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September 19, 2002

**FILED**<sup>3</sup>

SEP 19 2002

Missouri Public  
Service Commission

Secretary of the PSC  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

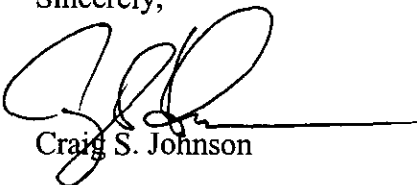
**Re: Joint Application of Northeast Missouri Rural Telephone Company  
and Modern Telecommunications, Inc.  
Case No. TM-2002-465**

Dear Secretary:

Enclosed for filing please find an original and five (5) copies of the Position Statement of Applicants Northeast Missouri Rural Telephone Company and Modern Telecommunications Company. A copy of this letter and a copy of the enclosed Position Statement has been served upon all counsel of record. I have also e-mailed a copy of this Position Statement to Judge Thompson and other counsel of record as well.

Thank you for your attention in seeing this filed.

Sincerely,



Craig S. Johnson

CSJ:tr

Enc.

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BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE  
STATE OF MISSOURI

FILED<sup>3</sup>

SEP 19 2002

Missouri Public  
Service Commission

In the Matter of the Joint Application )  
of Northeast Missouri Rural Telephone )  
Company and Modern Telecom- )  
munications Company for Approval ) Case No. TM-2002-465  
to Merge Modern Telecommunications )  
Company and Northeast Missouri )  
Rural Telephone Company. )

**Position Statement of Applicants Northeast Missouri Rural Telephone company  
and Modern Telecommunications Company**

Come now Applicants Northeast Missouri Rural Telephone Company and  
Modern Telecommunications Company, and submit the following joint position  
statement on the issues:

1. Is the merger detrimental to the public interest?

**Position**

No. It does not appear that any party opposes the merger. The merger has  
been structured to operate to the detriment of no local or access customer of  
either Modern or Northeast. Approval of the merger will be advantageous to  
local customers of Modern, providing them with the benefits of cooperative  
membership, participation in governance, and participation in capital credits.

2. Is the merger detrimental to the interest of local customers of Modern?

**Position**

No. The merger has been structured to require no payment of the Northeast cooperative membership fee by current Modern local customers. Modern local customers will see no increase in local service rates as a result of approval of the merger. The theoretical detriment of losing the benefit of local rate regulation by the Commission has not had a negative impact on Northeast local customers, and should not for Modern local customers. The benefits of cooperative membership, participation in governance, and participation in capital credits of the cooperative outweigh this theoretical detriment.

3. Is the merger detrimental to the interest of local customers of Northeast?

**Position**

No. Northeast local customers will see no local rate changes due to the merger. At the 2001 annual membership meeting of Northeast, the Northeast local customers present in a straw ballot voted strongly in favor of the merger.

4. Is the merger detrimental to the interest of any access service customers of Modern?

**Position**

No. Originally Northeast and Modern proposed a revenue neutral blending of their access rates into a single rate. However this was not acceptable to

SWBT. In an effort to keep rate considerations separate and apart from the merger itself, Northeast and Modern proposed continuation of their existing access rates. Therefore no access customer of Modern will see a rate change as a result of the merger. The merger will not be detrimental to the interest of any access service customer of Modern. After effectuation of the merger, Northeast has committed to initiate a revenue neutral access rate design proceeding by January 1, 2004, unless prior rate proceedings render this unnecessary.

5. Is the merger detrimental to the interest of any access service customers of Northeast?

**Position**

No. Originally Northeast and Modern proposed a revenue neutral blending of their access rates into a single rate. However this was not acceptable to SWBT. In an effort to keep rate considerations separate and apart from the merger itself, Northeast and Modern proposed continuation of the existing access rates. Therefore no access customer of Northeast will see a rate change as a result of the merger. The merger will not be detrimental to the interest of any access service customer of Northeast. After effectuation of the merger, Northeast has committed to initiate a revenue neutral access rate design proceeding by January 1, 2004, unless prior rate proceedings render this unnecessary.

6. What conditions, if any, as proposed by Staff, should be attached to approval of the merger?

**Position**

As survivor of the merger, Northeast has agreed to meet the conditions proposed by Staff, being: (a) to continue to honor the commitment of Modern to forego recover in future rate cases of any acquisition premium of Modern in acquiring the three Modern exchanges; (b) to forego recovery in future rate cases of the incremental acquisition costs; (c) to track merger transaction costs so they can be excluded in future rate cases; (d) to honor the commitment of Modern to continue to use an additional income tax offset to the rate base associated with the three Modern exchanges acquired; (e) to forego recovery in future rate cases of the membership fee contribution of Modern to current Modern customers; (e) to obtain waiver of the requirement of TM-95-142 doe Modern to file a depreciation study; and (f) to file a revenue neutral access rate design proceeding on or before January 1, 2004, unless prior rate cases render this unnecessary, to address any concern with regard to maintaining separate access rates for different exchanges.


7. What depreciation rates should be prescribed for the merged company?

**Position**

Northeast does not believe this is a necessary issue to be addressed at this time. Staff routinely reserves the right to determine the appropriate depreciation rates to utilize for rate cases at the time rate proceedings are

actually under consideration. Northeast and Modern have depreciation authority Orders from the Commission which are virtually identical. Northeast believes it will be entitled to continue to use its existing rates for the property acquired in the merger from Modern, as the categories of property will be the same as currently used by Northeast.

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PEACE & JOHNSON, LLC

By   
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Attorney for Applicants

**CERTIFICATE OF SERVICE**

The undersigned does hereby certify that a true and accurate copy of the foregoing was mailed, via U.S. Mail, postage prepaid, this 19 day of September, 2002, to all attorneys of record in this proceeding.

  
Craig S. Johnson MO Bar No. 28179