

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 23rd
day of February, 1996.

In the matter of the Application of)
Steelville Telephone Exchange, Inc.,)
for authorization to establish)
permanent depreciation rates pursuant)
to § 392.280.1, RSMo 1994.)

Case No. TR-95-341

ORDER APPROVING STIPULATION AND AGREEMENT
AND AUTHORIZATION FOR ESTABLISHMENT OF
PERMANENT DEPRECIATION RATES

On May 2, 1995 Steelville Telephone Exchange, Inc. (Steelville or Applicant) filed an Application to establish new depreciation rates. On January 2, 1996 the Commission issued a Notice indicating that pursuant to 4 CSR 240-2.116(2) cases before the Commission may be dismissed for lack of prosecution if no action has occurred in the case for 90 days. At that point, this case had been on file for over 241 days with no action. In response to the Commission's Notice, the Telecommunications Department Staff of the Missouri Public Service Commission (Staff) filed its Response on January 3, 1996 indicating that the parties were actively negotiating this case and that a settlement was anticipated. On February 16, 1996 a Stipulation and Agreement (Stipulation) was filed in this case. The Stipulation reflects the signature of representatives from the Applicant, Staff, and the Office of the Public Counsel (OPC).

Steelville, heretofore, has accrued depreciation expense at rates which were established in 1973 and which have not undergone substantial revision since that time. The currently authorized rates do not adequately reflect the service life of property presently in service

as demonstrated by the depreciation study submitted by the Applicant. The annual depreciation rates proposed by the Applicant are based on the remaining life method which will allow for a capital recovery based on accrual rates more representative of the future life expectancy of existing plant. Specifically, the proposed permanent depreciation rates in Steelville's Application are based upon a depreciation study performed upon Steelville's depreciable plant accounts as of December 31, 1994. This depreciation study is titled "Steelville Telephone Exchange, Inc., 1995 Report of Capital Recovery Requirements" and was marked as Exhibit 1 and attached to the Application. Steelville is requesting authorization from the Commission to establish permanent depreciation rates based on the remaining life method and to record depreciation expense in accordance with the depreciation study. Steelville also attached to its Application a "Comparison of Depreciation Accrual Expense" of Steelville which was taken from the study showing present rates of depreciation and the proposed rates of depreciation.

Steelville requested expedited treatment of its Application. Steelville currently has a second case pending before the Commission concerning Steelville's tariff revision designed to increase rates for telephone service provided to customers in the Missouri service area of the company. See Case No. TR-96-123. It would appear that the revenue requirement portion of that case has been resolved by the parties but the final disposition on that issue is premised upon Commission authorization of Steelville's Application in this case. In addition, Steelville plans to close its 1995 books by March 15, 1996 in order to complete its annual report. Recording the proposed depreciation rates and amortizations to its 1995 books would be more difficult after Steelville has closed its books. Therefore, the parties to this case submit that the Stipulation herein is

designed to permit Steelville to implement the agreement as to depreciation rates and amortizations proposed in the rate case and to do so in a way which will not adversely affect other business requirements for Steelville.

The recommendations of the parties to the Stipulation specifically requested that the Commission authorize Steelville to use the (new) depreciation rates as listed on Exhibit No. 1 to the Stipulation retroactive to January 1, 1995. Similarly, the parties recommend that the Commission authorize Steelville to use the amortization amounts listed on revised Exhibit No. 2 to the Stipulation retroactive to January 1, 1995. The aforementioned exhibits, Exhibit No. 1 and revised Exhibit No. 2 are attached to this order, along with the Stipulation, and incorporated herein.

The remaining recommendations incorporated into the Stipulation by the parties are as follows:

- a. If Steelville had depreciated its plant in the four accounts on Exhibit No. 1 pursuant to the parameters listed on Exhibit No. 1, Steelville would have theoretically accrued an additional \$1,249,467 in depreciation expense. The parties recommend that the Commission authorize Steelville to record an additional \$88,697.80 to Accrual Account 2212.0, an additional \$61,111.20 to Accrual Account 2232.2, and additional 14,807.20 to Accrual Account 2232.3, and an additional \$85,227.20 to Accrual Account 2423.1 each year for five years, beginning January 1, 1995.
- b. Steelville's records further indicate that Steelville has an accumulated unrecovered investment of \$515,914 related to plant retirements during 1994-95. In particular, Steelville's new fiber optic cable permitted Steelville to retire much of its buried cable, aerial cable, aerial wire and pole lines before

Steelville had fully recovered its investment in that plant. The parties recommend that the Commission authorize Steelville to record an additional amortization accrual of \$103,182.80 to Account 1438 each year for five years, beginning January 1, 1995.

The remainder of the agreements contained in the Stipulation are based upon the parties various rights as set out in §536 and §386, RSMo 1994. These agreements concern procedural matters which are not pertinent to the authorization requested by Steelville.

The Commission has reviewed the Application filed by Steelville, along with the Stipulation and Agreement and the entirety of the file, and makes the following findings of fact. The Commission finds that Steelville is a corporation duly organized and existing under the laws of the state of Missouri with its principal office and place of business located at Steelville, Missouri. Steelville provides basic local telecommunications services to four exchanges located in the Missouri counties of Crawford, Dent, Iron, and Washington. Steelville is a "telecommunications company" and a "public utility" as those terms are defined in §386.020, RSMo 1994. As such, Steelville is subject to the jurisdiction, regulation, supervision, and control of the Missouri Public Service Commission pursuant to §386 and §392, RSMo 1994.

The Commission finds the facts as set out in the Application and also in the Stipulation demonstrate that it is in the public interest to authorize Steelville to revise its permanent depreciation rates as proposed in its Application. The Commission finds that the currently authorized rates do not adequately reflect the service life of property presently in service as demonstrated by the depreciation study filed by Steelville. The Commission finds that the annual depreciation rates

proposed are based upon the remaining life method and these rates will allow for capital recovery based upon accrual rates which are more representative of the future life expectancy of existing plant. Pursuant to \$392.280, RSMo 1994, the Commission finds the proposed depreciation is proper and adequate. Pursuant to \$536.060, RSMo 1994, the Commission finds that it may accept the disposition of a case by Stipulation as requested herein.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by all parties to this case on February 16, 1996 is hereby accepted by the Commission for disposition of this case.

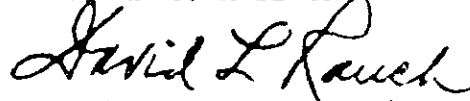
2. That the Stipulation and Agreement, along with Exhibit No. 1 and revised Exhibit No. 2 are attached to this order as Attachment No. 1 and incorporated herein as if set out at length.

3. That Steelville Telephone Exchange, Inc. is hereby authorized to implement the agreement and to use the depreciation rates listed in Exhibit No. 1 retroactive to January 1, 1995.

4. That Steelville Telephone Exchange, Inc. is hereby authorized to implement the agreement and to use the amortization amounts listed in revised Exhibit No. 2 retroactive to January 1, 1995.

5. That this order shall become effective on March 5, 1996.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Zobrist, Chm., McClure, Kincheloe,
Crumpton, and Drainer, CC., Concur.