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## ORDER ESTABLISHING CASE, GIVING NOTICE.

Staff stated that it conducted a per book review of the two companies' earnings based upon the 12 months ending December 31, 1996, updated for known and measurable changes during 1997. Staff and the companies executed a Stipulation and Agreement (Attachment 1 to this order) resolving the issues surrounding Staff's audit. The agreement calls for a reduction in intrastate revenues of approximately \$716,072 annually (\$446,564 for Seneca, and \$269,508 for Goodman). This overall reduction in revenues is partially the result of the companies' commitment to invest approximately \$262,018 in digital carrier equipment which will eliminate all analog carrier equipment currently used in its network. The remaining reduction in revenues would result in changes in intrastate rates specifically set out in Attachment A to the Stipulation and Agreement. The companies have agreed to file illustrative tariff sheets to be submitted to Staff by March 20, but will not file tariffs with the Commission for approval until the stipulation has been approved. The agreement states that

none of the signatories have approved or acquiesced in any particular ratemaking or procedural principle or method of cost determination or allocation.

The Commission finds that the motion to open a case to address the Stipulation and Agreement should be granted and interested persons should receive notice and an opportunity to intervene. The Commission's Records Department should send a copy of this order to the County Commissioners of McDonald and Newton Counties, and to the mayor of every city located in these counties. The Records Department should also send a copy of this order to all certificated telecommunications carriers in Missouri. Any party wishing to intervene must file a written application to intervene no later than April 9, 1998 with the Secretary of the Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102. Copies of the application must be served on:

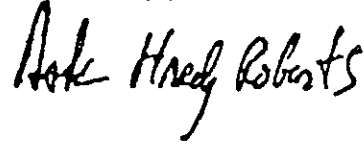
W.R. England, III  
Brydon, Swearngen & England P.C.  
312 East Capital Avenue  
Post Office Box 456  
Jefferson City, Missouri 65102

**IT IS THEREFORE ORDERED:**

1. That the Motion to Open Docket filed by the Commission's Staff on February 27, 1998 is granted.
2. That parties wishing to intervene shall file an application to intervene no later than April 9, 1998.
3. That the Commission's Records Department shall give notice as described in this order.

4. That this order shall become effective on March 10, 1998.

BY THE COMMISSION



**Dale Hardy Roberts**  
**Secretary/Chief Regulatory Law Judge**

(S E A L)

L. Anne Wickliffe, Deputy Chief  
Regulatory Law Judge, by delegation  
of authority pursuant to 4 CSR  
240-2.120(1) (November 30, 1995)  
and Section 386.240, RSMo 1994.

Dated at Jefferson City, Missouri,  
on this 10th day of March, 1998.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED  
FEB 27 1998  
MISSOURI  
PUBLIC SERVICE COMMISSION

In the matter of the investigation into the )  
earnings of Seneca Telephone Company ) Case No. TR-98- 373  
and Goodman Telephone Company. )

**STIPULATION AND AGREEMENT**

In May of 1997, the Staff of the Missouri Public Service Commission (Staff) began a per books review of the earnings of Seneca Telephone Company (Seneca) and Goodman Telephone Company (Goodman) (or collectively referred to as Companies). Staff's audit was based upon the twelve (12) months ending December 31, 1996, updated for known and measurable changes occurring during 1997. Upon completion of its preliminary earnings analysis, the Staff began discussions with the Companies. As a result of extensive negotiations, the signatories hereto stipulate and agree as follows:

1. The Companies' gross intrastate revenues will be reduced by approximately \$716,072 on an annual basis (i.e., \$446,564 reduction for Seneca and \$269,508 reduction for Goodman).
2. This overall reduction in revenues occurs partially as a result of the Companies' commitment to invest approximately \$262,028 (i.e., \$201,166 to be invested by Seneca and \$60,862 to be invested by Goodman) in digital carrier equipment which will eliminate all analog carrier equipment currently existing in the Companies' networks (The annual revenue impact associated with this investment is approximately \$40,233 for Seneca and \$12,172 for Goodman.)
3. The remaining reduction in gross intrastate revenues (i.e., \$663,667) is to be accomplished as a result of changes in intrastate rates as more specifically set forth in Attachment A, which is attached hereto and incorporated herein by reference.

The Companies will prepare draft tariff sheets incorporating the rate changes identified on Attachment A and provide such drafts to Staff no later than March 20, 1998. (Permanent tariff sheets will not be filed with the Commission until it has approved this Stipulation and Agreement.)

5. Beginning January 1, 1998, the Companies shall be authorized to accrue depreciation expense based on the depreciation rates set forth in Attachment B, which is attached hereto and incorporated herein by reference.

6. The approval of this Stipulation and Agreement in its entirety by the Commission will conclude Staff's per books earnings investigation of the Companies upon which this settlement was based.

7. None of the signatories to this Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking or procedural principle or any method of cost determination or cost allocation, or any service or payment standard and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

8. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in its entirety, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

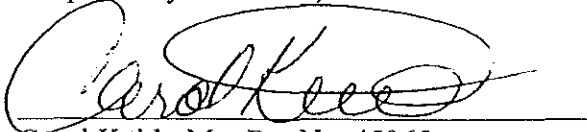
9. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights to

present testimony, to cross-examine witnesses, and to present oral argument and written briefs pursuant to Section 536.080.1 RSMo. 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1994.

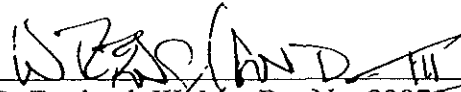
10. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all Parties, and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to the Stipulation and Agreement, whether or not the Commission approves this Stipulation and Agreement.

WHEREFORE, the signatories respectfully request that the Commission issue its order approving the terms of this Stipulation and Agreement and for such other orders as are reasonable in the circumstances.

Respectfully submitted,



Carol Keith, Mo. Bar No. 45065  
Assistant General Counsel  
Missouri Public Service Commission  
P.O. Box 8706  
Jefferson City, MO 65102  
(573) 751-8706  
(573) 751-9285/Fax  
Attorney for the  
Missouri Public Service Commission

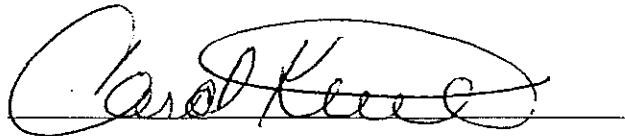


W.R. England, III, Mo. Bar No. 23975  
Brydon, Swearengen & England P.C.  
P.O. Box 456  
Jefferson City, MO 65102  
(573) 635-7166  
(573) 634-7431/Fax  
Attorneys for  
Seneca Telephone Company and  
Goodman Telephone Company

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following:

Michael Dandino  
Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102



## Seneca Telephone Company - Rate Design Change

## Revenue Reductions:

## 1. Access Rate Adjustment

(\$335,133)

Bring Intrastate switched access rates into parity. Eliminate the CCL cap and discounted CCL rates over a specific volume. Combine LS1 and LS2 rates. Combine End Office Local Switching and Line Termination rates. Reduce Billing and Collection rates.

Access Rate Adjustments are as follows:

Access Rate Element	Current Intrastate IntraLATA	Current Intrastate InterLATA	Proposed Rate
Orig. CCL - Full Level	\$0.043000	\$0.072600	\$0.019247
Term. CCL - Full Level	\$0.073700	\$0.124400	\$0.038494
Orig. CCL - Discount	\$0.001800	\$0.000000	\$0.019247
Term. CCL - Discount	\$0.003100	\$0.000000	\$0.038494
LS1, LS2 & Line Termination	\$0.029500	\$0.034400	\$0.017882
Directory Surcharge	\$0.000397	\$0.000397	\$0.000198
Local Transport	\$0.022500	\$0.022500	\$0.016500
Recording	\$0.048300	\$0.048300	\$0.025000
Msg. Processing	\$0.000000	(InterLATA only) \$0.013400	(InterLATA only) \$0.013400
Mag. Billing - Per Mag.	\$0.045900	\$0.045900	\$0.030000
Msg. Billing Svcs. - State Only	\$0.820000	\$0.820000	\$0.201600
Billing Svcs. - State/Interstate	\$0.820000	\$0.820000	\$0.100800
CMDS Transmission	\$0.008400	\$0.008400	\$0.003000
CMDS Sample	\$0.000000	(InterLATA only) \$0.016300	(InterLATA only) \$0.002300

## 2. Digital Carrier

(\$40,233)

Replace all analog carrier at total capital expenditure of \$201,166.

## 3. Expanded Calling Scope

(\$34,314)

Remove all toll charges for calls between all Seneca and Goodman exchanges. This will increase the number of lines in the local calling scope to approximately 3,881.

## 4. Touch-tone

(\$32,322)

Remove all Touch-tone charges for all customers. Current Touch-tone charges are \$1.00 per line for residence, \$1.50 per line for business customers.

## 5. E911 Rate Reduction

(\$4,562)

Reduce E911 rate to flat \$25.00 per month per trunk.

Total Over-earnings

\$446,564



## Goodman Telephone Company - Rate Design Change

## Revenue Reductions:

## 1. Access Rate Adjustment

(\$153,008)

Bring Intrastate switched access rates into parity. Eliminate the CCL cap and discounted CCL rates over a specific volume. Combine LS1 and LS2 rates. Combine End Office Local Switching and Line Termination rates. Reduce Billing and Collection rates.

Access Rate Adjustments are as follows:

Access Rate Element	Current Intrastate IntraLATA	Current Intrastate InterLATA	Proposed Rate
Orig. CCL - Full Level	\$0.026300	\$0.068600	\$0.010000
Term. CCL - Full Level	\$0.045100	\$0.117500	\$0.016425
Orig. CCL - Discount	\$0.000500	N/A	\$0.010000
Term. CCL - Discount	\$0.000900	N/A	\$0.016425
LS1, LS2 & Line Termination	\$0.019600	\$0.019600	\$0.015327
Directory Surcharge	\$0.000397	\$0.000397	\$0.000198
Local Transport	\$0.019500	\$0.019500	\$0.016500
Recording	\$0.048300	\$0.048300	\$0.025000
Msg. Processing	\$0.000000	(InterLATA only) \$0.013400	(InterLATA only) \$0.013400
Msg. Billing - Per Msg.	\$0.045900	\$0.045900	\$0.030000
Msg. Billing Svcs. - State Only	\$0.820000	\$0.820000	\$0.201600
Msg. Billing Svcs. - State/Interstate	\$0.820000	\$0.820000	\$0.100800
ADS Transmission	\$0.008400	\$0.008400	\$0.003000
CMDS Sample	\$0.000000	(InterLATA only) \$0.016300	(InterLATA only) \$0.002300

## 2. Expanded Calling Scope

(\$81,274)

Remove all toll charges for calls between all Seneca and Goodman exchanges. This will increase the number of lines in the local calling scope to approximately 3,881.

## 3. Touch-tone

(\$20,970)

Remove all Touch-tone charges for all customers. Current Touch-tone charges are \$1.25 per line for residence and business customers.

## 4. Digital Carrier

(\$12,172)

Replace all analog carrier at total capital expenditure of \$60,862.

## 5. E911 Rate Reduction

(\$2,084)

Reduce E911 rate to flat \$25.00 per month per trunk.

Total Over-earnings

\$269,508

## ATTACHMENT B

## SENECA TELEPHONE COMPANY

Depreciation Rates

<u>Acct</u>	<u>Description</u>	<u>Authorized Depreciation Rate</u>
2112.000	Motor Vehicles	10.23%
2116.000	Other Work Equipment	6.71%
2121.000	Buildings	2.80%
2122.000	Furniture	6.71%
2123.200	Company Communications Equipment	11.55%
2212.000	Digital Electronic Switching	6.67%
2232.000	Circuit Equipment	10.30%
2351.000	Public Telephone Terminal Equipment	8.74%
2411.000	Poles	6.19%
2421.000	Aerial Cable	5.52%
2323.000	Buried Cable	4.29%
2431.000	Aerial Wire	14.17%

## ATTACHMENT B

## GOODMAN TELEPHONE COMPANY

Depreciation Rates

<u>Acct</u>	<u>Description</u>	<u>Authorized Depreciation Rate</u>
2112.000	Motor Vehicles	10.23%
2116.000	Other Work Equipment	6.71%
2121.000	Buildings	2.80%
2122.000	Furniture	6.71%
2123.100	Other Support Equipment	9.70%
2123.200	Company Communications Equipment	11.55%
2124.000	General Purpose Computers	13.59%
2212.000	Digital Electronic Switching	6.67%
2232.000	Circuit Equipment	10.30%
2311.000	Station Apparatus	4.00%
2351.000	Public Telephone Terminal Equipment	8.74%
2411.000	Poles	6.19%
2421.000	Aerial Cable	5.52%
2323.000	Buried Cable	4.29%
2431.000	Aerial Wire	14.17%

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MAR 10 1998

COMMISSION COUNSEL  
PUBLIC SERVICE COMMISSION