

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
Jefferson City
August 28, 1987

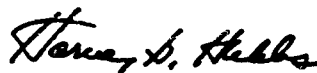
CASE NO. TR-88-23, AO-87-48

Durward D. Dupre, Attorney, Southwestern Bell Telephone Co., 100 N. Tucker Blvd., St. Louis,
Missouri 63101

Joni K. Ott, Assistant Public Counsel, P. O. Box 7800, Jefferson City, Missouri 65102

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,



Harvey G. Hubbs
Secretary

uncertified copy:

Mark P. Royer, Attorney-Southern Region, AT&T, Suite 2432, 1100 Walnut Street, P. O. Box 413418,
Kansas City, Missouri 64141-6418

Leland B. Curtis, Attorney at Law, 130 S. Semiston, Suite 200, St. Louis, Missouri 63105

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 28th
day of August, 1987.

CASE NO. TR-88-23

In the matter of Southwestern Bell
Telephone Company for authority to
file tariffs reflecting credits to
local service access lines and
lifeline tariffs for telephone
service provided to customers
in the Missouri service area of
the Company.

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.

ORDER

On August 18, 1987, a Stipulation and Agreement was executed by the
Southwestern Bell Telephone Company (Southwestern Bell) and the Staff of the Missouri
Public Service Commission (Staff). The Stipulation is a result of negotiations
between Staff and Southwestern Bell concerning the impact of the Federal Tax Reform
Act of 1986 on Southwestern Bell's revenue requirement.

The Stipulation and Agreement is set forth in Appendix "A" which is
attached hereto and incorporated herein by reference. The Stipulation provides for
credits to all classes of residential local service access lines to be applied
quarterly for four consecutive quarters with the last credit paid in the quarter
ending June 30, 1988. The proposed credit has a revenue requirement effect of
\$14,900,000. The Agreement also contains provisions associated with: the
implementation of a lifeline program; the implementation of party line adapters in

exchanges with 911; revenue losses associated with EMS; and the synchronization of intrastate depreciation with interstate depreciation.

On August 20, 1987, the Office of the Public Counsel filed its "Response to Joint Recommendation Proposed by Southwestern Bell and the PSC Staff". Public Counsel requests the Commission to order Southwestern Bell to flow through all of its tax savings to its ratepayers in the form of a permanent rate reduction or, in the alternative, to order Southwestern Bell to comply with the terms of the joint recommendation without being released from the tax docket until such time as all Southwestern Bell tax savings are flowed through to its ratepayers. On August 21, 1987, MCI and AT&T filed letters with the Commission expressing opposition to the fact that the Stipulation proposes to apply the tax decreases in a manner that would only reduce Southwestern Bell's local exchange rates while no reductions were proposed for access charges.

Southwestern Bell Telephone Company 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 matter submitted by the parties.

The Commission has reservations concerning the terms of the Stipulation and Agreement. Southwestern Bell's tax savings have been estimated at approximately \$28 million, yet only \$14.9 million are proposed to be directly returned to the ratepayers in the form of a one-year credit. Thus, the proposal does not refund the entire amount of the estimated tax savings and the amount that is refunded is not in the form of a permanent rate reduction. Since the credit expires July 1, 1988, tax savings will no longer be flowed through to ratepayers after that date.

Nevertheless, the Commission is aware that the Stipulation and Agreement is the result of extensive negotiations between Staff and Southwestern Bell. The Office of the Public Counsel, MCI and various local exchange companies also participated in those negotiations. The Commission does not have the authority to order a rate

reduction based upon an examination of one factor such as tax savings to the exclusion of all others. State ex rel. UCCM v. Public Service Commission, 585 S.W.2d, 41 (Mo. banc 1979). Thus, absent a voluntary reduction by the utility company, a full blown rate case is required to bring about a rate reduction as a result of the tax savings. The initiation of a complaint proceeding for the purpose of examining the reasonableness of Southwestern Bell's rates is likely to require many months of litigation. In addition, the Commission Staff cannot file a complaint against Southwestern Bell until July 1, 1988, under the rate moratorium provision of the Stipulation approved in Case No. TR-86-84 in 1986. Thus, the adoption of the Stipulation and Agreement in the instant case would result in an immediate benefit to the ratepayers which otherwise could not be achieved.

In addition, the adoption of the Stipulation and Agreement will authorize Missouri's first telephone lifeline plan which is designed to benefit certain elderly and handicapped customers of the telephone company who are eligible for the state's Utilicare program.

The Commission also notes that the depreciation adjustments authorized herein will reduce Southwestern Bell's rate base and reduce the need for future rate increases, thereby providing additional benefits to ratepayers over time. Numerous states, including Florida, Tennessee, New Jersey and Ohio, have made similar depreciation adjustments as part of proceedings to reflect the impact of the Tax Reform Act of 1986 upon telephone utilities.

Based on the foregoing considerations, the Commission concludes that the Stipulation and Agreement should be adopted. However, because of the concerns raised by other parties about the adequacy of the rate relief granted herein, and the reservations of the Commission expressed above, the Commission believes that a full investigation and audit of Southwestern Bell should be undertaken by the Staff as soon as reasonably practicable. Should the results of its audit persuade the Staff that Southwestern Bell's rates are excessive, Staff should file a complaint against

Southwestern Bell, and its supporting direct evidence, on or about July 1, 1988. This will ensure that the Commission has the earliest opportunity to review the overall revenue requirement of Southwestern Bell. By authorizing the initiation of an audit, the Commission does not prejudge the issue of whether or not Southwestern Bell's rates are excessive, but merely determines that the matter should be investigated.

Finally, the Commission has a concern that no customers are currently "certified" for Utilicare. Therefore, the Commission interprets the term "certified for Utilicare" which is contained in paragraph 2, line 4 and paragraph 4, line 5 to mean "eligible for Utilicare".

It is, therefore,

ORDERED: 1. That the Stipulation and Agreement filed herein on August 18, 1987, be, and it is, hereby approved.

ORDERED: 2. That Southwestern Bell Telephone Company is hereby authorized to file revised tariffs reflecting credits in the form of an across-the-board percentage credit to all classes of residential local service access lines as contemplated by the Stipulation and Agreement. The tariffs shall bear an effective date of September 1, 1987.

ORDERED: 3. That Southwestern Bell Telephone Company shall file tariffs reflecting a lifeline plan pursuant to the provisions of paragraphs 2 and 4 of the Stipulation and Agreement. The tariffs shall bear an effective date of October 1, 1987..

ORDERED: 4. That pursuant to paragraphs 7 and 8 of the Stipulation and Agreement Southwestern Bell Telephone Company be, and it is, hereby authorized to book intrastate depreciation consistent with the interstate depreciation rate levels as filed with the FCC on July 24, 1987, and Southwestern Bell Telephone Company shall synchronize on its books of account its intrastate depreciation rates with its interstate depreciation rate for step-by-step central office equipment.

ORDERED: 5. Southwestern Bell Telephone Company shall not be subject to any future requirements of Case No. AO-87-48 and is hereby dismissed as a party from that proceeding.

ORDERED: 6. That Staff shall commence an audit into Southwestern Bell's operations as set forth above.

ORDERED: 7. That this Order shall become effective on the date hereof.

BY THE COMMISSION

Harvey G. Hubbs
Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Musgrave,
and Fischer, CC., Concur.
Mueller and Hendren, CC.,
dissent with separate opinions.

FILED

AUG 18 1987

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

In the matter of the investigation)
 of the revenue effects upon Missouri) Case No. AO-87-48
 utilities of the Tax Reform Act of 1986)

STIPULATION AND AGREEMENT

On or about December 15, 1986 and March 2, 1987, Southwestern Bell Telephone Company (Southwestern Bell), in response to the Commission's Order in Case No. AO-87-48, filed certain information concerning the impact of the Federal Tax Reform Act of 1986 (TRA) as applied to Southwestern Bell's operating results for 1985 and 1986. The TRA is effective, in part, on July 1, 1987. The Staff of the Missouri Public Service Commission (Staff) conducted a review of the aforementioned information. Subsequently, representatives of Staff, the Office of Public Counsel (Public Counsel), MCI, various other local exchange telephone companies, and Southwestern Bell had discussions concerning the impact of TRA on Southwestern Bell's revenue requirement and Staff's review of Southwestern Bell's filed information. As a result of these discussions, the signatory parties stipulate and agree as follows:

1. That Southwestern Bell shall apply credits in the form of an across the board percentage credit to all classes of residential local service access lines. This credit will be applied each quarter for one year beginning July 1, 1987, said credits to continue for four (4) consecutive quarters and to be charged against the revenues of that quarter with the last credit paid in the quarter ending June 30, 1988. This has an intrastate

revenue requirement effect of \$14,900,000. Southwestern Bell estimates the first quarter credit for single party flat rate residential customers will range from \$1.90 to \$5.74 depending on the customers' location and rate grouping. Appendix A sets out the estimated credit amount applicable to Southwestern Bell's rate groupings. Staff reserves the right to check the computations and they are not binding until verified by Staff. Appendix B lists the Southwestern Bell exchanges contained in each rate grouping.

2. That effective October 1, 1987 or as soon thereafter as possible, Southwestern Bell shall implement a lifeline plan for all its customers who apply for lifeline service and who are certified for Utilicare, with a local service rate that is \$3.50 below the current basic residential rate. The lifeline plan has an annual intrastate revenue requirement effect of \$1,100,000. Southwestern Bell believes lifeline should be governmentally funded; however, until such time as funding is secured through general revenues via legislation, Southwestern Bell will fund the program. Within ten days following the Commission's approval of this Stipulation and Agreement, Southwestern Bell will cause to be filed with the Commission, lifeline tariffs having an effective date of October 1, 1987;

3. That introduction of this lifeline plan will permit Southwestern Bell to implement a waiver of the federal subscriber line charge. Upon approval by the Commission of the Company's proposed lifeline plan, Southwestern Bell will immediately thereafter file the necessary documentation for approval by the Federal Communications Commission (FCC) of a waiver of the interstate subscriber line charge for qualifying Missouri customers

of Southwestern Bell. This subscriber line charge is now \$2.60 per month for residence customers;

4. That effective October 1, 1987, or as soon thereafter as possible, Southwestern Bell shall implement a waiver of its charge for grade of service change, and reduce its installation charge by 50 percent of the charge now effective, for all its customers who are certified for Utilicare;

5. That Southwestern Bell will absorb and not seek recovery in its Missouri jurisdictional telephone rates of the expense or investment incurred to provide party line instrument adapters for two-party line customers in order to insure such customers are properly identified as the calling party when calling 911. This has a one-time revenue requirement effect of \$500,000.

6. That effective October 1, 1987, Southwestern Bell shall absorb the revenue loss resulting from the implementation of the Commission's Extended Measured Service experiment, which has a revenue requirement effect of \$1,300,000;

7. In accordance with RSMo §392.280(2), as amended, Southwestern Bell shall be authorized to book intrastate depreciation consistent with the interstate depreciation rate levels as filed with the FCC on July 24, 1987. This will include amortization of the alleged reserve deficiency found to exist by the FCC as well as the associated technical update of all rates. The effective date of the intrastate booking shall coincide with the date of approval for the interstate booking. The annual intrastate revenue requirement is \$10,900,000;

8. That effective January 1, 1987, Southwestern Bell shall synchronize on its books of account its intrastate depreciation

rate with its interstate depreciation rate for step-by-step central office equipment. This synchronization has an annual intrastate revenue requirement effect of \$300,000;

9. That the amortization and depreciation rate booked in accordance with paragraphs 1 and 2 above shall not be binding on the Staff or any other signatory party in any future rate proceeding, whether instituted by complaint, by file and suspend procedure or otherwise, for the purpose of setting Southwestern Bell's prospective rates and charges, except that any reduction of Southwestern Bell's rate base attributable to the accrued reserve, depreciation or amortization, shall be taken into account in the setting of future rates and charges;

10. That this Stipulation and Agreement is a negotiated settlement. For purposes of 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," this Stipulation and Agreement is intended to include, reflect and fully dispose of any concerns with Southwestern Bell's gross annual revenue requirement for its Missouri jurisdictional operations which presently have been determined to result from the provisions of the Federal Tax Reform Act for the year ending June 30, 1988. In addition, Southwestern Bell shall not be subject to any present or future requirements of the Commission's Federal Tax Reform Act docket, Case No. AO-87-48, and shall be dismissed therefrom; it being understood, however, that neither Staff nor any other signatory party is bound in any proceeding other than the above-captioned docket regarding the effects of the Tax Reform Act on Southwestern Bell's future revenue requirement;

11. That this Stipulation and Agreement is voluntarily executed and is intended to be binding on the signatory parties and the Commission in Case No. AO-87-48, as it relates to Southwestern Bell; that none of the provisions of this Stipulation and Agreement, however, shall prejudice, bind or otherwise affect any signatory party should the Commission decide not to approve this Stipulation and Agreement in its entirety or in any way condition its approval of same;

12. That none of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle, valuation methodology, method of cost-of-service determination, or cost allocation underlying any of the tariff and the depreciation rates provided for in this Stipulation and Agreement. This Stipulation and Agreement shall not prejudice, bind or affect any party thereto, except to the extent necessary to give effect to the terms of this Stipulation and Agreement;

13. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, 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 386.500, RSMo 1986, solely as to the other signatory parties;

14. That the agreements contained in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are independent; that in the event that the Commission does not approve and adopt the terms of this

Stipulation and Agreement and in the event the tariff agreed to herein does not become effective in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

IN WITNESS THEREOF, the parties have signed this Stipulation and Agreement as of this 18 day of August, 1987.

SOUTHWESTERN BELL TELEPHONE
COMPANY

By Durward D. Dupre

PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

By William C. Narvelson

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, this 18 day of August, 1987 to all parties of record in this case.

Durward D. Dupre
Durward D. Dupre

TAX REFORM PLAN
LOCAL SERVICE CREDITS

<u>CLASS OF SERVICE</u>	<u>Grp. A</u>	<u>Grp. B</u>	<u>Grp. C</u>	<u>Clever</u>	<u>Billings</u>	<u>Grp. D</u>
<u>One-Party Flat</u>						
Credit Amount	\$1.90	\$2.28	\$2.45	\$2.60	\$2.97	\$2.83
Current Rate	\$7.80	\$9.35	\$10.05	\$10.65	\$12.20	\$11.60
<u>Two-Party Flat</u>						
Credit Amount	\$1.33	\$1.60	\$1.72	--	--	\$1.97
Current Rate	\$5.45	\$6.55	\$7.05	--	--	\$8.10
<u>Four-Party Flat</u>						
Credit Amount	\$1.52	\$1.83	\$1.96	\$2.07	\$2.38	--
Current Rate	\$6.25	\$7.50	\$8.05	\$8.50	\$9.75	--
<u>Local Measured</u>						
Credit Amount	\$1.05	\$1.26	\$1.35	\$1.43	\$1.63	\$1.56
Current Rate	\$4.30	\$5.15	\$5.55	\$5.85	\$6.70	\$6.40
<u>One-Party Message</u>						
Credit Amount	\$1.41	\$1.62	--	--	--	\$1.93
Current Rate	\$5.80	\$6.65	--	--	--	\$7.90
<u>Two-Party Message</u>						
Credit Amount	--	--	--	--	--	\$1.69
Current Rate	--	--	--	--	--	\$6.95

<u>CLASS OF SERVICE</u>	<u>Grp. D</u> <u>Tier 1</u>	<u>Grp. D</u> <u>Tier 2</u>	<u>Lcl. Met.</u> <u>A</u>	<u>Lcl. Met.</u> <u>B</u>	<u>Lcl. Met.</u> <u>Spec. Opt.</u> <u>A</u>	<u>Lcl. Met.</u> <u>Spec. Opt.</u> <u>B</u>
<u>One-Party Flat</u>						
Credit Amount	\$2.95	\$3.11	\$4.19	\$4.40	\$5.36	\$5.74
Current Rate	\$12.10	\$12.75	\$17.20	\$18.05	\$22.00	\$23.55
<u>Two-Party Flat</u>						
Credit Amount	\$2.06	\$2.18	--	--	--	--
Current Rate	\$8.45	\$8.95	--	--	--	--
<u>Four-Party Flat</u>						
Credit Amount	--	\$2.49	--	--	--	--
Current Rate	--	\$10.20	--	--	--	--
<u>Local Measured</u>						
Credit Amount	\$1.62	\$1.71	\$2.30	\$2.41	\$2.95	\$3.16
Current Rate	\$6.65	\$7.00	\$9.45	\$9.90	\$12.10	\$12.95
<u>One-Party Message</u>	--	--	--	--	--	--
<u>Two-Party Message</u>						
Credit Amount	\$1.75	\$1.82	--	--	--	--
Current Rate	\$7.20	\$7.45	--	--	--	--

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

LOCAL EXCHANGE TARIFF
Original Sheet 3.02

LOCAL EXCHANGE TARIFF

(MT) 1.2 RATES-(Continued)

1.2.2 Main Service-(Continued)

- (C) A. Local-Metropolitan Service - An optional service, the primary service area of which includes the Metropolitan Exchange and other exchanges as described in Paragraph 1.5.1 following.

This service is offered in the following exchanges:

- (CT) 1. Local-Metropolitan Service "A"
-Greenwood -Smithville
- (CT) 2. Local-Metropolitan Service "B"
-Chesterfield -Manchester
-Fenton -Maxville
-Valley Park

(RT)

B. Special Optional Local-Metropolitan Service

- (C) An optional service, the primary service area of which includes the Metropolitan Exchange, other exchanges, Special Optional Local-Metropolitan service customers and the primary service area of the exchange from which the service is offered, as described in Paragraph 1.5.1 following.

This service is offered in the following exchanges:

- (CT) 1. Special Optional Local-Metropolitan "A"
-Antonia -Pond
-Grain Valley -Eureka
- (CT) 2. Special Optional Local-Metropolitan "B"
-High Ridge -Portage Des Sioux
-Imperial -St. Charles
-Harvester

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

LOCAL EXCHANGE TARIFF
13th Revised Sheet 6
Replacing 12th Revised Sheet 6

LOCAL EXCHANGE TARIFF

1.3 RATE GROUP A(4)

Adrian(2)	(MT) Clever (Local) (2)(3)	Hornersville(2)
Advance(2)	Climax Springs (3)	Jasper
(MT) Agency(2)	(MT) Deering(2)(5)	Knob Noster
Altenburg-Frohna(2)	(MT) DeKalb(2)	Lamar
(MT) Antonia (Local)(2)(5)	Delta(2)	LaMonte
Archie(2)	Downing	Lancaster
Argyle	(MT) East Prairie(2)	(MT) Leadwood(2)(5)
Armstrong(2)	Edina	Lilbourn
Ash Grove	(MT) Eldon(2)(6)	Linn
Beaufort(3)	Elsberry(2)	Lockwood(3)
Bell City(2)	(MT) Essex(2)(5)	Louisiana(2)
(MT) Benton(2)(5)	(MT) Eureka(Local)(2)	Macks Creek
Billings (Local)(2)(3)	(MT) Fair Grove(2)	Malden
(MT) Bismarck(2)(5)	Farley	Marble Hill
(MT) Bloomfield(2)(5)	Fayette(2)	Marceline
Bloomsdale(2)	(MT) Fisk(2)(5)	Marionville
(MT) Bonne Terre(2)(5)	Frankford	Marston(2)
Boonville(2)	Fredericktown	Meta
Bowling Green	Freeburg	(MT) Monett(2)(6)
Brookfield	Gideon	Montgomery City(2)
Campbell	Glasgow(2)	(MT) Morehouse(2)(5)
Cardwell(2)	(MT) Grain Valley(Local)(2)(5)	(MT) New Franklin(2)(5)
(MT) Carl Junction(2)(5)	(MT) Gray Summit(2)(5)	New Madrid(2)
Carrollton	(MT) Greenwood (Local)(2)(5)	(MT) Nixa(2)
(MT) Caruthersville(2)(5)	(MT) Hayti(2)(5)	(MT) Oak Ridge(2)(5)
(MT) Cedar Hill(2)(5)	(MT) Herculanum-Pevely(2)(5)	(MT) Old Appleton(2)(5)
Center	(MT) Higbee(2)(5)	Oran(2)
(MT) Chaffee(2)(5)	(MT) Hillsboro(2)(5)	(MT) Pacific(2)(5)
(MT) Charleston(2)(5)	(MT) Holcomb(2)(5)	Patton
Clarksville(2)		

- (RT) (1)
 (2) Extended Area Service - See Paragraph 1.4.
 (3) Residence Two-Party Line Service not offered.
 (4) Message Service not offered.
 (AT) (5) Message Rate Business Service obsolete-limited to existing customers.
 (AT) (6) Message Rate Business Service not offered.

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division
 Southwestern Bell Telephone Company
 St. Louis, Missouri

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

LOCAL EXCHANGE TARIFF
Original Sheet 6.01

LOCAL EXCHANGE TARIFF

1.3 RATE GROUP A(4)-(Continued)

(MT) Paynesville(1)(2)	(MT) Rogersville(1)	(MT) Trenton(1)(4)
Pierce City(1)(5)	Rushville(1)	Tuscumbia(1)(4)
Pocahontas-New Wells(1)(4)	Ste. Genevieve(1)(5)	Union(1)(4)
Pond (Local)(1)	St. Clair	Versailles(1)(4)
Portage Des Sioux (Local)	St. Marys(1)(4)	Vienna
Portageville(1)	San Antonio(1)	Walnut Grove
Puxico	Scott City(1)(4)	Wardell(1)
Qulin(1)(4)	Senath(1)(4)	Ware(1)(2)(4)
Republic(1)	Slater	Webb City(1)(4)
Richmond	Smithville (Local)(1)(4)	Wellsville
Richwoods(2)	Stanberry	Westphalia
(MT) Risco	(MT) Strafford(1)	(MT) Willard(1)
		(MT) Wyatt(1)

- (1) Extended Area Service - See Paragraph 1.4.
- (2) Residence Two-Party Line Service not offered.
- (3) Message Service not offered.
- (4) Message Rate Business Service obsolete-limited to existing customers.
- (5) Message Rate Business Service not offered.

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

No Supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
27th Revised Sheet 7
Replacing 26th Revised 7

LOCAL EXCHANGE TARIFF

1.3 RATE GROUP B(2)

	Fulton(3)	
	Gravois Mills(1)(3)	
		Perryville(1)(3)
	Hannibal(3)	
Camdenton(1)(3)	Harvester (Local)(1)	Cape Girardeau(1)(3)
Poplar Bluff(1)(3)		
Carthage(3)		
	High Ridge (Local)(1)	St. Charles (Local)(1)(3)
		St. Joseph(1)
	Imperial (Local)(1)(3)	
Chesterfield (Local)(1)	Jackson(1)(3)	
Chillicothe(3)	Joplin(1)(3)	
	Kennett(1)(3)	Sedalia(3)
	Kirksville(3)	
	(CP)Lake Ozark-Osage	Sikeston(1)(3)
	Beach(1)(3)(5)	
DeSoto(1)(3)		
Dexter(1)(3)	Manchester (Local)(1)	
	Marshall(3)	
	Mexico(3)	Valley Park (Local)(1)
	Maxville (Local)(1)	
	Moberly(1)(3)	
Excelsior Springs		Washington(4)
Farmington(1)(3)		
Fenton (Local)(1)	Neosho(3)	
Festus-Crystal City(1)(3)	Nevada(1)(3)	
Flat River(1)(3)		

(1)Extended Area Service - See Paragraph 1.4.

(2)Residential Message Two-party Service not offered.

(3)Message Rate Business Service obsolete-limited to existing customers.

(4)Message Rate Business Service not offered.

(AT) (5)All Four-party service inside of the Base Rate Area will be eliminated by
December 1, 1987.

Issued: June 22, 1987

Effective: August 3, 1987

By R.D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

No supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
25th Revised Sheet 8
Replacing 24th Revised Sheet 8

LOCAL EXCHANGE TARIFF

1.3 RATE GROUP C(3)

(MT)

Springfield Local-Metropolitan

Billings(1)(2)
Clever(1)(2)

(MT)

Springfield(1)

(MT)

(MT)

- (1) Extended Area Service - See Paragraph 1.4.
- (2) Residence Two-Party Line Service not offered.
- (3) Residential Message Two-Party Service not offered.

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

No supplement to this
tariff will be issued
except for the purpose
of canceling this tariff.

LOCAL EXCHANGE TARIFF
23rd Revised Sheet 9
Replacing 22nd Revised Sheet 9

LOCAL EXCHANGE TARIFF

1.3 RATE GROUP D

Kansas City Metropolitan Exchange (RT) St. Louis Metropolitan Exchange

Principal Zone

Tier I Zones

Gladstone
Independence
Parkville
Raytown
South Kansas City

Tier II Zones

Belton
Blue Springs
East Independence
Lee's Summit
Liberty
Nashua
Tiffany Springs

Principal Zone

Tier I Zones

Ferguson
Ladue
Mehlville
Overland
Riverview
Sappington
Webster Groves

Tier II Zones

Bridgeton
Creve Coeur
Florissant
Kirkwood
Oakville
Spanish Lake

(RT)

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

DISSENTING OPINION OF COMMISSIONER ALLAN G. MULLER

CASE NOS. TR-88-23 AND AO-87-48

I hereby dissent from the majority opinion in this case. I feel that the Commission should have rejected the Stipulation and Agreement and ordered the parties to continue to negotiate with emphasis on returning more of the estimated \$28 million in tax savings.

Respectfully submitted,

Allan G. Mueller

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

Case No. TR-88-23

In the matter of Southwestern Bell Telephone Company for authority to file tariffs reflecting credits to local service access lines and lifeline tariffs for telephone service provided to customers in the Missouri service area of the Company.

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.

DISSENT OF COMMISSIONER CONNIE B. HENDREN

On August 18, 1987, a Stipulation And Agreement was executed by Southwestern Bell Telephone Company and the Staff of the Public Service Commission. Although many other parties were involved in the negotiations, only these two parties found the Stipulation acceptable and therefore signed the Stipulation. Areas of concern are:

1. The amount to be credited to the ratepayer is approximately half of the tax savings of Southwestern Bell, which means that as of July 1, 1987, Southwestern Bell will be reaping the benefit for the approximately \$14 million which will not be refunded in the form of additional earnings to shareholders.
2. This is not a reduction of rates in the manner in which all other companies that have reflected the Tax Reform Act of 1986 have returned the tax savings to the ratepayer. Southwestern Bell's partial return of tax savings in the form of credits will end on June 30, 1988, and as of that date the Company will again be benefiting by the full approximately \$28 million of windfall due to tax savings.

Even if the Staff were to file a complaint concerning the reasonableness of Southwestern Bell's rates on July 1, 1988, seeking a change of the provisions and method of returning tax savings generated by the Tax Reform Act to the ratepayers, it could be six months to a year before that case would be concluded. Therefore, not only will Southwestern Bell retain half of its current year's tax savings, it will retain the full amount beginning July 1, 1988, until such case could be concluded.

3. The Stipulation provides for a lifeline plan for all "certified for Utilicare" customers. It's interesting that the majority took my concern in this area and interpreted that term to mean "eligible for Utilicare". Interpretation of stipulations by commissions is an interesting concept. My position has been that there are so many concerns in this case that we should either have an on-the-record conference or express our concerns in writing to the parties to see if some of these additional concerns could be met and clarified prior to approving this Stipulation. The majority stated that they didn't feel the Commission should be involved or get involved in negotiated settlements. However, this Commission has historically questioned and asked for changes or clarifications to stipulations, at least for the period that I have been serving as a Commissioner. That is our statutory obligation.

4. My fourth concern has to do with approving the Stipulation and setting up the lifeline plan. It is essential that such a plan be implemented. However, implementation must be done in accordance with the statutes that give the Commission the authority to set up a Utilicare Fund for the state of Missouri. "[T]he commission may designate one or more classes of economy rate telephone service for eligible subscribers pursuant to the provisions of this section." Section 660.141, R.S.Mo. 1986.

Section 660.141.2(1) states that the rates to be charged for economy rate telephone service shall be "[d]etermined by the commission separately for each telephone corporation required to provide the service during the process of setting just and reasonable rates for each such telephone corporation, in general rate cases

filed after August 13, 1986." The Stipulation is not in any way a rate case, much less a general rate case. The dockets here are: (1) tariffs reflecting credits (TR-88-23); the Stipulation does not adjust rates; and (2) the investigation of the revenue effects of the Tax Reform Act of 1986 (AO-87-48). If the Commission can only set the economy rates as provided statutorily, that is, in general rate cases, then this Stipulation could be found by the courts to be null and void because the statute does not allow the Commission to approve this service in the types of dockets as are herein involved. If the service is set up without statutory authority, then the service could later be found null and void. Southwestern Bell could discontinue the service at any time under such claim, and it might be impossible for the Commission to ever obtain funding through the legislative process for a service which has been illegally approved.

5. I am concerned that in this Stipulation, unlike the other five telephone company stipulations reflecting the Tax Reform Act, the credits only go to the residential customers. I think it is a tremendous disservice to the business customers of Southwestern Bell that even though they are paying their portion of the federal taxes, the Commission has not questioned why those same business customers do not deserve a portion of the refund.

6. My sixth concern deals with the Commission's response to the depreciation adjustments as authorized in the Stipulation. The majority erroneously seem to feel that the depreciation adjustments authorized herein will reduce Southwestern Bell's rate base and reduce the need for future rate increases. However, what they have not comprehended is that the depreciation adjustments carry with them an annual intrastate revenue requirement in excess of \$11 million. This would mean that from July 1, 1988, to June 30, 1990, in just two years, the Company could collect an additional \$22 million from the ratepayer in exchange for less than \$15 million credits from July 1, 1987, to June 30, 1988. This does not appear to be an economically sound trade.

I think the foregoing concerns are sufficiently grave that the Commission should have taken all possible actions to clarify or amend the Stipulation, with the agreement of the two signatory parties, in order to ensure that the public interest has been served.

Respectfully submitted,

Connie B. Hendren

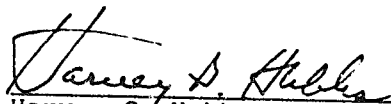
Connie B. Hendren
Commissioner

Dated: August 28, 1987

STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 28th day of August, 1987.


Harvey G. Hubbs
Secretary