

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Request from)
Customers in the Rockaway Beach)
Exchange for an Expanded Calling Scope)
to Make Toll-Free Calls to Branson.)

Case No. TO-2003-0257

**STAFF’S SUGGESTIONS IN OPPOSITION
TO THE STIPULATION AND AGREEMENT**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), pursuant to 4 CSR 240-2.115, and for its Suggestions in Opposition to the Stipulation and Agreement states:

1. On August 1, 2005, the Office of the Public Counsel (“OPC”) and CenturyTel of Missouri, LLC (“CenturyTel”) (collectively “signatory parties”) filed a Stipulation and Agreement (“Stipulation”) with the Commission for resolution of the petition for expanded calling from Rockaway Beach to Branson. The Staff did not join the other parties in supporting the Stipulation and the expanded calling plan proposed therein because the Staff believes the Stipulation is unlawful and unreasonable.

2. Under Section 392.245 RSMo 2000, price cap regulated carriers are required to annually adjust their maximum allowable prices for basic local service and exchange access service. The Staff’s interpretation of the price cap statute is that the Stipulation proposes an unlawful solution to the expanded calling scope petition that would use the annual price cap adjustment in a manner that is inconsistent with Section 392.245 RSMo 2000.

Section 392.245.4 states in relevant part:

(1) Except as otherwise provided in subsections 8 and 9 of this section and section 392.248, the maximum allowable prices for exchange access and basic local telecommunications services of a large, incumbent local exchange telecommunications company regulated under this section shall not be changed prior

to January 1, 2000. Thereafter, the maximum allowable prices for exchange access and basic local telecommunications services of an incumbent local exchange telecommunications company shall be annually changed by one of the following methods:

(a) By the change in the telephone service component of the Consumer Price Index (CPI-TS), as published by the United States Department of Commerce or its successor agency for the preceding twelve months; or

(b) Upon request by the company and approval by the commission, by the change in the Gross Domestic Product Price Index (GDP-PI), as published by the United States Department of Commerce or its successor agency for the preceding twelve months, minus the productivity offset established for telecommunications service by the Federal Communication Commission and adjusted for exogenous factors;

(2) The commission shall approve a change to a maximum allowable price filed pursuant to paragraph (a) of subdivision (1) of this subsection within forth-five days of filing notice by the local exchange telecommunications company. An incumbent local exchange company shall file a tariff to reduce the rates charged for any service in any case in which the current rate exceeds the maximum allowable price established under this subsection.

The Stipulation proposes that CenturyTel will elect to use the first method, the annual change in the telephone service component of the Consumer Price Index (CPI-TS), to satisfy the requirements of the statute. However, the Stipulation proposes to utilize a portion of the revenues represented by what would be a reduction in all basic local rates to offset a portion of the revenue requirement necessary to effectuate the proposed expanded calling plan.

3. The Staff interprets Section 392.245 RSMo to require carriers to make the adjustment to the maximum allowable price for all basic local services. For the preceding twelve months, the telephone service component of the CPI-TS decreased by 2.1021%. Under the Stipulation, CenturyTel's basic local customers would not receive an adjustment equal to the change to the CPI-TS. Instead of making a 2.1021% adjustment to the basic local rates of all CenturyTel customers, the Stipulation would funnel a portion of the benefits to customers in Rockaway Beach, Forsyth, Kimberling City, and Reeds Spring exchanges. Customers in most

exchanges would see a reduction of 0.7668% in basic local rates. This appears to be inconsistent with the language of Section 392.245.4(1), which states that the maximum allowable prices for basic local and exchange access “shall be annually changed by one of the following methods.” The Stipulation also appears to be inconsistent with Section 392.245.4(2), which requires price cap regulated carriers to file tariffs to reduce the rates charged “for any service in any case in which the current rate exceeds the maximum allowable price.”

4. If the Commission determines that the proposal is lawful under Section 392.245 RSMo, the Staff believes the proposal may not be reasonable, and that an alternative rate design may be reasonable. If the Commission determines that such a proposal is lawful, the Staff requests an evidentiary hearing to look at the reasonableness of the rate design and calling scopes of this and alternative plans, to be followed by a local public hearing in Branson. The Staff believes the proposal may not adequately addresses the interests of the area.

WHEREFORE, the Staff respectfully offers these suggestions in opposition to the Stipulation and Agreement.

Respectfully submitted,

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/s/ Marc Poston

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of August 2005.

/s/ Marc Poston
