

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

In the Matter of Southwestern Bell	)	
Telephone Company, d/b/a AT&T	)	
Missouri's Application For a Commission	)	
Finding that 55% of AT&T Missouri's	)	Case No. TO-2009-0063
Total Subscriber Access Lines are In	)	
Exchanges where Its Services have been	)	
Declared Competitive.	)	

STAFF RECOMMENDATION

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

1. Southwestern Bell Telephone Company d/b/a AT&T Missouri (AT&T)
filed its Application for Declaration of Competitive Status on August 28th, 2008.
2. In the attached memorandum, which is labeled Attachment A, Staff states
AT&T meets the criteria for classification as a competitive company for the reasons set
forth in that memorandum.
3. In support of its recommendation, Staff submits Exhibits A & B. Exhibits
A & B contain protected information and have been filed as Highly Confidential. No
public versions of these exhibits have been produced.

WHEREFORE, Staff submits this recommendation for the Commission's
consideration.

Respectfully submitted,

/s/ Jennifer Heintz

Jennifer Heintz
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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 18th day of September 2008.

/s/ Jennifer Heintz

Memorandum

To: Official Case File
Case No. TO-2009-0063

From: John Van Eschen
Telecommunications Department

Date: September 18, 2008

Subject: AT&T Missouri's Application for Declaration of Competitive Status

Southwestern Bell Telephone Company d/b/a AT&T Missouri (AT&T or Company) has filed an Application for Declaration of Competitive Status. The Company has made the filing pursuant to Section 392.245.5(7) RSMo, as amended by House Bill 1779. The Commission Staff (Staff) has reviewed AT&T's filing and has no objections to granting AT&T status as a competitively classified company. AT&T easily meets the criteria that 55% or more of its access lines are in exchanges where its services have been declared competitive. The remainder of this memorandum further explains Staff's recommendation.

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

AT&T meets the new law's criteria for classification as a competitive company as shown in Exhibit A. Exhibit A lists all of AT&T's exchanges and provides the company's number of access lines within each exchange. This information is segregated between residential and business services and then further separated on the basis of whether such services have been previously classified as competitive or remain non-competitively classified. The access line totals are based on line quantities contained in

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

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

AT&T's most recent annual report. Technically this report quantifies the number of access lines served as of December 31, 2007. For comparison purposes AT&T's pleading contains line quantities as of July 2008. These differing time periods produce slightly different line quantity totals; however the resulting percentage of competitively classified lines is essentially identical. This exhibit shows AT&T easily surpasses the 55% criteria.³

Exhibit A also indicates if an exchange should still be considered competitive. In other words if competitive status has been granted to the exchange Staff analyzed whether qualifying local exchange companies (CLECs) still provide service within the exchange. This information is indicated in the column heading "Does Competition Still Exist?" A "yes" indicates at least one non-affiliated qualifying CLEC continues to serve one or more lines on a full facility, partial facility or other resale basis as reflected in Exhibit B.⁴ In brief, Staff found all of AT&T's exchanges with competitively classified residential and/or business services continue to have a qualifying CLEC providing service within the exchange.

Exhibit B was used for this portion of Staff's analysis which shows each AT&T exchange, each CLEC operating within the exchange and the CLEC's respective number of lines served within the exchange depending on residential versus business service based on CLEC 2007 annual reports. These CLEC lines are further segregated based on whether the CLEC is providing service on a full-facility basis, partial facility basis, other resale and pure resale. Full-facility refers to arrangements where the CLEC is providing service using its own or an affiliate's switch and loops. Partial facility refers to an arrangement where the CLEC is providing service using its own or an affiliate's switch but is using the incumbent's loops. Other resale arrangements refer to arrangements where the CLEC leases facilities from the incumbent at a negotiated or arbitrated rate that is not simply a discount from the incumbent's tariffed rate. Pure resale arrangements refer to arrangements where the CLEC leases facilities/services from the incumbent at a discount from the incumbent's tariffed rate. The Commission has previously recognized competition based on a full-facility, partial facility and other resale basis in prior AT&T Missouri competitive classification proceedings; however pure resale arrangements have not received such recognition.

In summary, Staff finds AT&T meets the criteria of Section 392.245.5(7) for classification as a competitively classified company.

Attachments:

Exhibit A: AT&T's exchange-specific access line quantities (highly confidential)

Exhibit B: CLEC exchange-specific access line quantities in AT&T exchanges (highly confidential)

³ AT&T can technically meet the 55% criteria based on competitive classification from just three of the company's 160 exchanges.

⁴ A qualifying CLEC is a non-affiliated CLEC providing service within the exchange on a full-facility, partial facility or other resale as originally determined in Case Nos. TO-2006-0093 and TO-2006-0102.

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AFFIDAVIT OF John Van Eschen

STATE OF MISSOURI)
) ss:
COUNTY OF COLE)

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



John Van Eschen

Subscribed and affirmed before me this 18th day of September 2008.
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 #06842088



NOTARY PUBLIC