BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF
CENTURYTEL OF CENTRAL ARKANSAS, LLC
FOR THE ISSUANCE OF A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY
AUTHORIZING IT TO PROVIDE LOCAL
EXCHANGE TELECOMMUNICATIONS SERVICE

DOCKET NO. 99-236-U

IN THE MATTER OF THE APPLICATION OF
CENTURYTEL OF NORTHWEST ARKANSAS, LLC
FOR THE ISSUANCE OF A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY
AUTHORIZING IT TO PROVIDE LOCAL
EXCHANGE TELECOMMUNICATIONS SERVICE

DOCKET NO. 99-237-U

IN THE MATTER OF THOSE ELEMENTS OF THE
INTRASTATE ACCESS CHARGE MAINTAINED AT
PARITY WITH INTERSTATE ACCESS

DOCKET NO. 86-160-U

PREPARED TESTIMONY
OF
JOHN P. BETHEL
MANAGER - TELECOMMUNICATIONS SECTION
ON BEHALF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION GENERAL STAFF

MAY 12, 2000
Q. Please state your name, business address, and employment.

A. My name is John P. Bethel and my business address is Arkansas Public Service Commission (Commission or APSC), P. O. Box 400, Little Rock, Arkansas 72203-0400. I am employed by the APSC General Staff (Staff) as Manager of the Telecommunications Section. In that capacity, I am responsible for the management of assigned Staff members in rate, financial, quality of service, and accounting matters. I continuously interact with local exchange companies, interexchange carriers, and the public to enable Staff to be responsive to the rapid changes in the telecommunications industry, new service offerings, the effects of Federal and State regulatory and legislative actions, and questions and service problems of the public.

Q. Please describe your educational background and work experience.

A. I received a Bachelor of Science in Business Administration with a major in Economics from the University of Arkansas in 1986. In 1992, I received a Master of Business Administration from the University of Arkansas at Little Rock. From May of 1986 to August 1988, I was employed by a major commercial bank as a Financial Analyst in the Commercial Lending Division. In that capacity, I performed ratio, cash flow, and financial analysis concentrating on customers with debt relationships in excess of one million dollars. I joined the Staff as a Capital Recovery Analyst in October 1988, was promoted to Senior Capital Recovery Analyst in June 1991, assumed the position of Public Utility Analyst in October 1992, and was promoted to my present position in February 1996. I am a past member of the NARUC Subcommittee on Depreciation. Since joining the Staff, I have attended numerous
conferences and seminars pertaining to utility related issues. I have presented testimony in
a number of cases before this Commission addressing various rate making issues.

Q. What is the purpose of your Prepared Testimony?
A. My testimony will address the September 2, 1999 Applications of CenturyTel of Central
Arkansas, LLC (CC) and CenturyTel of Northwest Arkansas, LLC (CN) (collectively
CenturyTel) for a Certificate of Public Convenience and Necessity (CCN) to provide local
exchange telecommunications service in Arkansas.

Q. Describe CC and CN.
A. CC and CN are limited liability companies formed to purchase and operate service territories
in Arkansas that currently comprise the GTE Arkansas, Incorporated (GTEAR), GTE
Midwest, Incorporated (GTEMW), and GTE Southwest, Incorporated (GTESW)
(collectively GTE) territories in Arkansas. In Order No. 15 of Docket No. 99-220-U, the
Commission approved an asset sale from GTE to CenturyTel.

All of the Arkansas exchanges served by GTESW, except the Texarkana exchange,
will ultimately be served by CC. All of the Arkansas exchanges served by GTEAR will be
served by CN. Additionally, CN will serve the Oklahoma exchanges of Colcord and Watts,
the Seligman, Missouri exchange, and a small group of customers in Jacket, Missouri who
are served from the Pea Ridge, Arkansas exchange. The GTEMW Mammoth Spring
exchange also will be served by CN following the sale.

CC and CN will be the “successors and assigns” to GTEAR, GTEMW, and GTESW
as described in Ark. Code Ann. § 23-17-403 (16). As such, the companies will be non-electing incumbent local exchange carriers (ILECs).

Q. What criteria did you use in evaluating CC’s and CN’s requests for a CCN?

A. Section 7 of the Commission’s Rules of Practice and Procedure addresses CCNs. There is not a specific provision that lists the filing requirements for an ILEC CCN. In my analysis, I relied upon the information requirements presented in the Commission’s Rules of Practice and Procedure, Rules 7.05.F. and 7.06.

Q. Please discuss your review of the Companies’ applications.

A. CC’s and CN’s Articles of Organization and Arkansas Certificates of Registration are included as Exhibits 1 and 2 in their respective Applications. CC’s and CN’s officers and directors are identified in their Applications. CC and CN are wholly owned by CenturyTel, Inc., and their 1998 financial statements were included as part of the Application submitted in Docket No. 98-220-U. CenturyTel, Inc.’s 1999 financial statements are included with CenturyTel witness Susan W. Smith’s Initial Testimony, filed May 2, 2000, as Exhibit 1. Based upon the information presented in the Applications and the Initial Testimony of Ms. Smith, CC and CN appear to possess the technical, managerial, and financial capability to provide local exchange service in Arkansas.

On April 5, 2000, CC and CN filed their initial tariffs, including maps and legal descriptions, for local exchange service and interexchange service. With limited exceptions, the tariffs of CC mirror the tariffs of GTESW and the tariffs of CN mirror those of GTEAR.
On April 21, CC filed Section 41 of its Arkansas General Exchange tariff in Docket No. 86-160-U. That tariff section states that CC concurs in the National Exchange Carrier Association’s (NECA’s) FCC Tariff No. 5 and will maintain parity with its interstate tariffs for switched access services. On April 21, CN filed Section 8 of its Arkansas General Exchange tariff in Docket No. 86-160-U. That tariff section states that CN concurs in NECA’s FCC Tariff No. 5 and will maintain parity with its interstate tariffs for switched access services. On April 24, the April 21 filings in Docket No. 86-160-U were consolidated with Docket Nos. 99-236-U and 99-237-U. On April 25, CC filed a revised Section 41 of its Arkansas General Exchange Tariff and CN filed a revised Section 2, Sheet 6.1 and Section 8.

Q. Do CC’s and CN’s proposed tariffs reflect a change in the rates for local exchange and interexchange service from those of GTEAR, GTEMW, and GTESW?

A. No. CC and CN tariffs include the same rates for local exchange and interexchange service.

Q. Do CC’s and CN’s proposed tariffs reflect a change in the rates for switched access service?

A. Yes. As described above, CC and CN propose to maintain parity between the intrastate tariffs for the traffic sensitive elements of switched access service and the interstate access tariffs pursuant to Order Nos. 37 and 56 of Docket No. 83-042-U. Currently, GTE's

1NECA was formed in 1983 by the FCC as a non-profit corporation. It administers the interstate access tariffs and pools applicable to a number of local exchange carriers. NECA also administers a number of state and federal universal service funding mechanisms.
intrastate tariffs for the traffic sensitive elements of switched access service are maintained
at parity with the interstate access tariffs pursuant to Order Nos. 37 and 56 of Docket No.
83-042-U. GTE's interstate switched access rates are developed through company-specific
cost analyses.

CC’s and CN’s proposed tariffs for switched access service concur in NECA’s FCC
Tariff No. 5\(^2\) and place their Arkansas properties into NECA’s interstate access charge pools
for the purpose of calculating switched access service rates. The switched access service
rates in the NECA pools are average rates for several companies and are not based upon
company-specific cost analyses.

Q. Based upon NECA’s current FCC Tariff No. 5, what will be CC’s and CN’s rates for
switched access service?

A. CenturyTel witness Nolan A. Moule states on page 4 of his May 2, 2000 Direct Testimony
that NECA has advised CenturyTel that CC and CN will be placed into NECA rate band 1.
Per the current NECA tariff, the composite originating traffic sensitive access rate for
GTEAR (CN) will increase from $0.0103456 to approximately $0.0193470. GTEAR's
(CN’s) composite terminating traffic sensitive access rate would increase from $0.0105907
to $0.0193470 following the asset sale. For GTESW (CC), the composite originating traffic
sensitive access rate will increase from $0.0101795 to $0.0193470, and the composite
terminating traffic sensitive access rate would increase from $0.0101806 to $0.0193470.

\(^2\)A complete copy of NECA’s FCC Tariff No. 5 is available at www.NECA.org.
Q. Are the potential increases in the rates for the traffic sensitive elements of switched access
service of such a nature that would lead you to recommend that the tariffs for those elements
no longer be maintained at parity?

A. No. I do not believe that there is any reason to discontinue parity between the intra- and
interstate tariffs. Maintaining parity remains a good policy for several reasons. First, inter-
and intrastate switched access service is the same service provided using the same facilities.

There is no reason to price the services at differing rates.

Second, maintaining parity reduces the costs associated with cost analyses and tariff
administration. CC and CN will not incur the expense of conducting separate cost studies
and maintaining separate tariffs for inter- and intrastate switched access service. CC and CN
will benefit further by concurring in the NECA FCC Tariff No. 5, because the companies
will not have to develop individual tariffs. By following NECA’s tariff, CC and CN avoid
the expense of producing and administering individual tariffs.

Third, although the rates in the NECA tariff are not based upon CC’s and CN’s
company-specific costs, the rates the Companies will charge are directly related to their costs
of providing switched access service. As described in Mr. Moule’s Direct Testimony, CC
and CN will be placed into rate band 1 of the NECA tariff and will, consequently, charge the
lowest rates in the NECA tariff. The companies are placed into rate band 1 because of their
specific costs, determined by conducting cost studies pursuant to the FCC’s rules outlined
in 47 C.F.R. §§ 32, 36, and 69. The NECA access charge pools function very similarly to
the former Arkansas IntraLATA Toll Pool (AITP) and the Arkansas Intrastate Carrier
Common Line Pool (AICCLP). Participants in the NECA pool’s various rate bands charge
uniform rates for switched access service and pool their revenues. Carriers participating in
the NECA pool report their costs associated with providing switched access service and
receive compensation associated with those costs. Any residual amounts remaining after the
participants’ costs are covered are divided among the participants based upon the relationship
between each participant’s revenue requirement to the total revenue requirement of the pool. 3

Finally, GTE’s switched access service rates are currently lower than the rates of all
other ILECs except Southwestern Bell Telephone Company (SWBT). The proposed level
of switched access service rates for CC and CN also will be lower than the rates of all ILECs
except SWBT. CC’s and CN’s proposed switched access service rates will be lower than all
other ILECs’ (except SWBT’s) rates in effect before Act 77 of 1997 took effect, when all
ILECs’ intrastate switched access rates were at parity with their interstate rates.

Q. Will the asset sale result in a change in the intrastate non-traffic sensitive elements (carrier
common line or CCL) component of switched access service?

3The NECA pool includes "true-up" mechanisms to adjust each participant’s revenue from
the pool to more closely match its costs of providing switched access service. Those mechanisms
do not exist when charging the NECA FCC Tariff No. 5 rates for intrastate switched access service.
However, before the passage of Act 77 of 1997, all ILECs except GTE and Southwestern Bell
Telephone Company charged the NECA FCC Tariff No. 5 rates for intrastate switched access service
without the benefit of the "true-up" mechanisms. With the implementation of the rate bands within
the NECA pool, the rates should adequately track CC’s and CN’s switched access service costs
without the "true-up" mechanisms.
A. Mr. Moule states on page 7 of his Direct Testimony that CC and CN will recover the revenue requirement of GTE reflected on the 9th Revised Sheet 9 of the Intrastate Flat Rate Carrier Common Line Service Tariff. As the successor incumbent local exchange carrier, CC will receive the revenue requirement of GTESW. Likewise, as the successor incumbent local exchange carrier, CN will receive the revenue requirement of GTEAR (listed as GTE of Arkansas and GTE Systems of Arkansas in the tariff).

Q. How has CenturyTel addressed the existing interconnection agreements between GTE and competitive local exchange carriers (CLECs)?

A. Ms. Smith states, on page 8 of her Initial Testimony, that it is CenturyTel's intention to execute mutually agreeable substitute agreements that, to the extent possible, contain the same terms, conditions, and rates as GTE's existing agreements. She lists the specific provisions in GTE's existing agreements that will differ in CenturyTel agreements due to differences between the support systems of GTE and CenturyTel. Any revised interconnection agreements would be subject to Commission approval pursuant to 47 U.S.C. § 252. Ms. Smith reiterates CenturyTel's commitment that it will not attempt to cancel any interconnection agreements applicable to GTE exchanges that exist at the closing of the sale approved in Order No. 15 of Docket No. 99-220-U.

Q. What is your recommendation?

A. I recommend that CC and CN be granted CCNs to provide local exchange and interexchange service effective upon the close of the sale approved in Order No. 15 of Docket No.
99-220-U. CC and CN should be designated as the “successors and assigns” to GTEAR, GTEMW, and GTESW as described in Ark. Code Ann. § 23-17-403 (16). As such, the companies also should be designated as non-electing incumbent local exchange carriers (ILECs).

CC’s and CN’s initial tariffs filed on April 5 and 21, 2000 should be approved as amended on April 25, 2000.

CC and CN should be directed to file notice, in Docket Nos. 99-236-U and 99-237-U, of the closing of the sale approved in Order No. 15 of Docket No. 99-220-U. Upon filing of that notice, the CCNs of GTEAR and GTEMW should be revoked. The CCN of GTESW should be modified to include only the Texarkana, Arkansas exchange.

Q. Does this conclude your testimony?
A. Yes.

Excluding the Texarkana, Arkansas exchange.
CERTIFICATE OF SERVICE

I, Jan Sanders, hereby certify that a copy of the foregoing Testimony has been served on all parties of record by forwarding the same by first-class mail, postage prepaid, this 12th day of May, 2000.

Jan Sanders
Secretary of the Commission