

May 1988
17
P.D.O.
Bender

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 16th
day of December, 1988.

In the matter of the investigation)
by the Staff of the Missouri Public)
Service Commission into the earnings) CASE NO. TR-89-106
of Contel of Missouri, Inc., Contel)
System of Missouri, Inc. and Webster)
County Telephone Company.)

ORDER APPROVING STIPULATION AND AGREEMENT AND MOTION
TO IMPLEMENT TARIFFS ON LESS THAN THIRTY DAYS NOTICE

As a result of a Staff investigation into the earnings of Contel of Missouri, Inc., Contel System of Missouri, Inc. and Webster County Telephone Company (hereinafter Contel), Staff, representatives of Contel and the Office of the Public Counsel have entered into discussions and have stipulated and agreed, among other things, that Contel be authorized to implement on January 1, 1989, revised tariffs for intrastate telephone service which are designed to reduce Contel's Missouri jurisdictional gross annual revenues by approximately \$5.9 million.

On December 6, 1988, the parties filed the Stipulation and Agreement, revised tariffs to take effect on January 1, 1989, and a Motion To Approve Stipulation And Agreement And Implement Tariffs On Less Than Thirty Days Notice.

In support of the motion, the parties state that the approval of the Stipulation and Agreement, together with the implementation of the tariffs, is a fair, reasonable and expeditious resolution of the issues raised by Staff's investigation and that approval of the Stipulation and Agreement and implementation of the revised tariffs are in the public interest.

The Commission, having reviewed the Stipulation and Agreement and the Motion filed therewith, finds that the Stipulation and Agreement is reasonable and should be approved and finds that good cause has been shown that the tariffs should

be allowed to take effect on less than thirty days notice since the delay in the implementation of the rate reductions would not be in the best interest of the ratepayers.

The proposed tariff sheets attached to the Stipulation and Agreement reflecting decreased rates for "Usage Pricing Service" are not being approved in this Order since the Commission authorized Contel of Missouri, Inc. to withdraw Usage Pricing Service" on December 9, 1988, when the Commission considered File No. 8900154.

It is, therefore,

ORDERED: 1. That the Stipulation and Agreement filed herein on December 6, 1988, be and it is, hereby approved and that pursuant to paragraph 1 of the Stipulation and Agreement Contel shall be authorized to implement on January 1, 1989, revised tariffs for intrastate telephone service which are designed to reduce Contel's Missouri jurisdictional gross annual revenues by approximately \$5.9 million.

ORDERED: 2. That pursuant to paragraph 2 of the Stipulation and Agreement effective January 1, 1989, Contel shall be authorized to begin accruing depreciation expenses for Contel System of Missouri, Inc. at the rates set forth in Attachment B, attached to the Stipulation and Agreement.

ORDERED: 3. That pursuant to paragraph 3 of the Stipulation and Agreement Contel of Missouri, Inc. shall continue to book depreciation expense at those rates at which it is currently booking depreciation expense pursuant to this Commission's authorization issued in Case No. TR-88-131 and that Contel shall book depreciation expenses pursuant to Commission authorization in Case No. TR-88-131 through December 31, 1989, regardless of whether the Commission issues an order authorizing new depreciation rates prior to that time.

ORDERED: 4. That pursuant to paragraph 4 of the Stipulation and Agreement Contel of Missouri, Inc., Contel System of Missouri, Inc., and Webster County Telephone Company will be considered on a consolidated basis for ratemaking purposes.

ORDERED: 5. That pursuant to paragraph 5 of the Stipulation and Agreement Contel of Missouri, Inc. and Webster County Telephone Company will, by billing insert or other appropriate means, notify their customers of the disconnect notice charge which both Companies are authorized to charge and said notice shall advise customers that if they do not pay their bill within twenty-one (21) days of its receipt a disconnect notice charge in the amount of \$2.00 may be assessed.

ORDERED: 6. That pursuant to paragraph 6 of the Stipulation and Agreement Contel shall take whatever steps are necessary and appropriate to extend telephone service in certain areas of Shannon, Texas and Oregon Counties in Missouri, which adjoin Contel exchanges but which are currently outside of any telephone company's certificated areas. Contel shall use its diligent best efforts to extend service to customers in those areas no later than July 1, 1989, and shall submit monthly status reports to the Staff beginning March 1, 1989, and continuing until service is actually installed in these areas.

ORDERED: 7. That pursuant to paragraph 7 of the Stipulation and Agreement Contel will address specific areas of concern identified by Staff as a result of its Management Services review and shall complete an implementation plan within sixty (60) days of the effective date of this order. Thereafter, Contel shall prepare semi-annual status reports based on the initial implementation plan. The first of such status reports shall be completed within six (6) months of the effective date of this order and shall continue until Staff and Contel mutually determine they are no longer necessary.

ORDERED: 8. That the following tariff sheets filed herein on December 6, 1988, be, and they are, hereby approved:

P.S.C. MO. No. 3 - Contel of Missouri, Inc

Section 4 Third Revised Sheet 11 Canceling Second Revised Sheet 11
Section 4 Third Revised Sheet 12 Canceling Second Revised Sheet 12
Section 5 Third Revised Sheet 19 Canceling Second Revised Sheet 19
Section 5 Second Revised Sheet 20 Canceling First Revised Sheet 20
Section 6 Third Revised Sheet 3 Canceling Second Revised Sheet 3

P.S.C. MO. No. 3 - Contel System of Missouri, Inc.

Section 4 Third Revised Sheet 8 Canceling Second Revised Sheet 8
Section 5 First Revised Sheet 11.1 Canceling Original Sheet 11.1
Section 5 First Revised Sheet 11.2 Canceling Original Sheet 11.2
Section 6 Second Revised Sheet 4 Canceling First Revised Sheet 4
Section 8 Third Revised Sheet 1 Canceling Second Revised Sheet 1

P.S.C. MO. No. 7 - Webster County Telephone Company

Section 4 Second Revised Sheet 3 Canceling First Revised Sheet 3
Section 5 Second Revised Sheet 12 Canceling First Revised Sheet 12
Section 5 Second Revised Sheet 13 Canceling First Revised Sheet 13
Section 6 Second Revised Sheet 2 Canceling First Revised Sheet 2

P.S.C. MO. No. 5 - Contel of Missouri, Inc.

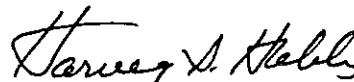
First Revised Sheet 29 Canceling Original Sheet 29

P.S.C. MO. No. 4 - Contel of Missouri, Inc.

Second Revised Page 72.19 Cancels First Revised Sheet 72.19

ORDERED: 8. That this Order shall become effective on January 1, 1989.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Musgrave, Mueller,
and Fischer, CC., Concur.
Hendren, C., Absent.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the investigation)	
by the Staff of the Missouri Public)	
Service Commission into the earnings)	
of Contel of Missouri, Inc., Contel)	Case No. TR-89- <u>106</u>
System of Missouri, Inc. and Webster)	
County Telephone Company.)	

STIPULATION AND AGREEMENT

On or about April 11, 1988, the Staff of the Missouri Public Service Commission (Staff) initiated its investigation of the earnings of Contel of Missouri, Inc., Contel System of Missouri, Inc. and Webster County Telephone Company (hereinafter collectively referred to as "Contel"). At the conclusion of Staff's investigation, Staff met with representatives of Contel and the Office of the Public Counsel (Public Counsel) to discuss Staff's findings. As a result of those meetings, the undersigned Parties hereby stipulate and agree as follows:

1. That Contel be authorized to implement on January 1, 1989 revised tariffs for intrastate telephone service which are designed to reduce Contel's Missouri jurisdictional gross annual revenues by approximately \$5.9 million. A copy of the tariffs which Contel proposes to implement are attached hereto and incorporated herein by reference as Attachment A. Generally, these tariffs provide for reductions in Contel's (1) service connection charges (of approximately \$200,000 annually); (2) local access line rates (of approximately \$2,000,000 annually); (3) intrastate interLATA, originating carrier common line rate (of approximately \$576,000 annually); (4) intrastate intraLATA, originating carrier common

line rate (of approximately \$3,124,000 annually) and (5) intrastate intraLATA toll rates (of approximately \$2,569,000 annually).¹

2. That effective January 1, 1988, Contel shall be authorized to begin accruing depreciation expenses for Contel System of Missouri, Inc. at the rates set forth in Attachment B, which is attached hereto and incorporated herein by reference. As a result, Contel agrees to withdraw its pending request to establish new depreciation rates for Contel System of Missouri, Inc. (Case No. TR-88-83).

3. That Contel of Missouri, Inc. will continue to book depreciation expense at those rates at which it is currently booking depreciation expense pursuant to Missouri Public Service Commission (Commission) authorization issued in Case No. TR-88-131. The Parties agree that Contel of Missouri, Inc. will not be prohibited from filing a request to establish new depreciation rates in accordance with its most recent depreciation rate study filed July 15, 1988, in Case No. TR-88-131; it being understood, however, that Contel of Missouri, Inc. will not seek a hearing on that request until after an order has been issued by the Commission relative to revenue requirement issues in the Southwestern Bell

¹The sum of the aforementioned reductions exceed the total reduction of \$5,900,000 because, of the \$3,124,000 reduction in intrastate intraLATA carrier common line revenues, \$2,550,000 represents self-imputed access (or access which Contel pays to itself). This reduction in self-imputed access charges is passed through to intraLATA toll rates and, accordingly, results in a \$2,569,000 reduction in Contel's intrastate intraLATA toll revenues.

Telephone Company complaint case (Case No. TC-89-14). In that regard, the Parties agree that Contel will be permitted to update its depreciation rate study to December 31, 1988, if it so chooses, and that Staff, which has already retained the services of an outside consultant to review Contel's capital deployment policies, will be permitted to continue its investigation, commenced in Case No. TR-88-131, into Contel's request to revise depreciate rates. Finally, Contel of Missouri, Inc. agrees to book depreciation expenses pursuant to Commission authorization in Case No. TR-88-131 through December 31, 1989, regardless of whether the Commission issues an order authorizing new depreciation rates prior to that time.

4. The Parties agree that for ratemaking purposes, Contel of Missouri, Inc., Contel System of Missouri, Inc. and Webster County Telephone Company will be considered on a consolidated basis. Consequently, if Contel seeks a general rate increase for Contel of Missouri, Contel System of Missouri, Inc. or Webster County Telephone Company, individually or collectively, Contel must demonstrate that a revenue deficiency exists for all three companies on a consolidated basis. Likewise, if Staff or Public Counsel seek a general rate reduction for Contel of Missouri, Inc., Contel System of Missouri, Inc. or Webster County Telephone Company, individually or collectively, they must demonstrate that an earnings excess exists with respect to all three companies on a consolidated basis. The provisions of this paragraph are not intended and shall not be construed to prevent Contel from filing

revised intrastate telecommunications tariffs which redesign all or a portion of any or all of the three companies' intrastate telecommunications rates, but which do not increase the aggregate level of jurisdictional gross annual revenues for all three companies; or from filing any pleading pursuant to the provisions of Chapters 386 and 392, RSMo Supp. 1987, or the Commission's Rules of Practice and Procedure other than a request for a general rate increase as described herein. Furthermore, nothing in this paragraph shall prohibit Contel from filing tariffs and rates for new service offerings or exchange rate group reclassifications.

5. That Contel of Missouri, Inc. and Webster County Telephone Company will, by billing insert or other appropriate means, notify their customers of the disconnect notice charge which both companies are authorized to charge. Said notification shall advise customers that if they do not pay their bill within twenty-one days of its receipt, a disconnect notice charge in the amount of \$2.00 may be assessed.

6. That Contel will take whatever steps are necessary and appropriate (including, but not necessarily limited to, the construction of facilities, filing of tariffs, and request for certificate(s) of service authority) in order to extend telephone service into certain areas of Shannon County, Texas County and Oregon County, Missouri, which adjoin Contel exchanges but which are currently outside of any telephone company's certificated areas. Contel shall use its diligent best efforts to extend service to customers in these areas no later than July 1, 1989.

Contel further agrees to submit monthly status reports to the Staff beginning March 1, 1989, and continuing until service is actually installed in these areas.

7. That Contel will address specific areas of concern identified by Staff as a result of its Management Services review. These areas of concern are listed on Attachment C attached hereto and incorporated herein by reference. In addition, Contel will address the recommendations contained in the August, 1988, Coopers & Lybrand Audit Report. In addressing Staff's areas of concern and the Coopers & Lybrand's recommendations, Contel will thoroughly evaluate all relevant costs and benefits in determining which recommendations to implement and how. Contel will maintain some approximation of the actual costs incurred and benefits attained as a result of these recommendations.

Contel agrees to complete an implementation plan within sixty (60) days of the effective date of a Commission order approving this Stipulation and Agreement. This implementation plan will address each specific recommendation and be in a format agreeable to Staff and Contel.

Contel will prepare semi-annual status reports based on the initial implementation plan. These reports will also be in a format agreeable to Staff and Contel. The first status report will be completed within six months of the effective date of a Commission order approving this Stipulation and Agreement. These status reports will continue until such time as the Staff and Contel mutually determine them no longer to be necessary.

Contel will make the implementation plan and status reports available for review by the Commission's Management Services Staff at Contel's offices located in Wentzville, Missouri. Contel will provide Staff with additional clarification and information on the contents of these documents, as requested.

8. That this Stipulation and Agreement represents a negotiated dollar settlement for the purpose of disposing of the above captioned case, and none of the Parties to this Stipulation and Agreement shall be prejudiced by or be bound by the terms of this Stipulation and Agreement in any future proceedings, or in this proceeding, in the event the Commission does not approve this Stipulation and Agreement in its entirety.

9. That none of the Parties to this Stipulation and Agreement shall be deemed to have approved of or acquiesced in any ratemaking principle or any method of cost of service determination, or cost allocation underlying any of the rates for which provision is made in this Stipulation and Agreement.

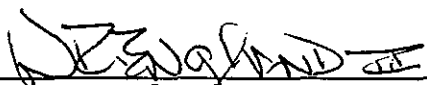
10. That the Staff shall have the right to submit to the Commission, in memorandum form, an explanation of its rationale for entering into this Stipulation and Agreement and to provide to the Commission whatever further explanation the Commission requests and that such memorandum shall not become a part of the record of this proceeding and shall not bind or prejudice the Staff in any future proceeding or in this proceeding in the event the Commission does not approve this Stipulation and Agreement. It is understood by the Parties hereto that any rationale advanced by Staff in such a

memorandum is its own and not acquiesced in or otherwise adopted by such other Parties.

11. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive their rights to present oral argument and written briefs pursuant to §536.080, RSMo 1986; their rights pertaining to the reading of the transcript by the Commission pursuant to §536.080, RSMo 1986; and their rights to judicial review pursuant to 386.510, RSMo 1986.

12. That the agreements in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in its entirety, and in the event the tariffs agreed to herein do not become effective on January 1, 1989, the Parties agree that this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,



W. R. England, III #23975
HAWKINS, BRYDON, SWEARENGEN
& ENGLAND P.C.
312 East Capitol Avenue
P. O. Box 456
Jefferson City, Missouri 65102
(314) 635-7166

Attorneys for
CONTEL OF MISSOURI, INC.
CONTEL SYSTEM OF MISSOURI, INC.
WEBSTER COUNTY TELEPHONE COMPANY

Andrew J. Snider

Linda K. Ohlemeyer
Charles Brent Stewart
Andrew J. Snider
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102
Attorneys for MISSOURI PUBLIC
SERVICE COMMISSION STAFF

Mark D. Wheatley

Mark D. Wheatley
Assistant Public Counsel
OFFICE OF PUBLIC COUNSEL
P. O. Box 7800
Jefferson City, Missouri 65102
Attorney for THE OFFICE
OF THE PUBLIC COUNSEL

Dated this 6 day of December, 1988.

CONTEL SYSTEMS OF MISSOURI
DEPRECIATION RATE SUMMARY
AS OF 12/31/87

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>	<u>DEPRECIATION RATE</u>
212.00	BUILDINGS	3.8%
221.20	ANALOG/STEP	10.1%
221.23	CROSSBAR	14.1%
221.24	MICROWAVE	8.7%
221.26	CIRCUIT	12.7%
221.28	DIGITAL	6.0%
231.38	SUB CARRIER	9.6%
235.11	PAYSTATIONS	0.5%
241.00	POLE LINE	6.4%
242.10	AERIAL CABLE	3.2%
242.11	AERIAL DROP	3.2%
242.15	AERIAL NON-M	3.4%
242.20	U'GRND CABLE	3.0%
242.25	U'GRND NON-M	3.1%
242.30	BUR. CABLE	4.7%
242.31	BURIED DROP	4.7%
242.35	BURIED NON-M	4.2%
243.00	AERIAL WIRE	11.8%
244.00	CONDUIT	2.1%
261.80	FURNITURE	5.0%
261.81	OFFICE EQPT.	5.0%
261.82	INFO SYSTEMS	12.1%
262.00	OTHER COMM E	21.0%
264.85	VEHICLES	12.7%
264.86	WORK EQUIPMENT	12.7%

CONTEL OF MISSOURI, INC. (CTC)
CONTEL SYSTEMS OF MISSOURI (CSM)
WEBSTER COUNTY TELEPHONE COMPANY (WEBSTER)

Identified Areas of Concern
and Recommendations
With Respect to the Staff's
Management Investigation

I. Strategic Planning

The Division needs to take a more aggressive approach with respect to monitoring and evaluating the achievement of its goals and objectives to include:

- . Monitoring results on a more frequent basis.
- . Post-activity reporting (comparing of planned against achieved results).

II. Compensation

- . The Company should be collecting and utilizing more information obtained during exit interviews.
- . The Company should collect and maintain segregated turnover figures for its Missouri companies.
- . Goals utilized within the MMIP and the MIP should represent challenging yet attainable objectives.
- . The benefits of the incentive programs should be evaluated on the basis of their worth to the total Company.
- . Incentive plan rewards should only be given for 100% achievement of an objective.

III. Capital Deployment

- . The Company should develop a feedback system to examine the actual results of its completed major construction projects.
- . The results of these feedback evaluations should be utilized within the particular operating group's MIP and MMIP objectives.