BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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| In the matter of New London Telephone Company of New London, Missouri, for authority to file tariffs designed to increase local exchange rates to customers in the Company's service area in Missouri. | ) ) ) ) ) ) | Case No. TR-90-34 |

APPEARANCES: W.R. England, III, Hawkins, Brydon, Swearengen & England P.C., Post Office Box 456, Jefferson City, Missouri 65102, for New London 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.

Penny G. Baker, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

HEARING EXAMINER: Alisa M. Dotson.

## REPORT AND ORDER

On August 16, 1989, New London Telephone Company of New London, Missouri (Company) filed with the Missouri Public Service Commission (Commission) tariffs designed to increase its annual gross revenues from local exchange service by approximately $114,000 (26.70 percent).

On November 27, 1989, a local hearing was held in New London, Missouri. The prehearing conference began as scheduled on November 29, 1989. The hearing began on December 14, 1989 and Company offered a Stipulation and Agreement which 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.

Company is a public utility engaged in local exchange service in New London, Missouri. On August 16, 1989, Company filed tariffs designed to produce an increase in gross annual revenues by approximately $114,000 or 26.70 percent. The increase would affect the average residential or business customer as follows:

| | Current | Proposed |
|---|---|---|
| One party residential service | $2.90 | $14.00 |
| One party business service | $5.00 | $21.00 |

The Commission Staff (Staff) recommended a $9.30 monthly rate for one party residential service and $18.50 for one party business service. Staff recommended this rate design to generate a revenue increase of $72,138.00. Public Counsel agreed with Staff's level of revenue increase. However, it recommended a residential rate of $9.25 and a business rate of $19.10.

During the prehearing conference, the parties drafted a Stipulation and Agreement proposing resolution to issues such as rate increase, rate design, maintenance accrual and depreciation rates. The Stipulation and Agreement is attached to this Report And Order as Attachment A. The Commission has reviewed it and finds it reasonable.

## Conclusions of Law

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

The Company is a public utility subject to the jurisdiction of this Commission as provided in Chapters 386 and 392, R.S.Mo. 1986. The tariffs filed herein were suspended pursuant to authority vested in this Commission in 392.230.4, R.S.Mo. (Supp. 1989). The burden of proof to show that the proposed increased rates are just and reasonable shall be upon the Company. 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 rate increase in annual gross revenues provided for in paragraph 1 of the Stipulation and Agreement is just and reasonable, as are the proposed rates and rate design features and charges set out in Appendix 1 of said Stipulation and Agreement.

The Commission also concludes that the revised tariffs herein suspended should be disallowed and that, in lieu thereof, Company 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 December 11, 1989.

ORDERED: 2. That the revised tariffs filed on August 16, 1989, and suspended herein are hereby disallowed, and New London Telephone Company is authorized to file in lieu thereof, for approval of this Commission, revised tariffs designed to increase the Company's gross annual operating revenues by $100,000.00 (exclusive of gross receipts and franchise taxes).

ORDERED: 3. That the tariffs filed shall embody the rate design features set out in Appendix 1 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 January 28, 1990.

ORDERED: 5. That this Report And Order shall become effective on the 12th day of January, 1990.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

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

Dated at Jefferson City, Missouri,
on this 10th day of January, 1990.

Attachment A

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

| | |
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| In the matter of New London Telephone Company of New London, Missouri, for authority to file tariffs designed to increase local exchange rates to customers in the Company's service area in Missouri. | Case No. TR-90-34 |

**STIPULATION AND AGREEMENT**

On November 29, 1989, pursuant to an order of the Missouri Public Service Commission (Commission) representatives of the New London Telephone Company (Company), Commission Staff (Staff) and the Office of the Public Counsel (Public Counsel) appeared at and participated in a prehearing conference in the above-referenced matter. As a result of said prehearing conference, the Parties were able to resolve all differences which heretofore existed between them. Accordingly, the Parties submit the following Stipulation and Agreement to the Commission for its approval.

1. Revenue Requirement

The Parties stipulate and agree that Company shall be authorized to file revised tariffs for local exchange telecommunications services which are designed to increase Company's jurisdictional gross annual revenues (exclusive of applicable gross receipts and franchise taxes) by $100,000. The specific rate levels to which the Parties have agreed are contained in Appendix 1 attached hereto and incorporated herein by reference. The Parties further agree that these tariffs shall become effective for telecommunications services rendered on and after January 28, 1990.

2. <u>Depreciation Rates and Amortization of Early Retirements</u>

The Parties stipulate and agree that the Company shall be authorized to book depreciation expense beginning January 1, 1990 at the rate levels contained in Appendix 2 attached hereto and incorporated herein by reference. The Parties further agree that Company be authorized to amortize its investment associated with the early retirement of certain outside plant and buildings over a fifteen (15) year period.

3. <u>Continuing Property Records</u>

The Company agrees to 1) maintain system maps which will show the date of construction of its outside plant facilities; 2) establish and maintain a listing of construction/retirement units along with detailed accounting procedures to differentiate between capital and maintenance; 3) establish and maintain continuing property records in accordance with Part 32 of the Uniform System of Accounts with particular attention to maintaining vintage year retirements. The Company further agrees to file with the Commission no later than July 1, 1990 evidence of the fact that the above actions have been taken.

4. <u>Interstate Cost Study</u>

The Company agrees that at such time as it completes a Company-specific, cost feasibility study to determine whether or not to pursue conversion from average schedule to cost, it will send a copy of said feasibility study to Staff. The Company further agrees that at such time as it decides to change its interstate recovery procedure from average schedule to actual cost that it will notify this Commission. Finally, at such time as the Company actually files a Company-specific, cost separations study with the Federal Communications Commission (FCC) or the National Exchange Carrier Association (NECA), Company will, within thirty (30) days of such filing, file a copy of said cost study with the Commission.

5. General

A. That this Stipulation and Agreement represents a negotiated dollar settlement for the purpose of disposing of the instant case, and none of the Parties to this Stipulation and Agreement shall be prejudiced or 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.

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

C. That the prefiled testimonies and exhibits sponsored by Company witnesses M. Larry Harrington, Debra L. Wittwer, Kevin G. Hess, John H. Hannis and John H. Stevens; Staff witnesses Doris L. Cattey, Myron E. Couch, Marvin R. Fred, Samuel L. Kemp, Melvin T. Love, Teresa L. Ralston, Kelly J. Riley and Carol Gay Smith; and Public Counsel witness M. Dianne Drainer shall be received into evidence without the necessity of those witnesses taking the witness stand.

D. That in the event that the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive their right to cross examine the witnesses named in paragraph 5.C. above with respect to their prepared direct testimonies and exhibits.

E. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive their rights 1) to present oral argument and written briefs pursuant to Section 536.080 RSMo. 1986; 2) pertaining to the reading of the transcript by the Commission pursuant to Section 536.080 RSMo. 1986; and 3) to judicial review pursuant to Section 386.510 RSMo. 1986.

F. 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 for telecommunications services rendered on and after January 28, 1990, 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
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Attorney for THE OFFICE OF
THE PUBLIC COUNSEL

Dated this 11th day of December, 1989.

NEW LONDON TELEPHONE COMPANY
CASE NO. TR-90-34



| DESCRIPTION | MONTHLY RATE | |
|---|---|---|
| LOCAL ACCESS LINE | PRESENT | PROPOSED |
| RESIDENCE 1-PARTY | 0.00 | 12.85 |
| RESIDENCE 1-PARTY, BRA | 2.90 | 0.00 |
| RESIDENCE 2-PARTY, BRA | 2.50 | 0.00 |
| RESIDENCE 4-PARTY | 5.00 | 0.00 |
| BUSINESS 1-PARTY | 0.00 | 24.90 |
| BUSINESS 1-PARTY, BRA | 5.00 | 0.00 |
| BUSINESS 2-PARTY, BRA | 5.00 | 0.00 |
| BUSINESS 4-PARTY | 5.00 | 0.00 |
| COIN BOX TELEPHONE SERVICE | 0.00 | 24.90 |
| CUSTOMER-OWNED COIN OPERATED TELEPHONE SERVICE | 0.00 | 25.00 |
| SEMI-PUBLIC TELEPHONE SERVICE | 6.00 | 0.00 |
| MILEAGE EXCH LINE - 1 PARTY | 0.50 | 0.00 |
| MILEAGE EXCH LINE - 2 PARTY | 0.40 | 0.00 |
| LOCAL LOOP | 7.50 | 0.00 |
| OFF PREMISE EXTENSION-ADDTNL 1/4 MI. | 0.50 | 0.00 |
| OFF PREMISE EXTENSION-1ST MI. | 1.00 | 0.00 |

| DESCRIPTION | MONTHLY RATE | |
|---|---|---|
| MISCELLANEOUS SERVICES | PRESENT | PROPOSED |
| TOUCH CALL, BUSINESS OR RESIDENCE | 1.50 | 0.00 |
| DIRECTORY LISTING, ADD'L-RESIDENCE | 0.50 | 1.00 |
| DIRECTORY LISTING, ADD'L-BUSINESS | 1.00 | 2.00 |
| DIRECTORY LISTING, ADD'L LINE OF INFO | 0.00 | 1.00 |
| NONPUBLISHED SERVICE-PER LISTING | 0.00 | 2.00 |
| NONLISTED SERVICE-PER LISTING | 0.00 | 1.50 |
| FOREIGN DIRECTORY LISTING, BUS/RES | 0.00 | 1.50 |
| CALL FORWARDING | 1.25 | 1.25 |
| CALL WAITING | 1.75 | 1.75 |
| SPEED CALLING, 8 CODES | 1.25 | 1.25 |
| SPEED CALLING, 30 CODES | 1.75 | 1.75 |
| THREE-WAY CALLING | 1.25 | 1.25 |
| INTERCOM CALLING | 0.75 | 0.75 |
| DIRECT CONNECT | 0.75 | 0.75 |
| DO-NOT-DISTURB | 0.75 | 0.75 |
| CANCEL CALL WAITING | 0.75 | 0.75 |
| PACKAGE CF, CW, SC8, 3WC | 3.75 | 3.75 |
| CLASS 3 CHNL SAME BLDG 1ST TWO TERM | 0.00 | 3.60 |
| CLASS 3 CHNL SAME BLDG ADDL TERMINATION | 0.00 | 1.20 |
| CLASS 3 CHNL DIFF BLDG 1ST TWO TERM | 0.00 | 3.60 |
| CLASS 3 CHNL DIFF BLDG ADDL TERMINATION | 0.00 | 1.20 |
| CLASS 3 CHNL NON-CONT PROP 1ST TWO TERM | 11.00 | 18.50 |
| CLASS 3 CHNL NON-CONT PROP ADDL TERM | 0.00 | 1.20 |
| CLASS 3 CHNL NON-CONT PROP ADDL TERM | 0.00 | 1.20 |
| EXT MILEAGE CONT PROP, ADD'L 1/4 MI | 1.80 | 1.80 |
| EXT MILEAGE NON-CONT PROP, ADD'L 1/4 MI | 0.00 | 1.80 |
| ROTARY LINE SERVICE | 1.00 | 6.00 |
| PAYSTATION-LOCAL CALLS | 0.10 | 0.25 |

| DESCRIPTION | MONTHLY RATE | |
|---|---|---|
| SERVICE CONNECTION CHARGES | PRESENT | PROPOSED |
| LINE CONNECTION-BUS/RES | 0.00 | 20.00 |
| INITIAL SERVICE ORDER-BUS/RES | 4.00 | 18.00 |
| SUBSEQUENT SERVICE ORDER-BUS/RES | 4.00 | 11.00 |
| RECORD SERVICE ORDER-BUS/RES | 1.00 | 5.50 |
| RECONNECT CHARGE | 20.00 | 18.00 |
| RETURN CHECK CHARGE | 0.00 | 15.00 |

SCHEDULE OF DEPRECIATION RATES
NEW LONDON TELEPHONE COMPANY
CASE NO. TR-90-34

| ACCOUNT DESCRIPTION | | DEPRECIATION RATE % |
|---|---|---|
| General Support Assets | | |
| 2112 | Motor Vehicles | 6.00 |
| 2116 | Other Work Equipment | 6.00 |
| 2121 | Buildings | 2.50 |
| 2122 | Furniture | 5.00 |
| 2124 | General Purpose Computers | 20.00 |
| Central Office Equipment | | |
| 2112 | Digital Switching | 5.00 |
| 2219 | Traffic Measuring Equipment | 5.00 |
| 2232.1 | Circuit Equipment, Subscriber | 5.00 |
| 2232.2 | Circuit Eqiupment, Toll Carrier | 5.00 |
| Infor. Orig/Term. Assets | | |
| 2351 | Public Telephone Equipment | 6.00 |
| Cable and Wire Facilities | | |
| 2421 | Drop & Block - Aerial | 3.33 |
| 2423.1 | Buried Cable - Metal | 3.33 |
| 2423.3 | Drop & Block - Buried | 3.33 |