

CENTURYTEL OPERATING COMPANIES

TARIFF F.C.C. No. 2 and 3

ANNUAL PRICE CAP ACCESS FILING

June 16, 2006

TRANSMITTAL NO. 49

DESCRIPTION AND JUSTIFICATION

Description of Filing

Introduction

CenturyTel Operating Companies (CTOCs) hereby provide their Description and Justification for the changes proposed under Transmittal No. 49 to CTOC F.C.C. Tariff No. 2 and 3. This information is being filed 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, and fulfills the requirements established in Sections 61.41 through 61.49 of the Commission's Rules. Information in this filing is provided for all four COSA's associated with CenturyTel of Alabama, LLC and CenturyTel of Missouri, LLC. Exhibit 1 lists the COSA's associated with each company. Also attached, as directed by the Commission, are copies of the CTOCs' 492A filings as Exhibit 4.

Justification

The following justification is provided for the proposed rates filed by the CTOCs:

A. Demand

Demand data reflects the period January 1 through December 31, 2005 and is used in the calculations of the *Price Cap Index* (PCIs), *Actual Price Index* (APIs), and *Service Brand Index* (SBIs). Commission Rules require new service offerings to be included in the first price cap filing following the completion of the base year in which the new services become effective. As shown on Exhibit 5A, no new services were introduced in the base period. Pursuant to paragraph 61.42(g) of the Commission's rules, only the demand for services that have not obtained pricing flexibility relief and have not been removed from Price Caps are included in the appropriate Price Cap baskets. The TRP Order requires a detailed listing of services excluded from price cap regulation. These excluded services are listed in Exhibit 5B.

B. Price Cap Index Development

The Price Cap Index (PCI) for each basket was calculated in accordance with Commission Rules. A GDP-PI factor of 3.0881% was used in calculating the PCIs and is based on the percentage change in the Gross Domestic Product Price Index (GDP-PI) between the quarter ending December 31, 2005 and the corresponding quarter of the 2004 GDP-PI. A productivity-offset equal to the GDP-PI was applied in calculating PCIs for the common line, traffic sensitive, and trunking baskets. A 3.0% productivity factor was used for the interexchange basket. Information on exogenous cost, productivity factors, and minute/line growth are provided in schedule PCI-1.

C. IND-1 References

In the TRP Order, a work paper was requested to identify transmittals in which current index levels became effective. Many of the current index levels were established by the predecessor property owners (GTE and Contel). The remaining indexes were established by Verizon. The transmittal numbers for the indexes from the price cap filing prior to the CenturyTel acquisition is listed on the work paper included as Exhibit 3.

D. Exogenous Cost Changes

The Tariff Review Plan (TRP) guidelines provide for consideration of exogenous cost changes between filing periods. Exogenous cost changes include the following: (1) regulatory fees, (2) telecommunications relay service (TRS), and (3) North American Number Plan Administration (NANPA). Prescribed factors are multiplied against 499 revenues to determine amounts owed for the various exogenous assessments. None of the exogenous costs have been allocated to the Traffic Sensitive (other than 800 DB and BNA) and Trunking baskets to avoid any recovery by the Average Traffic Sensitive rate per Commission rule 61.45(d)(3). Exhibit 2 shows the incremental exogenous costs included in the filing.

Regulatory Fees

The calculation of change in regulatory fees to be reflected in the 2006 tariff year is based on the application of the Commission prescribed factor of 0.00256. This factor was set forth in Assessment and Collection of Regulatory fees for fiscal year 2006, MD 06-68, Notice of Proposed Rulemaking, (released March 27, 2006).

Telecommunication Relay Service

The Telecommunications Relay Service (TRS) fee is based on the annual cost recovery factor of 0.00494 as released on May 12, 2006 via Public Notice DA-06-1031, CG Docket 03-123.

North American Numbering Plan Administration

Pursuant to Commission Order, DA 06-1000, CC Docket 92-237, released May 9, 2006, the contribution factor of 0.000021 is applied against end user revenues to fund the 2006 numbering program.

E. Explicit USAC Support

The impact of current explicit USAC support is utilized to develop the CCL, PICC, and EUCL rates and is included in the TRP CAP schedules. Exhibit 6 shows the proposed explicit support revenue using 2005 historical lines with the proposed USAC rates.

F. CMT Per Line Revenue

An integral part of the CALLS Order and certain subsequent rate calculations is the use of the average common line, marketing, and transport interconnection charge revenue (CMT revenue) per line. Exhibit 7 lists the CMT per line for each COSA.

G. Rate Detail

Included with the filing is a rate detail schedule for each COSA. This detail shows the current and proposed rates in Lotus 1-2-3 spreadsheet format.

H. Universal Service Contribution Factor

End user tariff changes are being updated to reflect the new quarterly FUSC contribution factor of 10.5% in accordance with DA 06-1252, released June 09, 2006.

I. Conclusion

The CenturyTel Operating Companies hereby submit the accompanying TRPs and exhibits consistent with the Commission's price cap regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable, and are in compliance with universal service decisions as demonstrated by the filed information.