

CENTURYTEL OPERATING COMPANIES

TARIFF F.C.C. No. 1

ANNUAL INTERSTATE FILING

June 24, 2004

TRANSMITTAL NO. 37

DESCRIPTION AND JUSTIFICATION

Description of Filing

The CenturyTel Operating Companies (CTOCs) hereby provide their respective Description and Justification for the changes proposed under Transmittal No. 37 to the CTOC Tariff F.C.C. No. 1. The accompanying tariff material has been filed by the CTOCs in compliance with the Rules and Regulations of the Federal Communications Commission (Commission) with respect to annual access charge filings as indicated in the April 19, 2004 release entitled In the Matter of Material to be filed in Support of 2004 Annual Access Tariff Filings, DA 04-1048. Each of the CTOCs proposed rates cover the period from July 1, 2004 to June 30, 2005 and reflect the cost and demand characteristics of the issuing carriers of the CTOC tariff.

The tariff material issued by the CTOCs under Transmittal No. 37 is filed with the Commission on June 24, 2004 and is being made on seven days notice pursuant to Section 204(a)(e) of the Communications Act of 1934 as amended. Pursuant to Section 69.3 (e) of the Commission's Rules, CenturyTel of Ohio, Inc. and CenturyTel of Wisconsin, LLC, file this Tariff in order to reflect company-specific rates for providing Switched, Special, and Miscellaneous Access Services. Also pursuant to Section 69.3(e) of the Commission's Rules, the CTOC Tariff also establishes rates for Switched, Special, and Miscellaneous Access Services based on the combined Part 36 and 69 studies of CenturyTel Midwest-Michigan, Inc. and CenturyTel of Michigan, Inc.

This annual 2004 Access Tariff filing implements rate level changes in the access services offered by the issuing carriers of the CTOC 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 CTOC 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.

1. Justification – CenturyTel of Ohio, Inc.

The following justification is provided for the proposed rates filed by CenturyTel of Ohio, Inc. (CTO).

A. Cost Development

In accordance with Section 61.38(b)(1)(i) of the Commission's Rules, CTO prepared a cost of service study for the historic 12-month period ending December 31, 2003. The historical study has been used for the purpose of projecting CTO's test year revenue requirement for this tariff filing. The FCC MAG/Access Charge Reform Order has been implemented in the historical and projected studies.

Likewise, and in accordance with Section 61.38(b)(1)(ii) of the Commission's Rules, CTO projected its costs for the fiscal year ending June 30, 2005. The historical cost relationship for CTO was used as the basis to allocate, pursuant to the Part 36 and Part 69 rules, budgeted costs for the July 1, 2004 through June 30, 2005 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 Part 64 cost allocation procedures. CTO'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 CTO files new services and responds to the requirements of the Telecommunications Act of 1996. In addition, CTO continues to work on the efficiencies of in-house services and operational changes to improve services and reduce costs.

B. Demand Projections

Historical demand for the calendar year 2003 and projected demand for the test period are displayed in CTO'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 derived from the results of this analysis were then used to develop projections for Switched Access Services where appropriate. While CTO has experienced some fluctuation within Special Access services, the economic conditions within the service area remain relatively unchanged since the last annual filing. CTO has experienced 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 3 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.

The proposed Switched Access Service rates will result in a projected average rate decrease of 11.9%. The proposed Special Access Service rates will result in a projected average rate decrease of 21.7%.

2. Justification – CenturyTel of Wisconsin, LLC

The following justification is provided for the proposed rates filed by CenturyTel of Wisconsin, LLC. (CTW).

A. Cost Development

In accordance with Section 61.38(b)(1)(i) of the Commission's Rules, CTW prepared a cost of service study for the historic 12-month period ending December 31, 2003. The historical study has been used for the purpose of projecting CTW's test year revenue requirement for this tariff filing. The FCC MAG/Access Charge Reform Order has been implemented in the historical and projected studies.

Likewise, and in accordance with Section 61.38(b)(1)(ii) of the Commission's Rules, CTW projected its costs for the fiscal year ending June 30, 2005. The historical cost relationship for CTW was used as the basis to allocate, pursuant to the Part 36 and Part 69 rules, budgeted costs for the July 1, 2004 through June 30, 2005 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 Part 64 cost allocation procedures. CTW'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 CTW files new services and responds to the requirements of the Telecommunications Act of 1996. In addition, CTW continues to work on the efficiencies of in-house services and operational changes to improve services and reduce costs.

B. Demand Projections

Historical demand for the calendar year 2003 and projected demand for the test period are displayed in CTW'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 derived from the results of this analysis were then used to develop projections for Switched Access Services where appropriate. While CTW has experienced some fluctuation within

Special Access services, the economic conditions within the service area remain relatively unchanged since the last annual filing. CTW has experienced 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 3 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.

The proposed Switched Access Service rates will result in a projected average rate decrease of 33.5%. The proposed Special Access Service rates will result in a projected average rate decrease of 24.2%.

3. Justification – CenturyTel Midwest-Michigan, Inc./ CenturyTel of Michigan, Inc.

The following justification is provided for the proposed rates filed by CenturyTel Midwest-Michigan, Inc./ CenturyTel of Michigan, Inc. (collectively referred to as CTM).

A. Cost Development

In accordance with Section 61.38(b)(1)(i) of the Commission's Rules, CTM prepared a cost of service study for the historic 12-month period ending December 31, 2003. The historical study has been used for the purpose of projecting CTM's test year revenue requirement for this tariff filing. The FCC MAG/Access Charge Reform Order has been implemented in the historical and projected studies.

Likewise, and in accordance with Section 61.38(b)(1)(ii) of the Commission's Rules, CTM projected its costs for the fiscal year ending June 30, 2005. The historical cost relationship for CTM was used as the basis to allocate, pursuant to the Part 36 and Part 69 rules, budgeted costs for the July 1, 2004 through June 30, 2005 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 Part 64 cost allocation procedures. CTM'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 CTM files new services and responds to the requirements of the Telecommunications Act of 1996. In addition, CTM continues to work on the efficiencies of in-house services and operational changes to improve services and reduce costs.

B. Demand Projections

Historical demand for the calendar year 2003 and projected demand for the test period are displayed in CTM'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 derived from the results of this analysis were then used to develop projections for Switched Access Services where appropriate. While CTM has experienced some fluctuation within Special Access services, the economic conditions within the service area remain relatively unchanged since the last annual filing. CTM has experienced 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 3 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.

The proposed Switched Access Service rates will result in a projected average rate decrease of 15.6%. The proposed Special Access Service rates will result in a projected average rate decrease of 38.5%.