BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the application of Orchard Farm Telephone Company for authority to file, establish and put into effect increased rates and charges for telephone service.	)	Case No. TR-93-153

APPEARANCES

W. R. England III, Brydon, Swearengen & England, P.O. Box 456, Jefferson City, Missouri 65102, for Orchard Farm Telephone Company.

Alfred G. Richter, Jr., Vice President & General Counsel, Southwestern Bell Telephone Company, 100 North Tucker, St. Louis, Missouri 63101, intervenor for Southwestern Bell Telephone Company.

Gloria Salinas, AT&T Communications of the Southwest, 8911 Capitol of Texas Highway, Suite 1100, Austin, Texas 78759, intervenor for AT&T Communications of the Southwest.

Paul S. DeFord, Lathrop & Norquist, 2345 Grand Ave., Suite 2600, Kansas City, Missouri 64108, attorney for intervenor AT&T Communications of the Southwest.

Randy Bakewell, Office of Public Counsel, P.O. Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the Public.

Colleen Dale, P.O. Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

Hearing Examiner: Dale Hardy Roberts

REPORT AND ORDER

On November 12, 1992, Orchard Farm Telephone Company (Orchard Farm) submitted tariffs reflecting increased rates for telecommunication services provided to customers in its Missouri service area. On December 8, 1992, the Public Service Commission (Commission) suspended the tariffs until May 11, 1993, and established a procedural schedule. On January 13, 1993, the Commission issued an order granting a waiver of the minimum filing requirements for the Company and also granting intervention to AT&T, at the same time the Commission issued an order denying AT&T's motion to consolidate this case with Case No. TC-

93-100. On February 9, 1993, the Commission issued an order granting intervention to Southwestern Bell Telephone Company (SWBT).

On February 25, 1993, a prehearing conference was convened. Orchard Farm, the Staff of the Commission (Staff), the Office of Public Counsel (Public Counsel) and all parties granted intervention as well as parties who had sought but not yet been granted intervention appeared and participated at the prehearing conference. On March 8, 1993, a local public hearing was held in Orchard Farm, Missouri.

On March 9, 1993, a Stipulation and Agreement (Stipulation) was filed by the parties for Commission consideration. On March 11, 1993, a hearing was held in which the Stipulation and prefiled testimony were placed on the record. All of the parties waived cross examination and reading of the transcript by the Commission. AT&T, by and through counsel, appeared at the hearing and stated for the record that although it was not a signatory to the Stipulation and Agreement neither would it raise any objection to it. SWBT, although a signatory to the Stipulation and having been duly notified of the hearing, failed to appear.

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:

On November 12, 1992, Orchard Farm Telephone Company submitted tariffs reflecting increased rates for telecommunication services provided to customers in its Missouri service area. The proposed tariffs were designed to produce an increase of approximately eighty-four thousand dollars ($84,000) in charges for telecommunication services.

On March 9, 1993, the parties filed a Stipulation which is attached to this Report and Order as Attachment A and incorporated herein by reference as if the same were set forth at length. This Stipulation proposed to settle all issues in this case and all of the parties were signatories to the Stipulation with the exception of AT&T who none the less indicated on the record that they do not oppose the terms of the Stipulation. The Stipulation deals with five (5) specific areas: revenue requirement, late payment fee, depreciation rates, post retirement benefits other than pensions and "general." The numbered paragraphs within the Stipulation were No. 1, No. 2, No. 3, No. 4, and No. 6 (sic), paragraph 6 will be deemed to be the fifth issue addressed in the Stipulation.

Revenue Requirement

The Stipulation provides for an increase in Orchard Farm's overall Missouri jurisdictional gross annual revenues by sixty-four thousand and twelve dollars ($64,012). The specific rate levels to which the parties agreed were set forth in Appendix 1 to the Stipulation and proposed to, inter alia, raise residential 1-party local exchange service to a monthly fee of twelve dollars and twenty-five cents ($12.25) and simultaneously remove any mileage charges. The rates would also raise business 1-party local exchange service to twenty-four dollars and forty cents ($24.40) per month and this rate also would remove the requirement for any mileage charges. New rates were also reflected for various service connection charges and other miscellaneous services. The rates reflect, and the testimony was consistent with the fact that, multi-party line service, i.e. 4-party line service, would no longer be utilized.

Late Payment Fee

The parties have also agreed that Orchard Farms shall be authorized to implement a late payment charge in the amount of three dollars ($3.00). Said late payment charge would be applied to customer accounts which are outstanding and remain unpaid twenty-one (21) days after a bill is rendered, pursuant to tariff. The revenues generated from the imposition of such a late payment fee were expected to be negligible.

Depreciation Rates

The parties stipulated and agreed that the Company shall be authorized to establish minimum depreciation rates for its plant accounts and further agreed that the Company shall be authorized to record depreciation expense in excess of such minimum depreciation rates pursuant to Section 392.280.2, RSMo Supp. 1992, beginning January 1, 1993, as set forth in the column entitled "Depreciation Rates That Will Be Booked" on Appendix 2, as attached to the Stipulation.

Post Retirement Benefits Other Than Pensions

The parties have also agreed that Orchard Farms would account for the difference between the estimated cost of Post Retirement Benefits Other Than Pensions (PBOPS) as required by the statement of Financial Accounting Standards No. 106 (FAS 106) and the actual pay-as-you-go expenses thereof by establishing a regulatory asset. The difference between the expense amount calculated under FAS 106 and the pay-as-you-go amount would be booked to Uniform System of Accounts No. 1439, deferred charges. It is understood therein that the Commission's acceptance of this Stipulation and Agreement will represent its intent to allow prudently incurred PBOPS costs to be recovered in service rates in the future on a pay-as-you-go basis.

General

The parties have further agreed that certain prefiled testimonies and exhibits shall be received into evidence without the necessity of the supporting witnesses taking the stand and also without the right of the party to cross examine these witnesses. The parties further agree that none of them shall be deemed to have approved of or acquiesced in any rate making principle or any method of cost of service determination or cost allocation underlying any of the rates for which provision was made in the Stipulation. The parties have made further agreements within the Stipulation so as to waive their rights to present oral argument and written briefs pursuant to Section 536.080, RSMo 1986 and pertaining to the reading of the transcript by the Commission pursuant to Section 536.080, RSMo 1986 and also to judicial review pursuant to Section 386.510, RSMo 1986.

The Commission has reviewed the Stipulation agreed to by the parties and finds as to the Revenue Requirements, Late Payment Fee and other fee changes that although rates would be increased overall, some rates would actually decrease due to the removal of mileage charges. The Commission finds that the removal of mileage charges and adjustment of rates pursuant to the Stipulation is in the public interest.

The Commission has reviewed the Stipulation agreed to by the parties and finds as to the Depreciation Rates and the Post Retirement Benefits Other than Pensions that these depreciation and accounting methods are legitimate and reasonable as they accurately reflect the burden on the customers for these expenses and that these too are in the public interest and should be approved.

Lastly, the Commission has reviewed the Stipulation agreed to by the parties and finds as to the General provisions that the agreement to the filing of pre-filed testimony, waiver of objections, waiver of the right to present oral arguments or written briefs as well as waiver of judicial review or the requirement of the Commission to read the transcript are each just and reasonable and are consistent with Commission practice and procedure and for that reason the Commission finds the General provisions are in the public interest. Having read the Stipulation in its entirety the Commission finds that it is just and reasonable and should be approved.

Conclusions of Law

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

The Commission has jurisdiction over this matter pursuant to Chapters 386 and 392, RSMo 1986, as amended. The standard for Commission approval of the Stipulation is whether it is just and reasonable and the Commission may approve a stipulation of the issues in this case if it finds that the stipulation is just and reasonable. The Commission has so found and therefore concludes that the Stipulation should be approved. The Commission also finds that Orchard Farms should file tariffs in compliance with the Stipulation in this Report and Order.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed in this case (Attachment A), is hereby approved and adopted.

2. That the tariffs filed by Orchard Farm Telephone Company on November 12, 1992 are hereby rejected and Orchard Farm Telephone Company is hereby authorized to file tariffs consistent with the Stipulation and Agreement and this Report and Order, for service on and after March 28, 1993.

3. That this Report and Order shall become effective on March 28, 1993.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller,
Rauch and Perkins, CC., Concur.
Kincheloe, CC., Absent.

Dated at Jefferson City, Missouri,
on this 17th day of March, 1993.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the application of Orchard Farm Telephone Company for authority to file, establish and put into effect increased rates and charges for telephone service.	)	Case No. TR-93-153

STIPULATION AND AGREEMENT

On February 25 and 26, 1993, pursuant to an order of the Missouri Public Service Commission (Commission) representatives of the Orchard Farm Telephone Company (Company), Commission Staff (Staff), the Office of the Public Counsel (Public Counsel) AT&T Communications of the Southwest, Inc. (AT&T), and Southwestern Bell Telephone Company (SWBT) appeared at and participated in a prehearing conference in the above-referenced matter. As a result of said prehearing conference, the undersigned Parties were able to resolve all differences which heretofore existed between them. Accordingly, the undersigned Parties submit the following Stipulation and Agreement to the Commission for its approval.

1. Revenue Requirement

The Parties stipulate and agree that the Company shall be authorized to file revised tariffs for intrastate telecommunications services which are designed to increase Company's jurisdictional gross annual revenues (exclusive of applicable gross receipts and franchise taxes) by $64,012. The specific rate levels to which the Parties have agreed are set forth

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X

in the column entitled "Staff Proposed" on Appendix 1 attached hereto and incorporated herein by reference. The Parties stipulate and agree that the revised tariffs which the Company will file to comport with the terms of this Stipulation and Agreement shall be approved for telecommunications services rendered on and after March 28, 1993.

2. Late Payment Fee

The Parties stipulate and agree that the Company shall be authorized to implement a late payment charge in the amount of $3.00. Said late payment charge will be applied to customer accounts which are outstanding and remain unpaid 21 days after a bill is rendered, pursuant to tariff. The revenues generated from the imposition of such a late payment fee are expected to be negligible.

3. Depreciation Rates

The Parties stipulate and agree that the Company shall be authorized to establish minimum depreciation rates for its plant accounts as set forth in the column entitled "Authorized Minimum Depreciation Rates" on Appendix 2 attached hereto and incorporated herein by reference. The Parties further agree that the Company shall be authorized to record depreciation expense in excess of such minimum depreciation rates in accordance with Section 392.280.2, RSMo Supp. 1992, beginning January 1, 1993, as set forth in the column entitled "Depreciation Rates That Will Be Booked" on Appendix 2.

4. <u>Post Retirement Benefits Other Than Pensions</u>

The Parties stipulate and agree that the Company shall be authorized to continue to use the pay-as-you-go methodology for calculating the amounts charged to post retirement expenses other than pensions (PBOPS) on its financial statements after January 1, 1993, based on actual payments to retirees. The differential between the expense amount calculated under Financial Accounting Standards No. 106 and the pay-as-you-go amount shall be booked to Uniform System of Accounts No. 1439, Deferred Charges, as a regulatory asset. The Commission's acceptance of this Stipulation and Agreement will represent its intent to allow prudently incurred PBOP costs to be recovered in service rates in the future on a pay-as-you-go basis. PBOPs are legitimate and historically approved costs of providing service and, absent evidence that they are excessive or imprudently incurred, they will be recovered by Orchard Farm Telephone Company on a pay-as-you-go basis. Further, the Commission will be expressing its belief that it is probable that prudently incurred PBOPs capitalized as a regulatory asset, as a result of adopting FAS 106, will likewise be recovered in rates.

6. <u>General</u>

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 Harald L. Kluis, Debra L. Wittwer, and Ted M. Hankins and Staff witnesses Arlene S. Pfleeger, Susette N. Cassidy, Jay W. Moore, James C. Stock, John O. Richey, and Charles W. Brown 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 March 28, 1993, 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.

G. The Staff shall have the right to submit to the Commission, in memorandum form, an explanation of its rationale for entering into this Joint Stipulation and Agreement and to provide to the Commission whatever further explanation the Commission requests. 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 the Joint Stipulation and Agreement. It is understood by the signatories hereto that any rationales advanced by the Staff in such a memorandum are its own and are not acquiesced in or otherwise adopted by Company or any party hereto.

Respectfully submitted,

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Dated this 9th day of March, 1993.

Rate Design for Orchard Farm Telephone Company
Case No. TR-93-153

DESCRIPTION	PRESENT UNITS	PROPOSED UNITS	PRESENT	STAFF PROPOSED	PRESENT ANNUAL REVENUE	STAFF PROPOSED ANNUAL REVENUE
Local Exchange Service						
Residential 1-Party	798	798	$3.00	$12.25	$28,728.00	$117,306.00
Residential 4-Party, OIRA	0	0	$2.00	$0.00	$0.00	$0.00
Business 1-Party	90	90	$4.00	$24.40	$4,320.00	$26,352.00
Business 4-Party, OIRA	0	0	$3.00	$0.00	$0.00	$0.00
Mileage in Quarters	5824	0	$0.75	$0.00	$52,416.00	$0.00
Service Connection Charges						
Initial Service Order	134	48	$5.00	$20.00	$670.00	$960.00
Subsequent Service Order	60	42	$5.00	$11.00	$300.00	$462.00
Line Connection Charge	0	68	$0.00	$20.00	$0.00	$1,360.00
Install Touchtone	40	25	$5.00	$11.00	$200.00	$275.00
Reconnect Charge	99	56	$5.00	$18.00	$495.00	$1,008.00
Miscellaneous Services						
Semipublic Paystation	4	4	$6.75	$36.00	$324.00	$1,728.00
Semipublic Paystation Mileage	82	0	0.75	$0.00	$738.00	$0.00
Public Paystation Revenue	323	411	$0.10	$0.25	$387.60	$1,233.00
Directory Assistance	353	353	$0.00	$0.45	$0.00	$1,906.20
Total Annual Revenues					$88,578.60	$152,590.20
Additional revenues created by proposal						$64,011.60

ORCHARD FARM TELEPHONE CO.

CASE NO. TR-93-153

Account Number	Account Description	AUTHORIZED MINIMUM DEPRECIATION RATES	DEPRECIATION RATES THAT WILL BE BOOKED
2112.00	Motor Vehicles	12.00%	12.00%
2116.00	Work Eq & Spec Purp Vehicles	8.00%	8.00%
2121.00	Buildings	2.50%	2.50%
2122.00	Furniture	6.70%	6.70%
2123.10	Office Support Equipment	4.00%	4.00%
2123.20	Other Communications Eq.	4.00%	4.00%
2124.00	Gen Purpose Computers	14.00%	14.00%
2212.00	Digital Electronic Switching	5.00%	5.00%
2219.00	Traffic Measuring Equipment	5.00%	5.00%
2232.10	Circuit Equipment - Subscriber	10.00%	10.00%
2232.20	Circuit Equipment - Toll Carrier	10.00%	10.00%
2232.30	Circuit Equipment - Other	10.00%	10.00%
2232.40	Circuit Equip - Concentrators	10.00%	10.00%
2232.50	Circuit Equip - Fiber Optic	10.00%	10.00%
2351.00	Public Telephone Equipment	6.00%	6.00%
2421.10	Aerial Cable - metallic	5.50%	5.50%
2421.30	Drop and Block - Aerial	5.00%	5.00%
2423.10	Buried Cable - metallic	4.60%	8.90%
2423.20	Buried Cable - nonmetallic	3.30%	3.30%
2423.30	Block and Drop - Buried	5.00%	5.00%
2431.00	Aerial Wire	3.80%	3.80%

SERVICE LIST
Case No. TR-93-153

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