TELEPHONE UTILITIES EXCHANGE CARRIER ASSOCIATION

TARIFF F.C.C. NO. 2

ANNUAL RATE OF RETURN ACCESS FILING

June 16, 2006

TRANSMITTAL NO. 190

DESCRIPTION AND JUSTIFICATION

Description of Filing

The Telephone Utilities Exchange Carrier Association (TUECA) hereby provides its respective Description and Justification for the changes proposed under Transmittal No. 190 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 (FCC or Commission) with respect to annual access charge filings as indicated in the March 24, 2006 release entitled In the Matter of Material to be Filed in Support of 2006 Annual Access Tariff Filings, WCB/Pricing File No. 06-15. Each of the TUECA proposed rates cover the period from July 1, 2006 through June 30, 2007 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. 190 is filed with the Commission on June 16, 2006 and is being made on fifteen days notice pursuant to 47 U.S.C. §204(a)(3). 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 Oregon, Inc., CenturyTel of Montana, Inc., CenturyTel of the Gem State, Inc. (Idaho), CenturyTel of the 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 Monroe County, LLC, CenturyTel of San Marcos, Inc. and CenturyTel of Cowiche, Inc.

The TUECA study areas have elected to permissively detariff their DSL service as allowed in CC Docket No. 02-33 – Notice of Detariffing of Common Carrier Broadband Internet Access Transmission Service, and have filed Transmittal No. 189 to become effective on July 1, 2006. As shown on Exhibit 2, revenue requirements associated with DSL have been removed. Also, projected demand and revenues exclude DSL.

This annual 2006 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 §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% for the test period. All supporting data and documentation are provided in accordance with the requirements of §61.38 of the Commission's Rules.

Justification

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

A. Cost Development

In accordance with §61.38(b)(1)(i) of the Commission's Rules, the TUECA prepared a cost of service study for the historic twelve-month period ending December 31, 2005. The historical study has 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 both the historical and projected studies.

Likewise, and in accordance with §61.38(b)(1)(ii) of the Commission's Rules, the TUECA projected its costs for the fiscal year ending June 30, 2007. 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, 2006 through June 30, 2007 test period. The projected rate base and expense figures were based on budgeted information using Part 32 Uniform System of Accounts. Non-regulated amounts were identified and excluded in accordance with 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. The TUECA continues to achieve the efficiencies of in-house services and operational changes to improve services and reduce costs as reflected in this filing.

B. Demand Projections

Historical demand for the calendar year 2005 and projected demand for the test period are displayed in TUECA's 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 from the results of this analysis were then used to develop projections for Switched Access Services where appropriate. The analysis indicated an overall decrease in access minutes of approximately 4%, due primarily to reductions in originating 800 calls. The volume of 800 messages has declined as well as the average holding time for 800 calls. While TUECA has experienced some fluctuation within Special Access services, the economic conditions within the service area remain relatively unchanged since the last annual filing. TUECA continues to experience a decrease in voice grade and digital services and an increase in the high capacity services. These trends have 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 4 for Switched Access and Special Access. All projected revenue requirements reflect the appropriate return level of 11.25% 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 effects on the revenues:

> The proposed Switched Access Service rates will result in a projected average rate decrease of 27.3%. The proposed Special Access Service rates will result in a projected average rate decrease of 12.8%. The overall proposed Access Service rates will result in a projected average rate decrease of 22.2%.