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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 4th
day of November, 1994.

In the matter of the investigation into Southwestern)
Bell Telephone Company's affiliate transactions.) Case No. TO-94-184
)

ORDER ESTABLISHING FURTHER PROCEDURES

On September 13, 1994, the Commission issued an order requiring the parties to file their positions on the proper standards to adopt for affiliate transactions of Southwestern Bell Telephone Company (SWB), the necessary procedures to ensure compliance with their proposed standards, and their positions concerning the necessary components of an audit trail. On October 21, 1994, Commission Staff, SWB, and the Office of Public Counsel (OPC) filed their positions as ordered.

Generally, SWB states that the Commission should hold this case in abeyance pending the modification to the Federal Communications Commission's (FCC) affiliate transaction rule and decide, once those modifications have been approved, whether additional procedures should be adopted for SWB. SWB states, additionally, that any procedures should be applicable to all local exchange companies and not just SWB.

Commission Staff and OPC recognize that the FCC's proposed modifications will strengthen FCC procedures, but they believe there should be additional safeguards adopted by this Commission. Staff proposes that the Commission either establish meetings between SWB, Staff and OPC in which agreement on procedures can be negotiated, or allow answers to the October 21, 1994, pleadings.

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The Commission is cognizant of the proposed changes to the FCC's affiliate transaction rule and believes that the rule adopted by the FCC should provide the basic structure for dealing with affiliate transactions at the state level. The Commission, though, is not convinced that the FCC modifications will provide all of the procedures necessary to safeguard ratepayers from potentially unreasonable transactions between SWB and its affiliates. The Commission, though, finds, based upon the pleadings, that there appears to be a substantial amount of agreement concerning some of the procedures necessary to protect ratepayers from unreasonable costs from affiliate transactions. The Commission is therefore of the opinion that Staff, OPC and SWB should attempt to agree on as many procedures as possible and file their agreements as a stipulation in this case. Where the parties cannot agree, they may file a hearing memorandum and suggested procedural schedule for addressing those matters remaining in dispute. The Commission believes further that additional time is needed beyond the December 15, 1994, date proposed by Staff.

IT IS THEREFORE ORDERED:

1. That Southwestern Bell Telephone Company, Office of Public Counsel and Commission Staff shall file a stipulation of all procedures agreed to concerning the procedures for reviewing the affiliate transactions of Southwestern Bell Telephone Company on or before January 7, 1995.

2. That Southwestern Bell Telephone Company, Office of Public Counsel and Commission Staff shall file a hearing memorandum on or before January 27, 1995, setting out those issues not agreed to in the stipulation filed pursuant to Ordered Paragraph 1. The hearing memorandum shall contain a proposed procedural schedule.

3. That this order shall become effective on the date hereof.

BY THE COMMISSION

A handwritten signature in cursive script that reads "David L. Rauch".

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,
Kincheloe and Crumpton, CC., concur.