 16, 1987 [sic], the FCC indicated that it has begun the process of removing implicit subsidies from interstate access charges and establishing access rates that more closely represent the cost of providing that service. Maintaining parity thus supports cost-based rates.

According to CenturyTel and GTE, AT&T's Motion is an untimely collateral attack on Orders No. 37 and No. 56 of Docket No. 83-042-U. CenturyTel and GTE contend in their Response that AT&T remained silent on rescinding Order No. 56 of Docket No. 83-042-U in October, 1998 when GTE reduced its access charges to maintain parity. AT&T did not seek to prohibit GTE's reduction in rates based upon the alleged invalidity of Order No. 56 in Docket No. 83-042-U.

The Commission is required to approve a sale or acquisition of a public utility if "it finds that the proposed action is consistent with the public interest." Ark. Code Ann. §23-3-102(b)(2). In

determining whether the proposed action is in the public interest, the Commission must consider the reasonable value of the property, plant and equipment of the utility being acquired in reaching its decision. The analysis of the public interest must include consideration of the impact of the sale on the customers of the utility. This includes determining whether customers will continue to receive telephone service at the same or higher quality at reasonable rates after the sale.

The evidence presented by CenturyTel and GTE demonstrates that CenturyTel has a history of providing service in rural areas similar to the GTE properties that it is purchasing and several of the exchanges CenturyTel is purchasing are contiguous to CenturyTel operating local exchanges. According to the CenturyTel witness, the customers of GTE will benefit from CenturyTel's focus on serving rural markets and CenturyTel is committed to making more customer service functions available in the service areas it is purchasing from GTE. CenturyTel intends to broaden the availability of CLASS services and expand the deployment of SS7 functionality. Also "CenturyTel will broaden the deployment of voice mail and Internet services in the subject exchanges." T. 100-1. CenturyTel intends to implement rates and charges for local and toll which are identical to the current rates and charges of GTE on file with the Commission. Initially, CenturyTel intends to keep the same terms and conditions for service as GTE where those terms and conditions are compatible with CenturyTel operating procedures. T. 101-2. Another benefit of the sale described by the GTE and CenturyTel witnesses is that CenturyTel has committed to employ the GTE employees in the areas purchased, insuring that the acquisition does not result in layoffs and unemployment.

CenturyTel has also committed that "it will not attempt to invalidate any interconnection agreement, applicable to the GTE exchanges, that exist at the time of the closing." T. 113. In

addition, CenturyTel committed that when it negotiates substitute interconnection agreements to the extent possible it will adopt the same terms and conditions as the agreements with GTE. CenturyTel has also committed that for at least one year it will maintain the newly acquired properties as rate of return ILECs and not elect "alternative regulation" under Ark. Code Ann. §§ 23-17-406-8.

The opposition of SWBT, ALLTEL, AT&T and Sprint to the proposed acquisition stems from the fact that GTE is the only ILEC in the State that has not elected "alternative regulation" and that CenturyTel has committed to continue to operate these properties as rate regulated utilities. Had GTE elected "alternative regulation" before the sale of the properties to CenturyTel, the asset sale would not be subject to the jurisdiction of the Commission and would not be subject to Commission review and approval pursuant to Ark. Code Ann. §23-3-102. See Ark. Code Ann. §23-17-411(f). As the only ILEC in Arkansas that has not elected "alternative regulation," GTE is the only ILEC that is required to have just, reasonable and nondiscriminatory rates. GTE is also the only remaining ILEC subject to the requirement to maintain the TS element of its intrastate switched access charges at parity with its interstate access charges.

Since 1986, the Commission has required that ILECs maintain the TS element of switched access charges at parity with their interstate access rate. The non-traffic sensitive (NTS) element or carrier common line (CCL) was set through the revenue requirement for the Arkansas Intrastate Carrier Common Line Pool (AICCLP). The CCL charges were frozen as effective on December 31, 1996, for a period of three years from February 4, 1997. Ark. Code Ann. §23-17-404(e)(4)(D). In Order No. 56 entered on August 21, 1986, the Commission established two dockets; Docket No. 86-159-U for the Intrastate Flat Rate Carrier Common Line Service (IFRCCLS) tariff filings made by

the Administrator of the AICCLP and Docket No. 86-160-U for the filing of amendments to the TS element of switched access charges maintained at parity. From 1986 until the passage of Act 77 and the election of "alternative regulation", all ILECs maintained the TS element of their switched access charges at parity with the interstate rate. Parity filings could result in increases or decreases in rates depending upon the changes in interstate access rates. GTE is the only ILEC still subject to the Commission's orders to maintain switched access rates at parity because it has not elected "alternative regulation."

CenturyTel plans to request a price cap waiver from the FCC to treat the GTE properties as rate of return in the interstate jurisdiction consistent with the treatment of the other CenturyTel ILECs. T. 129-32 If the FCC grants the waiver, the applicable interstate switched access rates will be higher than the existing switched access rates of GTE. As an interstate rate of return company, CenturyTel will be able to include certain costs in the TS portion of its access charges which GTE as a price cap company subject to the FCC's Access Charge Reform Order is prohibited from including in the TS portion of its switched access charges. If the FCC grants the price cap waiver, the newly acquired CenturyTel ILECs will join the NECA pools and will charge switched access rates according to the rate band assigned by NECA. In its application and testimony, CenturyTel has been unable to give definite numbers for the proposed access charges because it has not filed its request for waiver with the FCC and NECA has not assigned the GTE properties CenturyTel proposes to acquire to a rate band for purposes of determining the applicable access charges.

SWBT, ALLTEL, AT&T and Sprint contend that if CenturyTel gains the necessary regulatory approvals, the Commission's long-standing practice of parity access rates for rate

regulated ILECs will allow CenturyTel to increase the switched access charges that the intervenors pay and therefore, the proposed purchase is not in the public interest. As an alternative to disapproving the proposed sale, the intervenors contend that the Commission should rescind the order requiring parity between interstate and intrastate access charges and condition approval of the sale on CenturyTel maintaining access charges at the present level. The intervenors dismiss any potential benefits the sale may have for GTE's residential and business customers and for GTE's employees as having a minimal impact on the public interest determination. Primarily, the intervenors focus on the public interest is limited to whether they might experience an increase in switched access rates if CenturyTel obtains the necessary regulatory approvals after the purchase of the GTE properties.

In opposing the proposed purchase based upon the possible increase in switched access charges, ALLTEL's witness Beurer contends that "if CenturyTel is successful in increasing the intrastate access rates that are charged to customers in the GTE exchanges, the state will have rejected recent policy and practice associated with access regulation." T. 279. ALLTEL and the other intervenors further contend that the trend nationally is to reduce access charges and that the FCC is reducing access charges to remove implicit subsidies. The intervenors are correct that the FCC is moving to reduce access charges and to remove implicit subsidies from access charges. However, that is not the policy in Arkansas. Telecommunications policy in Arkansas was set in Act 77 of 1997 (Act 77), Ark. Code Ann. §§23-17-401-12. In Ark. Code Ann. §23-17-404(e)(4)(L), the CCI portion of access charges are frozen prohibiting reductions in that element of access charges. Through election of "alternative regulation" pursuant to Act 77, the electing ILECs are no longer

subject to the Commission's parity requirement for intrastate access. Thus, when the FCC has ordered reductions in interstate access rates to move toward cost based access charges, those reductions have not been applied to intrastate access charges. The electing ILECs have not reduced their intrastate access rates to mirror the FCC's move to cost based access rates without implicit subsidies. After electing "alternative regulation" under Act 77, ALLTEL no longer has to mirror reductions in its interstate access rates in compliance with the Commission's orders and ALLTEL now has intrastate access rates that are five times higher than its interstate access charges. T. 152. If CenturyTel secures all the necessary approvals to increase its access charges, it will still have lower access charges than any other ILECs except SWBT.¹ T. 365. CenturyTel's plan for requesting a price cap waiver from the FCC and changing access charges for the newly acquired GTE companies to NECA pool rates is not inconsistent with Arkansas telecommunications policy established in Act 77.

As an alternative to rescinding the Commission's parity orders, the intervenors contend that Orders No. 37 and 56 in Docket No. 83-042-U do not apply to CenturyTel. It is the intervenors position that the new CenturyTel companies created to operate the GTE properties were not parties to that Docket and can claim no rights pursuant to those orders. In addition, ALLTEL Communications, Inc. contends that it is not bound by orders in Docket No. 83-042-U since it did not exist at the time those orders were adopted and it was not a party to Docket No. 83-042-U.

In Order No. 56 of Docket No. 83-042-U, the Commission made all jurisdictional local

¹As of February 4, 2000, SWBT may increase its switched access rates, excluding the CCL charge, at any time it chooses pursuant to Ark. Code Ann. §23-17-407.

exchange carriers and all certificated interexchange carriers (IXCs) parties to the docket opened for the purpose of filing amendments to the TS elements of access charges, Docket No. 86-160-U. The vast majority of the approximately 300 IXCs operating in the state today did not exist or were not operating in Arkansas on August 21, 1986 when Order No. 56 opened Docket No. 86-160-U and they were never parties to Docket No. 83-042-U. At least one ILEC, Scott County Telephone Company, did not exist when Docket No. 86-160-U was initiated and other ILECs have been acquired by or merged with other local exchange carriers since the docket was opened. However, until 1997, all ILECs charged and all IXCs, including ALLTEL Communications, Inc., paid switched access charges filed in Docket No. 86-160-U and set at parity in accordance with Commission policy adopted in Docket No. 83-042-U. Regardless of the date on which they were certificated to provide service in Arkansas, those ILECs and IXCs are considered parties to the docket with the right to contest any parity filing made in Docket No. 86-160-U.

As CenturyTel explained in its Response to Post Hearing Briefs:

[T]he Public Service Commission is a creature of the legislature and performs, by delegation, legislative functions. As such it possesses the same powers as the General Assembly while acting within its legislatively-delegated powers and has very broad discretion in exercising these powers. Because the Commission acts in a legislative capacity and not in a judicial one, orders of the Commission are viewed as having the same force and effect as would an enactment of the General Assembly.

Arkansas Electric Energy Consumer v. Arkansas Public Service Comm'n 35 Ark. App. 47, 66-67, 813 S.W.2d 263, 274 (Ark. App. 1991); see also *City of Fort Smith v. Arkansas Public Service Comm'n*, 278 Ark. 521, 525-26, 648 S.W.2d 40, 42 (1983) ("The PSC is a creature of the legislature and in ratemaking it is performing a legislative function, by delegation.") This language demonstrates that actions of the PSC have the effect of law. See also *Arkansas Public Service Comm'n v. Lincoln-Desha Telephone Co.*, 271 Ark. 346, 350, 609 S.W.2d 20, 23 (1980) ("The PSC acts in a legislative capacity and not in a judicial one. Therefore, we view the

orders of the Commission as having the same force as would enactment of the General Assembly.") As such, Orders Nos. 37 and 56 are binding on all rate of return regulated local exchange carriers in the State of Arkansas. Simply because GTE and CenturyTel (if approved) remain the only rate of return regulated LECs in the state does not make the parity orders any less binding.

Commission orders have the effect of law. The orders of the Commission are binding on all utilities and all customers of the utilities until the order is revoked, replaced or superseded by legislation. Each new customer of a public utility is not entitled to a new rate case to establish rates for service regardless of whether the new customer was or could have been a party to the proceeding that produced the rates. Each new utility is subject to compliance with all existing Commission rules, regulations and policies regardless of their participation in the proceedings where they were adopted. CenturyTel as the successor ILEC will be bound by all orders, rules and regulations which are applicable to GTE, including orders entered in Docket No. 83-042-U.

ALLTEL also questions CenturyTel's proposal to assume the revenue requirement of GTE for purposes of participation in the AICCLP. Mr. Beurer testified that the "AICCLP tariff identifies those companies which receive a frozen amount of Arkansas Intrastate Carrier Common Line Pool (AICCLP) funds" in Section 2 as the ILECs listed in paragraph 6 of the tariff. T. 285. He further testified that the tariff clearly states that the payments go to GTE and "[t]here is no indication that those frozen amounts for the listed companies can be assigned to other companies." T. 285. ALLTEL also questions whether CenturyTel is purchasing the assets of GTE which support the revenue requirement of GTE for the AICCLP.

The AICCLP is defined as an unincorporated organization of telecommunications providers "whose purpose is to manage billing, collection, and distribution of the incumbent local exchange

carrier's intrastate toll common line service revenue requirement." Ark. Code Ann. §23-17-403(3). An ILEC is "a local exchange carrier, including successors or assigns, that is certified by the commission and was providing basic local exchange service on February 8, 1996." [Emphasis added]. Ark. Code Ann. §23-17-403(16). Pursuant to Ark. Code Ann. §23-17-403(16), CenturyTel as the successor to GTE becomes an ILEC for which the AICCLP manages the billing, collection, and distribution of its intrastate toll common line service revenue requirement and CenturyTel succeeds to all benefits of the ILECs it acquires. The AICCLP Administrator can amend the IFRCCLS tariff to delete the names of the GTE companies from the list and replace them with the names of the successor CenturyTel ILECS to remedy ALLTEL's concern about the accuracy of the names listed in the tariff. The freeze on CCL charges does not prohibit the assignment of the frozen amount to the CenturyTel companies as the successor ILECs to GTE.

The witness for ALLTEL also questioned whether CenturyTel is purchasing all of the GTE assets that support GTE's AICCLP revenue requirement. However, ALLTEL provided no evidence of any specific assets supporting GTE's AICCLP revenue requirement that were not part of the sale. GTE witness Shannon and CenturyTel witness Moullé both testified that CenturyTel would acquire all of the GTE assets relevant to the provision of CCL services. T. 49-51 and 152.

The intervenors raised the specter of the rural ILECs requesting increased funding from the Arkansas Universal Service Fund (AUSF) if CenturyTel gains the necessary federal and state approvals to change the TS element of its switched access rates for the GTE properties. Ark. Code Ann. §23-17-404 establishes the revenue losses which are subsidized through the AUSF. Based upon the statutory criteria, the AUSF Administrator determines whether the claims of the ILECs are

recoverable from the AUSF. The AUSF is a part of the telecommunications policy of this state established in Act 77 and the fact that an ILEC may seek recovery of funds from the AUSF is not a factor in determining whether the proposed sale of the GTE properties to CenturyTel is in the public interest.

Currently, GTE has interconnection agreements with SWBT, ALLTEL and other competitive local exchange carriers (CLECs). The witness for CenturyTel testified that it is CenturyTel's "intention to execute mutually agreeable substitute interconnection agreements that to the extent possible contain terms, rates and conditions identical to those provided by GTE." T. 109, 114. ALLTEL and GTE are in the process of renegotiating their interconnection agreement. In this proceeding, ALLTEL requests that if the Commission approves the acquisition, the Commission impose conditions on that approval regarding the terms of the interconnection agreement between ALLTEL and GTE.

The federal Telecommunications Act encourages negotiated interconnection agreements without regulatory intervention. ALLTEL is free to negotiate any terms and condition of interconnection with GTE it desires as long as those terms and conditions do not discriminate against other telecommunications carriers that are not parties to the agreement and the agreement is not inconsistent with the public interest. 47 U.S.C. §252(e)(2). Terms and conditions regarding the acquisition which ALLTEL wants to make part of the interconnection agreement with GTE and/or CenturyTel should be negotiated between the parties to the agreement. If negotiations fail, ALLTEL may file a petition for arbitration as it did on March 17, 2000, in Docket No. 00-081-U to resolve the issues it has raised. CenturyTel has committed to honor the interconnection agreements of GTE

after the acquisition and ALLTEL has initiated arbitration to address specific issues which are in dispute with GTE. Imposing conditions on the acquisition would be an inappropriate circumvention of the Telecommunications Act.

According to SWBT, the Commission's assessment of the public interest must include all customers in the state and to be in the public interest the asset purchase by CenturyTel "must be transparent to SWBT, its customers, and all other LECs and interexchange carriers (IXC) and their customers." T. 310. SWBT does not cite any authority for its extremely broad definition of what is in the public interest. Whether or not the asset purchase is transparent to the customers of SWBT, other ILECs or IXCs is solely within the control of SWBT, the ILECs, and the IXCs. If the switched access rates of CenturyTel change after the asset purchase, SWBT, the other ILECs and the IXCs are free to decide whether or not to pass any increase or decrease in switched access rates through to their customers. The Commission does not set the rates or charges of SWBT or the other ILEC.

The primary consideration in determining if the acquisition by CenturyTel of the GTE properties is in the public interest must be the customers of GTE who will be directly affected by the change. The customers of GTE will continue to have telephone service at the same rates after the acquisition by CenturyTel, CenturyTel plans improvements to customer service. CenturyTel intends to expand the availability of CLASS services, CenturyTel has committed to expanding the deployment of SS7 functionality, voice mail and internet services and CenturyTel intends to add the necessary facilities to implement DSL services. For the customers of GTE, the purchase by CenturyTel will provide benefits which are consistent with the public interest. The employees of GTE will continue to be employed by CenturyTel after the acquisition which is beneficial to the

economy of the state as a whole and to the individual employees.

Contrary to the assertions of the intervenors, approval of the acquisition is not approval of a rate increase; it is not an abdication of Commission authority over rates, and it does not deny due process to any of the intervenors. After approval of the acquisition, CenturyTel must secure a price cap waiver from the FCC before the switched access rates of the acquired ILECs could be changed. The intervenors can challenge the request for waiver at the FCC. If the waiver is granted, CenturyTel will then have to file the tariffs for its switched access rates in Docket No. 86-160-U. The intervenors also will have the right to challenge tariff filings in Docket No. 86-160-U, as other IXCs and ILECs have done in the past when they opposed a parity filing. Approval of the application to acquire the facilities of GTE by CenturyTel does not constitute approval of any future changes to switched access charges.

As Staff pointed out in its Post Hearing Reply Brief "[a]pproving the asset sale does not automatically approve any future rate increase. Besides the access rate issue, other factors support finding that the public interest favors the proposed transaction." Staff's Post Hearing Reply Brief at 2. GTE wants to sell its Arkansas properties and CenturyTel is a willing purchaser with experience in operating local exchange telecommunications carriers. CenturyTel is purchasing an ongoing telephone operation serving approximately 213,000 access lines for \$843.3 million. The assets of the CenturyTel holding company appear to be sufficient to support the purchase. The business and residential customers of GTE will not experience local or toll rate increases or changes in calling scopes due to the acquisition. These customers will experience some improvements in customer service and may experience some upgrades in service. The employees of GTE will have

the opportunity for continued employment. Based upon the evidence herein, the proposed acquisition of GTE by CenturyTel is consistent with the public interest as required in Ark. Code Ann. §23-3-102(b)(2) and should be approved.


Upon consummation of the sale, the certificates of convenience and necessity (CCN) of the GTE companies will be canceled and the responsibility for providing telecommunications services transferred to the new CenturyTel ILECs. The approval of the acquisition pursuant to Ark. Code Ann. §23-3-102(b) shall not constitute a finding of value for ratemaking purposes.


IT IS, THEREFORE, ORDERED:

1. That the Joint Application filed by GTE and CenturyTel on August 13, 1999, should be and hereby is approved;
2. That AT&T's Motion to Rescind the Commission's orders on parity in Docket No. 83-042-U filed on December 1, 1999 should be and hereby is denied;
3. That the Motion to Strike filed by ALLTEL on February 1, 2000, should be and hereby is denied; and.
4. That the Motion to Reopen the Record filed by ALLTEL on March 17, 2000, should be and hereby is denied.

BY ORDER OF THE ADMINISTRATIVE LAW JUDGE PURSUANT TO DELEGATION.

This 29th day of March, 2000.


Sarah M. Bradshaw
Administrative Law Judge


Jan Sanders
Jan Sanders
Secretary of the Commission



March 13, 2000

Martha Hogerty
The Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Re: CenturyTel, Inc./GTE Arkansas Incorporated
Case No. TM-2000-471


Dear Ms. Hogerty:

Thank you for the opportunity to talk with you and members of your Staff about the concerns of GTE Arkansas Incorporated customers located in Seligman, Missouri regarding CenturyTel's proposed acquisition of telephone properties from GTE Arkansas.

In order to address these concerns, CenturyTel will commit to work with the Office of Public Counsel and GTE customers in Seligman (as well as GTE customers located in PeaRidge) Missouri to develop an expanded calling plan which will give them affordable access to communities of interest within Missouri, such as the county seat, schools and medical facilities. Within six months after the closing of the sale of these properties, CenturyTel will finalize and file for the necessary regulatory approval(s) such an expanded calling plan. In addition, CenturyTel commits, within one year after the closing of the sale of these properties, to establish a local Internet access in the Seligman and PeaRidge, Missouri exchanges so that customers in these exchanges will be able to access an Internet service provider on a local dial-up basis without incurring any toll charges. Finally, CenturyTel will ensure its billing procedures and customer service systems will be able to differentiate between customers of the Seligman and PeaRidge exchanges residing in Missouri and those residing in Arkansas and to give those customers prompt and courteous service.

I trust that this letter accurately reflects the commitments which we discussed. Again, thank you for the opportunity to address these concerns in a timely fashion.

Sincerely,


G. Clay Bailey
Vice-President, Government Relations

MAR 24 2000

Service List for
Case No. TM-2000-471
June 9, 2000

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