

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

In the Matter of the Tariff of Southwestern)
Bell Telephone, d/b/a AT&T Missouri,)
increasing local residential basic local service)
rates in certain exchanges designated as)
competitive pursuant to Section 392.245.6,)
RSMo 2000 (as amended 2005))

Case No. TT-2008-0062
Tariff File No. JI-2008-0136

STAFF RECOMMENDATION AND RESPONSE TO PUBLIC COUNSEL

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

1. On August 28, 2007, Southwestern Bell Telephone, L.P., d/b/a AT&T Missouri, submitted tariff sheets proposing increased rates for basic local telecommunications services in competitive exchanges, effective September 7, 2007.

2. On August 29, 2007, the Office of the Public Counsel filed its objections recommending that the Commission reject the tariff filing as contrary to the public interest and the protection of ratepayers.

3. The Staff suggests that the Commission does not have the authority to review whether the tariff filing is contrary to the public interest and the protection of ratepayers separate from its analysis of whether the proposed rate increases comply with the applicable statutes.

In *State of Missouri ex rel. Southwestern Bell Telephone, L.P. d/b/a SBC Missouri v. Missouri Public Service Commission*, 173 S.W. 3d 327 (Mo. App. W.D. 2005), the Court reviewed and reversed a Commission order denying SBC's proposed tariff revisions. SBC had proposed to increase rates for two non-basic telecommunications services (Line Status Verification and Busy Line Interrupt) by 8% and 7.8%, respectively. Section 392.245.11 RSMo provided [at that time] that the maximum allowable prices for non-basic telecommunications

services of a price-cap regulated telecommunications company may be annually increased by up to 8%. The Court rejected the Commission's contention that the Commission could conduct an independent just-and-reasonable analysis separate from its analysis concerning whether the proposed rate increases were in keeping with the statutory maximum. The Court explained that the Commission upholds its duty of ensuring that the rates are just, reasonable and lawful by ensuring that the rates do not exceed the maximum allowable price.

Although the proposed rates at issue in the present case are not for price-capped non-basic telecommunications services as was the case in the cited court case, the reasoning is the same. The Commission upholds its duty of ensuring that the proposed rates at issue in this case are just, reasonable and lawful--and not contrary to the public interest and the protection of ratepayers--by ensuring that the rate increases comply with the applicable statutes.

4. Section 392.245.5(6) RSMo Supp. 2006 provides, in relevant part:

If the services of an incumbent local exchange telecommunications company are classified as competitive under this subsection, the local exchange telecommunications company may thereafter adjust its rates for such competitive services upward or downward as it determines appropriate in its competitive environment, upon filing tariffs which shall become effective within the time lines identified in section 392.500.

5. Section 392.500 RSMo Supp. 2006 provides, in relevant part:

(2) Any proposed increase in rates or charges, or proposed change in any classification or tariff resulting in an increase in rates or charges, for any competitive telecommunications service shall be permitted ten days after the filing of the proposed rate, charge, classification or tariff and upon notice to all potentially affected customers through a notice in each such customer's bill at least ten days prior to the date for implementation of such increase or change, or, where such customers are not billed, by an equivalent means of prior notice.

6. In the attached Memorandum, which is labeled Appendix A, the Staff sets forth its analysis concerning whether the proposed rate increases are in keeping with these applicable statutes. The Staff states that the tariff filing meets the requirements of Sections 392.245.5(6)

and 392.500(2). Accordingly, the Staff recommends that the Commission either approve or allow the tariff filing to take effect September 7, 2007.

Respectfully submitted,

/ William K. Haas

William K. Haas

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Missouri Bar No. 28701

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 31st day of August 2007.

/ William K. Haas

MEMORANDUM

To: Missouri Public Service Commission Official Case File
Case No. TT-2008-0062 Tariff Filing: JI-2008-0136

From: Mike Scheperle
Telecommunications Department

Natelle Dietrich / 8-31-07 /s/ William K Haas / 8-31-07
Utility Operations Division/Date General Counsel's Office/Date

Subject: Recommendation to approve Southwestern Bell Telephone Company d/b/a AT&T
Missouri Tariff Filing JI-2008-0136 effective September 7, 2007.

Date: 8-31-07

Summary:

Staff recommends approval of Southwestern Bell Telephone Company d/b/a AT&T Missouri (AT&T) Tariff Filing JI-2008-0136 effective September 7, 2007. Staff concludes AT&T's Tariff Filing JI-2008-0136 meets the requirements of Section 392.245.5(6) RSMo where the local exchange telecommunications company may thereafter adjust its rates for such competitive services upward or downward as it determines appropriate in its competitive environment and also meets the requirements of Section 392.500.(2) RSMo whereby an increase in rates for any telecommunications service in a competitive exchange shall be permitted ten days after the filing of the proposed rate and upon notice to all potentially affected customers.

Background:

On August 28, 2007, AT&T, an incumbent local exchange carrier (ILEC), filed a tariff filing proposing increased rates for basic local services in competitive exchanges effective September 7, 2007. Along with the tariff filing rate sheets, AT&T filed customer notification wording supplied to potentially affected customers.

Staff believes the proposed AT&T rate increases for competitive services shall be granted under the Missouri Statute Sections 392.245.5(6) and 392.500.(2), RSMo. The relevant portion of the statutes read as follows:

392.245.5(6) If the services of an incumbent local exchange telecommunications company are classified as competitive under this subsection, the local exchange telecommunications company may thereafter adjust its rates for such competitive services upward or downward as it determines appropriate in its competitive environment, upon filing tariffs which shall become effective within the time limits identified in section 392.500.

392.500. Except as provided in subsections 2 to 5 of section 392.200, proposed changes in rates or charges, or any classification of tariff provision affecting rates or charges, for any competitive telecommunications service, shall be treated pursuant to this section as follows:

(2) Any proposed increase in rates or charges, or proposed change in any classification or tariff resulting in an increase in rates or charges, for any competitive telecommunications service shall be permitted ten days after the filing of the proposed rate, charge, classification or tariff and upon notice to all potentially affected customers through a notice in each customer's bill at least ten days prior to the date for implementation of such increase or change, or, where such customers are not billed, by an equivalent means of prior notice.

On August 29, 2007, the Office of Public Counsel filed objections and opposition to rate increases and asked the Commission to reject the tariff as contrary to the public interest and the protection of ratepayers.

Section 392.245.5(6) requires the Commission to periodically review whether the conditions for the grant of competitive status continue to exist. On July 22, 2007, the Report and Order in Case No. TO-2007-0053 became effective. The Decision in Case No. TO-2007-0053 confirmed the conditions of Subsection 392.245.5, RSMo, have not changed since the grant of competitive classification in each Southwestern Bell Telephone, L.P. d/b/a AT&T Missouri's exchanges in which competitive classification was previously granted in Commission Case Nos. TO-2006-0093 and TO-2006-0102.

AT&T's Tariff Filing

On August 28, 2007, AT&T filed the instant tariff filing proposing increased rates for basic local service in competitive exchanges effective September 7, 2007. Listed below are the proposed rates, existing rates, increase amount and the percent change:

AT&T Proposed Rate Increases Tariff Filing JI-2008-0136

Flat Rate 1-Party

Group - Residential Rates	Proposed Rate	Current Rate	Increase	Percent Increase
B	\$12.50	\$10.00	\$2.50	25.0%
C - Principal	\$13.50	\$11.00	\$2.50	22.7%
C - Metropolitan Calling Area-1	\$13.75	\$12.00	\$1.75	14.6%
D - Principal	\$13.75	\$12.00	\$1.75	14.6%
D - Metropolitan Calling Area-1	\$13.75	\$12.50	\$1.25	10.0%
D - Metropolitan Calling Area-2	\$13.75	\$13.00	\$0.75	5.8%

Message 1-Party

Group - Residential Rates	Proposed Rate	Current Rate	Increase	Percent Increase
B	\$8.75	\$7.50	\$1.25	16.7%
D - Principal	\$9.75	\$8.50	\$1.25	14.7%

Flat Rate Trunk

Group - Residential Rates	Proposed Rate	Current Rate	Increase	Percent Increase
B	\$17.81	\$15.31	\$2.50	16.3%
C - Principal	\$19.26	\$16.76	\$2.50	14.9%
C - Metropolitan Calling Area-1	\$20.39	\$18.64	\$1.75	9.4%
D - Principal	\$20.39	\$18.64	\$1.75	9.4%
D - Metropolitan Calling Area-1	\$20.67	\$19.42	\$1.25	6.4%
D - Metropolitan Calling Area-2	\$21.08	\$20.33	\$0.75	3.7%

Measured 1-Party

Group - Residential Rates	Proposed Rate	Current Rate	Increase	Percent Increase
B	\$7.25	\$6.00	\$1.25	20.8%
C - Principal	\$7.25	\$6.00	\$1.25	20.8%
C - Metropolitan Calling Area-1	\$7.25	\$7.00	\$0.25	3.6%
D - Principal	\$7.25	\$7.00	\$0.25	3.6%
D - Metropolitan Calling Area-1	\$7.25	\$7.00	\$0.25	3.6%
D - Metropolitan Calling Area-2	\$7.25	\$7.00	\$0.25	3.6%

Also, AT&T's instant tariff filing entailed customer notification information.

Conclusion:

As a result of Staff's review, Staff concludes that AT&T's Tariff Filing meets the requirements of Missouri Statutes 392.245.5(6) and 392.500.(2). Staff examined the customer notice and found it acceptable.

Staff has no objection to the tariff filing. Staff further recommends the Commission either approve or allow to go into effect the tariff filing effective September 7, 2007.

Southwestern Bell Telephone Company d/b/a AT&T Missouri P.S.C. Mo. No. 24
32nd Revised Sheet 3 Replacing 31st Revised Sheet 3
22nd Revised Sheet 3.01 Replacing 21st Revised Sheet 3.01

The Staff is unaware of any other filing which affects or which would be affected by this tariff filing except for the filing by the Office of Public Counsel recommending the Commission reject the tariff as contrary to the public interest and the protection of ratepayers.

- ☒ The Company is not delinquent in filing an annual report and paying the PSC assessment.
☐ The Company is delinquent. Staff recommends the Commission grant the requested relief/action on the condition the applicant corrects the delinquency. The applicant should be instructed to make the appropriate filing in this case after it has corrected the delinquency.
(☐ No annual report ☐ Unpaid PSC assessment. Amount owed:)

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

In the Matter of the Tariff of Southwestern)
Bell Telephone, d/b/a/ AT&T Missouri,)
increasing local residential basic local)
service rates in certain exchanges)
designated as competitive pursuant to)
Section 392.245.6, RSMo 2000 (as)
amended 2005))

Case No. **TT-2008-0062**

Tariff File **JI-2008-0136**

AFFIDAVIT OF Michael S. Scheperle

STATE OF MISSOURI)
) ss:
COUNTY OF COLE)

Michael S. Scheperle, employee of the Staff of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in the preparation of the accompanying document, and that the facts therein are true and correct to the best of his knowledge and belief.

Michael S. Scheperle
Michael S. Scheperle

Subscribed and affirmed before me this 31st day of August 2007

I am commissioned as a notary public within the County of Callaway, State of Missouri

and my commission expires on 9-21-10



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

Susan L. Sundermeyer
NOTARY PUBLIC