

# TELEPHONE UTILITIES EXCHANGE CARRIER ASSOCIATION

TARIFF F.C.C. NO. 2

## ANNUAL INTERSTATE FILING

June 16, 2008

TRANSMITTAL NO. 194

### **DESCRIPTION AND JUSTIFICATION**

#### **Description of Filing**

The Telephone Utilities Exchange Carrier Association (TUECA) companies hereby provide their respective Description and Justification for the changes proposed under Transmittal No. 194 to the TUECA Tariff F.C.C. No. 2. The accompanying tariff material has been filed by the TUECA in compliance with the Rules and Regulations of the Federal Communications Commission (Commission) with respect to annual access charge filings as indicated in the March 28, 2008 release entitled In the Matter of the July 1, 2008 Annual Access Tariff Filings, DA 08-758. Each of the TUECA proposed rates covers the period from July 1, 2008 to June 30, 2009 and reflects the cost and demand characteristics of the issuing carriers of the TUECA tariff.

The tariff material issued by the TUECA under Transmittal No. 194 is filed with the Commission on June 16, 2008 and is being made on fifteen days notice pursuant to Section 204(a)(e) of the Communications Act of 1934 as amended. Pursuant to Section 69.3 (e) of the Commission's Rules, the TUECA Tariff also establishes rates for Switched, Special, and Miscellaneous Access Services based on the combined Part 36 and 69 studies of CenturyTel of Washington, Inc., CenturyTel of Eastern Oregon, Inc., CenturyTel of Montana, Inc., CenturyTel of Gem State, Inc. (Idaho), CenturyTel of Gem State, Inc. (Nevada), CenturyTel of Eagle, Inc., CenturyTel of Wyoming, Inc., CenturyTel of Midwest-Wisconsin, LLC (includes NW Tel, Cencom, Platteville, Thorp, and Casco), CenturyTel of Minnesota, Inc., CenturyTel of Midwest-Kendall, LLC, CenturyTel of Cowiche, Inc., CenturyTel of Monroe County, Inc., CenturyTel of San Marcos, Inc., CenturyTel of Inter-Island, Inc. and CenturyTel of Oregon, Inc.

This annual 2008 Access Tariff filing implements rate level changes in the access services offered by the issuing carriers of this TUECA Tariff in accordance with the requirements of Part 69, Section 69.3(a) of the Commission's Rules. The proposed rates of the issuing carriers of this TUECA Tariff are targeted to earn the authorized rate of return of 11.25 percent for the test period. All supporting data and documentation are provided in accordance with the requirements of Section 61.38 of the Commission's Rules.

The proposed Access Service rates will result in a projected total company average rate decrease of 12.95% for this year tariff filing.

## **TUECA, Section 17**

### **Justification**

The following justification is provided for the proposed rates filed by CenturyTel of Washington, Inc., CenturyTel of Eastern Oregon, Inc., CenturyTel of Montana, Inc., CenturyTel of Gem State, Inc. (Idaho), CenturyTel of Gem State, Inc. (Nevada), CenturyTel of Eagle, Inc., CenturyTel of Wyoming, Inc., CenturyTel of Midwest-Wisconsin, LLC (includes NW Tel, Cencom, Platteville, Thorp, and Casco), CenturyTel of Minnesota, Inc., CenturyTel of Midwest- Kendall, LLC, CenturyTel of Cowiche, Inc., CenturyTel of Monroe County, Inc., CenturyTel of San Marcos, Inc., CenturyTel of Inter-Island, Inc. and CenturyTel of Oregon, Inc. – (collectively referred to as TUECA companies).

### **A. Cost Development**

In accordance with Section 61.38(b)(1)(i) of the Commission's Rules, the TUECA companies prepared cost of service studies for the historic 12-month period ending December 31, 2007. The historical studies have been used for the purpose of projecting the TUECA's test year revenue requirement for this tariff filing. The FCC MAG/Access Charge Reform Order has been implemented in the historical and projected studies.

Likewise, and in accordance with Section 61.38(b)(1)(ii) of the Commission's Rules, the TUECA projected its costs for the fiscal year ending June 30, 2008. The historical cost relationship for the TUECA was used as the basis to allocate, pursuant to the Part 36 and Part 69 rules, budgeted costs for the July 1, 2008 through June 30, 2009 test period. The projected rate base and expense figures were based on budgeted information using the Part 32 Uniform System of Accounts. All non-regulated amounts were identified and excluded in accordance with Part 64 cost allocation procedures. The TUECA companies' budgets were based upon anticipated demand for services and upon assumptions of the expenses to provide those services. Budgeted expense figures reflect projected wage and salary increases for the test period. In addition, the TUECA continues to work on the efficiencies of in-house services and operational changes to improve services and reduce costs.

### **B. Demand Projections**

Historical demand for the calendar year 2007 and projected demand for the test period are displayed in the TUECA companies TRP. Available historical data with adjustments for known and measurable changes were used to develop forecasts of the demand for Switched, Special, and Miscellaneous Access Services. Historical trends, economic conditions of the service area, and new developments were considered to identify any unusual occurrences or events, which might skew the

data or undermine the validity.

Access minutes derived from the results of this analysis were then used to develop projections for Switched Access Services where appropriate. While the TUECA companies have experienced some fluctuation within Special Access services, we have seen a slowdown in the housing market in these markets since the last tariff filing. Economic conditions seem to be worsening due to the inflationary impact of higher oil prices. The TUECA companies have experienced a decrease in voice grade and digital services and an increase in the high capacity services. The TUECA companies introduced term discounts for high cap services in our projections reflecting a migration of demand to those term plans.

### **C. Rate Development**

Rates for each access rate element were calculated in the manner set forth in Exhibits 1 through 3 for Switched Access and Special Access. All projected revenue requirements reflect the appropriate return level of 11.25 percent as well as all applicable state and federal taxes.

### **D. Revenue Effect**

In accordance with Section 61.38(b)(1)(iii) of the Commission's Rules, this filing will have the following projected effect on the revenues.

The proposed Switched Access Service rates will result in a projected average rate decrease of 6.67%. The proposed Special Access Service rates will result in a projected average rate decrease of 18.77%. These changes represent a total company decrease of 12.95% for this year tariff filing.