DESCRIPTION AND JUSTIFICATION

TXU COMMUNICATIONS COMPANIES (TXUCC)
Comprised of: Ft Bend Telephone Company (FBTC) and
TXU Communications Telephone Company (TXUC)

Transmittal No. 3, February 25, 2004

Description

This filing accomplishes 3 actions:

(1) Changes the termination liability to "amount remaining on the contract"
(2) Adds a provision enabling TXUCC to audit Switched Access PIUs
(3) Corrects spelling errors in the ADSL description

Under the first of these, TXUCC currently has in the tariff a methodology which uses the "cumulative difference to date" between the term payment plan (TPP) rate and the monthly rate. This methodology multiplies this difference times the actual time the contract has already run, allowing customers to utilize a great deal of resources in the early stages of the contract with very little disincentive to keep them from exiting the contract. For instance, if a customer turns up ADSL service at $22 per month and cancels after 1 month, he/she would owe a termination liability of $23 ($45 monthly rate minus $22 TPP rate), whereas TXUCC would have invested much more in time and resources to initiate the service for the customer – expenses which would have to be borne by the remainder of the company's customers. Under the revised methodology, used by NECA and many other companies, if a customer signs a contract for one year of service ($22 times 12 months), he/she is responsible to pay the full contract amount ($264) for the service, whether or not he/she continues to subscribe to it. This is more of a front-end loaded incentive to stay with the Company's ADSL service until the contract is completed.

To avoid customer confusion, TXUCC has grandfathered those customers who have a prior termination liability to permit them to retain it. The liability assessed will be the lower amount of the 2 methodologies. This grandfathering will end one year from the effective date of this tariff change (March 11, 2005).

TXUCC is also adding a provision to permit it to audit the percentage interstate use (PIU) for companies using its switched access service. This gives TXUCC the ability to ensure that this critical percentage is reported correctly or to audit the questionable reporting companies. The language is taken directly from the NECA Tariff FCC 5, section 2.3.11(C)(4) and 2.3.11(C)(3)(a).

Finally, 2 spelling errors are corrected on pages 17-28 and 18-31 to correct ADLS to ADSL.

There are no rate changes with this filing.

Justification

Approval of these changes will result in improved efficiency for the Company and improved service to the customers. It will incent customers to keep ADSL service after signing up for a TPP. Companies whose PIU reporting appears questionable will be required to undergo a 1-quarter audit to verify the reported PIUs. Since there are no rate changes, customer notification is not applicable.