



State of Missouri

John Ashcroft, Governor

**Office of the Public Counsel**

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November 18, 1988

FILED

NOV 18 1988

Mr. Harvey G. Hubbs, Secretary  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102

PUBLIC SERVICE COMMISSION

Re: Investigation of the revenue effects of the Tax Reform Act of 1986 upon  
Citizens Telephone Company, Case No. AO-87-48

Dear Mr. Hubbs:

Enclosed for filing in the above-referenced case please find the original and fourteen copies of the Comments of the Office of the Public Counsel. Please "file" stamp the extra enclosed copy and return it to this office.

Thank you for your attention to this matter.

Very truly yours,

Mark D. Wheatley  
Assistant Public Counsel

MDW:kl  
Enclosures

cc: W. R. England, III  
William K. Haas

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of the investigation )  
of the revenue effects of the Tax )  
Reform Act of 1986 upon Citizens ) Case No. AO-87-48  
Telephone Company of )  
Higginsville, Missouri. )

COMMENTS OF THE  
OFFICE OF THE PUBLIC COUNSEL

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PUBLIC SERVICE COMMISSION

Comes now the Office of the Public Counsel (Public Counsel) and respectfully submits the following comments regarding the proposed Stipulation and Agreement entered into by the Staff of the Missouri Public Service Commission (Staff) and Citizens Telephone Company of Higginsville, Missouri (Company) in the above-entitled cause.

On September 16, 1988, Company filed an Application with the Commission seeking approval of the financing proposal described in the Application. The Application was docketed with the Commission as Case No. TF-89-60. The Company served a copy of its Application upon Public Counsel and, upon review, Public Counsel decided not to actively participate in the financing application case.

However, during its review of the Application, Staff determined that the Company was deriving excess earnings. This finding apparently prompted discussions between Staff and the Company regarding the effect of the Federal Tax Reform Act of 1986 on the Company's revenue requirement. As a result of these discussions, Staff and the Company agreed to the rate reduction described in the proposed Stipulation and Agreement which was subsequently filed in this case, the existing tax docket, Case No. AO-87-48.

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The result of the above events is that, although starting from the financing application case, Case No. TF-89-60, the parties created a separate and distinct rate and revenue investigation of the Company under Case No. AO-87-48.

Although Public Counsel was notified of the filing of the financing application, Public Counsel was not notified of the commencement of the investigation of the revenue effects of the Tax Reform Act upon the Company until receipt of the executed Stipulation and Agreement on November 8, 1988. As a result, Public Counsel was not afforded an opportunity to participate in the revenue investigation and subsequent settlement even though Public Counsel is a party to the tax reform docket and has actively participated in numerous other cases involving other companies on the tax docket.

Although the Stipulation and Agreement produces a rate reduction for the Company's ratepayers, a result which Public Counsel certainly supports, for the reasons stated herein, Public Counsel is unable to comment regarding the appropriateness of the amount of the revenue reduction or the propriety of the method by which the Company's existing rates were modified in order to obtain the reduction.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By



Joni K. Ott  
Mark D. Wheatley  
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I hereby certify that a copy of  
the foregoing was mailed or hand-  
delivered to the following on  
this 18th day of November, 1988:

W. R. England, III  
Hawkins, Brydon, Swearingen &  
England  
P.O. Box 456  
Jefferson City, Missouri 65102

William K. Haas  
Missouri Public Service  
Commission  
P.O. Box 360  
Jefferson City, Missouri 65102

Mark D. Wheatley