BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Fidelity Telephone Company of Sullivan, Missouri, for authority to file a tariff to convert existing rates for local access line service to interim rates subject to refund at 9 percent simple interest.	)	Case No. TR-89-159
In the matter of Bourbeuse Telephone Company of Sullivan, Missouri, for authority to file a tariff to convert existing rates for local access line service to interim rates subject to refund at 9 percent simple interest.	)	Case No. TR-89-160

APPEARANCES: W.R. England, III, Hawkins, Brydon, Swearengen & England P.C., Post Office Box 456, Jefferson City, Missouri 65102, for Fidelity Telephone Company and Bourbeuse Telephone Company.

Janet L. Sievert, Assistant Public Counsel, Office of Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of Public Counsel and the public.

William M. Shansey, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

REPORT AND ORDER

On February 17, 1989, Fidelity Telephone Company of Sullivan, Missouri filed for Commission approval of a tariff to convert existing rates for local access line service to interim rates subject to refund at 9 percent simple interest. The case was docketed TR-89-159.

On February 17, 1989, Bourbeuse Telephone Company of Sullivan, Missouri, filed for Commission approval of a tariff to convert existing rates for local access line service to interim rates subject to refund at 9 percent simple interest. This case was docketed TR-89-160. Because of similarity in issues, these cases are being combined in a single order. Fidelity Telephone Company and Bourbeuse Telephone Company hereinafter are collectively referred to as the Companies.

On February 24, 1989, the Commission issued its Order Approving Tariff in the above-referenced matters which, among other things, approved a tariff filing by the Companies designed to convert their existing permanent rates for local access line service to interim rates subject to refund at 9 percent simple interest. This tariff filing was made in accordance with a Joint Memorandum executed by the Companies, Staff and the Office of Public Counsel (Public Counsel) which also provided, among other things, for a suspension of Staff's earnings investigation for approximately six months.

On or about August 7, 1989, Staff resumed its earnings investigation of the Companies. On January 5, 1990, Staff provided the Companies with the results of its investigation. Shortly thereafter, representatives of the Companies, Staff and Public Counsel met on several occasions to discuss Staff's findings. As a result of those meetings, the parties were able to reach agreement on all issues and arrive at a Stipulation And Agreement which was filed with the Commission for its approval and is attached hereto as Attachment A.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

Companies are local exchange services in Sullivan, Missouri. On February 17, 1989, Companies filed for Commission approval of a tariff to convert existing rates for local access line service to interim rates subject to refund at 9 percent simple interest.

As a result of a series of meetings, Companies, Staff and Public Counsel agreed that, upon Commission approval, Companies would be authorized to implement on March 1, 1990 revised tariffs for intrastate telecommunications services which are designed to reduce Companies' Missouri jurisdictional gross annual revenues by $500,000. The Stipulation And Agreement details this reduction as well as other issues and is attached to this Report And Order as Attachment A.

The Commission has reviewed the Stipulation And Agreement and finds it reasonable.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The Companies are public utilities subject to the jurisdiction of this Commission as provided in Chapters 386 and 392, R.S.Mo. 1986. The burden of proof to show that the proposed tariffs are just and reasonable shall be upon the Companies. The Commission, after notice and hearing, may order a change in any rate, charge or practice, including rate design, and it may determine and prescribe the lawful rate, charge or practice thereafter to be observed.

The Commission may consider all facts which, in its judgment, have any bearing upon the proper determination of the price to be charged with due regard, among other things, to a reasonable average return upon the value of the property actually used in public service and to the necessity of making reservations out of income for surplus and contingencies. In so doing, the Commission shall consider the fair value of the property in its proper relationship to all other facts that have a material bearing on the establishment of fair and just rates.

For ratemaking purposes and rate design purposes, the Commission may accept a stipulation of settlement on any contested matters submitted by the parties. The Commission is of the opinion that when the matters of agreement between the parties appear to be reasonable and proper, they should be accepted.

The Commission concludes that the proposed reduction in annual gross revenues provided for in paragraph 1 of the Stipulation And Agreement is just and reasonable, as are the proposals in paragraphs 1 through 16.

The Commission also concludes that the Companies should submit for Commission approval tariffs designed to implement the Stipulation And Agreement.

It is, therefore,

ORDERED: 1. That the Missouri Public Service Commission adopts the Stipulation And Agreement filed herein on February 21, 1990.

ORDERED: 2. That Fidelity Telephone Company and Bourbeuse Telephone Company of Sullivan, Missouri, are authorized to file, for approval of this Commission, revised tariffs designed to decrease the Companies' gross annual revenues by $500,000.

ORDERED: 3. That the tariffs filed by Fidelity Telephone Company and Bourbeuse Telephone Company shall embody the agreements set out in paragraphs 1 through 16 of the Stipulation And Agreement attached to this Report And Order.

ORDERED: 4. That the tariffs filed pursuant to the authority contained herein shall be effective, upon approval by the Commission, for service rendered on and after March 1, 1990.

ORDERED: 5. That this Report And Order shall become effective on the 28th day of February, 1990.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Mueller, Rauch,
McClure and Letsch, CC., Concur.

Dated at Jefferson City, Missouri,
on this 23rd day of February, 1990.

Attachment A

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Fidelity Telephone Company of Sullivan, Missouri, for authority to file a tariff to convert existing rates for local access line service to interim rates subject to refund at 9% simple interest.	)	Case No. TR-89-159
In the matter of Bourbeuse Telephone Company of Sullivan, Missouri, for authority to file a tariff to convert existing rates for local access line service to interim rates subject to refund at 9% simple interest.	)	Case No. TR-89-160

STIPULATION AND AGREEMENT

On or about November 21, 1988, the Staff of the Missouri Public Service Commission (Staff) initiated its investigation of the earnings of Fidelity Telephone Company and Bourbeuse Telephone Company (hereinafter collectively referred to as the Companies).

On or about February 24, 1989, the Missouri Public Service Commission (Commission) issued its Order Approving Tariff in the above-referenced matters, which, among other things, approved a tariff filing by the Companies designed to convert their existing permanent rates for local access line service to interim rates subject to refund at 9% simple interest. This tariff filing was made in accordance with a Joint Memorandum executed by the Companies, Staff and the Office of the Public Counsel (Public Counsel) which also provided, among other things, for a suspension of Staff's earnings investigation for approximately six months.

On or about August 7, 1989, Staff resumed its earnings investigation of the Companies. On January 5, 1990, Staff provided

FILED

FEB 21 1990

PUBLIC SERVICE COMMISSION

Company with the results of its investigation. Shortly thereafter, representatives of the Companies, Staff and Public Counsel met on several occasions to discuss Staff's findings. As a result of those meetings, the Parties were able to reach agreement on all issues and arrive at the following Stipulation and Agreement which is submitted to the Commission for its approval:

1. The Parties stipulate and agree that the Companies shall be authorized to implement on March 1, 1990 revised tariffs for intrastate telecommunications services which are designed to reduce the Companies' Missouri jurisdictional gross annual revenues by $500,000. Generally, the Stipulation and Agreement provides for reductions in the following categories of telecommunications services:

	Reduced Annual Revenues
A. Local exchange rates	
1) Touchtone	($ 29,868)
2) Custom calling	($ 10,373)
3) Basic local exchange	($ 101,608)

The local exchange rate reductions are shown on Exhibit A which is attached hereto and incorporated herein by reference.

B. Toll rates	
1) Message toll service (10% reduction across-the-board)	($ 190,362)
2) WATS and 800 service (10% reduction across-the-board)	($ 8,454)
C. Intrastate access rates (aggregate 32% reduction in revenues)	($ 160,109)

2. The Parties stipulate and agree that the Companies shall refund to their local exchange customers the sum of $200,000. This refund amount represents the total principal, interest and taxes which the Companies are required to refund pursuant to the terms of the existing interim tariffs. This refund is intended to fully satisfy any obligation the Companies may have with respect to the refund provision contained in their interim tariffs. The local exchange rates referenced in paragraph 1 above and specifically shown in Exhibit A attached hereto will be "permanent" rates and will supersede the interim rates currently in effect. The mechanics of the refund will be as follows:

A. The Companies shall refund to their customers the amount of $200,000 (which includes principal, interest and taxes) through a credit to existing subscribers' bills over three billing periods beginning March 1, 1990. The credit per individual will be based on the number of access lines in-service and the length of time these access lines were charged the interim rates. No distinction will be made between business, residential, PBX, etc. with the exception of subscribers on the vacation rate who will receive one-half of the credit. A customer list displaying all subscribers who were in billing on March, 1989 through February, 1990 will be prepared. For each month during the "interim" period (i.e. March, 1989 through February, 1990) that a customer was in billing, he/she will receive a credit of $1.50 per access line.

B. The Companies agree to mail a refund check on April 16, 1990 to those customers who are no longer subscribers of the

Company but nevertheless are entitled to a refund. For any customers who are due refund checks and who have had service disconnected for nonpayment of an undisputed delinquent charge or who have an outstanding balance due to the Companies, such refund shall first be credited to the delinquent amount or the balance due and the remainder, if any, shall be sent to the refundee. The Companies shall honor all refund checks for a period of one year beyond April 16, 1990 (or the date when refund checks are mailed) at which time refunds not claimed shall be reported to the Commission for determination as to the further disposition, if any, of unclaimed refunds.

3. The Parties stipulate and agree that effective January 1, 1989, the Companies shall be authorized to begin accruing depreciation expense at the rates set forth in Exhibit B which is attached hereto and incorporated herein by reference. In addition, the Parties agree that the Companies shall be authorized to amortize to expense over a five year period beginning January 1, 1989 an annual amount of $4,436 from the depreciation reserve for Radio Systems and an annual amount of $10,988 from the depreciation reserve for Circuit Equipment-Interoffice.

4. The Companies agree to pursue their existing network modernization and improvement plans. Specifically, the Companies agree to convert their remaining electromechanical central office switches to digital switching technology no later than December 31, 1991. If the Companies determine that they cannot meet this deadline they will notify Staff as soon as possible.

5. The Parties stipulate and agree that for ratemaking purposes Fidelity Telephone Company and Bourbeuse Telephone Company will be considered on a consolidated basis. Consequently, if one or both of the Companies seek a general rate increase they must demonstrate that a revenue deficiency exists for both companies on consolidated basis. Likewise, if Staff or Public Counsel seek a general rate reduction for one or both of the Companies, they must demonstrate that an earnings excess exists with respect to both companies on a consolidated basis. The provisions of this paragraph are not intended and shall not be construed to prevent one or both of the Companies from filing revised intrastate telecommunications tariffs which redesign all or a portion of one or both of the Companies' intrastate telecommunications rates, but which do not increase the aggregate level of jurisdictional gross annual revenues for both Companies; or from filing any pleading pursuant to the provisions of Chapters 386 and 392, RSMo. 1986, as amended, or the Commission's Rules of Practice and Procedure, other than a request for general rate increase as described herein. Furthermore, nothing in this paragraph will prohibit the Companies from filing tariffs and rates for new service offerings or exchange rate group reclassification.

6. Commencing on July 1, 1990, the Companies agree to file a consolidated surveillance report with the Commission's Office of Financial Analysis. Thereafter, the Companies shall file said consolidated surveillance report on a quarterly basis.

7. The Companies agree to mechanize their continuing property records utilizing the units of property detailed on their system maps within a period of three years from the effective date of a Commission order approving this Stipulation and Agreement.

8. The Companies agree that units of property shall be priced using the computer software obtained from Frederick & Associates of Monroe, Louisiana. The Companies further agree to adjust those unit prices such that the total investment contained in the property records agrees with their general plant ledgers. Companies agree to complete this pricing of their property units on or before December 31, 1991.

9. The Companies agree to establish a program to completely inventory all property units and to reconcile said inventory with their continuing property records in order to verify that property record units actually exist. The timeframe to complete this inventory and reconcile same with the property records is negotiable between the Companies and Staff.

10. The Companies agree to perform a depreciation study of all their plant property accounts as of December 31, 1991 and file said study with the Commission as soon thereafter as possible and in no event later than July 1, 1992.

11. The Companies agree to establish a plant property catalog itemizing the various plant and retirement units with a description in accordance with Part 32 of the Uniform System of Accounts. Additionally, the Companies agree to prepare written instructions as a part of the plant property catalog which distinguishes

capitalization from maintenance expense. The Companies agree to complete the above tasks within three years from the effective date of a Commission order approving this Stipulation and Agreement.

12. The Companies agree to establish a work order system within a period of six months from the effective date of a Commission order approving this Stipulation and Agreement which shows the source of all costs capitalized along with source documents in accordance with Part 32 of the Uniform System of Accounts.

13. The Companies shall provide Staff with semi-annual progress reports beginning July 1, 1990, for those items mentioned in paragraphs numbered 7, 8, 9, 10 and 11 above. For that item mentioned in paragraph 12 above, the Companies agree to provide Staff with a progress report every two months beginning June 1, 1990.

14. The Companies agree to add two accountant positions by July 1, 1990.

15. Commencing July 1, 1990, and thereafter on a quarterly basis, the Companies agree to provide to the Management Services Department (MSD) Staff a status report regarding management improvement projects. In the July 1, 1990 status report, the Companies will reassess those projects which remain incomplete at that time and attempt to priortize them according to their benefits and the resources available. MSD Staff agrees to review Companies' July 1, 1990 status report in a timely manner and advise the

Companies of any concerns MSD Staff may have with regard to that project.

16. The Parties agree that the Companies should notify their customers in the Companies' March 1, 1990 billing of the proposed rate reduction and refund. The Parties have jointly developed a form of customer notification and is attached hereto and incorporated herein by reference as Exhibit C.

17. That this Stipulation and Agreement represents a negotiated dollar settlement for the sole purpose of disposing of the above-captioned cases. None of the Parties to this Stipulation and Agreement shall be prejudiced by or bound by the terms of this Stipulation and Agreement in any future proceedings or in these proceedings in the event the Commission does not approve this Stipulation and Agreement in its entirety.

18. That none of the Parties to this Stipulation and Agreement shall be deemed to have approved of or acquiesced in any ratemaking principle, valuation method, cost of service method or rate design proposal; that any number used in this Stipulation and Agreement or in the rates and tariffs provided for in this Stipulation and Agreement shall not prejudice, bind or affect any party thereto except to the extent necessary to effectuate the terms of this Stipulation and Agreement.

19. That in the event that the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive their right to present oral argument and written briefs pursuant to Section 536.080(1), RSMo. 1986; their rights pertaining to the

reading of the transcript of the Commission pursuant to Section 536.080, RSMo. 1986 and their rights to judicial review pursuant to Section 386.510, RSMo. 1986.

20. 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, 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
Paul A. Boudreau #33155
HAWKINS, BRYDON, SWEARENGEN
& ENGLAND P.C.
P. O. Box 456
Jefferson City, Missouri 65102
(314) 635-7166

Attorneys for
BOURBEUSE TELEPHONE COMPANY and
FIDELITY TELEPHONE COMPANY

William M. Shansey

William M. Shansey
Missouri Public Service Commission Staff
P. O. Box 360
Jefferson City, Missouri 65102
(314) 751-8702

Attorney for
MISSOURI PUBLIC SERVICE COMMISSION

Janet L. Sievert
The Office of the Public Counsel
P. O. Box 7800
Jefferson City, Missouri 65102
(314) 751-4857

Attorney for
THE OFFICE OF THE PUBLIC COUNSEL

Dated: 2/21/90

Exhibit A

LOCAL EXCHANGE SERVICE AND TOUCH TONE

COMPANY	LOCAL SERVICE	CURRENT RATE	PROPOSED RATE	
FIDELITY	RESIDENCE	$8.30	$7.55	
FIDELITY	RESIDENCE TOUCHTONE	$1.50	$0.25	
BOURBEUSE	RESIDENCE TOUCHTONE	$1.50	$0.25	
FIDELITY	BUSINESS	$15.65	$14.25	
FIDELITY	BUSINESS TOUCHTONE	$1.50	$0.50	
BOURBEUSE	BUS TOUCHTONE	$1.50	$0.50	
FIDELITY	TRUNKS (1.5 B-1)	$23.50	$21.40	
FIDELITY	PAY STATION	$23.50	$21.40	
REVENUE DECREASE				$131,475.60

CUSTOM CALLING FEATURE		CURRENT RATE	PROPOSED RATE	
RES	CALL WAITING	$4.00	$2.85	
RES	CALL FORWARDING	$2.80	$2.00	
RES	3-WAY CALLING	$2.80	$2.00	
RES	SPEED CALL 8	$2.80	$2.00	
RES	SPEED CALL 30	$5.45	$3.90	
RES	PACKAGE 8	$11.20	$6.00	
RES	PACKAGE 30	$13.85	$7.00	
BUS	CALL WAITING	$5.35	$3.85	
BUS	CALL FORWARDING	$3.75	$2.70	
BUS	3-WAY CALLING	$3.75	$2.70	
BUS	SPEED CALL 8	$3.75	$2.70	
BUS	SPEED CALL 30	$6.40	$4.60	
REVENUE DECREASE				$10,373.40

ANNUAL LOCAL SERVICES REVENUE DECREASE	$141,849.00

SCHEDULE OF DEPRECIATION RATES
FOR
BOURBEUSE AND FIDELITY TELEPHONE COMPANY'S

UTILITY PROPERTY	REMAINING LIFE	NET SALVAGE %	DEPRECIATION RATE%
GENERAL SUPPORT ASSETS			
MOTOR VEHICLES	3.0	10	6.00
OTHER WORK EQUIPMENT	8.0	5	10.00
BUILDINGS	25	-5	4.10
FURNITURE	8		11.30
OFFICE EQUIPMENT	4		23.10
GENERAL PURPOSE COMPUTERS	4	5	23.10
CENTRAL OFFICE ASSETS			
COE-DIGITAL	19		5.00
COE-ELECTRO-MECHANICAL	3		*
RADIO SYSTEMS	12.6		3.60
CIRCUIT EQUIP.-SUBSCRIBER	0		2.00
CIRCUIT EQUIP.-INTEROFFICE	5.2		15.30
CIRCUIT EQUIP.-FIBER	15		6.70
ORIGINATION/TERMINATION ASSETS			
CUSTOMER PREMISE WIRING	2		11.30
PUBLIC TELEPHONE TERMINAL EQUIP	4.9		11.00
CABLE AND WIRE FACILITIES			
AERIAL CABLE	13.4	-15	5.30
UNDERGROUND CABLE	21		1.70
BURIED CABLE	16.2		4.60
NON METALIC CABLE	24		3.90
AERIAL WIRE	6.3	-10	12.30
CONDUIT SYSTEMS	21		4.00
DROP WIRE	11.3	-10	3.30
POLE LINES	15	-10	1.30

* Note: $261,670 is to be booked to the depreciation reserve annually until complete recovery of electro-mechanical central office equipment investment is accomplished.

TELEPHONE: 468-8081

Exhibit C, Page 1

BOURBEUSE TELEPHONE COMPANY
64 N. CLARK AVENUE • SULLIVAN, MO. 63080

Dear Customer:

Effective March 1, 1990, the Missouri Public Service Commission approved an agreement between Bourbeuse Telephone Company, the Commission Staff and the Office of the Public Counsel which provides for a refund to customers of approximately $1.50 per month per line per customer (which includes interest and taxes) for the period from March 1, 1989 to February 28, 1990.

This refund will be made by a credit to your bill which will appear as a line item "Interim Rate Refund". This refund, if over $6.00 will appear on your bill in three equal credits over March, April, and May billings. If your individual refund is less than $6.00, it will only appear on your March billing.

The agreement further provides that effective March 1, 1990, the Company should reduce its charges to reflect further revenue rate reductions on an ongoing basis. The rate changes are shown below:

EXCHANGE SERVICE	CURRENT RATE	MARCH 1 RATE
Residence Touchtone	$ 1.50	$ 0.25
Business Touchtone	$ 1.50	$ 0.50

Custom Calling rates are being reduced by approximately 28%.

Toll Service:

* 10% reduction in the Intrastate, IntraLATA toll rates (basically within the same area code)

* 10% reduction in Outward WATS/800

If you have questions regarding how these changes affect your bill, please call your local telephone company business office.

BOURBEUSE TELEPHONE COMPANY

TELEPHONE: 314-468-8081

FIDELITY TELEPHONE COMPANY

64 N. CLARK AVENUE – SULLIVAN, MO 63080

Dear Customer:

Effective March 1, 1990, the Missouri Public Service Commission approved an agreement between Fidelity Telephone Company, the Commission Staff and the Office of the Public Counsel which provides for a refund to customers of approximately $1.50 per month per line per customer (which includes interest and taxes) for the period from March 1, 1989 to February 28, 1990.

This refund will be made by a credit to your bill which will appear as a line item "Interim Rate Refund". This refund, if over $6.00 will appear on your bill in three equal credits over March, April, and May billings. If your individual refund is less than $6.00, it will only appear on your March billing.

The agreement further provides that effective March 1, 1990, the Company should reduce its charges to reflect further revenue rate reductions on an ongoing basis. The rate changes are shown below:

EXCHANGE SERVICE	CURRENT RATE	MARCH 1 RATE
Residence	$ 8.30	$ 7.55
Residence Touchtone	$ 1.50	$ 0.25
Business	$15.65	$14.25
Business Touchtone	$ 1.50	$ 0.50
Trunks	$23.50	$21.40
Pay Station	$23.50	$21.40

Custom Calling rates are being reduced by approximately 28%.

Toll Service:

* 10% reduction in the Intrastate, IntraLATA toll rates (basically within the same area code)

* 10% reduction in Outward WATS/800

If you have questions regarding how these changes affect your bill, please call your local telephone company business office.

FIDELITY TELEPHONE COMPANY