

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 18th  
day of September, 1987.

CASE NO. TR-86-86

In the matter of the investigation  
of the revenue effects upon United  
Telephone Company of Missouri of  
the Tax Reform Act of 1986.

CASE NO. AO-87-48

In the matter of the investigation  
of the revenue effects upon Missouri  
utilities of the Tax Reform Act of  
1986.

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ORDER APPROVING STIPULATION, AGREEMENT AND RECOMMENDATION

On September 14, 1987, a Stipulation, Agreement and Recommendation was filed by United Telephone Company of Missouri (Company), the Staff of the Missouri Public Service Commission (Staff), and the Office of the Public Counsel (Public Counsel). The Stipulation involves a rate reduction to Missouri jurisdictional gross annual telephone revenues of approximately \$3,200,866. The reduction reflects the results of an investigation into the Company's present earnings, including the impact of the Tax Reform Act of 1986 pursuant to Case No. AO-87-48.

The Stipulation adequately sets forth all procedural and factual matters in this case and is set forth in Appendix A, attached hereto and incorporated herein by reference.

United Telephone Company of Missouri is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 392, RSMo 1986. For ratemaking purposes, the Commission may accept a stipulation and agreement in settlement of any matters submitted by the parties. The Commission is of the opinion

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that the matter of agreement between the parties in this case are reasonable and proper and should be accepted.

It is, therefore,

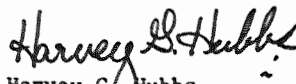
ORDERED: 1. That the Stipulation, Agreement and Recommendation filed herein on September 14, 1987, be, and it is, hereby approved.

ORDERED: 2. That United Telephone Company of Missouri be, and it is, hereby authorized to file revised tariffs designed to decrease its Missouri jurisdictional gross annual revenues by \$3,200,866, exclusive of license, occupation, franchise, sales, gross receipts or other similar fees or taxes. The tariffs shall bear an effective date of October 1, 1987.

ORDERED: 3. That United Telephone Company of Missouri shall not be subject to any further requirements in Case No. AO-87-48 and is hereby dismissed as a party from that proceeding.

ORDERED: 4. That this Order shall become effective on the 29th day of September, 1987.

BY THE COMMISSION



Harvey G. Hubbs  
Secretary

(S E A L)

Steinmeier, Chm., Musgrave, Mueller,  
Hendren and Fischer, CC., Concur.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of the investigation        )  
of the revenue affects upon Missouri     )       Case No. A0-87-48  
utilities of tax reform act of 1986     )

STIPULATION AGREEMENT AND RECOMMENDATION

On or about December 15, 1986, and March 2, 1987, United Telephone Company of Missouri (United), in response to the Commission's Order in Case No. A0-87-48, filed certain information concerning the impact of the Federal Tax Reform Act of 1986 (TRA) as applied to United's operating results for 1985 and 1986. Subsequently, representatives of the Commission's Staff (Staff), the Office of Public Counsel (Public Counsel) and United engaged in discussions concerning the impact of the TRA on United's revenue requirements.

On or about April 30, 1987, the Staff informed United by letter of that date that it was interested in conducting an investigation of United's present earnings that was broader in scope than the investigation conducted by the Staff under Case No. A0-87-48, but included the affects of the TRA. Pursuant to this, United cooperated with Staff in the efforts to conduct a thorough investigation of United's earnings. Subsequently, Public Counsel also requested to participate in the Staff's investigation and conduct its own investigation into United's present earnings. United cooperated with Public Counsel in its investigation.

Subsequently, representatives of Staff, the Public Counsel and United met and had discussions concerning the impact of the TRA on United's earnings and the present earnings review conducted by Staff and Public Counsel. The Staff, Public Counsel and United were able to reach an agreement on all of the issues

concerning the present earnings of United, including the TRA, and agreed to make a recommendation to the Commission on these issues. As a result, the signatory parties stipulate, agree, and recommend to the the Commission as follows:

1. That effective October 1, 1987, United be authorized to implement revised tariffs for certain categories of telephone service designed to decrease its Missouri jurisdictional gross annual revenues by \$3,200,866.00, exclusive of license, occupation, franchise, sales, gross receipts or other similar fees or taxes.

2. That the categories of telephone service for which certain rates are proposed to be reduced and the amount of the rate reductions are as follows:

1. Local exchange access lines	\$1,811,175.00
(Business and Residential)	
2. Service connection charges	506,434.00
3. Zone Mileage charges	484,663.00
4. U-touch calling service	
a. Residential	291,998.00
b. Business	74,887.00
5. Maintenance of service charge	<u>31,709.00</u>
Total Revenue Reduction	<u>\$3,200,866.00</u>

3. That United shall revise its existing Maintenance of Service Charge such that the charge will be called the Trouble Isolation Charge and will be reduced from its current rate of \$33.00 per occurrence during normal business hours and \$47.00 per occurrence after normal business hours for simple business and residential to \$20.00 per occurrence. Due to the higher costs associated with complex businesses, the current tariffed rates will remain in

effect. In addition, there will be a one time waiver of the Trouble Isolation Charge per customer per address and United agrees to keep all data on the application of this Trouble Isolation Charge and to provide that information to Staff and Public Counsel. The waiver of the Trouble Isolation Charge shall not apply, however, to customers who have been equipped with a network interface device (NID) and who have been instructed on how to use the NID to isolate their trouble.

4. That the signatory parties in this case agree and stipulate as to the appropriateness of the languages set forth below with respect to United, and further recommend that the Commission adopt and include this language as set forth below in the Commission's order in this case:

United's rates in this proceeding have been determined using a flow through basis for cost of removal for property placed in service prior to 1981. This methodology has been employed for ratemaking purposes since United's last contested rate case, Case No. TR-80-235, which was decided January, 1981.

Normalization of the cost of removal associated with property placed in service after December 31, 1980 is appropriate consistent with the current tax treatment. Included in the revenue requirement established by this proceeding is \$30,485.00 associated with an annualized amount for the normalization of cost of removal. Had the normalization methodology been employed for the property placed in service during calendar year 1980,

the result would have been to reduce United's revenue requirement.

Since the flow through of cost of removal on property placed in service subsequent to December 31, 1980, produces a higher revenue requirement, rates established since December 31, 1980, have been adequate to cover the normalization of cost of removal. United shall provide separate subaccounts on its books to segregate deferred taxes associated with cost of removal on property placed in service after December 31, 1986.

The parties agree that this language is appropriate and should be adopted by the Commission.

5. That United shall take all reasonable steps, so long as the revenue impact upon United is revenue neutral, to enable United and its customers to fully participate in the Link-up America Program.

6. That this Stipulation, Agreement and Recommendation is a negotiated dollar settlement which is intended to include, reflect, and fully dispose of any decreases in United's gross annual revenue requirements for its Missouri jurisdictional operations which presently have been determined to result from the provision of the TRA of 1986 or any other condition which exists up to and including the date of this Stipulation, Agreement and Recommendation. In addition, United shall not be further subject to any present or future requirements of Case No. AO-87-48 and shall be dismissed therefrom.

7. That this Stipulation, Agreement and Recommendation is voluntarily executed and is intended to be binding upon the parties for purposes of

Commission Case No. AO-87-48 (as it relates to United) and the current earnings investigation of Staff and Public Counsel which was initiated by Staff's letter dated April 30, 1987; none of the provisions of the Stipulation, Agreement, and Recommendation, however, shall prejudice, bind or otherwise affect any party should the Commission decide not to approve this Stipulation, Agreement and Recommendation in its entirety or in any way condition its approval of same.

8. Except as is necessary to give effect to this agreement, the parties to this Stipulation, Agreement and Recommendation shall not be deemed to have approved of or acquiesced in any express or implied ratemaking principal, valuation methodology, cost of service method, or rate design proposal.

9. That in the event the Commission accepts the specific terms of this Stipulation, Agreement and Recommendation, the signatory parties waive their respective rights to present oral arguments or written briefs, pursuant to Section 536.080 (1), RSMo 1986 and their respective rights to judicial review regarding the disposition of these matters, pursuant to Section 386.510, RSMo 1986, solely as to the other signatory parties.

10. That the agreements contained in this Stipulation, Agreement and Recommendation have resulted from extensive negotiations among the signatory parties and are interdependent; that in the event that the Commission does not approve and adopt the terms of this Stipulation, Agreement and Recommendation or in event the tariffs agreed to herein do not become effective in accordance with provisions contained herein, this Stipulation, Agreement and Recommendation shall be void and no party shall be bound by any of the agreements or provisions hereof.

In witness whereof, the parties have signed this Stipulation, Agreement  
and Recommendation this 14<sup>th</sup> day of September, 1987.

United Telephone Company of Missouri

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