

Exhibit No.:

Issue(s)

Witness/Type of Exhibit: Meisenheimer/Surrebuttal

Sponsoring Party:

Case No.:

Competitive Classification

Public Counsel

TO-2007-0053

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

**SOUTHWESTERN BELL TELEPHONE, L.P.,
D/B/A AT&T MISSOURI**

Case No. TO-2007-0053

February 16, 2007

My Commission expires August 10, 2009.

SURREBUTTAL TESTIMONY

OF

BARBARA MEISENHEIMER

SOUTHWESTERN BELL TELEPHONE, L.P.,

D/B/A AT&T MISSOURI

CASE NO. TO-2007-0053

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Barbara A. Meisenheimer, Public Utility Economist, Office of the Public
3 Counsel, P. O. Box 2230, Jefferson City, Missouri 65102. I am also employed as
4 an adjunct Economics and Statistics Instructor for William Woods University.

5 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

6 A. Yes, I filed direct testimony on December 14, 2006.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of this testimony is to present Public Counsel's response to the
9 rebuttal testimony of Craig Unruh filed on behalf of Southwestern Bell Telephone
10 L.P. d/b/a AT&T Missouri (AT&T) and John Van Eschen filed on behalf of the
11 Staff of the Missouri Public Service Commission (Staff) regarding whether or not
12 the competitive status should continue for those exchanges granted competitive
13 classification under the 60-day petition.

1 **Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?**

2 A. I reviewed the rebuttal testimony of Craig Unruh filed on behalf of Southwestern
3 Bell Telephone L.P. d/b/a AT&T Missouri (AT&T), the rebuttal testimony of
4 John Van Eschen filed on behalf of the Staff of the Missouri Public Service
5 Commission (Staff), including the updated information contained in Mr. Van
6 Eschen's rebuttal schedules.

7 **Q. IN RESPONSE TO THE REBUTTAL TESTIMONY, PLEASE SUMMARIZE PUBLIC**
8 **COUNSEL'S POSITION IN THIS REVIEW OF THE COMPETITIVE STATUS IN THE**
9 **AT&T EXCHANGES APPROVED UNDER THE 60-DAY PROVISION OF SECTION**
10 **392.245.5?**

11 A. Public Counsel is challenging the competitive classification for residential and
12 business service in those exchanges that the Commission approved under the 60-
13 day petition based upon the change in circumstances since the time of the
14 reclassification. The conditions for competitive classification do not continue to
15 exist so that continuation of this competitive status is now "contrary to the public
16 interest." AT&T continues to enjoy dwindling competition in many exchanges as
17 both the number of CLECs and the total number of CLEC served lines decline.
18 At the same time, the "new AT&T" has acquired the legacy AT&T and BellSouth
19 companies to become the largest telecommunication company in the country with
20 resources and a customer base that dwarfs all telecom competitors in its Missouri
21 service area.

22 Since acquiring its competitive classification in the "60-day petition"
23 exchanges, AT&T has increased rates for some basic local services above the
24 limit of the Consumer Price Index-Telecommunication Services (CPI-TS)

1 adjustment for basic local service and the 5% allowable increase for nonbasic
2 services permitted under price cap regulation. These trends do not demonstrate a
3 competitive market that is sufficiently robust to protect ratepayers and offer them
4 real alternatives for comparable services. Therefore, continued total deregulation
5 of AT&T basic local rates and nonbasic rates, is contrary to the public interest.
6 Public Counsel opposes continuation of the competitive classification in light of
7 present circumstances and encourages the Commission to reinstitute price cap
8 regulation for those exchanges classified as competitive under the 60-day petition.

9 **Q. IS PUBLIC COUNSEL ASKING THE COMMISSION TO USE “EFFECTIVE**
10 **COMPETITION” AS THE TRIGGER TO DECIDE WHETHER TO CONTINUE**
11 **COMPETITIVE STATUS?**

12 A. No. Mr. Unruh continues to mischaracterize Public Counsel’s position in this
13 case and tries to cloud the real purpose of this investigation and review. As I said
14 in direct testimony, this review is not limited to an exercise in counting providers.
15 It involves the exercise of the Commission’s expertise and investigatory authority
16 to look at all relevant factors at work in the provision of telecommunication
17 service in these exchanges in order to evaluate if continuation of a competitive
18 classification is not contrary to the public interest. The Commission must consider
19 all relevant factors. The relevant factors go beyond the number of providers. The
20 Commission should look at factors relevant to competition that affect ratepayers.

21 While I continue to believe that satisfying a higher standard of effective
22 competition prior to granting competitive classification would have provided
23 better assurance that the public interest would be served, Public Counsel is not
24 demanding that AT&T meet the effective competition criteria I proposed
25 previously. We do believe that the current statutes do provide a guide to some

1 reasonable economic considerations that are valid considerations in this
2 investigation and review. The statute does not prohibit the Commission from
3 considering these factors in its public interest analysis, so it is a valid inquiry,
4 notwithstanding Mr. Unruh's narrow reading of the Commission's scope of
5 review.

6 **Q. MR. UNRUH AND MR. VAN ESCHEN SUGGEST THAT AN ANALYSIS OF WHETHER OR**
7 **NOT THE CONTINUATION OF THE COMPETITIVE STATUS IS "CONTRARY TO THE**
8 **PUBLIC INTEREST" IS NOT AN ISSUE IN THIS CASE. WHY DO YOU DISAGREE WITH**
9 **THAT VIEW?**
10

11 **A.** I disagree because their position is illogical and unreasonable from a simple
12 reading of Section 392.245.5, RSMo as well as basic economic and regulatory
13 principles.

14 Both AT&T and the Staff want to restrict the Commission's review to
15 only counting the number of entities that provide service in these exchanges. Mr.
16 Unruh and Mr. Van Eschen barely mention the "contrary to public interest"
17 provision of the price cap statute, let alone engage in any analysis of AT&T
18 satisfying the criteria as a condition of continued competitive classification.

19 AT&T and the Staff adopt a checklist approach in evaluating competition
20 in AT&T's exchanges, avoiding the more meaningful evaluation of all relevant
21 factors in evidence which demonstrates the lack of real competition. Even though
22 the services and exchanges were declared "competitive" in the 60 day petition
23 case, subsequent events and trends in telecommunications show that conditions
24 have changed and competition for telecommunication services has eroded. It is no

1 longer in the public interest to permit AT&T unfettered pricing power under that
2 classification without protection for the ratepayer.

3 A plain and simple reading of Section 392.245.5 requires that when the
4 Commission undertakes the review required after reclassification, its task is “to
5 determine if the conditions of this subsection for competitive classification
6 continue to exist in the exchange. . . .”

7
8 The Commission had authority to approve a 60-day petition unless it found that
9 the competitive classification was contrary to the public interest. The clear
10 reading of the statute makes this public interest analysis and determination a
11 condition of the classification approval process, and reasonably and logically a
12 condition of continuation when the status is reviewed.

13 AT&T witness Mr. Unruh would prefer that the Commission not consider
14 the public interest in this case. He argues that the Commission already decided
15 that reclassification was not contrary to the public interest. But that was a separate
16 proceeding and as my testimony shows, circumstances have changed. This is a
17 new case and a review case. Also, it is my understanding that the Commission is
18 not bound to follow its prior rulings in subsequent cases, especially when
19 significant new evidence is presented. Mr. Unruh wants to unduly restrict the
20 scope of the Commission’s investigation to only count providers and avoid the
21 evidence that calls into question the wisdom and public interest impact of
22 continuing the competitive classification.

23 Staff witness Mr. Van Eschen does not address the public interest issue or
24 discuss the need for making a public interest impact analysis. This omission to

1 use the public interest analysis as a test for continued competitive classification is
2 unexplained and I believe unfair to consumers. Even when the Staff's own
3 evidence shows a meager CLEC presence and the lack of sufficient competition
4 to restrain AT&T basic local price increases, the Staff is silent on the quality of
5 competition offered by the remaining CLECs, the relative economic and market
6 power of AT&T versus the handful of alternative providers, and the impact that
7 continued competitive status will have on the public interest.

8 **Q. HAVE YOU REVIEWED THE STAFF'S UPDATED INFORMATION ON THE EXTENT OF**
9 **COMPETITION IN AT&T'S 60-DAY EXCHANGES?**

10 A. Yes.

11 **Q. DOES THE STAFF'S UPDATED REPORT INFORMATION REVEAL AN INCREASE IN**
12 **COMPETITION AND MORE CHOICE FOR THE CONSUMER IN THESE AT&T**
13 **EXCHANGES?**

14 A. No. The Staff's updated investigation and the Annual Report data comparison for
15 2004 and 2005, continues to demonstrate that AT&T has little to no local
16 facilities based competition. In fact, it demonstrates that there was actually a net
17 loss in lines served by competitive CLECs for both residential and business
18 consumers in the exchanges classified as competitive under the 60-day petition.
19 The following information from Mr. Van Eschen's updated information clearly
20 illustrates the bleak state of CLEC competition in those exchanges.

21 For Residential exchanges 60-day petition (approximate)

- 22 • 36 of 51 exchanges showed no facilities or partially based facilities based
23 CLEC lines.

- 1 • 46 of 51 exchanges have less than 50 facilities or partially based facilities
2 based CLEC lines
- 3 • Combined 8.03% loss in total facilities based CLEC lines between
4 December 31, 2004, and December 31, 2005.
- 5 • 37 of 51 exchanges lost CLEC lines between December 31, 2004, and
6 December 31, 2005.
- 7 • 20 of 51 exchanges lost CLEC providers between December 31, 2004, and
8 December 31, 2005.

9 For Business exchanges 60-day petition (approximate)

- 10 • 7 of 30 exchanges showed no facilities or partially based facilities based
11 CLEC lines
- 12 • 25 of 30 exchanges have less than 50 facilities or partially based facilities
13 based CLEC lines
- 14 • Combined 3.47% loss in total facilities based CLEC lines between
15 December 31, 2004, and December 31, 2005.
- 16 • 16 of 30 exchanges lost CLEC lines between December 31, 2004, and
17 December 31, 2005.
- 18 • 16 of 30 exchanges lost CLEC providers between December 31, 2004, and
19 December 31, 2005.

1 **Q. IN REBUTTAL TESTIMONY, DID THE STAFF OR AT&T REFUTE THAT THERE ARE**
2 **AREAS UNSERVED BY WIRELESS CARRIERS?**

3 A. No. Essentially, they engaged in a counting the provider exercise as a substitute
4 for an investigation. While they argued that there is a wireless presence in most if
5 not all exchanges, they did not refute that wireless carriers have gaps in service
6 and that some customers in an exchange may not have adequate wireless service
7 as an alternative to AT&T's local service.

8 Both AT&T and the Staff misunderstand Public Counsel's point in
9 discussing the wireless providers. The key aspect in this case is that wireless
10 coverage is just a part of the larger piece of the public interest analysis that must
11 be made in this proceeding. While local basic service provided by AT&T is
12 ubiquitous and reliable and readily available in all parts of all exchanges, that
13 cannot be said of wireless service, especially when wireless service offered as
14 part of the AT&T family is excluded. I provided evidence to that effect in the
15 reclassification proceeding. That evidence remains unchallenged by any evidence
16 here. Staff simply said that it was aware of no changes in wireless and made no
17 further inquiry. AT&T just looked to the provider's website to see if the
18 exchange was served.

19 **Q. WHAT IS AT&T'S RESPONSE TO YOUR CONCERN REGARDING BASIC LOCAL PRICE**
20 **INCREASES MADE AFTER THE COMMISSION APPROVED COMPETITIVE STATUS?**

21 A. AT&T backpedals on previous statements that the Commission may have
22 reasonably considered commitments by Mr. Unruh and Elizabeth Stoia to refrain
23 from price increases. Mr. Unruh states that he did not promise that there would
24 be no basic local price increases, but instead indicated in testimony during that

1 case that he did not believe that AT&T Missouri would make any substantial or
2 unreasonable price increases to basic local service. The Commission can read the
3 transcript of his statement in my direct testimony and judge for itself if Mr. Unruh
4 and Ms Stoia were suggesting that it was unlikely that price increases could be
5 expected.

6 Mr. Unruh said that he explained in the reclassification case that
7 competition, negative customer reaction, and political realities would prevent
8 AT&T Missouri from significantly increasing basic local prices. He pointed out
9 that he discussed how prices tend to rise in competitive markets and that
10 residential basic local prices are below cost and have historically been restrained
11 by regulatory action and suggested that there is natural pressure on basic local
12 pricing levels.

13 However, since the Federal Telecommunications Act of 1996 and SB 507,
14 this Commission has heard time and time again that when there is local
15 competition, consumers will benefit from lower prices as one part of the impact of
16 competition and the ability of ILECs to respond to the market. Witnesses at
17 public hearings on reclassification of AT&T exchanges (including those
18 encouraged to attend by AT&T) asked the Commission to grant competitive
19 classification based on the belief that it would mean lower prices. Now that
20 AT&T has gained competitive status for most of its exchanges and most of its
21 access lines, suddenly price increases start to appear. Mr. Unruh says that AT&T
22 never said that it would not increase local basic service prices. He claims that
23 prices rise in a competitive market which only raises the question, why should a
24 consumer want competition if it does not produce price or other significant
25 benefits.

1 **Q. AT&T JUSTIFIES PRICE INCREASES ON THE WAY RATES WERE SET UNDER RATE**
2 **OF RETURN REGULATION MORE THAN A DECADE AGO. HAS AT&T RAISED PRICES**
3 **FOR SERVICES THE COMPANY PREVIOUSLY CLAIMED WERE NOT BELOW COST?**

4 A. Yes. As I pointed out in my direct testimony, AT&T increased basic local service
5 rates in areas supposedly subject to the greatest competition, its “competitive”
6 metropolitan and suburban exchanges and to those customers supposedly most
7 likely to see benefits from competition, business customers. Business customers
8 in competitive exchanges experienced a \$1 increase in basic local service.
9 However, in Case No. To-98-329, when exchange costs were adjusted to reflect
10 other payments generated using the exchange facilities, many of the SWBT
11 Metropolitan Area exchanges had basic local rates that covered cost. It is also my
12 recollection that in the past SWBT has argued that the rates paid by Business
13 customers in urban exchanges cover costs. I am surprised to hear from Mr. Unruh
14 in this case that they are not. Further evidence that basic local rates cover basic
15 local costs in was presented in TR-2001-65.

16 The evidence in Case No. TR-2001-65 (*In the Matter of an Investigation*
17 *of the Actual Costs Incurred in Providing Exchange Access Service and the*
18 *Access Rates to be Charged by Competitive Local Exchange Telecommunications*
19 *Companies in the State of Missouri*) researched and presented by the Staff
20 telecommunication expert witness Dr. Ben Johnson and confirmed by Public
21 Counsel expert witness William Dunkel provided proof that the claim that local
22 basic service is priced below its cost and is subsidized by other
23 telecommunications services is a myth without a factual basis and that those
24 services are subsidy free.

1 **Q. FROM A REGULATORY AND ECONOMIC PERSPECTIVE, DO YOU AGREE WITH MR.**
2 **UNRUH’S CLAIM THAT NEGATIVE CUSTOMER REACTION AND POLITICAL**
3 **REALITIES WOULD PREVENT AT&T MISSOURI FROM SIGNIFICANTLY INCREASING**
4 **BASIC LOCAL PRICES ABSENT SUFFICIENT COMPETITION?**

5 A. No. Absent sufficient competition, such as exists in monopoly or highly
6 concentrated oligopoly markets like AT&T’s local telecommunications markets
7 in Missouri today, economic theory suggests that negative customer reaction may
8 have limited, if any, influence on a service provider’s pricing decisions.
9 Additionally, much of the relevant pricing information that is available to
10 regulators is not publicly available and is not readily available to lawmakers.
11 Based on my experience discussing telecommunication and utility legislation and
12 issues with Missouri lawmakers, I believe the legislators are unlikely to have
13 access to, or knowledge of, the extent of company specific information available
14 to the Commission.

15 **Q. HAVE PRICE INCREASES FOR AT&T SERVICES BOTH UNDER PRICE CAP**
16 **REGULATION AND UNDER COMPETITIVE CLASSIFICATION REFLECTED THE**
17 **RESTRAINING INFLUENCE THAT MR. UNRUH CLAIMS NEGATIVE CUSTOMER**
18 **REACTION AND POLITICAL REALITIES HAVE ON PRICE INCREASES?**

19 A. No. Many prices of nonbasic services increased under price caps often up to the
20 8% annual cap with no signs that political realities and negative consumer
21 reaction imposed discipline on prices. After reclassification and local basic rates
22 were increased, objections to the increases made no difference to the
23 implementation of the price increases.

1 **Q. IN REBUTTAL TESTIMONY, MR. VAN ESCHEN QUESTIONS THE PORTION OF YOUR**
2 **DIRECT TESTIMONY THAT STATES THAT TO YOUR KNOWLEDGE NO RATES FOR**
3 **BASIC LOCAL SERVICE HAVE BEEN REDUCED FOLLOWING THE GRANT OF**
4 **COMPETITIVE CLASSIFICATION. HE REFERENCES COMPETITIVE RATE GROUP A**
5 **EXCHANGES FOR WHICH THE BASIC LOCAL RATE WAS DECREASED EFFECTIVE**
6 **DECEMBER 1, 2005 TO \$7.15 FOR RATE GROUP A RESIDENTIAL CUSTOMERS AND**
7 **TO \$15.93 FOR RATE GROUP A BUSINESS CUSTOMERS. PLEASE RESPOND.**

8 A. While it is correct that the reductions finally took effect in December 2006,
9 AT&T filed the reductions on September 16, 2005, prior to receiving competitive
10 classification in October. Schedule BAM REB 1 includes the filing cover letter
11 dated September 16, 2005, and the proposed tariff sheets illustrating the
12 Residential rate reduction to \$7.15 and the Business rate reduction to \$15.93. The
13 cover letter clearly indicates that the reductions in basic local rates were
14 associated with the CPI-TS adjustment associated with price cap regulation.

15 **Q. THE STAFF COMPARED AT&T RATES FROM 1985 TO CURRENT RATES FOR THE**
16 **RATE GROUPS. IS THIS A FAIR COMPARISON?**

17 A. No. In the late 1980's the Commission conducted rate investigations based upon
18 overearnings complaints by Staff and Public Counsel. As a result, rate reductions
19 were made, some by litigation, some by settlement.

20 It would be more meaningful to compare the rates frozen under price cap
21 in 1997 to current rates, so long as it is recognized that reductions in local basic
22 rates were mandated during that time by decreases in the CPI-TS.

1 **Q. MR. VAN ESCHEN POINTS TO THE OBSERVATION THAT BASED ON THE PRICE DATA**
2 **COMPILED BY STAFF, AT&T'S RATES ARE SIMILAR TO THE RATES CHARGED 20**
3 **YEARS AGO. DO YOU BELIEVE THE OBSERVATION IS RELEVANT?**

4 A. No. It is irrelevant because a simple observation that rates have not changed
5 much over time does not mean that the rates are appropriate or fair. Neither
6 stability nor trends in economy wide inflation are reasonable predictors of the
7 prices that should result from a competitive telecommunications market. Mr. Van
8 Eschen fails to consider factors affecting the telecommunications industry that
9 should have produced lower rates over time. For example, it is generally
10 recognized that the telecommunications industry has benefited from technological
11 advances that increase efficiency and lower per unit capital cost over time. Less
12 recognized is that labor productivity has also generally increased over time
13 driving labor cost per unit of output down. Schedule BAM SUR 3 illustrates
14 these trends in labor productivity and per unit labor cost.

15 **Q. WOULD REINSTATING PRICE CAPS AT THE CPI-TS FOR BASIC LOCAL AND 5% FOR**
16 **NONBASIC SERVICES BE REASONABLE?**

17 A. Not in my opinion. AT&T would retain downward pricing flexibility to meet
18 competition. On the other hand, AT&T would be restricted from imposing
19 excessive increases for basic local services. Based on information regarding
20 consumer expenditures and consumer price indices for telecommunications
21 services contained Schedule BAM SUR, it does not appear that the price cap
22 limits would be unreasonable or out of line with the rate of growth for the indices
23 or consumer expenditures.

1 **Q. WHAT IS THE EFFECT OF THE AT&T ACQUISITION OF BELLSOUTH?**

2 A AT&T is the most formidable player in the telecommunications industry with
3 legal, financial, and political resources unmatched by any other
4 telecommunications provider. Its service areas stretch from coast to coast and
5 border to border. It has taken on the AT&T brand to again give it greater
6 marketing power and recognition.

7 The Commission must factor in the unmatched power of the new AT&T in
8 any analysis of competition and its impact on the public interest. AT&T's
9 position overshadows all telecom providers in its service area.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes.



Melanie Musick-Foley
Director – Regulatory

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(573) 636-5082
mmusick.foley@sbc.com

September 16, 2005

The Honorable Colleen M. Dale
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Dear Judge Dale:

Southwestern Bell Telephone, L.P., d/b/a SBC Missouri proposes to revise the P.S.C. Mo.- No. 24 Local Exchange Tariff; P.S.C. Mo.- No. 35 General Exchange Tariff, Sections 12 and 16; P.S.C. Mo.- No. 36 Access Services Tariff, Sections 3 and 6; and P.S.C. Mo.- No. 17 Missouri Portion of Cross Boundary Exchanges.

The purpose of these revisions are to file new maximum and current rates for basic local service and exchange access service as required under price cap regulation.

As you are aware, under price cap regulation basic local service and exchange access rates were capped until January 1, 2000. Thereafter, the maximum rates for basic local service and exchange access rates will change based upon the CPI- telephone service (CPI-TS) or, if the company requests and the PSC permits, change by the GDP-PI less the FCC's productivity offset and adjusted by exogenous factors. SBC Missouri calculated the proposed rates based upon the changes in the CPI-TS of -1.95%.

The proposed revisions are reflected on the attached tariff sheets. The issued and requested effective dates are October 17, 2005 and December 1, 2005 respectively.

Please refer any questions on this matter to Melanie Musick-Foley at 573-636-5082.

Sincerely,

/s/ Melanie Musick-Foley

Attachment

I certify that a copy of the foregoing, including attachments, is being sent via e-mail to the Office of Public Counsel at opcservice@ded.mo.gov this 17th day of October 2005.

Melanie Musick-Foley

No Supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

Local Exchange Tariff
29th Revised Sheet 3
Replacing 28th Revised Sheet 3

LOCAL EXCHANGE

1.2 RATES (cont'd)

1.2.2 Main Service(1)(3) (cont'd)

A. Main Service-Residence

	<u>Group</u>	<u>Current Rates(5)</u>	
		<u>Residence</u>	
		<u>Flat Rate 1-Party</u>	<u>Message 1-Party(2)(4)</u>
	A	\$ 7.15(CR)	\$5.35(CR)
(AT)	B	8.79(6)	6.28(6)
	C-Principal	9.74	---
	C-Metropolitan Calling Area-1	11.01	---
	D-Principal	10.96	7.48
	D-Metropolitan Calling Area-1	11.43	---
	D-Metropolitan Calling Area-2	12.07	---

(1)(2)(3)(4) See Sheet 3.02

(5) See Sheet 3A for maximum rates.

(AT) (6) Customers in the Knob Noster exchange will receive a monthly credit to lower the effective basic local access line rate to implement the annual CPI-TS rate adjustment. The rate for Flat Rate 1-Party Residence Service is \$8.62; the rate for Message 1-Party Residence Service is \$6.15 and the rate for Measured 1-Party Residence Service is \$4.73.

Issued: October 17, 2005

Effective: December 1, 2005

By CINDY BRINKLEY, President-SBC Missouri
Southwestern Bell Telephone, L.P., d/b/a SBC Missouri
St. Louis, Missouri

No Supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

P.S.C. Mo.- No. 24

Local Exchange Tariff
36th Revised Sheet 2
Replacing 35th Revised Sheet 2

LOCAL EXCHANGE

1.2 RATES

1.2.2 Main Service(6)(8)

A. Main Service-Business

		Current Rates(10)		
<u>Group</u>		<u>Flat Rate</u> <u>1-Party (9)</u>	<u>Message Rate</u> <u>1-Party(1)(7)</u>	<u>Measured</u> <u>1-Party(7)</u>
(AT)	A	\$15.93(CR)	\$13.77(2)(CR)	\$ 8.80(CR)
	B	22.30(11)	17.32(2)(11)	12.25(11)
	C-Principal	24.81	19.06(2)	13.99
	C-Metropolitan Calling Area-1	27.03	23.26(2)	14.91
	D-Principal	36.50	24.50(3)	18.14
	D-Metropolitan Calling Area-1	37.50	25.00(3)	18.93
	D-Metropolitan Calling Area-2	38.50	25.50(3)	19.96

(C) (1)(2)(3)(6)(7)(8)(9) See Sheet 2.02

(10) See Sheet 2A for maximum allowable rates

(AT) (11) Customers in the Knob Noster exchange will receive a monthly credit to lower the effective basic local access line rate to implement the annual CPI-TS rate adjustment. The rate for Flat Rate 1-Party Business Service is \$21.86; the rate for Message Rate 1-Party Business Service is \$16.98; and the rate for Measured 1-Party Business Service is \$12.01.

Issued: October 17, 2005

Effective: December 1, 2005

By CINDY BRINKLEY, President-SBC Missouri
Southwestern Bell Telephone, L.P., d/b/a SBC Missouri
St. Louis, Missouri



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Consumer Price Index - All Urban Consumers

12 Months Percent Change

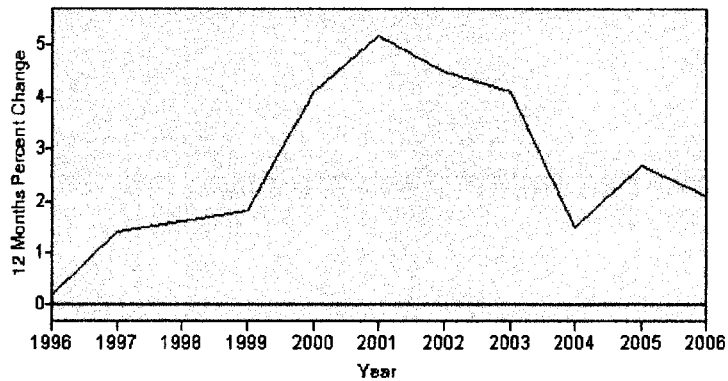
Series Id: CUUR0000SEED01

Not Seasonally Adjusted

Area: U.S. city average

Item: Land-line telephone services, local charges

Base Period: 1982-84=100



Year	Annual
1996	0.2
1997	1.4
1998	1.6
1999	1.8
2000	4.1
2001	5.2
2002	4.5
2003	4.1
2004	1.5
2005	2.7



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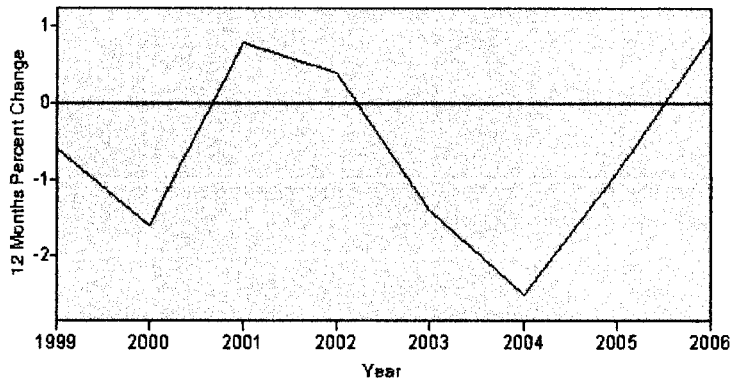
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Data extracted on: February 15, 2007 (10:55:59 PM)

Consumer Price Index - All Urban Consumers

12 Months Percent Change

Series Id: CUUR0000SEED
Not Seasonally Adjusted
Area: U.S. city average
Item: Telephone services
Base Period: DECEMBER 1997=100



Year	Annual
1999	-0.6
2000	-1.6
2001	0.8
2002	0.4
2003	-1.4
2004	-2.5
2005	-0.9
2006	0.9



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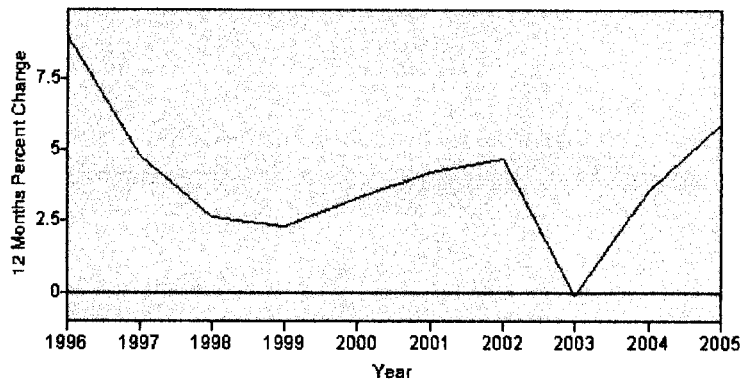
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Consumer Expenditure Survey

12 Months Percent Change

Series Id: CXUUTT01101
Column: All Consumer Units
Item: Telephone
Table: Region of residence



Year	Annual
1996	9.0
1997	4.8
1998	2.6
1999	2.3
2000	3.3
2001	4.2
2002	4.7
2003	-0.1
2004	3.6
2005	5.9



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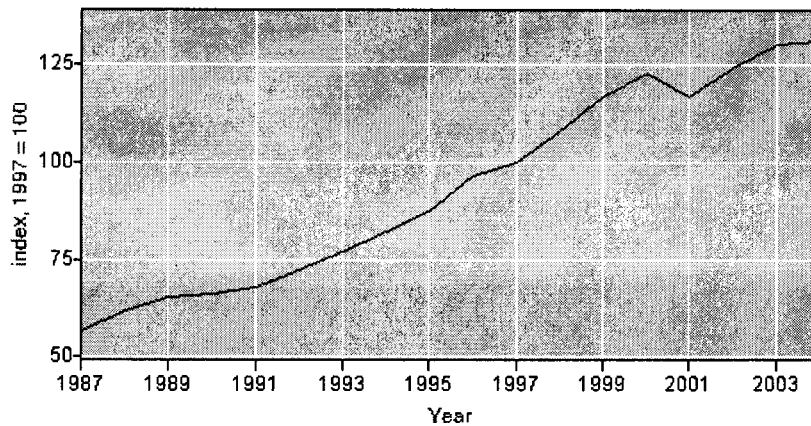

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Industry Productivity and Costs

Series Id: IPUJN5171_L000
Sector: Information
Industry: Wired telecommunications carriers
NAICS Code: 5171
Measure: Labor productivity, output per hour
Duration: index, 1997 = 100
Base Year: 1997



Year	Annual
1987	56.882
1988	62.022
1989	65.264
1990	66.036
1991	68.068
1992	72.126
1993	76.852
1994	82.412
1995	87.592
1996	96.503

1997	100.000
1998	107.726
1999	116.653
2000	122.680
2001	116.742
2002	124.126
2003	130.239
2004	131.315

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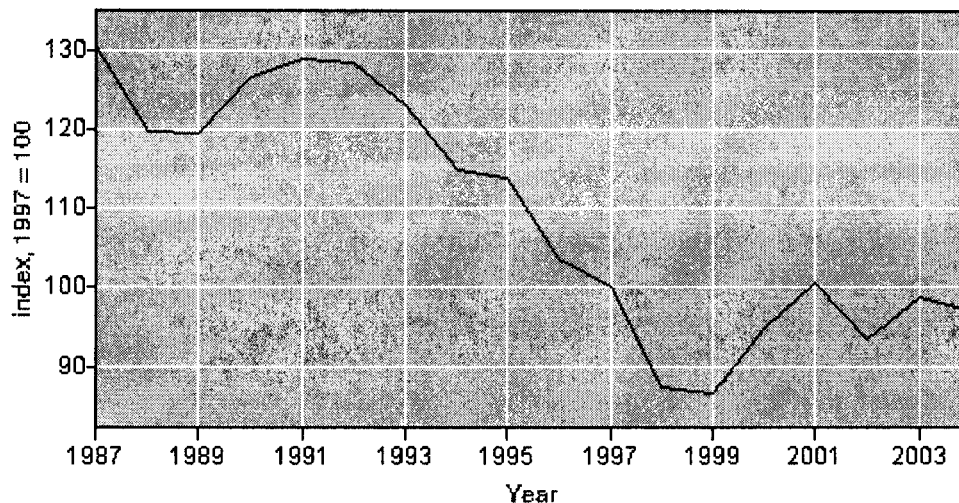
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Industry Productivity and Costs

Series Id: IPUJN5171__U100
Sector: Information
Industry: Wired telecommunications carriers
NAICS Code: 5171
Measure: Unit labor cost index
Duration: index, 1997 = 100
Base Year: 1997



Year	Annual
1987	130.729
1988	119.760
1989	119.532
1990	126.654
1991	128.981
1992	128.460
1993	123.126
1994	115.058
1995	113.883
1996	103.701

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1997	100.000
1998	87.219
1999	86.675
2000	94.981
2001	100.669
2002	93.381
2003	98.883
2004	96.987

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NAICS 5171 - Wired telecommunications carriers

Year	Labor productivity (1997=100)	Output per worker (1997=100)	Output (1997=100)	Worker hours (1997=100)	All workers (1997=100)	Unit labor costs (1997=100)	Labor compensation (1997=100)
1987	56.882	56.331	58.023	102.007	103.005	130.729	75.853
1988	62.022	61.353	64.504	104.001	105.136	119.760	77.250
1989	65.264	64.105	65.608	100.527	102.346	119.532	78.423
1990	66.036	64.357	66.972	101.417	104.063	126.654	84.822
1991	68.068	65.844	67.560	99.255	102.606	128.981	87.140
1992	72.126	70.292	69.537	96.412	98.927	128.460	89.328
1993	76.852	75.397	73.536	95.686	97.532	123.126	90.542
1994	82.412	81.489	78.840	95.666	96.750	115.058	90.712
1995	87.592	86.353	82.831	94.565	95.922	113.883	94.331
1996	96.503	96.291	92.541	95.895	96.106	103.701	95.966
1997	100.000	100.000	100.000	100.000	100.000	100.000	100.000
1998	107.726	110.401	112.821	104.730	102.192	87.219	98.402
1999	116.653	117.186	125.558	107.634	107.144	86.675	108.827
2000	122.680	122.178	137.556	112.126	112.586	94.981	130.651
2001	116.742	113.652	129.925	111.293	114.319	100.669	130.795
2002	124.126	118.020	121.585	97.953	103.020	93.381	113.537
2003	130.239	124.944	113.911	87.463	91.170	98.883	112.639
2004	131.315	127.234	108.762	82.825	85.482	96.987	105.486

NAICS 5172 - Wireless telecommunications carriers

Year	Labor productivity (1997=100)	Output per worker (1997=100)	Output (1997=100)	Worker hours (1997=100)	All workers (1997=100)	Unit labor costs (1997=100)	Labor compensation (1997=100)
1987	75.607	69.660	11.352	15.015	16.296	166.983	18.956
1988	77.857	71.896	12.941	16.622	18.000	148.577	19.228
1989	76.968	69.929	15.695	20.392	22.444	123.284	19.350
1990	70.381	67.004	18.612	26.445	27.778	110.967	20.653
1991	66.172	66.574	21.402	32.343	32.148	109.654	23.469
1992	74.424	74.827	27.326	36.716	36.519	106.296	29.046
1993	83.805	84.836	36.574	43.641	43.111	102.131	37.353
1994	89.591	92.134	50.094	55.914	54.370	96.264	48.222
1995	90.048	93.900	64.339	71.449	68.519	97.878	62.973
1996	101.656	100.002	83.853	82.488	83.852	97.424	81.693
1997	100.000	100.000	100.000	100.000	100.000	100.000	100.000
1998	110.477	111.648	121.077	109.594	108.444	105.172	127.338
1999	145.212	142.788	171.028	117.778	119.778	90.782	155.263
2000	152.762	155.621	215.679	141.186	138.593	80.867	174.412
2001	191.876	193.189	293.791	153.115	152.074	73.828	216.899
2002	217.939	228.590	336.451	154.378	147.185	60.573	203.800
2003	242.486	263.964	379.912	156.674	143.926	62.828	238.692
2004	288.743	306.824	442.509	153.254	144.222	62.820	277.984