

**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)	Case No.
residential basic local service rates in certain)	
exchanges designated as competitive pursuant)	Tariff File No.JI-2008-0136
to Section 392.245.6, RSMo 2000 (as amended 2005))		

**OFFICE OF THE PUBLIC COUNSEL’S OBJECTIONS AND OPPOSITION TO
RATE INCREASES IN BASIC SERVICES FOR RESIDENTIAL CUSTOMERS**

The Office of the Public Counsel states to the Missouri Public Service Commission that it objects to and opposes this tariff because the increases in basic rates for residential services in exchanges designated as competitive under Section 392.245.6, RSMo 2000 (as amended 2005), are inconsistent with the often promised benefits of competition of lower prices, better service, and more choices for consumers. Once again AT&T has breached its promise that competitive classification will bring lower prices. This company has now increased its local basic services for residential services, areas where it claimed it had competitive pressure from cable operators or wireless carriers, Voip service or other land line local service providers. WHERE IS THAT COMPETITION THAT WAS TOUTED TO BRING LOWER PRICES? Obviously, it does not exist.

Once again, after AT&T has obtained competitive status and after it recently received a favorable PSC decision reaffirming the competitive status, the residential customers see an increase in the rate for plain old telephone service. Once again, AT&T Missouri has shown that it never intended to reduce these prices, but rather made statements that lead legislators and the Commission to believe that prices would be cut with competition. Not only were prices not cut (except for temporary promotions) but the

basic service was increased. This is the service that everyone has, the service that serves as the foundation and backbone for the rest of the vital telephone service and the service that supports and provides the essential connection from the network to the customer's home. The modern features that have become part of telephone service as well as the bells and whistles of the telecom age piggy back on local service: CallerId, call forwarding and other custom features, long distance service (without regard to distance and often time of day or "unlimited"), international calling, dial up internet access, E-911 service, Relay Mo Service, Directory Assistance and Operator Service and the much prized DSL service that provides high speed broadband access to the Internet and the world. Yet it is this basic service, the no frills service that everyone should have, is targeted for increases. The promises made that competition will bring lower prices have not only been forgotten, but shattered.

This tariff is inconsistent with the stated purpose of Missouri's telecommunications law in Chapter 392, RSMo, including Section 392.245, RSMo in that it does not ensure that customers pay only reasonable charges for telecommunications service (Section 392.185 (4)) and does not allow full and fair competition to function as a substitute for regulation when consistent with the protection of ratepayers and otherwise consistent with the public interest Section 392.185 (6), RSMo.

RESIDENTIAL RATEPAYERS NOT PROTECTED
PUBLIC INTEREST NOT SERVED

It is difficult to find that this tariff increasing rates for residential basic services is consistent with the protection of the ratepayers and consistent with the public interest. Where do residential customers turn if these prices are deemed unreasonable, excessive,

unfair, or not affordable by these customers? AT&T will no doubt reply, “Cut the cord and go wireless,” or “Vonage can supply Voip.” or “Cable TV is our biggest competitor.” Each of these alternatives do not provide a reasonable substitute for wireline service with the same scope of services, same minimum investment for service (the existing phone as compared to a wireless phone, or a computer, a modem, or cable tv service) and same consumer protections for billing, collection, and disconnection, adequacy and quality of service, complaint and dispute resolution, and privacy rights under PSC regulations and state telecommunications. How is the public interest served by these rate increases?

The answer is that the public interest is not served. The residential ratepayer will not be protected by competition from these arbitrary increases.

Section 392.200.4(2), RSMo, declares that "it is the intent of this act to bring the benefits of competition to all customers [.]” See, *In the Matter of the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri*, Case No. TO-99-596 (June 1, 2000)

Public Counsel suggests that this tariff proposes increased rates for residential customers without providing any more or better service. Section 392.185 states that the purpose of the chapter is to "permit flexible regulation of competitive telecommunications companies and competitive telecommunications services [.]” Section 392.185(5), RSMo. The proposed increases raise serious questions. Why are only residential customers who have few, if any, real and meaningful choices for residential targeted for increases while the highly sought commercial and business customers that have more real options do not see anything close to this magnitude, if any, increases.

In the context of the recent competitive designation made by the PSC under Section 392.245 RSMo. AT&T's claim that it has gone too long without raising these prices. That has a hollow ring after it increased rates last year and have spent billions on purchasing the Legacy AT&T and BellSouth. Now, once again, AT&T shows its disregard for residential local service customers and soon after the reaffirming its competitive reclassification. Contrary to its repeated denial of any plans to increase these basic rates, AT&T again increases prices as its response to this competition.

Why after the Commission has recognized the competitive status of these services does it feel compelled to increase its rates in an effort to win customers from its competitors? Why does AT&T feel compelled to increase prices under competition rather than use its ability to lower prices to meet competition?

The proposed rate increases are inconsistent with the intent and purpose of the Federal Telecommunications Act of 1996 and S.B. 507 that promises benefits to consumers through competition. Competition is supposed to generate lower consumer prices. The competitive classification was designed to give AT&T flexibility to meet competition. However, the increased prices proposed in this tariff demonstrates that the evidence submitted to show competition for those services was unreliable as a true measure of competition, that the findings of competition based on this evidence and criteria does not reflect competition, and this criteria did not produce the expected restraint on prices.

Public Counsel fears that this environment is no longer competitive as it relates to the local basic telephone customer and the customer that wants reliable, affordable, and

high quality telephone service without having to purchase services that the customer does not want, does not need, or cannot afford.

**LOCAL BASIC SERVICE RATE INCREASES SHOW THAT AT&T HAS
MISLEAD CUSTOMERS AND THE COMMISSION ON ITS PLANS UNDER
COMPETITIVE STATUS**

Notwithstanding AT&T's denial that it never promised not to raise rates, the evidence is clear that AT&T told customers and the PSC that competition will bring lower rates.

At the public hearing in TO-2006-102, Excelsior Springs, Mayor Parker was questioned by the Chairman concerning his understanding of reclassifying AT&T:

MAYOR PARKER

I am -- I am a user of SBC at home as well as
8 in the business, and I'd like to see you have an opportunity
9 to help my community by lowering our rates to our residents.
10 And by the classification, the competitive classification, I
11 think we can do that.

CHAIRMAN DAVIS: Are you aware that SBC is currently price cap
3 regulated?

4 MR. PARKER: No, I was not.

5 CHAIRMAN DAVIS: Okay. So right now, they
6 can't -- can't raise rates on their basic local services, but
7 on certain services that are defined as competitive, they
8 can -- could raise their rates under the old statute, I
9 believe it was up to eight percent a year, and under the new
10 statute, it's now, I believe, five percent a year. Are you
11 aware that SBC has -- has been consistently raising those
12 rates for those -- those services?

13 MR. PARKER: No, sir, I was not.

14 CHAIRMAN DAVIS: And, you know, I mean, do you
15 think that if SBC is granted competitive classification in
16 your area, that they will, in fact, lower rates?

17 MR. PARKER: That's what I've been assured.

18 CHAIRMAN DAVIS: That's what you've been
19 assured? Who assured you of that?

MR. PARKER: By different people that are in
21 the SBC service, that they want to be competitive, and for
22 them to be competitive, if they have a competitive
23 classification, that we, in fact, could be offered a lower
24 rate.

Tr.33-34, 36

In his concurring opinion in TO-2006-0201, Chairman Davis made it clear that AT&T made commitments on price increases:

“To grant a company with the market power of SBC Missouri the unfettered discretion to raise or lower rates causes this commissioner some concern about what might happen when circumstances change and no elected or appointed officials are left to remember the representations made by SBC Missouri to the Governor, the General Assembly or even the Missouri Public Service Commission. Hopefully, competition will thrive in the marketplace and SBC Missouri will prove that this fear is unfounded.” At page 3

**WHAT DID AT&T TELL THE COMMISSION IN HEARINGS
REGARDING COMPETITIVE CLASSIFICATION?**

The text of the transcript of hearings concerning competition and AT&T (then SBC’s) plans after competitive classification speaks for itself:

2 PUBLIC SERVICE COMMISSION
6 TRANSCRIPT OF PROCEEDINGS

7 Hearing

8 February 2, 2005

Jefferson City, Missouri

9 Volume 5

10

11

12 In the Matter of the Second)

Investigation into the State of)

13 Competition in the Exchanges of) Case No. TO-2005-0035

Southwestern Bell Telephone, L.P.)

14 d/b/a SBC Missouri)

15

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23 classification, that we, in fact, could be offered a lower

24 rate.

Tr.33-34, 36

Commissioner Applying questions to Craig Unruh (p. 561)

Q. If this Commission gave you competitive

9 classification, have you-all given any thoughts or have

10 you talked about it within SBC how this is going to affect

11 your consumer? Is that going to raise the costs, I guess?

12 A. I don't believe it will. The marketplace

13 isn't going to allow any significant price increases on

14 consumers. If we were to mistakenly try to raise prices

15 to unreasonable levels, those customers are going to

16 exercise their right to choose another provider, so

17 obviously we would lose in that environment. So that's

18 not something -- that's not something we intend to do.

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**Commissioner Gaw questions to Elizabeth Stoia , SBC Operations, Inc.
Director – Consumer Marketing. San Antonio, (pp.693-5)**

Q. You would be pricing all of your rates --
3 you already told me that you believe that it cost -- that
4 you're under cost on local basic?
5 A. Uh-huh.
6 Q. So would you bring all of your rates down
7 to the lowest cost, even knowing that?
8 A. You know, it's so hard for me to answer
9 that question. I wish I could answer it, but I haven't
10 done a financial analysis. And for me to say something
11 like that under oath and then, you know --
12 Q. My problem is that I'm trying to understand
13 what's likely to occur here, because -- because one of my
14 obligations is to ensure that this competition that's out
15 there is going to act as a surrogate for regulation under
16 the statute, as I understand it.
17 A. Uh-huh.
18 Q. Usually things are worded just the
19 opposite, but in the Missouri statutes it's worded that
20 way. And then I've got to look at public interest issues
21 under that section as well, I think. So I'm trying to
22 understand what the impact to those consumers might be,
23 and you're not helping me right now.
24 A. I could tell you --
Page 673

**25 Q. As to what Bell's intention is if there is
1 competitive status declared for residential.**

**2 A. I can tell you that I haven't done the
3 financial analysis to answer that question in particular,
4 but I can tell you a couple things.
5 The first one is, the last thing that I'm
6 going to do is do something that would cause my customers
7 to leave SBC and go to another provider, whether it's a
8 CLEC, voice over IP or wireless. I can guarantee you
9 that. I'm going to do the appropriate financial analysis.
10 I'm going to do the market analysis. I'm going to talk to
11 my customers and see what it is that they want. I'm not
12 going to do anything that's going to affect us losing more
13 access lines.**
Page 674

14 Q. Now, when you say you're not going to do
15 anything to cause them to leave, does that mean you're --
16 is that the same thing as saying you're not going to do
17 anything to want to cause them to leave or that you're not
18 going to do anything that would allow them to go to
19 another provider, if there was one there?

20 A. I don't think I have -- when you say allow
21 them, I can't control if they decide to -- what do you
22 mean by allow them?

23 Q. My point is, what if they don't have much
24 other choice but to be your customer?

25 A. You mean because the competitors have
1 priced their basic access line rates at such a high level
2 or --

1 think that we're doing the consumer a disservice by not
2 allowing everybody to compete on an even playing field. I
3 understand that even with the price cap, if it is removed,
4 we're still not going to be on the same playing field, but
5 I think we're doing the customer a disservice by not
6 allowing us to have the opportunity to compete and think
7 like our competitors.

8 Q. Do you have another reason besides the two
9 that you gave me for believing that going to competitive
10 classification is a -- is something that would be a
11 positive thing?

12 A. I think it would be positive for customers,
13 for consumers.

14 Q. Be more specific for me, though. I mean,
15 that opinion is -- is a nice marketing tool, but help me
16 to understand specifically how you would -- you believe
17 that would take place.

18 A. Well, it's back to the first two reasons I
19 gave you.

20 Q. Okay. That's all I'm trying to do is make
21 sure -- I want to make sure I've explored the universe of
22 your rationale for why we should -- why it would be better
23 from a public interest standpoint to move to a competitive
24 classification.

Q. Yes. Will my basic local rates stay the
9 same, go down or go up in your estimation?

10 A. I haven't done the business case. I
11 haven't done the analysis. I haven't talked to the
12 customers. I don't -- I can tell you we're not going to
13 do something that's going to cause customers to leave us.

14 Q. Has anyone in your company done that
15 analysis?
16 A. Not yet. We don't have competitive
17 classification.
18 Q. So before you get competitive
19 classification, no one's spending any time determining
20 what would happen if you got it?
21 A. We haven't done any of that.
22 Q. No one in the company has done any analysis
23 on what would happen in Missouri if you got competitive
24 classification from this Commission?
25 A. I haven't done any focus groups. I haven't
done any financial analysis. I haven't done any of that.
2 Q. And I'm not asking specifically whether you
3 have. Your answer was that the company hasn't, right?
4 A. Not to my knowledge.
5 Q. All right. Well, would it have occurred
6 without your knowledge?
7 A. I doubt it.
(p. 694-695)

Note: This case (TO-2005-0035) was tried under the prior provisions of Sec. 392.245, RSMo that first required a finding of "effective competition" for a specific service in a specific exchange before the PSC classified that service competitive.

COMPETITION IN MISSOURI: REAL OR AN ILLUSION

Competition as it has been defined in Missouri has not provided the checks and balances for prices that the General Assembly anticipated. It may not protect consumers either in the short or long run.

These rate increases show a serious failure of the competitive system to protect consumers just as Missouri embarks on the so-called "relaxed" and reduced regulatory oversight that accompanies competitive classification. It now seems that AT&T sees the competitive classification as the green light to raise residential rates unfettered by any meaningful review and regulatory oversight and for the protection of ratepayers and the

advancement of the public interest. And there is little, if anything, under the current law to balance the ratepayers' interests with AT&T's interest.

For these reasons, Public Counsel objects to and opposes these increases and asks the Commission to reject the tariff as contrary to the public interest and the protection of ratepayers.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Michael F. Dandino

BY: _____
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I hereby certify that a copy of the foregoing was mailed, emailed and/or hand delivered this 29th day of August, 2007 to the following attorneys of record:

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/s/ Michael F. Dandino



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August 28, 2007

Secretary of the Commission
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102-0360

Dear Secretary of the Commission:

Southwestern Bell Telephone Company, d/b/a AT&T Missouri, proposes to revise P.S.C. Mo. - No. 24, Local Exchange Tariff, by replacing 31st Revised Sheet 3 with 32nd Revised Sheet 3 and 21st Revised Sheet 3.01 with 22nd Revised Sheet 3.01.

With this tariff filing, AT&T Missouri is proposing to increase rates for residential basic local services in competitively classified areas which include: Rate Group B, Rate Group C, Rate Group C1, Rate Group D, Rate Group D1 and Rate Group D2. These services include Flat Rate 1-Party, Message 1-Party, Flat Rate Trunk and Measured 1-Party. A copy of the customer notifications which were sent in the month of July and early August are attached.

The issued and effective dates are August 28 and September 7, 2007, respectively.

Please refer any questions on this matter to Tim Judge on 573-638-0261.

Very truly yours,

/s/ Tim Judge

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 28th day of August 2007.

Tim Judge

Attachment

RATE NOTICE

Effective 9/7/2007, the monthly rate for your AT&T Missouri local exchange service will increase by \$0.25. For more information, or to learn more about our money-saving packages, products or services, please call 1 800 288-2020 or visit us online at att.com. Thank you for choosing AT&T Missouri.

RATE NOTICE

Effective 9/7/2007, the monthly rate for your AT&T Missouri local exchange service will increase by \$0.75. For more information, or to learn more about our money-saving packages, products or services, please call 1 800 288-2020 or visit us online at att.com. Thank you for choosing AT&T Missouri.

RATE NOTICE

Effective 9/7/2007, the monthly rate for your AT&T Missouri local exchange service will increase by \$1.25. For more information, or to learn more about our money-saving packages, products or services, please call 1 800 288-2020 or visit us online at att.com. Thank you for choosing AT&T Missouri.

RATE NOTICE

Effective 9/7/2007, the monthly rate for your AT&T Missouri local exchange service will increase by \$1.75. For more information, or to learn more about our money-saving packages, products or services, please call 1 800 288-2020 or visit us online at att.com. Thank you for choosing AT&T Missouri.

RATE NOTICE

Effective 9/7/2007, the monthly rate for your AT&T Missouri local exchange service will increase by \$2.50. For more information, or to learn more about our money-saving packages, products or services, please call 1 800 288-2020 or visit us online at att.com. Thank you for choosing AT&T Missouri.

P.S.C. Mo. - No. 24
LOCAL EXCHANGE TARIFF

Southwestern Bell Telephone
Company d/b/a AT&T Missouri

32nd Revised Sheet 3
Replacing 31st Revised Sheet 3

LOCAL EXCHANGE

1.2 RATES (cont'd)

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

A. Main Service-Residence (cont'd)

<u>Group</u>	Current Rates(5)	
	<u>Flat Rate 1-Party</u>	<u>Residence</u> <u>Message 1-Party(2)(4)</u>
A	\$ 7.15	\$ 5.35
B	12.50(CR)	8.75(CR)
C - Principal	13.50	---
C - Metropolitan Calling Area-1	13.75	---
D - Principal	13.75	9.75(CR)
D - Metropolitan Calling Area-1	13.75	---
D - Metropolitan Calling Area-2	13.75(CR)	---

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

(5) See Sheet 3A for maximum rates.

Issued: August 28, 2007

Effective: September 7, 2007

By CINDY BRINKLEY, President – Missouri
St. Louis, Missouri

P.S.C. Mo. - No. 24
LOCAL EXCHANGE TARIFF

Southwestern Bell Telephone
Company d/b/a AT&T Missouri

22nd Revised Sheet 3.01
Replacing 21st Revised Sheet 3.01

LOCAL EXCHANGE

1.2 RATES (cont'd)

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

B. Main Service-Residence (cont'd)

<u>Group</u>	Current Rates(5)	
	<u>Flat Rate Trunk</u>	<u>Residence</u> <u>Measured 1-Party(4)</u>
A	\$11.70	\$3.93
B	17.81(CR)	7.25(CR)
C - Principal	19.26	7.25
C - Metropolitan Calling Area-1	20.39	7.25
D - Principal	20.39	7.25
D - Metropolitan Calling Area-1	20.67	7.25
D - Metropolitan Calling Area-2	21.08(CR)	7.25(CR)

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

(5) See Sheet 3.0101 for maximum rates.

Issued: August 28, 2007

Effective: September 7, 2007

By CINDY BRINKLEY, President – Missouri
St. Louis, Missouri