TELEPHONE UTILITIES EXCHANGE CARRIER ASSOCIATION

TARIFF F.C.C. NO. 2

ANNUAL INTERSTATE FILING

June 24, 2004

TRANSMITTAL NO. 182

DESCRIPTION AND JUSTIFICATION

Description of Filing

The Telephone Utilities Exchange Carrier Association (TUECA) hereby provide their respective Description and Justification for the changes proposed under Transmittal No. 182 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 (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 TUECA 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 TUECA tariff.

The tariff material issued by the TUECA under Transmittal No. 182 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, 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 Gem State, Inc. (Idaho), CenturyTel of 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, and CenturyTel of Cowiche, Inc.

This annual 2004 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 Part 69, Section 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 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.

Justification

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

A. Cost Development

In accordance with Section 61.38(b)(1)(i) of the Commission's Rules, the TUECA 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 the TUECA'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, the TUECA projected its costs for the fiscal year ending June 30, 2005. 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, 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. 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. Regulatory fees continue to increase as the TUECA files new services and responds to the requirements of the Telecommunications Act of 1996. In addition, the TUECA 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 the 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 derived from the results of this analysis were then used to develop projections for Switched Access Services where appropriate. While the TUECA has experienced some fluctuation within Special Access services, the economic conditions within the service area remain relatively unchanged since the last annual filing. The TUECA 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. <u>Revenue Effect</u>

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 15.4%. The proposed Special Access Service rates will result in a projected average rate decrease of 50.1%.