MP

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 8th day of October, 1998.

In the Matter of the Investigation into the Earnings of Le-Ru Telephone Company.)) **Case No. TR-98-372**)

ORDER APPROVING STIPULATION AND AGREEMENT

The Staff of the Commission (Staff) and Le-Ru Telephone Company (Le-Ru) filed a Stipulation and Agreement (Agreement) and a Motion to Open Docket on February 27, 1998. The motion stated that Staff had conducted an audit of Le-Ru's earnings and, as a result, Staff and the company agreed to a decrease in revenues of $312,010.00 per year. The rate elements to be decreased are set out in the Agreement and specifically described in Attachment A. Staff and Le-Ru are the only signatories.

Both Southwestern Bell Telephone Company (SWBT) and AT&T Communications of the Southwest, Inc. (AT&T) filed timely applications to intervene. Both companies were granted intervention on April 15. The parties met in a prehearing conference on May 1 after which they advised the Commission that the parties were not requesting an evidentiary hearing regarding the reasonableness of the Agreement. SWBT and AT&T both filed letters advising the Commission that they had no objection to approval of the Agreement without hearing. The Office of the Public Counsel (OPC) has made no filing in this case.

The Agreement proposed by the parties, and included with this Order as Exhibit 1, was the result of an earnings investigation undertaken by Staff and subsequent negotiations between Staff and Le-Ru.

Staff conducted a per-book review of Le-Ru's earnings based on the 12 months ending December 31, 1996, and updated for known and measurable changes occurring during 1997.

The Agreement calls for Le-Ru to reduce its interLATA Common Carrier Line (CCL) and intraLATA CCL rates for originating and terminating minutes and bring them into parity. In addition, the current CCL intraLATA cap and discounted CCL rates will be eliminated. Le-Ru will combine its Line Termination, End Office Switching and Directory Surcharge rates into a combined single Local Switching Rate. These changes will decrease Le-Ru's yearly revenue by $204,854.00. The Agreement calls for Le-Ru to reduce its various current billing and collecting rates to decrease Le-Ru's yearly revenue by $26,188.00. Le-Ru will decrease its current local service rates for Business, Business-School Discount, Residence, and Residence-Vacation, decreasing its yearly revenue by $62,777.00. A final revenue reduction will be accomplished by eliminating the current charge for Touch Calling Additive. This will result in a yearly revenue reduction of $20,218.00. Le-Ru proposes one increase, specifically to its Directory Assistance charges. This results in a yearly revenue increase of $2,014.00. Lastly, the Agreement calls for Le-Ru to begin accruing depreciation expenses in accordance with a new depreciation schedule contained in Attachment B of the Agreement. No effect on Le-Ru's yearly revenue was indicated for this action. Combining the above revenue decreases and the one increase produces the total $312,010.00 yearly revenue reduction proposed by the parties.

When reviewing the Stipulation and Agreement, the Commission determined additional information regarding the proposed new depreciation schedule was necessary. The Commission therefore issued an Order

Directing Supplemental Filing on August 18, 1998 requesting Le-Ru provide its current depreciation rates, a statement as to when it wished to begin accruing depreciation expenses under the new schedule, and a statement as to what effect use of the new depreciation rates would have on Le-Ru's annual revenue.

Le-Ru responded to the Commission's request and submitted a Supplemental Filing on September 1. Le-Ru stated that, following Commission approval, it wished to begin accruing depreciation expenses under the new schedule as of January 1, 1998. Le-Ru also submitted as Attachment A to its filing a chart showing its current authorized depreciation rates and amounts, the proposed depreciation rates and amounts, and the overall increase in total depreciation under the proposed rates of $27,877.00 per year.

The Commission has reviewed the proposed Agreement and the official case file and finds that the Stipulation and Agreement filed by Staff and Le-Ru should be approved without an evidentiary hearing. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing, the Commission may grant the relief requested based on the Agreement submitted and the filed letters stating the intentions of the intervenors. The Commission may accept a Stipulation and Agreement offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1997.

The Commission finds that the actions proposed by the Agreement and the related revenue reductions are appropriate. The Commission finds that the implementation of parity between interLATA and intraLATA originating and terminating CCL access rates is in keeping with the move to a more competitive market. The Commission will direct Le-Ru to file tariffs to implement the revenue changes approved. The Commission also directs the Staff to file, in any future earnings investigations, information similar to the additional information requested regarding depreciation rates and their effect on annual revenue. This information is necessary before Commission approval of new depreciation rates can be granted.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the Staff of the Commission and Le-Ru Telephone Company on February 27, 1998, is approved. The Agreement shall become effective on the effective date of tariffs filed in conformance with this Order to implement the authorized rate changes.

2. That Le-Ru Telephone Company shall file 30-day tariff sheets designed to implement the rate changes set out in the Stipulation and Agreement approved by this Order no later than 10 days following the effective date of this Order.

3. That this Order shall become effective on October 20, 1998.

BY THE COMMISSION

(S E A L)

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Lumpe, Ch., Crumpton, Drainer,
and Murray, CC., concur.
Schemenauer, C., absent.

Ruth, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the investigation into the earnings of Le-Ru Telephone Company.) Case No. TR-98- 372

STIPULATION AND AGREEMENT

In May of 1997, the Staff of the Missouri Public Service Commission (Staff) began a per books review of the earnings of Le-Ru Telephone Company (Company). Staff's audit was based upon the twelve (12) months ending December 31, 1996, updated for known and measurable changes occurring during 1997. Upon completion of its preliminary earnings analysis, the Staff began discussions with the Company. As a result of extensive negotiations, the signatories hereto stipulate and agree as follows:

1. The Company's gross intrastate revenues will be reduced by approximately $312,010 on an annual basis. This overall reduction in revenues is to be accomplished as a result of changes in certain intrastate rates as more specifically set forth in Attachment A, which is attached hereto and incorporated herein by reference.

2. The Company will prepare draft tariff sheets incorporating the rate changes identified in Attachment A and provide such drafts to Staff no later than March 20, 1998. (Permanent tariff sheets will not be filed with the Commission until it has approved this Stipulation and Agreement.)

3. Beginning January 1, 1998, the Company shall be authorized to accrue depreciation expense based on the depreciation rates set forth in Attachment B, which is attached hereto and incorporated herein by reference.

4. The approval of this Stipulation and Agreement in its entirety by the Commission will conclude Staff's per books earnings investigation of the Company upon which this

settlement was based.

5. None of the signatories to this Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking or procedural principle or any method of cost determination or cost allocation, or any service or payment standard and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

6. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in its entirety, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

7. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights to present testimony, to cross-examine witnesses, and to present oral argument and written briefs pursuant to Section 536.080.1 RSMo. 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1994.

8. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted

by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all Parties, and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to the Stipulation and Agreement, whether or not the Commission approves this Stipulation and Agreement.

WHEREFORE, the signatories respectfully request that the Commission issue its order approving the terms of this Stipulation and Agreement and for such other orders as are reasonable in the circumstances.

Respectfully submitted,

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Attorneys for
Le-Ru Telephone Company

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following:

Michael Dandino
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

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Le-Ru Telephone Company
Rate Design Changes

1. Touch Calling Rates $ (20,218)

Activity	Old Rate	New Rate
Touch Calling Additive	$2.00	None

2. Local Service Rates $ (62,777)

Service	Current Rate	Proposed Rate
Business-	$23.35	$17.00
Business-School Discount	$18.68	$13.60
Residence	$14.65	$10.50
Residence-Vacation	$7.33	$5.25

3. Directory Assistance Charging $ 2,014

Charge will be $0.45 per call with a two free call allowance for each customer each month. Language regarding exemptions for physically handicapped from Citizens Telephone Company tariff will be included in the Le-Ru tariff.

4. Billing and collecting rates $ (26,188)

Rate Element	Old Rate	New Rate
Recording	$0.0483	$0.0250
Bill Processing	$0.0459	$0.0300
Message Bill Service	$0.7010	$0.2016
Data Transmission	$0.0084	$0.0030
Sample Message Data	$0.0163	$0.0023

6. Switched Access Rates: $(204,854)

The Carrier Common Line (CCL) intraLATA cap and intraLATA discounted CCL rates will be eliminated. CCL rates for interLATA and intraLATA will be brought into parity. Line Termination, End Office Switching, and Directory Surcharge rates will be combined into a single Local Switching Rate. The following switched access rates will be established:

Rate Element	Old Rate	New Rate
CCL - InterLATA Originating	$0.09410	$0.02671
CCL - InterLATA Terminating	$0.16120	$0.04567
CCL - IntraLATA Orig. Full	$0.08120	$0.02671
CCL - IntraLATA Term. Full	$0.13920	$0.04567
CCL - IntraLATA Orig. Disc.	$0.02280	None
CCL - IntraLATA Term. Disc.	$0.03910	None
Local Transport	$0.01910	$0.01910
Directory Surcharge	$0.000397	None
End Office Switch - LS1	$0.00770	None
End Office Switch - LS2	$0.01180	$0.02710
Line Termination	$0.01490	None

Total Rate Design Changes $(312,023)

Le-Ru Telephone Company
Depreciation Rates

2112.000	Motor Vehicles	10.23%
2114.000	Special Purpose Vehicles	6.71%
2121.000	Buildings	2.80%
2122.000	Furniture	6.71%
2123.000	Office Support Equipment	9.70%
2124.000	Gen Purpose Computers	13.59%
2212.000	Digital Elec. Switching	6.67%
2232.000	Circuit Equipment	10.30%
2362.000	Other Terminal Equipment	11.49%
2411.000	Poles	6.19%
2421.000	Aerial Cable	5.52%
2423.000	Buried Cable	4.29%

Attachment B