TELEPHONE UTILITIES EXCHANGE CARRIER ASSOCIATION

TARIFF F.C.C. NO. 2

ANNUAL INTERSTATE FILING

June 17, 2002

TRANSMITTAL NO. 175

DESCRIPTION AND JUSTIFICATION

Description of Filing

The Telephone Utilities Exchange Carrier Association (TUECA) hereby provide its Description and Justification for the changes proposed under Transmittal No. 175 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 June 3, 2002 release entitled In the Matter of July 2, 2002 Annual Access Charge Filings, DA 02-1308. Each of the TUECA proposed rates cover the period from July 2, 2002 to June 30, 2003 and reflect the cost and demand characteristics of the issuing carriers of the TUECA tariff.

The tariff material issued by the TUECA under Transmittal No. 175 is filed with the Commission on June 17, 2002 and is being made on fifteen days notice pursuant to Section 204(a)(3) of the Communications Act of 1934 as amended. Pursuant to Section 69.3(e) of the Commission's Rules, the TUECA Tariff 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 Oregon, Inc., CenturyTel of Montana, Inc., CenturyTel of Gem State – Idaho, Inc., CenturyTel of Gem State – Nevada, Inc., CenturyTel of Eagle, Inc., CenturyTel of Wyoming, Inc., CenturyTel of Midwest-Wisconsin (includes NW Tel, Cencom, Platteville, Thorp, and Casco), CenturyTel of Minnesota, Inc., CenturyTel of Midwest-Wisconsin Kendall, Inc., and CenturyTel of Cowiche, Inc.

This annual 2002 Access Tariff filing implements rate level changes in the access services offered by the issuing carriers of the 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 the 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.

CenturyTel uses the Warinner, Gesinger & Associates, LLC (WGA) cost study model for Part 36 and Part 69 calculations. This model had not been updated to reflect the November 8, 2001 FCC MAG/Access Charge Reform Order at the time NECA requested line side port (LSP) shift changes. Since that time WGA has updated its model and distributed it to their users. Our forecasted LSP shifts for this filing are slightly different from the amounts used by NECA. Since NECA's per minute common line rate will not be affected and the interstate common line support will be trued up to actual, we used the LSP calculations from the updated WGA model for this filing.

1. Justification

The following justification is provided for the proposed rates filed by the TUECA.

A. Cost Development

In accordance with Section 61.38(b)(1)(i) of the Commission's Rules, the TUECA prepared a cost of service study for the historic 12-month period ending December 31, 2001. The historical study has been used for the purposed of projecting the TUECA's test year revenue requirement for this tariff filing.

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, 2003. The historical cost relations for the TUECA was used as the basis to allocate, pursuant to the Part 36 and Part 69 rules, budgeted costs for the July 2, 2003 through June 30, 2003 test period. The projected rate base and expense figures were based on budgeted information using Part 32 Uniform System of Accounts. All non-regulated amounts were identified and excluded in accordance with the TUECA's Part 64 cost allocation procedures. The TUECA's budget was 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. Regulatory fees continue to increase as the TUECA files new services and responds to the requirements of the Telecommunications Act of 1996. 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

Minute of use access demand for the calendar year 2001 and demand projects for the test period are displayed in the TUECA's TRP DMD-1. Using analysis of available historical data with known and measurable changes, separations forecasts were made to estimate the demand for Switched Access Services and Special 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 has experienced some fluctuation within Special Access services, the economic conditions with the service area remain relatively unchanged since the last annual filing. The TUECA has experienced a decrease in voice grade and digital services and this trend has been included in the projections.

C. Rate Development

Rates for each access rate element were calculated in the manner set forth in Exhibits 1 through 5 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 of the TUECA from the base period. The effect on the TUECA's traffic has been indicated above.

The proposed Switched Access Service rates will result in a projected increase of $2,713,054 and the proposed Special Access Service rates will result in a projected decrease of $6,043,556 in direct charges. In the total, the filing will have a projected net decrease of $3,330,502 in direct charges as reflected on TRP RTE-2.