



United Telephone of Missouri United Telephone of Arkansas
United Telephone of Minnesota United Telephone of Iowa
United Telephone of Kansas United Telephone of the West

United Telephone System — Midwest Group
6666 West 110th Street • Overland Park, Kansas 66211 • (913) 345-7600

913-345-7919

December 12, 1986

Mr. Daniel J. Redel
Acting Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Re: Case No. AO-87-48

Dear Mr. Redel:

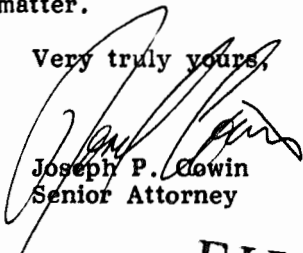
Pursuant to the Commission's Order dated November 3, 1986 in the above-captioned case, please find enclosed for filing is an original and three (3) copies of United Telephone Company of Missouri's response to the Reporting Requirements as set forth in the above-referenced Order and the Affidavit of William D. Whinery attesting to the truth of the matters contained therein. Also enclosed please find an original and fourteen (14) copies of my Statement to be filed in the above captioned matter.

Enclosed also is an extra copy of each document to be file stamped and returned to us in the stamped, self-addressed envelope.

By copy of this letter I am providing copies to the Staff and the Office of Public Counsel. If questions arise as to the information provided, parties may contact myself or Mr. Whinery at 913-345-7693.

Thank you for your attention to this matter.

Very truly yours,


Joseph P. Cowin
Senior Attorney

mls
Enclosures

pc Mr. William C. Harrelson, General Counsel
Mr. Douglas M. Brooks, Public Counsel

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PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

TO WHOM IT MAY CONCERN:

Now on this 12th day of December, 1986, William D. Whinery appeared before me and after being duly sworn, made the following statement: I, William D. Whinery, do hereby state that I am the Rate Case/Special Studies Director of United Telephone System-Midwest Group and that I reviewed the attached report of United Telephone Company of Missouri's impact of 1986 Tax Reform Act Case No. A0-87-48 and all of the facts contained therein and true and correct to the best of my knowledge and belief.

W.D. Whinery

Subscribed and sworn to before me this 12th day of December, 1986.

Chris M. Brude
Notary Public

My appointment expires:

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PUBLIC SERVICE COMMISSION



UNITED TELEPHONE COMPANY OF MISSOURI
IMPACT OF 1986 TAX REFORM ACT
CASE NO. AO-87-48

On November 3, 1986, in CASE NO. AO-87-48, the Missouri Public Service Commission ordered United Telephone Company of Missouri (the Company or United) and others to provide information and supporting workpapers regarding the effect of the 1986 Tax Reform Act on the Company's jurisdictional operations. The Order further provided for the Company to file recommendations addressing procedural alternatives for 1986 Tax Reform Act. This response contains the effects on 1985 operations due December 15, 1986. An effect on 1986 operations will be submitted later in Accordance with the Order.

United's response is in three parts. Part I contains the responses to the specific reporting requirements set forth in the body of the Order. The reference numbers correspond to the numbered requirements in the Order.

Part II contains alternatives for recognizing the effects of the changes resulting from the 1986 Tax Reform Act.

Part III contains the workpapers supporting all the calculations.

PART I -- RESPONSES TO SPECIFIC REPORTING REQUIREMENTS

1. The revenue requirement showing the jurisdictional unadjusted 1985 operating results based upon the tax law in effect in 1986 is \$26,402,707, an increase of \$21,875 over the revenue requirement based upon 1985 tax law.
2. The revenue requirement showing the jurisdictional unadjusted 1985 operating results based upon the tax law in effect in 1987 is \$25,964,744, a decrease of \$437,963 over the revenue requirement based upon 1986 tax law.
3. The revenue requirement showing the jurisdictional unadjusted 1985 operating results based upon the tax law in effect in 1988 is \$25,206,921, a decrease of \$757,823 over the revenue requirement based upon 1987 tax law. Years subsequent to 1988 do not contain specific tax changes which would affect United.
4. Workpapers for the deferred tax reserves are provided in Part III.
5. Disaggregation of deferred tax expense and reserve information is contained in the workpapers in Part III.
6. The response to question 6 is Part II.

PART II -- ALTERNATIVES FOR RECOGNIZING THE EFFECTS OF THE CHANGES RESULTING FROM THE 1986 TAX REFORM ACT

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PUBLIC SERVICE COMMISSION

United believes that the tax reduction only helps to relieve some of the effects of other issues confronting the telephone industry today. An appropriate regulatory response should include consideration for an evaluation of these other factors. Some of those other issues and the amounts where known are given in the following paragraphs.

The telephone industry has a well recognized and documented capital recovery problem. Any tax reductions could easily be absorbed by increased depreciation for many companies. Thus depreciation reserve deficiencies can at least partially be recovered without a local access line rate increase.

1986 was the first year of the phasedown of separations of non-traffic sensitive investment and expenses under FCC Dockets 78-72 and 80-286. The change of the frozen Subscriber Plant Factor to 25% over eight years results in an annual revenue requirement increase of \$682,316 in intrastate operations for United Telephone Company of Missouri. This change alone more than offsets the revenue requirement change from the 1986 Tax Act.

On December 31, 1987, ownership of United's embedded single-line customer premise equipment will pass to the customers who are currently leasing those sets. The estimated annual net revenue loss at the time of transfer is \$2,270,000. This loss offsets the revenue requirement change from the 1986 Tax Act.

The amortization of embedded inside wire over a ten year period began October 1, 1981. To the extent that a company would have a revenue requirement reduction not satisfied by the above items, the amortization period could be shortened. Shortening the amortization period results in a reduction in the overall revenue requirement for this expired asset even though revenue requirements increase in the earlier years.

Considerations of the revenue requirement effects of the 1986 Tax Act should be addressed in concert with the effects of the many other issues which will tend to otherwise cause an increase in customer telephone bills. There may be an opportunity to use the tax bill to lessen the impacts of local access line rate increases.

PART III -- WORKPAPERS

The complete workpapers supporting the calculations in the manner prescribed in the Order are attached.

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UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1985

PAGE 1 OF 13

LINE NO.		1985 INTRASTATE PER BOOKS	1986 TAX LAW CHANGES		1987 TAX LAW CHANGES		1988 TAX LAW CHANGES		1989 TAX LAW CHANGES	
			ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
1	1985 INTRASTATE RATE BASE	113,672,331								
2	RATE OF RETURN AT AUTHORIZED RETURN ON EQUITY	11.97%								
3	1985 NET OPERATING INCOME REQUIREMENT	13,532,455	(11,221)	(11,221)	248,375	237,154	498,838	735,992	0	735,992
4	REVENUE CONVERSION FACTOR	1.94945		1.94945		1.75450		1.59500		1.59500
5	1985 INTRASTATE REVENUE REQUIREMENT	26,380,832								
6	EFFECT ON REVENUE REQUIREMENT		21,875	21,875	(437,963)	(416,088)	(757,823)	(1,173,911)	0	(1,173,911)
7	ADJUSTED 1985 REVENUE REQUIREMENT			26,402,707		25,964,744		25,206,921		25,206,921

CAPITAL STRUCTURE

8 CAPITAL STRUCTURE AUTHORIZED PER DOCKET TR-85-179

CURRENT CAPITAL STRUCTURE AT AUTHORIZED RETURN ON EQUITY

	% To TOTAL	COST RATE	AUTHORIZED WEIGHTED COST	BALANCE Dec 31, 1985	% To TOTAL	COST RATE	WEIGHTED COST
9 COMMON EQUITY	58.11%	14.4%	8.37%	86,944,350	57.33%	14.4%	8.26%
10 LONG TERM DEBT	40.65%	8.69%	3.53%	64,704,500	42.67%	8.70%	3.71%
11 SHORT TERM DEBT	1.24%	8.25%	0.10%	0	0.00%	0.00%	0.00%
12 TOTAL CAPITAL	100.00%		12.00%	151,648,850	100.00%		11.97%

REVENUE CONVERSION FACTOR

	FEDERAL TAX RATE 46.00%	FEDERAL TAX RATE 40.00%	FEDERAL TAX RATE 34.00%
13 REVENUE REQUIREMENT	100.0000	100.0000	100.0000
14 LESS : UNCOLLECTIBLE REVENUES	0.0067	0.0067	0.0067
15 FACTOR TO EQUATE EXPENSE TO REVENUE	99.9933	99.9933	99.9933
16 STATE INCOME TAX AT 5.00%	4.9997	4.9997	4.9997
17 BALANCE	94.9936	94.9936	94.9936
18 FEDERAL INCOME TAX	43.6971	37.9974	32.2978
19 SUB - TOTAL	51.2965	56.9962	62.6958
20 REVENUE CONVERSION FACTOR	1.9494	1.7545	1.5950

UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1985

	TOTAL COMPANY PER BOOKS (A)	INTRASTATE FACTORS (B)	1985 INTRASTATE PER BOOKS (C)	1986 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	1987 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	1988 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	1989 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	CUMULATIVE EFFECT
INTRASTATE RATE BASE												
1 TELEPHONE PLANT IN SERVICE	275,572,281	0.668829	184,310,733									
2 LESS: DEPRECIATION RESERVE	70,558,223	0.671013	52,713,509									
3 NET TELEPHONE PLANT	197,014,058		131,597,194									
4 LESS: DEFERRED TAXES	27,373,152	0.668555	18,300,458									
5 ADD: MATERIAL AND SUPPLIES	1,423,835	0.653549	930,546									
6 ADD: PREPAYMENTS	291,266	0.688544	200,549									
7 LESS: CASH WORKING CAPITAL (-1.03% OF NET PLANT)	(2,029,295)		(1,355,451)									
8 TOTAL INTRASTATE RATE BASE	169,326,762		113,072,331	113,072,331		113,072,331		113,072,331		113,072,331		0
INTRASTATE NET OPERATING INCOME												
9 LOCAL SERVICE	26,779,214		26,779,214									
10 TOLL REVENUES	30,512,274		25,641,259	11,626	25,652,885	(217,736)	25,435,148	(398,183)	25,036,965	0	25,036,965	(604,294)
11 ACCESS CHARGE	44,398,830		10,472,475									
12 MISCELLANEOUS	7,103,195		5,583,065									
13 LESS: UNCOLLECTIBLE	554,289	0.832767	461,594									
14 TOTAL OPER REVENUE			68,014,420	68,026,046		67,808,309		67,410,126		67,410,126		
15 MAINTENANCE	20,604,516	0.665887	13,773,950									
16 DEPRECIATION	21,822,594	0.676964	14,773,111									
17 TRAFFIC	6,063,296	0.744999	4,517,149									
18 COMMERCIAL	5,872,538	0.850808	4,996,402									
19 MARKETING	656,684	0.850808	558,712									
20 GENERAL OFFICE	11,211,778	0.704669	7,900,592									
21 OTHER OPERATING	11,214,618	0.584959	6,560,092									
22 OTHER TAXES	5,445,955	0.733397	3,994,047									
23 TOTAL OPER EXP & OTU TAXES			57,073,656	57,073,656		57,073,656		57,073,656		57,073,656		
24 PRE - TAX INCOME			10,940,764	11,626	10,952,390	(217,736)	10,734,653	(398,183)	10,336,470	0	10,336,470	
25 CURRENT FEDERAL TAX			3,819,955	983,933	4,803,889	(139,139)	4,664,749	(828,083)	3,836,666	9,220	3,845,887	25,951
26 DEFERRED FEDERAL			(456,340)	(20,681)	(477,021)	(175,232)	(652,253)	(45,029)	(701,282)	(9,220)	(710,503)	(254,162)
27 DEFERRED ITC			(155,845)	(938,621)	(1,094,466)	(179,941)	(1,274,407)	0	(1,274,407)	0	(1,274,407)	(1,118,562)
28 TOTAL FEDERAL INCOME TAX			3,207,770	24,632	3,232,402	(499,312)	2,738,089	(877,112)	1,860,977	(0)	1,860,977	(1,346,792)
29 CURRENT STATE TAX			557,536	582	558,118	43,695	601,813	(18,482)	583,331	1,427	584,758	27,223
30 DEFERRED STATE			(31,629)	(2,367)	(33,996)	(15,495)	(49,490)	(1,427)	(50,918)	(1,427)	(52,345)	(20,716)
31 TOTAL STATE INCOME TAX			525,907	(1,785)	524,122	28,201	552,322	(19,909)	532,413	0	532,413	6,507
32 TOTAL INCOME TAX			3,733,676	22,847	3,756,523	(466,112)	3,290,412	(897,021)	2,393,391	0	2,393,391	
33 TOTAL OPERATING EXPENSE AND TAXES			60,807,332	22,847	60,830,179	(466,112)	60,364,068	(897,021)	59,467,046	0	59,467,046	
34 INTRASTATE NET OPERATING INCOME			7,207,088	(11,221)	7,195,866	248,375	7,444,242	498,838	7,943,080	0	7,943,080	735,952

UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1985

	EFFECT ON TOLL REVENUES	TOTAL COMPANY PER BOOKS (A)	INTRASTATE FACTORS (B)	1985 INTRASTATE PER BOOKS (C)	1986 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	1987 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	1988 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	1989 TAX LAW CHANGES ANNUAL EFFECT	ADJUSTED AMOUNTS	CUMULATIVE EFFECT
1	TELEPHONE PLANT (100-1.2.3.4)	277,196,829	0.245805	68,136,365									
2	LESS : DEPRECIATION RESERVE	78,550,204	0.242928	19,082,044									
3	NET TELEPHONE PLANT	198,646,620		49,054,321									
4	LESS : DEFERRED TAXES	27,373,152	0.245356	6,716,167									
5	ADD : MATERIAL AND SUPPLIES	1,423,835	0.232478	331,010									
6	TOTAL RATE BASE FOR TOLL	172,697,303		42,669,165									
7	TOLL RATE OF RETURN PER COST STUDY			9.3897%									
8	RETURN (NET OPERATING INCOME)			4,006,507									
9	INTEREST CHARGED CONSTRUCTION	279,341	0.215387	60,166									
10	RETURN INCLUDABLE IN REV REQ			3,946,340	3,946,340		3,946,340		3,946,340		3,946,340		
11	FIXED CHARGES	6,295,899	0.246726	1,553,362	1,553,362		1,553,362		1,553,362		1,553,362		
12	OTHER INCOME AND ADJUSTMENTS	260,094	0.245632	63,887	81,275		(88,365)		70,507		70,507		
13	INVESTMENT TAX CREDIT	1,899,111	0.245531	466,291	451,520		448,688		448,688		448,688		
14	FIT BASE (RETURN-FC-01A-ITC)			1,862,800	1,860,183		2,032,655		1,873,783		1,873,783		
15	FIT TAX (BASE X RATE / 1-RATE)			1,586,830	1,584,600		1,355,104		965,282		965,282		
16	INVESTMENT TAX CREDIT			466,291	451,520		448,688		448,688		448,688		
17	FIT (FIT BASE - ITC)			1,120,539	1,133,080		906,415		516,594		516,594		
18	SIT BASE (FIT BASE+FIT+ITC)			2,329,091	2,311,703		2,481,344		2,322,471		2,322,471		
19	SIT TAX AT 5.00 %			122,584	121,669		130,597		122,235		122,235		
20	TOLL REVENUE REQUIREMENT			5,189,463	5,201,049		4,983,352		4,585,169		4,585,169		
21	ADD: TOLL REVENUES FROM EXPENSES & OTHER TAX			20,451,796	20,451,796		20,451,796		20,451,796		20,451,796		
22	CHANGE IN TOLL REVENUES DUE TO TAX EFFECT			25,641,259	11,626	25,652,885	(217,736)	25,435,148	(398,183)	25,036,965	0	25,036,965	(604,294)
	TOTAL OTHER INCOME & ADJUSTMENTS TOLL FACTOR			260,094 0.245632	330,883 0.245632		(359,747) 0.245632		287,042 0.245632		287,042 0.245632		
	INTRASTATE OTHER INCOME & ADJUSTMENTS			63,887	81,275		(88,365)		70,507		70,507		
	TOTAL INVESTMENT TAX CREDIT TOLL FACTOR			1,899,111 0.245531	1,838,953 0.245531		1,827,420 0.245531		1,827,420 0.245531		1,827,420 0.245531		
	INTRASTATE INVESTMENT TAX CREDIT			466,291	451,520		448,688		448,688		448,688		

UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1985, USING THE TAX RATE OF 46%

LINE NUMBER		COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8
			INTRASTATE FACTOR	INTRASTATE AMOUNT	STATE CURRENT TAX @ 5.0	FEDERAL CURRENT TAX @ 46%	PERMANENT DIFFERENCES & FLO-THRU ITEMS	STATE DEFERRED TAX @ 5.0	FEDERAL DEFERRED TAX @ 46%
1	INCOME BEFORE ALL INCOME TAX (INTRASTATE AMOUNT)	10,940,764		10,940,764	547,038	4,701,114			
2	PERMANENT BOOK/TAX DIFFERENCES—ADD (DEDUCT)								
3	FEELS & ENTERTAINMENT	0	66.8827%	0	0	0		0	0
4	NON-DEDUCTIBLE INSURANCE PREMIUM	1,913	66.8827%	1,279	64	559	1,279	0	0
5	TIMING DIFFERENCES - ADD (DEDUCT)								
6	ALLOWABLE DEPRECIATION	(25,639,343)	67.6964%	(17,356,912)	(867,846)	(7,584,971)	(1,253,762)	805,157	7,037,076
7	DEPR. CHRG. TO CLEARING ACCOUNT	(310,293)	67.6964%	(210,057)	(10,503)	(91,795)		10,503	91,795
8	S/L TAX DEPRECIATION	19,145,654	67.6964%	12,977,301	648,865	5,671,081		(648,865)	(5,671,081)
9	S/L TAX DEPRECIATION (ADJ FOR CAPTX TAXES & PENSIONS)	0	67.6964%	0	0	0		0	0
10	OTHER DEPRECIATION	2,962,632	67.6964%	2,005,595	100,280	876,445	2,005,595	0	0
11	OTHER DEPRECIATION (ADJUST FOR CAPTX TAXES & PENSIONS)	0	67.6964%	0	0	0		0	0
12	INTEREST CHRG. CONSTRUCTION: CURRENT YEAR	0	0	0	0	0		0	0
13	AMORTIZATION OF CY & PRIOR YEAR	0	0	0	0	0		0	0
14	CAPITALIZED TAXES & PENSIONS: CURRENT YEAR	(1,107,160)	66.8827%	(740,499)	(37,025)	(323,590)	(740,499)	0	0
15	AMORTIZATION OF CY & PRIOR YEAR	0	0	0	0	0		0	0
16	COST OF REMOVAL	(886,112)	67.1013%	(594,593)	(29,730)	(259,837)	(594,593)	0	0
17	STATION CONNECTION EXPENSE: CURRENT YEAR	1,561,521	66.5887%	1,039,797	51,990	454,391	51,990	(45,390)	(431,672)
18	AMORTIZATION OF CY & PRIOR YEAR	(1,112,399)	66.5887%	(740,732)	(37,037)	(323,700)		37,037	323,700
19	GAIN ON REPURCHASE OF LTD: CURRENT YEAR	0	0	0	0	0		0	0
20	AMORTIZATION OF CY & PRIOR YEAR	0	0	0	0	0		0	0
21	GAIN FROM SALVAGE ON FULLY-DEPRECIATED ASSETS	197,964	67.6964%	134,015	6,701	58,564		(6,701)	(58,564)
22	VACATION ACCRUAL	0	66.8827%	0	0	0		0	0
23	INTERSTATE FCC REVENUE RESERVE	0	0	0	0	0		0	0
24	IRS INTEREST								
25	ACCRUAL—NOT CURRENTLY DEDUCTIBLE	185,426	66.8116%	123,886	6,194	54,138		(6,194)	(54,138)
26	PAID—CURRENTLY DEDUCTIBLE	(189,801)	66.8116%	(126,809)	(6,340)	(55,416)		6,340	55,416
27	DEFERRED DIRECTORY ADVERTISING	23,931	100.0000%	23,931	1,197	10,458		(1,197)	(10,458)
28	DEFERRED OFFICER COMPENSATION & INTEREST	10,737	66.8827%	7,181	359	3,138	7,181	0	0
29	RESERVE FOR UNCOLLECTIBLE ACCOUNTS	0	0	0	0	0		0	0
30	BAD DEBTS	0	83.2767%	0	0	0		0	0
31	ITC ON LEASED PROPERTY AS INCOME	2,465	66.8761%	1,640	82	720	1,640	0	0
32	ACQUISITION ADJUSTMENT	0	0	0	0	0		0	0
33	CDE COSTS: CURRENT YEAR	60,314	66.5887%	40,162	2,008	17,551	2,008	(1,908)	(16,673)
34	AMORTIZATION OF CY & PRIOR YEAR	(198,445)	66.5887%	(132,142)	(6,607)	(57,746)		6,607	57,746
35	UMP	(84,874)	66.8827%	(56,766)	(2,838)	(24,807)		2,838	24,807
36	ETPP	233,941	66.8827%	156,466	7,823	68,376		(7,823)	(68,376)
37	WSP	0	66.8827%	0	0	0		0	0
38	MISSOURI PARTNERSHIP	4,069,495	100.0000%	4,069,495	203,475	1,778,369		(203,475)	(1,778,369)
39	NEIGHBORHOOD ASSISTANCE	(23,000)	66.8827%	(15,383)	(769)	(6,722)	(15,383)	0	0
40	TOTAL TAX EFFECT	9,869,530		11,547,628	577,381	5,046,314	(534,534)	(57,070)	(490,791)

UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1985, USING THE TAX RATE OF 96%

PAGE 5 OF 13

LINE NUMBER CONTINUED	INTRASTATE FACTOR	COLUMN 1 CURRENT FEDERAL	COLUMN 2 DEFERRED FEDERAL	COLUMN 3 DEFERRED ITC	COLUMN 4 TOTAL FEDERAL	COLUMN 5 STATE CURRENT	COLUMN 6 STATE DEFERRED	COLUMN 7 STATE TOTAL	COLUMN 8 TOTAL STATE & FED
41	TOTALS	5,046,314	(498,791)		4,547,522	577,381	(57,070)	520,311	5,067,834
42	ADJUSTMENTS OF PRIOR YEAR TAXES DUE TO:								0
43	ADJUST 1984 TAX TO ACTUAL	67,69642	(275,748)	152,695	(4,962)	(128,015)	17,720	(2,126)	(130,141)
44	PARTIAL SETTLEMENT 80-81	67,69642	138,912	(138,912)	0	(19,046)			0
									0
									0
									0
									0
									0
									0
45	CURRENT YEAR CREDITS:								0
46	ITC BEFORE RECAPTURE & AMORTIZATION	66.87612	(1,166,506)	1,166,506	0				0
47	ITC RECAPTURE	66.87612	76,984	(76,984)	0				0
48	ITC RECAPTURE-EFFECT ON AMORTIZATION	66.87612		29,646	29,646				29,646
49	AMORTIZATION OF DEFERRED ITC	66.87612		(1,270,051)	(1,270,051)				(1,270,051)
50	ITC BASIS REDUCTION-AMORT OF EXP-OWNED	66.87612		67,477	67,477		7,721	7,721	75,198
									0
51	OTHER:								0
52	EFFECT OF TIMING DIF REVERSING AT 96%	66.87612		(38,810)	(38,810)				(38,810)
									0
									0
53	OTHER ADJUSTMENTS:				0				0
54	TOTALS	3,819,955	(456,340)	(155,045)	3,207,770	557,536	(31,629)	525,907	3,733,676
					FEDERAL BASE	10,414,857	STATE BASE	10,990,764	
					EFF FIT RATE	30.00%	EFF SIT RATE	4.81%	

UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1986, USING THE TAX RATE OF 462

LINE NUMBER		COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8
			INTRASTATE FACTOR	INTRASTATE AMOUNT	STATE CURRENT TAX @ 5.0	FEDERAL CURRENT TAX @ 462	PERMANENT DIFFERENCES & FLO-THRU ITEMS	STATE DEFERRED TAX @ 5.0	FEDERAL DEFERRED TAX @ 462
1	INCOME BEFORE ALL INCOME TAX (INTRASTATE AMOUNT)	10,952,390		10,952,390	547,619	4,786,194			
2	PERMANENT BOOK/TAX DIFFERENCES—ADD (DEDUCT)								
3	MEALS & ENTERTAINMENT	0	66.88272	0	0	0		0	0
4	NON-DEDUCTIBLE INSURANCE PREMIUM	1,913	66.88272	1,279	64	559	1,279	0	0
5	TIMING DIFFERENCES — ADD (DEDUCT)								
6	ALLOWABLE DEPRECIATION	(25,639,343)		67.69642 (17,356,912)	(867,896)	(7,589,971)	(1,253,762)	805,157	7,037,876
7	DEPR. CHGD. TO CLEARING ACCOUNT	(310,293)		67.69642 (210,057)	(10,503)	(91,795)		10,503	91,795
8	S/L TAX DEPRECIATION	19,169,854		67.69642 12,977,301	648,865	5,671,081		(648,865)	(5,671,081)
9	S/L TAX DEPRECIATION (ADJ FOR CAPTD TAXES & PENSIONS)	0		67.69642 0	0	0		0	0
10	OTHER DEPRECIATION	2,962,632		67.69642 2,005,595	100,280	876,445	2,005,595	0	0
11	OTHER DEPRECIATION (ADJUST FOR CAPTD TAXES & PENSIONS)	0		67.69642 0	0	0		0	0
12	INTEREST CHRG. CONSTRUCTION: CURRENT YEAR	0		0	0	0		0	0
13	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
14	CAPITALIZED TAXES & PENSIONS: CURRENT YEAR	(1,107,160)	66.88272	(740,499)	(37,025)	(323,598)	(740,499)	0	0
15	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
16	COST OF REMOVAL	(885,112)		67.10152 (594,593)	(29,730)	(259,837)	(594,593)	0	0
17	STATION CONNECTION EXPENSE: CURRENT YEAR	1,561,521		66.58872 1,039,797	51,990	454,391		(51,990)	(454,391)
18	AMORTIZATION OF CY & PRIOR YEAR	(1,112,399)	66.58872	(740,732)	(37,037)	(323,700)		37,037	323,700
19	GAIN ON REPURCHASE OF LTD: CURRENT YEAR	0		0	0	0		0	0
20	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
21	GAIN FROM SALVAGE ON FULLY-DEPRECIATED ASSETS	197,964		67.69642 134,015	6,701	58,564		(6,701)	(58,564)
22	VACATION ACCRUAL	0	66.88272	0	0	0		0	0
23	INTERSTATE FCC REVENUE RESERVE	0		0	0	0		0	0
24	IRS INTEREST								
25	ACCRUAL—NOT CURRENTLY DEDUCTIBLE	185,426	66.81162	123,886	6,194	54,138		(6,194)	(54,138)
26	PAID—CURRENTLY DEDUCTIBLE	(189,801)	66.81162	(126,809)	(6,340)	(55,416)		6,340	55,416
27	DEFERRED DIRECTORY ADVERTISING	23,531	100.00002	23,531	1,197	10,458		(1,197)	(10,458)
28	DEFERRED OFFICER COMPENSATION & INTEREST	10,737	66.88272	7,181	359	3,138	7,181	0	0
29	RESERVE FOR UNCOLLECTIBLE ACCOUNTS	0		0	0	0		0	0
30	BAD DEBTS	0	83.27672	0	0	0		0	0
31	ITC ON LEASED PROPERTY AS INCOME	2,465	66.87612	1,648	82	720	1,648	0	0
32	ACQUISITION ADJUSTMENT	0		0	0	0		0	0
33	CDE COSTS: CURRENT YEAR	60,314	66.58872	40,162	2,008	17,551		(2,008)	(17,551)
34	AMORTIZATION OF CY & PRIOR YEAR	(198,445)	66.58872	(132,142)	(6,607)	(57,746)		6,607	57,746
35	MRP	(84,874)	66.88272	(56,766)	(2,838)	(24,807)		2,838	24,807
36	EIPP	233,941	66.88272	156,466	7,823	68,376		(7,823)	(68,376)
37	DISIP	0	66.88272	0	0	0		0	0
38	MISSOURI PARTNERSHIP	4,069,495	100.00002	4,069,495	203,475	1,778,369		(203,475)	(1,778,369)
39	NEIGHBORHOOD ASSISTANCE	(23,000)	66.88272	(15,383)	(769)	(6,722)	(15,383)	0	0
40	TOTAL TAX EFFECT	9,881,156		11,559,254	577,963	5,051,394	(588,532)	(59,770)	(522,388)

PAGE 7 OF 13

FEDERAL BASE	10,428,268	STATE BASE	10,952,990
EFF FIT RATE	31.00%	EFF SIT RATE	4.75%

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UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING-INTRASTATE
FOR THE YEAR 1987, USING THE TAX RATE OF 40%

PAGE 8 OF 13

		COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8
LINE NUMBER			INTRASTATE FACTOR	INTRASTATE AMOUNT	STATE CURRENT TAX @ 5.0	FEDERAL CURRENT TAX @ 40%	PERMANENT DIFFERENCES & FLO-THRU ITEMS	STATE DEFERRED TAX @ 5.0	FEDERAL DEFERRED TAX @ 40%
1	INCOME BEFORE ALL INCOME TAX (INTRASTATE AMOUNT)	10,734,653		10,734,653	536,733	4,079,168			
2	PERMANENT BOOK/TAX DIFFERENCES-ADD (DEDUCT)								
3	MEALS & ENTERTAINMENT	87,000	66.8827%	58,188	2,909	22,111	58,188	0	0
4	NON-DEDUCTIBLE INSURANCE PREMIUM	1,913	66.8827%	1,279	64	486	1,279	0	0
5	TIMING DIFFERENCES - ADD (DEDUCT)								
6	ALLOWABLE DEPRECIATION	(25,755,595)	67.6964%	(17,435,611)	(871,781)	(6,625,532)	(1,253,762)	809,092	6,149,102
7	DEPR. CRED. TO CLEARING ACCOUNT	(310,233)	67.6964%	(210,057)	(10,503)	(79,822)		10,503	79,822
8	S/L TAX DEPRECIATION	19,169,854	67.6964%	12,977,301	648,865	4,931,374		(648,865)	(4,931,374)
9	S/L TAX DEPRECIATION (ADJ FOR CAPTD TAXES & PENSIONS)	36,536	67.6964%	24,734	1,237	9,399		(1,237)	(9,399)
10	OTHER DEPRECIATION	2,962,632	67.6964%	2,005,595	100,280	762,126	2,005,595	0	0
11	OTHER DEPRECIATION (ADJUST FOR CAPTD TAXES & PENSIONS)	(36,536)	67.6964%	(24,734)	(1,237)	(9,399)	(24,734)	0	0
12	INTEREST CROB. CONSTRUCTION: CURRENT YEAR	0		0	0	0		0	0
13	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
14	CAPITALIZED TAXES & PENSIONS: CURRENT YEAR	0	66.8827%	0	0	0		0	0
15	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
16	COST OF REMOVAL	(886,112)	67.1013%	(594,593)	(29,730)	(225,945)	(594,593)	0	0
17	STATION CONNECTION EXPENSE: CURRENT YEAR	1,561,521	66.5887%	1,033,737	51,990	395,123		(51,990)	(395,123)
18	AMORTIZATION OF CY & PRIOR YEAR	(1,112,399)	66.5887%	(740,732)	(37,037)	(281,478)		37,037	281,478
19	GAIN ON REPURCHASE OF LTD: CURRENT YEAR	0		0	0	0		0	0
20	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
21	GAIN FROM SALVAGE ON FULLY-DEPRECIATED ASSETS	197,964	67.6964%	134,015	6,701	50,926		(6,701)	(50,926)
22	VACATION ACCRUAL	513,000	66.8827%	343,100	17,155	130,381		(17,155)	(130,381)
23	INTERSTATE FCC REVENUE RESERVE	0		0	0	0		0	0
24	IRS INTEREST								
25	ACCRUAL-NOT CURRENTLY DEDUCTIBLE	185,426	66.8116%	123,886	6,194	47,077		(6,194)	(47,077)
26	PAID-CURRENTLY DEDUCTIBLE	(189,801)	66.8116%	(126,809)	(6,340)	(48,187)		6,340	48,187
27	DEFERRED DIRECTORY ADVERTISING	23,931	100.0000%	23,931	1,197	9,094		(1,197)	(9,094)
28	DEFERRED OFFICER COMPENSATION & INTEREST	10,737	66.8827%	7,181	359	2,729	7,181	0	0
29	RESERVE FOR UNCOLLECTIBLE ACCOUNTS	0		0	0	0		0	0
30	BAD DEBTS (8137,114*252)	34,279	83.2767%	28,546	1,427	10,848		(1,427)	(10,848)
31	ITC ON LEASED PROPERTY AS INCOME	2,465	66.8761%	1,648	82	626	1,648	0	0
32	ACQUISITION ADJUSTMENT	0		0	0	0		0	0
33	CDC COSTS: CURRENT YEAR	60,314	66.5887%	40,162	2,008	15,262		(2,008)	(15,262)
34	AMORTIZATION OF CY & PRIOR YEAR	(198,445)	66.5887%	(132,142)	(6,607)	(50,214)		6,607	50,214
35	UMP	(84,874)	66.8827%	(56,766)	(2,838)	(21,571)		2,838	21,571
36	EIPP	233,941	66.8827%	156,466	7,823	59,457		(7,823)	(59,457)
37	UNSP	0	66.8827%	0	0	0		0	0
38	MISSOURI PARTNERSHIP	4,069,495	100.0000%	4,069,495	203,475	1,546,408		(203,475)	(1,546,408)
39	NEIGHBORHOOD ASSISTANCE	(23,000)	66.8827%	(15,383)	(769)	(5,846)	(15,383)	0	0
40	TOTAL TAX EFFECT	11,288,606		12,433,160	621,658	4,724,601	185,421	(75,654)	(574,973)

WHOLE TELEPHONE SUPPLY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1967, USING THE TAX RATE OF 40%

PAGE 9 OF 13

LINE NUMBER CONTINUED	INTRASTATE FACTOR	COLUMN 1 CURRENT FEDERAL	COLUMN 2 DEFERRED FEDERAL	COLUMN 3 DEFERRED ITC	COLUMN 4 TOTAL FEDERAL	COLUMN 5 STATE CURRENT	COLUMN 6 STATE DEFERRED	COLUMN 7 STATE TOTAL	COLUMN 8 TOTAL STATE & FED
41	TOTALS	4,724,601	(574,973)		4,149,628	621,650	(75,654)	546,000	4,695,632
42	ADJUSTMENTS OF PRIOR YEAR TAXES DUE TO:								0
43	ADJUST 1964 TAX TO ACTUAL	67.69642	(275,749)	152,695	(4,961)	(120,015)	(19,045)	(2,126)	(130,141)
44	PARTIAL SETTLEMENT 80-81	67.69642	130,913	(130,913)	0				0
									0
									0
									0
									0
									0
									0
									0
45	CURRENT YEAR CREDITS:								0
46	ITC BEFORE RECAPTURE & AMORTIZATION	66.87612	0	0	0				0
47	ITC RECAPTURE	66.87612	76,904	(76,904)	0				0
48	ITC RECAPTURE-EFFECT ON AMORTIZATION	66.87612		29,646	29,646				29,646
49	AMORTIZATION OF DEFERRED ITC	66.87612		(1,222,107)	(1,222,107)				(1,222,107)
50	ITC BASIS REDUCTION-AMORT OF EXP-OWNER	66.87612	64,176		64,176		8,444	8,444	72,620
51	OTHER:								0
52	EFFECT OF TIMING DIFF REVERSING AT 482	66.87612	(155,238)		(155,238)				(155,238)
									0
									0
53	OTHER ADJUSTMENTS:								0
									0
54	TOTALS	4,664,749	(652,253)	(1,274,407)	2,738,089	601,813	(49,490)	552,322	3,290,412
					FEDERAL BASE	10,182,331	STATE BASE	10,734,653	
					EFF FIT RATE	26.09%	EFF SIT RATE	5.15%	

UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1988, USING THE TAX RATE OF 34%

LINE NUMBER		COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8
			INTRASTATE FACTOR	INTRASTATE AMOUNT	STATE CURRENT TAX @ 5.0	FEDERAL CURRENT TAX @ 34%	PERMANENT DIFFERENCES & FLO-THRU ITEMS	STATE DEFERRED TAX @ 5.0	FEDERAL DEFERRED TAX @ 34%
1	INCOME BEFORE ALL INCOME TAX (INTRASTATE AMOUNT)	10,336,470		10,336,470	516,829	3,338,680			
2	PERMANENT BOOK/TAX DIFFERENCES-ADD (DEDUCT)								
3	MEALS & ENTERTAINMENT	87,000	66.8827%	58,188	2,909	18,795	58,188	0	0
4	NON-DEDUCTIBLE INSURANCE PREMIUM	1,913	66.8827%	1,279	64	413	1,279	0	0
5	TIMING DIFFERENCES - ADD (DEDUCT)								
6	ALLOWABLE DEPRECIATION	(25,755,595)	67.6964%	(17,435,611)	(871,781)	(5,631,702)	(1,253,762)	809,092	5,226,737
7	DEPR. CRGD. TO CLEARING ACCOUNT	(318,293)	67.6964%	(218,057)	(10,503)	(67,848)		10,503	67,848
8	S/L TAX DEPRECIATION	19,169,854	67.6964%	12,977,301	648,865	4,191,668		(648,865)	(4,191,668)
9	S/L TAX DEPRECIATION (ADJ FOR CAPTD TAXES & PENSIONS)	36,536	67.6964%	24,734	1,237	7,989		(1,237)	(7,989)
10	OTHER DEPRECIATION	2,962,632	67.6964%	2,005,595	100,280	647,807	2,005,595	0	0
11	OTHER DEPRECIATION (ADJUST FOR CAPTD TAXES & PENSIONS)	(36,536)	67.6964%	(24,734)	(1,237)	(7,989)	(24,734)	0	0
12	INTEREST CRGD. CONSTRUCTION: CURRENT YEAR	0		0	0	0		0	0
13	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
14	CAPITALIZED TAXES & PENSIONS: CURRENT YEAR	0	66.8827%	0	0	0		0	0
15	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
16	COST OF REPAIRS	(886,112)	67.1013%	(594,593)	(29,730)	(192,053)	(594,593)	0	0
17	STATION CORRECTION EXPENSE: CURRENT YEAR	1,561,521	66.5887%	1,039,797	51,990	335,854		(51,990)	(335,854)
18	AMORTIZATION OF CY & PRIOR YEAR	(1,112,399)	66.5887%	(740,732)	(37,037)	(239,256)		37,037	239,256
19	GAIN ON REPURCHASE OF LTD: CURRENT YEAR	0		0	0	0		0	0
20	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
21	GAIN FROM SALVAGE ON FULLY-DEPRECIATED ASSETS	197,964	67.6964%	134,015	6,701	43,287		(6,701)	(43,287)
22	VACATION ACCRUAL	513,000	66.8827%	343,108	17,155	110,824		(17,155)	(110,824)
23	INTERSTATE FCC REVENUE RESERVE	0		0	0	0		0	0
24	IRS INTEREST								
25	ACCURAL-NOT CURRENTLY DEDUCTIBLE	185,426	66.8116%	123,886	6,194	40,015		(6,194)	(40,015)
26	PAID-CURRENTLY DEDUCTIBLE	(189,801)	66.8116%	(126,809)	(6,340)	(40,959)		6,340	40,959
27	DEFERRED DIRECTORY ADVERTISING	23,931	100.0000%	23,931	1,197	7,730		(1,197)	(7,730)
28	DEFERRED OFFICER COMPENSATION & INTEREST	10,737	66.8827%	7,181	359	2,320	7,181	0	0
29	RESERVE FOR UNCOLLECTIBLE ACCOUNTS	0		0	0	0		0	0
30	BAD DEBTS (\$137,114*50%)	68,557	83.2767%	57,092	2,855	18,441		(2,855)	(18,441)
31	ITC ON LEASED PROPERTY AS INCOME	2,465	66.8761%	1,648	82	532	1,648	0	0
32	ACQUISITION ADJUSTMENT	0		0	0	0		0	0
33	CDC COSTS: CURRENT YEAR	60,314	66.5887%	40,162	2,008	12,972		(2,008)	(12,972)
34	AMORTIZATION OF CY & PRIOR YEAR	(198,445)	66.5887%	(132,142)	(6,607)	(42,682)		6,607	42,682
35	WIP	(84,874)	66.8827%	(56,766)	(2,838)	(18,335)		2,838	18,335
36	EIPP	233,941	66.8827%	156,466	7,823	50,539		(7,823)	(50,539)
37	MSIP	0	66.8827%	0	0	0		0	0
38	MISSOURI PARTNERSHIP	4,069,495	100.0000%	4,069,495	203,475	1,314,447		(203,475)	(1,314,447)
39	NEIGHBORHOOD ASSISTANCE	(23,000)	66.8827%	(15,383)	(769)	(4,969)	(15,383)	0	0
40	TOTAL TAX EFFECT	10,924,701		12,063,523	603,176	3,896,518	185,421	(77,082)	(497,947)

PAGE 11 OF 13

LINE NUMBER CONTINUED		INTRASTATE FACTOR	COLUMN 1 CURRENT FEDERAL	COLUMN 2 DEFERRED FEDERAL	COLUMN 3 DEFERRED ITC	COLUMN 4 TOTAL FEDERAL	COLUMN 5 STATE CURRENT	COLUMN 6 STATE DEFERRED	COLUMN 7 STATE TOTAL	COLUMN 8 TOTAL STATE & FED
41	TOTALS		3,896,510	(497,947)		3,398,571	603,176	(77,082)	526,095	3,924,665
42	ADJUSTMENTS OF PRIOR YEAR TAXES DUE TO:									0
43	ADJUST 1984 TAX TO ACTUAL	67.69642	(275,749)	152,695	(4,961)	(128,015)	(19,845)	17,720	(2,126)	(130,141)
44	PARTIAL SETTLEMENT 80-81	67.69642	138,913	(138,913)		0				0
										0
										0
										0
										0
										0
										0
45	CURRENT YEAR CREDITS:									0
46	ITC BEFORE RECAPTURE & AMORTIZATION	66.87612	0		0	0				0
47	ITC RECAPTURE	66.87612	76,984		(76,984)	0				0
48	ITC RECAPTURE-EFFECT ON AMORTIZATION	66.87612			29,646	29,646				29,646
49	AMORTIZATION OF DEFERRED ITC	66.87612			(1,222,107)	(1,222,107)				(1,222,107)
50	ITC BASIS REDUCTION-AMT OF EXP-OWNED	66.87612		54,549		54,549		8,444	8,444	62,994
										0
51	OTHER:									0
52	EFFECT OF TIMING DIFF REVERSING AT 40%	66.87612		(271,667)		(271,667)				(271,667)
										0
										0
53	OTHER ADJUSTMENTS:									0
										0
54	TOTALS		3,836,666	(701,282)	(1,274,407)	1,860,977	583,331	(50,918)	532,413	2,393,391
						FEDERAL BASE	9,804,057	STATE BASE	10,336,470	
						EFF FIT RATE	18.982	EFF SIT RATE	5.152	

UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1985, USING THE TAX RATE OF 34%

LINE NUMBER		COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8
			INTRASTATE FACTOR	INTRASTATE AMOUNT	STATE CURRENT TAX @ 5.0	FEDERAL CURRENT TAX @ 34%	PERMANENT DIFFERENCES & FLO-THRU ITEMS	STATE DEFERRED TAX @ 5.0	FEDERAL DEFERRED TAX @ 34%
1	INCOME BEFORE ALL INCOME TAX (INTRASTATE AMOUNT)	10,336,470		10,336,470	516,824	3,330,600			
2	PERMANENT BOOK/TAX DIFFERENCES-ADD (DEDUCT)								
3	MEALS & ENTERTAINMENT	87,000	66.8827%	58,188	2,909	18,795	58,188	0	0
4	NON-DEDUCTIBLE INSURANCE PREMIUM	1,913	66.8827%	1,279	64	413	1,279	0	0
5	TIMING DIFFERENCES -- ADD (DEDUCT)								
6	ALLOWABLE DEPRECIATION	(25,755,595)	67.6964%	(17,435,611)	(871,781)	(5,631,702)	(1,251,762)	809,092	5,226,737
7	DEPR. CHRG. TO CLEARING ACCOUNT	(310,293)	67.6964%	(210,057)	(10,503)	(67,848)		10,503	67,848
8	S/L TAX DEPRECIATION	19,169,854	67.6964%	12,977,301	648,865	4,191,668		(648,865)	(4,191,668)
9	S/L TAX DEPRECIATION (ADJ FOR CAPTX TAXES & PENSIONS)	36,536	67.6964%	24,734	1,237	7,989		(1,237)	(7,989)
10	OTHER DEPRECIATION	2,962,632	67.6964%	2,005,595	100,290	647,807	2,005,595	0	0
11	OTHER DEPRECIATION (ADJUST FOR CAPTX TAXES & PENSIONS)	(36,536)	67.6964%	(24,734)	(1,237)	(7,989)	(24,734)	0	0
12	INTEREST CHRG. CONSTRUCTION: CURRENT YEAR	0		0	0	0		0	0
13	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
14	CAPITALIZED TAXES & PENSIONS: CURRENT YEAR	0	66.8827%	0	0	0		0	0
15	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
16	COST OF REMOVAL	(886,112)	67.1013%	(594,593)	(29,730)	(192,053)	(594,593)	0	0
17	STATION CORRECTION EXPENSE: CURRENT YEAR	1,561,521	66.5887%	1,039,797	51,990	335,854		(51,990)	(335,854)
18	AMORTIZATION OF CY & PRIOR YEAR	(1,112,399)	66.5887%	(740,732)	(37,037)	(239,256)		37,037	239,256
19	GAIN ON REPURCHASE OF LTD: CURRENT YEAR	0		0	0	0		0	0
20	AMORTIZATION OF CY & PRIOR YEAR	0		0	0	0		0	0
21	GAIN FROM SALVAGE ON FULLY-DEPRECIATED ASSETS	197,964	67.6964%	134,015	6,701	43,287		(6,701)	(43,287)
22	VACATION ACCRUAL	513,000	66.8827%	343,108	17,155	110,824		(17,155)	(110,824)
23	INTERSTATE FCC REVENUE RESERVE	0		0	0	0		0	0
24	IRS INTEREST								
25	ACCRUAL-NOT CURRENTLY DEDUCTIBLE	185,426	66.8116%	123,886	6,194	40,015		(6,194)	(40,015)
26	PAID-CURRENTLY DEDUCTIBLE	(189,801)	66.8116%	(126,809)	(6,340)	(40,959)		6,340	40,959
27	DEFERRED DIRECTORY ADVERTISING	23,931	100.0000%	23,931	1,197	7,730		(1,197)	(7,730)
28	DEFERRED OFFICER COMPENSATION & INTEREST	10,737	66.8827%	7,181	359	2,320	7,181	0	0
29	RESERVE FOR UNCOLLECTIBLE ACCOUNTS	0		0	0	0		0	0
30	BAD DEBTS (8137,114*75%)	102,836	83.2767%	85,638	4,282	27,661		(4,282)	(27,661)
31	ITC ON LEASED PROPERTY AS INCOME	2,465	66.8761%	1,648	82	532	1,648	0	0
32	ACQUISITION ADJUSTMENT	0		0	0	0		0	0
33	CDE COSTS: CURRENT YEAR	60,314	66.5887%	40,162	2,008	12,972		(2,008)	(12,972)
34	AMORTIZATION OF CY & PRIOR YEAR	(198,445)	66.5887%	(132,142)	(6,607)	(42,682)		6,607	42,682
35	WRP	(84,874)	66.8827%	(56,766)	(2,838)	(18,335)		2,838	18,335
36	EIPP	233,941	66.8827%	156,466	7,823	50,539		(7,823)	(50,539)
37	DISIP	0	66.8827%	0	0	0		0	0
38	MISSOURI PARTNERSHIP	4,069,495	100.0000%	4,069,495	203,475	1,314,447		(203,475)	(1,314,447)
39	NEIGHBORHOOD ASSISTANCE	(23,000)	66.8827%	(15,383)	(769)	(4,969)	(15,383)	0	0
40	TOTAL TAX EFFECT	10,958,980		12,092,069	604,603	3,905,738	185,421	(78,509)	(507,168)

UNITED TELEPHONE COMPANY OF MISSOURI
RECONCILIATION OF FEDERAL INCOME TAX—OPERATING—INTRASTATE
FOR THE YEAR 1989, USING THE TAX RATE OF 34%

PAGE 13 OF 13

LINE NUMBER CONTINUED		INTRASTATE FACTOR	COLUMN 1 CURRENT FEDERAL	COLUMN 2 DEFERRED FEDERAL	COLUMN 3 DEFERRED ITC	COLUMN 4 TOTAL FEDERAL	COLUMN 5 STATE CURRENT	COLUMN 6 STATE DEFERRED	COLUMN 7 STATE TOTAL	COLUMN 8 TOTAL STATE & FED
41	TOTALS		3,905,738	(507,168)		3,398,571	604,603	(78,508)	526,095	3,924,665
42	ADJUSTMENTS OF PRIOR YEAR TAXES DUE TO:									0
43	ADJUST 1984 TAX TO ACTUAL	67.6964%	(275,749)	152,695	(4,961)	(128,015)	(19,845)	17,720	(2,126)	(130,191)
44	PARTIAL SETTLEMENT 80-81	67.0964%	130,913	(130,913)		0				0
										0
										0
										0
										0
										0
										0
										0
45	CURRENT YEAR CREDITS:									0
46	ITC BEFORE RECAPTURE & AMORTIZATION	66.8761%	0		0	0				0
47	ITC RECAPTURE	66.8761%	76,904		(76,904)	0				0
48	ITC RECAPTURE-EFFECT ON AMORTIZATION	66.8761%			29,646	29,646				29,646
49	AMORTIZATION OF DEFERRED ITC	66.8761%			(1,222,107)	(1,222,107)				(1,222,107)
50	ITC BASIS REDUCTION-AMORT OF EXP-OWNED	66.8761%		54,549		54,549		8,444	8,444	62,994
51	OTHER:									0
52	EFFECT OF TIMING DIF REVERSING AT 40%	66.8761%		(271,667)		(271,667)				(271,667)
										0
53	OTHER ADJUSTMENTS:									0
										0
										0
54	TOTALS		3,845,887	(710,503)	(1,279,407)	1,860,977	504,758	(52,345)	532,413	2,393,391
						FEDERAL BASE	9,804,057	STATE BASE	10,336,470	
						EFF FIT RATE	18.98%	EFF SIT RATE	5.15%	

United Telephone Company of Missouri
Total Company
Deferred Income Tax Reserve - Federal
December 31, 1985

Deferred Tax	Balance	Accrued in Excess of Turnaround Tax Rate	Expected Turnaround Tax Rate
Accelerated Depreciation	26,811,499	(7,183,933)	19,627,566
Station Connections	(1,344,183)	159,646	(1,184,537)
COE Software	(191,273)	17,667	(173,606)
WRP	(53,537)	3,535	(50,002)
EIPP	(116,900)	30,026	(86,874)
RAR Interest	(204,657)	26,687	(177,970)
Directory Advertising	(120,192)	0	(120,192)
Missouri Partnership	(1,795,217)	49,124	(1,746,093)
Deferred ITC	13,396,007	0	13,396,007
Total	36,381,547	(6,897,248)	29,484,299

Notes to amounts accrued in excess of expected turnaround:

Accelerated Depreciation will turn around at 34% and 40% in 1987.
Station Connections & COE Software will turn around at 46%, 40% and 34%.
WRP & EIPP will turn around at 46%, 40% and 34%.
RAR Interest will turn around at 40%.
Directory Advertising will turn around at 46%.
Missouri Partnership will turn around at 46% and 40%.

The Tax Reform Act of 1986 provides that deferred taxes set up at 46% and 48% should be reversed at these rates when the underlying timing difference reverses. This treatment is mandated for regulated utilities as a condition for deducting accelerated depreciation.

Additional Information:

Although the reduction in the corporate tax rate from 46% to 40% and 34% indicates that The United Telephone Company of Missouri will ultimately be required to pay \$6,897,000 less than has been provided for in deferred income taxes related to those items set forth above, the Company is under accrued by \$7,822,000 due to SFAS #71 reportable items. SFAS #71 provides that a company disclose the cumulative net amount of income tax timing differences for which deferred income taxes have not been provided. The following are the SFAS #71 reportable deferred taxes for The United Telephone Company of Missouri as of 12-31-1985:

	Prior Law	New Law
Capitalized Taxes & Pensions	3,207,000	2,370,000
Interest During Construction	1,988,000	1,469,000
Deferred Officers Compensation	(38,000)	(28,000)
Pre-71 Depreciation	2,339,000	1,729,000
Cost of Removal	3,088,000	2,282,000
Total Under Accrued	10,584,000	7,822,000

United Telephone Company of Missouri
Total Company
Deferred Income Tax Reserve - State
December 31, 1985

Page 1 of 1

Deferred Tax	Balance
Accelerated Depreciation	2,554,667
Station Connections	(124,932)
COE Software	(17,773)
WRP	(4,976)
EIPP	(10,865)
RAR Interest	(19,026)
Directory Advertising	(11,171)
Missouri Partnership	(166,049)
Total	2,199,075