


NOTARY PUBLIC

Memorandum

To: Official Case File

From: John Van Eschen 
Telecommunications Department

Date: September 27, 2007

Subject: Analysis of Embarq Missouri, Inc.'s competitively classified exchanges

Embarq Missouri, Inc. (Embarq)¹ currently has thirteen exchanges with competitive classification for residential services and nine exchanges with competitive classification for business services. Section 392.245.5(6) requires the Commission to review within certain time frames if competitive conditions continue to exist in these exchanges. Embarq's first exchanges received competitive classification under a process where the Commission determines if effective competition exists within the exchanges.² These exchanges received competitive classification prior to August 28, 2005 when Senate Bill 237 became effective and changed the competitive classification process. The company initially used the new competitive classification process in Case No. IO-2006-0092 and received competitive classification for certain exchanges, effective September 29, 2005. Since that time the company has subsequently requested and received competitive classification for additional exchanges³.

Section 392.245.5(6) describes how the Commission shall review whether the competitive conditions continue to exist in a company's competitive classified exchanges. Such a review will occur at least every two years or where the company increases rates for basic local telecommunications services. If the Commission determines competitive conditions do not exist within an exchange the Commission shall remove the exchange's competitive classification.

Staff's review consists of two parts. One part identifies Embarq's rate increases in competitively classified exchanges during the past two years. A review of Embarq's rate increases shows the company has not increased basic local telecommunications service rates in competitively classified exchanges. Rate increases in non-competitively classified exchanges were within the limits of price cap regulation. Schedule A is a listing of price increases for the company's services during the past two years.

¹ Embarq Missouri, Inc. was previously known as Sprint Missouri, Inc. when the company applied and was granted approval to spin-off from the Sprint Nextel Corporation in Case No. IO-2006-0086. The legal separation took place in the Spring of 2006 and the entity later changed its name from Sprint Missouri, Inc. to Embarq Missouri, Inc. in Case No. TN-2006-0416.

² See the Commission's Report and Order issued December 4, 2003 in Case No. IO-2003-0281, in the matter of the investigation of the State of Competition in the exchanges of Sprint Missouri, Inc. whereby Sprint received competitive classification for three exchanges for both business and residential services (Kearney, Rolla and Norborne exchanges).

³ See Case Nos. TO-2006-0375, IO-2006-0551, TO-2007-0301 and TO-2008-0028.

The second part of Staff's review consists of analyzing whether a qualifying competitive local exchange company (CLEC) continues to provide service within a competitively classified exchange. Staff considers all of the company's competitively classified exchanges as receiving competitive classification under the 30-day track as described in Section 392.245.5. In general the competitive classification process requires a demonstration that at least two nonaffiliated entities are providing local voice service within an exchange in addition to the incumbent local telephone company. The 30-day track requires one of the nonaffiliated entities to be a carrier who is providing local voice service within the exchange on a full-facility basis (lines where the CLEC or its affiliate owns the switch and the lines) or a partial-facility basis (lines where the CLEC or its affiliate owns either the switch or the lines).

Schedules B and C list the company's competitively classified business and residential exchanges, respectively. These schedules identify the line counts for any CLEC with lines in the exchange based on a CLEC's 2004, 2005 and 2006 annual reports and if the CLEC provides service on a full-facility basis, partial-facility basis, and/or other-resale basis (lines where the CLEC leases facilities from the ILEC at a negotiated or arbitrated rate or an arrangement purchased via a commercial agreement). CLECs solely providing prepaid service or lines served through a pure resale arrangement are not included in these schedules. The 2006 annual report is the most recent annual report submitted to the Missouri Commission and identifies line counts as of December 31, 2006. Schedule C identifies six exchanges without line counts from any qualifying CLEC. In one of the six exchanges, Lebanon, Staff presumes Fidelity Communications I is continuing to provide residential service based on the relatively recent granting of competitive status for the exchange on August 30, 2007. In the other five exchanges (Buckner, Lake Lotawana, Oak Grove, Odessa, and Pleasant Hill) Comcast Digital Voice is identified as the CLEC providing service within the exchange. As noted in footnote 3 of Schedule C, Staff has been unable to obtain line count information from Comcast Digital Voice. At this time Staff assumes Comcast Digital Voice is continuing to provide residential services within these five exchanges. Staff also assumes at least one nonaffiliated wireless company continues to provide service within all competitively classified Embarq exchanges. Such an assumption is consistent with Staff's analysis in Case No. TO-2007-0053, in the matter of the review of the competitive classification of the exchanges of Southwestern Bell Telephone, L.P., d/b/a AT&T Missouri.

In Staff's opinion, the evidence suggests competitive conditions continue to exist in Embarq's competitively classified exchanges. Consequently Staff recommends the Commission make a finding that competitive conditions continue to exist in Embarq's competitively classified exchanges.

Attachments:

- Schedule A (Embarq's tariff rate increases)
- Schedule B (CLEC line information for Embarq's business competitively classified exchanges)
- Schedule C (CLEC line information for Embarq's residential competitively classified exchanges)

Missouri Public Service Commission

Embarq Rate Adjustments since August 28, 2005 (Senate Bill 237)

Tariff Filing	PSC Mo. No.	Effective Date	Description Tariff Sheets	Other
JI-2006-0423	22	18-Jan-06	Section 9, page 7; Section 16, pages 4, 21; section 40, page 3; Section 43, pages 5, 6, 13, 14, 16, 17	General Exchange Tariff - CPI-TS of -1.95%. Decreased residential basic local telecommunications service by the CPI-TS for competitive and non-competitive exchanges. Decreased business basic local telecommunications service by the CPI-TS for non-competitive exchanges. Did not reduce or increase business competitive exchanges. Sprint increased the rates of some of their non-basic services up to the 5% annual cap. Increased rates for certain packages of service as outlined in Section 392.200.12.
JI-2006-0424	26	18-Jan-06	Section 3, page 107; Section 7, pages 377, 378, 409	Access rates - Decreased its intrastate switched access rates by CPI-TS of -1.95%
JI-2007-0378	22	15-Jan-07	Section 9, page 7; Section 16, page 21; Section 20, page 14; Section 24, page 1; Section 25, page 6; Section 39, pages 3, 3.1, 3.1.1, 3.3, 3.3.1; Section 40, page 3; Section 43, pages 5, 6, 13, 14, 16, 17	General Exchange - CPI-TS of .2284%. Increased residential basic local telecommunications service by the CPI-TS for non-competitive exchanges. No increase for residential competitive exchanges. Embarq did not increase business basic local telecommunications service for non-competitive exchanges. No increase for business competitive exchanges. Embarq increased the rates of some of their nonbasic services up to the 5% annual cap. Increased rates for certain packages of service as outlined in Section 392.200.12.
JI-2007-0379	26	15-Jan-07	Pages 401, 403, 408, 409, 416, 421, 427, 428, 430, 431, 431.2, 431.3	No increase for switched access services. Embarq did increase Special access rates.
JI-2007-0380	23	15-Jan-07	Page 16	Increased MTS rates - competitive service for all exchanges
JI-2007-0381	24	15-Jan-07	Section 6, Pages 27, 28	Increased IntraLATA Private Line rates - competitive service for all exchanges

Embarq Business Competitive Exchanges
Comparison of CLEC Line Information – 2004, 2005 & 2006 Annual Reports

Exchange (Competitive Status became effective on Date)	CLEC	Lines ¹		
		2004 Annual Report	2005 Annual Report	2006 Annual Report
Ferrelview (09/29/05)	AT&T Communications of the Southwest	** **	** ** ²	** ** ²
	ExOp of Missouri, Inc. d/b/a Unite	** ** ²	** ** ²	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Jefferson City (05/01/06)	AT&T Communications of the Southwest	** ** ²	** ** ²	** ** ²
	MCImetro Access Transmission Services, LLC	** **	** ** ²	** **
	Socket Telecom, LLC	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Kearney (12/04/03)	AT&T Communications of the Southwest	** **	** **	** **
	ExOp of Missouri, Inc. d/b/a Unite	** ** ²	** ** ²	** ** ²
	NuVox Communications of Missouri, Inc.	** ** ²	** ** ²	** **
	TCG Kansas City	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Lebanon (03/10/07)	AT&T Communications of the Southwest	** ** ²	** ** ²	** ** ²

¹ CLEC information combines CLEC lines served on a full-facility basis (lines where the CLEC or its affiliate owns the switch and the lines), partial-facility basis (lines where the CLEC or its affiliate owns either the switch or the lines), and other-resale basis (lines where the CLEC leases facilities from the ILEC at a negotiated or arbitrated rate or an arrangement purchased via a commercial agreement). CLECs solely providing prepaid service or lines served through a pure resale arrangement are not included in this table.

² Line count includes facilities-based (full- and/or partial-facilities) lines, and may include other resale lines. Line counts without this footnote are entirely other resale.

Exchange (Competitive Status became effective on Date)	CLEC	Lines ¹		
		2004 Annual Report	2005 Annual Report	2006 Annual Report
	Fidelity Communication Services I	** **	** **	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Norborne (12/04/03)	Green Hills Telecommunications Services	** ** ²	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Platte City (09/29/05)	AT&T Communications of the Southwest	** **	** **	** ** ²
	ExOp of Missouri, Inc. d/b/a Unite	** ** ²	** ** ²	** ** ²
	NuVox Communications of Missouri, Inc.	** ** ²	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Rolla (12/04/03)	AT&T Communications of the Southwest	** ** ²	** ** ²	** ** ²
	Fidelity Communication Services I	** ** ²	** ** ²	** ** ²
	Socket Telecom, LLC	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
St Robert (09/29/05)	AT&T Communications of the Southwest	** ** ²	** ** ²	** ** ²
	Fidelity Communication Services I	** ** ²	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Waynesville (09/29/05)	Fidelity Communication Services I	** ** ²	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **

Exchange (Competitive Status became effective on Date)	CLEC	Lines ¹		
		2004 Annual Report	2005 Annual Report	2006 Annual Report
	Embarq	** **	** **	** **
CLEC Totals		3,700	4,650	5,285
ILEC Totals		** **	** **	** **

Embarq Residential Competitive Exchanges
Comparison of CLEC Line Information – 2004, 2005 & 2006 Annual Reports

Exchange (Competitive Status became effective on Date)	CLEC	Lines ¹		
		2004 Annual Report	2005 Annual Report	2006 Annual Report
Buckner (07/28/06)	Comcast Digital Voice	** **	** **	** ** ³
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Ferrelview (09/29/05)	ExOp of Missouri, Inc. d/b/a Unite	** ** ²	** ** ²	** ** ²
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	Time Warner Cable	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Jefferson City (05/01/06)	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	MCC Telephony of Missouri, Inc.	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **

¹ CLEC information combines CLEC lines served on a full-facility basis (lines where the CLEC or its affiliate owns the switch and the lines), partial-facility basis (lines where the CLEC or its affiliate owns either the switch or the lines), and other-resale basis (lines where the CLEC leases facilities from the ILEC at a negotiated or arbitrated rate or an arrangement purchased via a commercial agreement). CLECs solely providing prepaid service or lines served through a pure resale arrangement are not included in this table.

² Line count includes facilities-based (full- and/or partial-facilities) lines, and may include other resale lines. Line counts without this footnote are entirely other resale.

³ Competitive status was granted to the exchange based on a finding by the Commission in Case No. IO-2006-0551 that Comcast Digital Voice is providing facilities-based local voice service within the exchange. An annual report has never been filed by Comcast Digital Voice and the company refuses to provide line counts when requested by the Commission Staff. Consequently the Commission Staff does not know the specific number of lines served by Comcast Digital Voice. Case No. TC-2007-0111 is pending addressing the issue of the Commission's jurisdiction over Comcast Digital Voice. Staff is continuing its efforts to obtain line count information from Comcast.

Exchange (Competitive Status became effective on Date)	CLEC	Lines ¹		
		2004 Annual Report	2005 Annual Report	2006 Annual Report
Kearney (12/04/03)	ExOp of Missouri, Inc. d/b/a Unite	** ** ²	** ** ²	** ** ²
	Time Warner Cable	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Lebanon (08/30/07)	Fidelity Communication Services I	** **	** **	** **
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Lake Lotawana (07/28/06)	Comcast Digital Voice	** **	** **	** ** ³
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Norborne (12/04/03)	Green Hills Telecommunications Services	** ** ²	** ** ²	** ** ²
	MCC Telephony of Missouri, Inc.	** **	** **	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Oak Grove (07/28/06)	Comcast Digital Voice	** **	** **	** ** ³
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Odessa (07/28/06)	Comcast Digital Voice	** **	** **	** ** ³
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **

Exchange (Competitive Status became effective on Date)	CLEC	Lines ¹		
		2004 Annual Report	2005 Annual Report	2006 Annual Report
Platte City (09/29/05)	ExOp of Missouri, Inc. d/b/a Unite	** ** ²	** ** ²	** ** ²
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	Time Warner Cable	** ** ²	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Pleasant Hill (07/28/06)	Comcast Digital Voice	** **	** **	** ** ³
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Rolla (12/04/03)	Fidelity Communication Services I	** ** ⁴	** ** ²	** ** ²
	Granite Telecommunications of Missouri, LLC	** **	** **	** **
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
Weston (09/29/05)	Time Warner Cable	** **	** ** ²	** ** ²
	CLEC Totals	** **	** **	** **
	Embarq	** **	** **	** **
CLEC Totals		8,083	10,180	11,560
ILEC Totals		** **	** **	** **