

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 17th day of November, 1998.

In the Matter of the Application of Z-Tel )  
Communications, Inc. for a Certificate of )  
Service Authority to Provide Basic Local ) Case No. TA-98-572  
Telecommunications Service in Portions of )  
the State of Missouri and to Classify Said )  
Services and the Company as Competitive. )

ORDER GRANTING CERTIFICATE TO PROVIDE  
BASIC LOCAL TELECOMMUNICATIONS SERVICES

Procedural History

Z-Tel Communications, Inc. (Z-Tel) applied to the Commission on June 19, 1998, for a certificate of service authority to provide basic local exchange telecommunications services in Missouri under Sections 392.420 - .440, RSMo 1994<sup>1</sup>, and Sections 392.410 and .450, RSMo Supp. 1997. Z-Tel asked the Commission to classify it as a competitive company and waive certain statutes and rules as authorized by Sections 392.361 and 392.420. Z-Tel is a Delaware corporation with principal offices located at 777 South Harbour Island Boulevard, Suite 990, Tampa, Florida 33602.

The Commission issued a notice and schedule of applicants on June 30, 1998, directing interested parties wishing to intervene to do so by July 30. The Commission granted permission to intervene to Southwestern Bell Telephone Company (SWBT) and to Z-Tel, Inc. on

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<sup>1</sup> All statutory references are to Revised Statutes of Missouri 1994 unless otherwise indicated.

August 4. On October 8 the Commission granted Z-Tel, Inc.'s request to withdraw its intervention.

Z-Tel, the Staff of the Commission (Staff), and SWBT filed a Stipulation and Agreement (Agreement) on October 19 which is included with this order as Attachment 1. Staff filed Suggestions in Support of the Agreement on November 2. In the Agreement the parties waived their rights to present testimony, cross-examine witnesses, present oral argument or briefs, and to seek rehearing or judicial review. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the verified application.

### **Discussion**

Z-Tel wishes certification to provide basic local exchange telecommunications services in portions of Missouri that are currently served by SWBT, GTE Midwest Incorporated (GTE), and Sprint Missouri, Inc. (Sprint) (collectively referred to as the parties). Z-Tel is not asking for certification in any area that is served by a small incumbent local exchange provider. Z-Tel proposes to operate in all of the exchanges of these incumbent local providers. Z-Tel is requesting that its basic local services be classified as competitive and that the application of certain statutes and regulatory rules be waived.

### **A. Requirements of 4 CSR 240-2.060(4)**

Commission rule 4 CSR 240-2.060(4) requires a foreign corporation applying for certification to provide telecommunications services to include in its application a certificate from the Secretary of State showing it is authorized to do business in Missouri, a description of the types of service it intends to provide, a description of the exchanges where it will offer service, and a proposed tariff with a 45-day effective date. Z-Tel has provided all the required documentation except for the proposed tariff. The company requested a temporary waiver of 4 CSR 240-2.060(4)(H) until it has entered into interconnection agreements with the underlying local exchange carriers and those agreements have been approved by the Commission. The company agreed to submit to the Commission for approval a proposed tariff with a minimum 45-day effective date once it is party to the appropriate interconnection agreements. Z-Tel will file the tariff in this case and give notice of the tariff filing to all the parties. Along with that filing Z-Tel has agreed to provide a written disclosure of all interconnection agreements it has entered into which affect its Missouri service areas.

### **B. Basic Local Service Certification**

Section 392.455, RSMo Supp. 1997, sets out the requirements for granting certificates to provide basic local telecommunications service to new entrants. A new entrant must: (1) possess sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service; (2) demonstrate that the services it proposes to offer satisfy the minimum standards established by the Commission; (3) set forth the geographic area in which it proposes to offer service

and demonstrate that such area follows exchange boundaries of the incumbent local exchange telecommunications company and is no smaller than an exchange; and (4) offer basic local telecommunications service as a separate and distinct service. In addition, the Commission must give due consideration to equitable access for all Missourians to affordable telecommunications services, regardless of where they live or their income.

Z-Tel submitted as Exhibit D to its application certain financial documentation including its balance sheet showing assets and liabilities as of March 31, 1998. Exhibit C to the application lists the names and qualifications of Z-Tel's management team. In addition to academic credentials, the team members have experience in various areas of the telecommunications industry including marketing, finance, management, application software, and legal issues. The parties agreed that Z-Tel possesses sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service.

Z-Tel has agreed to provide services that will meet the minimum basic local service standards required by the Commission, including quality of service and billing standards. The parties agreed that Z-Tel proposes to offer basic local services that satisfy the minimum standards established by the Commission.

Z-Tel wishes to be certificated to offer services in all the exchanges presently served by SWBT, GTE, and Sprint as described in their basic local tariffs (see Appendix A to the stipulation and agreement). The parties agreed that Z-Tel has sufficiently identified the geographic area in which it proposes to offer basic local service and that the area follows ILEC exchange boundaries and is no smaller than an exchange.

Z-Tel has agreed to offer basic local telecommunications service as a separate and distinct service and to provide equitable access, as determined by the Commission, for all Missourians within the geographic area in which it will offer basic local services in compliance with Section 392.455(5), RSMo Supp. 1997.

### **C. Competitive Classification**

The Commission may classify a telecommunications provider as a competitive company if the Commission determines it is subject to sufficient competition to justify a lesser degree of regulation. § 392.361.2. In making that determination the Commission may consider such factors as market share, financial resources and name recognition, among others. In the Matter of the Investigation for the Purpose of Determining the Classification of the Services Provided by Interexchange Telecommunications Companies Within the State of Missouri, 30 Mo. P.S.C. (N.S.) 16 (1989); In the Matter of Southwestern Bell Telephone Company's Application for Classification of Certain Services as Transitionally Competitive, 1 Mo. P.S.C. 3d 479, 484 (1992). In addition, all the services a competitive company provides must be classified as competitive. § 392.361.3. The Commission has found that whether a service is competitive is a subject for case-by-case examination and that different criteria may be given greater weight depending upon the service being considered. *Id.* at 487.

The parties have agreed that Z-Tel should be classified as a competitive telecommunications company. The parties have also agreed that Z-Tel's switched exchange access services may be classified as a competitive service, conditioned upon certain limitations on Z-Tel's ability to charge for its access services. Z-Tel has agreed that, unless

otherwise ordered by the Commission, its originating and terminating access rates will be no greater than the lowest Commission-approved corresponding access rates in effect at the date of certification for the large incumbent LECs within those service areas in which Z-Tel seeks to operate. The parties have agreed that the grant of service authority and competitive classification to Z-Tel should be expressly conditioned on the continued applicability of Section 392.200, RSMo Supp. 1997, and on the requirement that any increases in switched access services rates above the maximum switched access service rates set forth in the agreement must be cost-justified pursuant to Sections 392.220, RSMo Supp. 1997, and 392.230, rather than Sections 392.500 and 392.510.

In the Stipulation and Agreement, the parties agreed that waiver of the following statutes is appropriate: Sections 392.210.2, 392.270, 392.280, 392.290.1, 392.300.2, 392.310, 392.320, 392.330, RSMo Supp. 1997, and 392.340. The parties also agreed that application of these Commission rules could be waived: 4 CSR 240-10.020, 4 CSR 240-30.040, and 4 CSR 240-35. In its application, Z-Tel requested additional waivers which were not included in the Stipulation and Agreement. According to a letter of clarification from Z-Tel, the Applicant seeks approval of only the waivers listed in the Stipulation and Agreement.

### **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:

- A. The Commission finds that competition in the basic local exchange telecommunications market is in the public interest.
- B. The Commission finds that Z-Tel has met the requirements of 4 CSR 240-2.060(4) for applicants for certificates of service authority to provide telecommunications services with the exception of the filing of a tariff with a 45-day effective date.
- C. The Commission finds that Z-Tel has demonstrated good cause to support a temporary waiver of the tariff filing requirement and the waiver shall be granted.
- D. The Commission finds that Z-Tel meets the statutory requirements for provision of basic local telecommunications services and has agreed to abide by those requirements in the future. The Commission determines that granting Z-Tel a certificate of service authority to provide basic local exchange telecommunications services is in the public interest. Z-Tel's certificate shall become effective when its tariff becomes effective.
- E. The Commission finds that Z-Tel is a competitive company and should be granted waiver of the statutes and rules set out in the ordered paragraph below.
- F. The Commission finds that Z-Tel's certification and competitive status should be expressly conditioned upon the continued applicability of Section 392.200, RSMo Supp. 1997, and on the requirement that any increases in switched access services rates above the maximum switched access service

rates set forth in the agreement must be cost-justified pursuant to Sections 392.220, RSMo Supp. 1997, and 392.230, rather than Sections 392.500 and 392.510.

### **Conclusions of Law**

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

The Commission has the authority to grant certificates of service authority to provide telecommunications service within the state of Missouri. Z-Tel has requested certification under Sections 392.420 - .440, and Sections 392.410 and .450, RSMo Supp. 1997 which permit the Commission to grant a certificate of service authority where it is in the public interest. Sections 392.361 and .420 authorize the Commission to modify or suspend the application of its rules and certain statutory provisions for companies classified as competitive or transitionally competitive.

The federal Telecommunications Act of 1996 and Section 392.455, RSMo Supp. 1997, were designed to institute competition in the basic local exchange telecommunications market in order to benefit all telecommunications consumers. See Section 392.185, RSMo Supp. 1997.

The Commission has the legal authority to accept a Stipulation and Agreement as offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1997. Based upon the Commission's review of the applicable law and Stipulation and Agreement of the parties, and upon its findings of fact, the Commission concludes that the Stipulation and Agreement should be approved.



**IT IS THEREFORE ORDERED:**

1. That the Stipulation and Agreement of the parties, filed on June 11, 1998, is approved.

2. That Z-Tel Communications, Inc. is granted a certificate of service authority to provide basic local exchange telecommunications services in the state of Missouri, subject to the conditions of certification set out above and to all applicable statutes and Commission rules except as specified in this order. The certificate of service authority shall become effective when the company's tariff becomes effective.

3. That Z-Tel Communications, Inc. is classified as a competitive telecommunications company. Application of the following statutes and regulatory rules shall be waived:

Statutes

392.210.2 - uniform system of accounts  
392.270 - valuation of property (ratemaking)  
392.280 - depreciation accounts  
392.290.1 - issuance of securities  
392.300.2 - acquisition of stock  
392.310 - stock and debt issuance  
392.320 - stock dividend payment  
392.340 - reorganization(s)  
392.330, RSMo Supp. 1997 - issuance of securities,  
debts and notes

Commission Rules

4 CSR 240-10.020 - depreciation fund income  
4 CSR 240-30.040 - uniform system of accounts  
4 CSR 240-35 - reporting of bypass and  
customer-specific arrangements

4. That the request for waiver of the filing of 4 CSR 240-2.060(4)(H) which requires the filing of a 45-day tariff is granted.

5. That Z-Tel Communications, Inc. shall file tariff sheets with a minimum 45-day effective date reflecting the rates, rules, regulations and the services it will offer within 30 days after the effective date of a Commission order approving an interconnection agreement which will allow Z-Tel to provide services. The tariff shall be filed in Case No. TA-98-572 and shall include a listing of the statutes and Commission rules waived above.

6. That Z-Tel Communications, Inc. shall give notice of the filing of the tariffs described above to all parties or participants. In addition, Z-Tel Communications, Inc. shall file a written disclosure of all interconnection agreements which affect its Missouri service areas, all portions of Missouri service areas for which it does not have an interconnection agreement, and an explanation of why no interconnection agreement is necessary for those areas.

7. That Z-Tel Communications, Inc.'s certification and competitive status are expressly conditioned upon the continued applicability of Section 392.200, RSMo Supp. 1997, and on the requirement that any increases in switched access service rates above the maximum switched access service rates set forth in the agreement must be cost-justified pursuant to Sections 392.220, RSMo Supp. 1997, and 392.230, rather than Sections 392.500 and 392.510.

8. That this order shall become effective on November 27, 1998.

**BY THE COMMISSION**



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

( S E A L )

Lumpe, Ch., Crumpton, Drainer  
and Murray, CC., concur.  
Schemenauer, C., absent.

Dippell, Regulatory Law Judge

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

FILED  
OCT 19 1998  
Missouri Public  
Service Commission

In the Matter of the Application of Z-Tel                    )  
Communications, Inc. for a Certificate of                    )  
Service Authority to Provide Basic Local                    )  
Telecommunications Service in Portions of                    )  
the State of Missouri and to Classify Said                    )  
Services and the Company as Competitive.                    )  
Case No. TA-98-572

**STIPULATION AND AGREEMENT**

Z-Tel Communications, Inc. (hereinafter "Z-Tel" or "Applicant") initiated this proceeding on June 19, 1998, by filing an Application requesting a certificate of service authority to provide local exchange and basic local exchange services in exchanges currently served by Southwestern Bell Telephone Company, Sprint/United Telephone Company (hereinafter "United") and GTE Midwest, Inc. (hereinafter "GTE").

The Commission has granted the timely application to intervene of Southwestern Bell Telephone Company (hereinafter "SWB").

**A. STANDARDS AND CRITERIA**

The parties employed the following standards and criteria, which are intended to meet the requirements of existing law and Sections 392.450 and 392.455, RSMo, regarding applications for certificates of local exchange service authority to provide or resell basic local telecommunications service, in negotiating the provisions of this Stipulation and Agreement.

1. For purposes of this Stipulation and Agreement, the parties agree that applications for local exchange and basic local exchange service authority in exchanges served by "large" local exchange companies (LECs)<sup>1</sup> should be processed in a manner similar to that

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<sup>1</sup>Large LECs are defined as LECs who serve 100,000 or more access lines. Section 386.020 RSMo. In Missouri, the current large LECs are SWB, GTE and United.

in which applications for interexchange authority are currently handled.

2. In determining whether Z-Tel's application for certificate of service authority should be granted, the Commission should consider Z-Tel's technical, financial and managerial resources and capabilities to provide basic local telecommunications service. Z-Tel must demonstrate that the basic local services it proposes to offer satisfy the minimum standards established by the Commission, including but not limited to, Z-Tel agreeing to file and maintain basic local service tariff(s) with the Commission in the same manner and form as the Commission requires of incumbent local exchange telecommunications companies with which Z-Tel seeks to compete. Further, Z-Tel must agree to meet the minimum basic local service standards, including quality of service and billing standards, as the Commission requires of the incumbent local exchange telecommunications companies with which Z-Tel seeks to compete. Notwithstanding the provisions of Section 392.500 RSMo, as a condition of certification and competitive classification, Z-Tel must agree that, unless otherwise ordered by the Commission, its originating and terminating access rates will be no greater than the lowest Commission approved corresponding access rates in effect at the date of certification for the large incumbent LEC(s) within whose service area(s) Z-Tel seeks authority to provide service. Further, Z-Tel must agree to offer basic local telecommunications service as a separate and distinct service and must sufficiently identify the geographic service area in which it proposes to offer basic local service. Such area must follow exchange boundaries of the incumbent local exchange telecommunications companies in the same area and must be no smaller than an exchange. Finally, Z-Tel must agree to provide equitable access as determined by the Commission for all Missourians within the geographic area in which it proposes to offer basic

local service, regardless of where they live or their income, to affordable telecommunications services. See Section 392.455 RSMo.

3. Z-Tel submitted its application without tariffs and seeks a temporary waiver of 4 CSR 240-2.060(4)(H).<sup>2</sup> Z-Tel has agreed to file its initial tariff(s) in the certification docket and serve all parties thereto with written notice at the time the initial tariff(s) are submitted to afford them an opportunity to participate in the tariff approval process. Copies of the tariff(s) will be provided by Z-Tel to such parties immediately upon request. Any service authority shall be regarded as conditional and shall not be exercised until such time as tariff(s) for services have become effective. When filing its initial basic local tariff, Z-Tel also shall file and serve a written disclosure of all interconnection agreements which affect its Missouri service areas, all portions of its Missouri service areas for which it does not have an interconnection agreement with the incumbent local exchange carrier and its explanation of why such an interconnection agreement is unnecessary for such areas.

4. Z-Tel has, pursuant to §392.420 RSMo, requested that the Commission waive the application of any or all of the following statutory provisions and rules to basic local telecommunications services, and the parties agree that the Commission should grant such request provided that Section 392.200 RSMo should continue to apply to all of Z-Tel's services:

STATUTORY PROVISIONS

§392.210.2

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<sup>2</sup>Good cause for failure to file proposed tariffs with the Application must be shown. The lack of an approved interconnection agreement (47 USC §252) constitutes good cause.

§392.270  
§392.280  
§392.290.1  
§392.300.2  
§392.310  
§392.320  
§392.330  
§392.340

COMMISSION RULES

4 CSR 240-10.020  
4 CSR 240-30.040  
4 CSR 240-35

B. Z-TEL CERTIFICATION

5. Z-Tel seeks authority to provide local exchange and basic local exchange communications services in all exchanges currently served by SWB, United and GTE. A list of exchanges in which Applicant seeks authority is set forth in Exhibit A attached hereto.

6. Z-Tel has commenced negotiations for interconnection with SWB. As soon as the negotiations are complete, Z-Tel will file its interconnection agreement with the Commission for approval.

7. Z-Tel hereby agrees that its application should be deemed amended to include by reference the terms and provisions described in paragraphs 2-6 hereinabove.

8. Based upon its verified application, as amended, Z-Tel asserts, and no party makes a contrary assertion, that there is sufficient evidence from which the Commission can find and conclude that Z-Tel:

- A. possesses sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service and local exchange telecommunications service, including exchange access service;

- B. proposes and agrees to offer basic local services that satisfy the minimum standards established by the Commission;
- C. has sufficiently identified the geographic area in which it proposes to offer basic local service and such area follows exchange boundaries of the incumbent local exchange telecommunications companies in the same areas, and such area is no smaller than an exchange;<sup>3</sup>
- D. will offer basic local telecommunications service as a separate and distinct service;
- E. has agreed to provide equitable access as determined by the Commission for all Missourians within the geographic area in which it proposes to offer basic local service, regardless of where they live or their income, to affordable telecommunications services;<sup>4</sup>
- F. has sought authority which will serve the public interest.

9. Z-Tel asserts, and no party denies, that Z-Tel's application and request for authority to provide basic local telecommunications services and local exchange telecommunications services (including exchange access service) should be granted. All services authorized herein should be classified as competitive telecommunications services provided that the requirements of Section 392.200 continue to apply, and Z-Tel shall remain classified as a competitive telecommunications company. Z-Tel asserts, and no party denies,

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<sup>3</sup> The identification of specific geographic areas within which Z-Tel proposes to offer service as referred to in this paragraph shall not be construed to foreclose Z-Tel from petitioning the Commission pursuant to Section 392.200.4 and .8, RSMo.

<sup>4</sup>The agreement in Paragraph 8 E. of this Stipulation and Agreement is without prejudice to Z-Tel's right to appear, after proper application and in accord with Commission rules and regulations, in any rulemaking proceeding or other proceeding regarding the Commission's considerations of equitable access under Section 392.455.(5), RSMo. Furthermore, such agreement should not be construed as an admission or conclusion by Z-Tel that Section 392.455.(5), RSMo. creates new or specific duties or obligations on telecommunications companies to provide equitable access.



that such services will be subject to sufficient competition by the services of the incumbent LECs to justify a lesser degree of regulation of Z-Tel's services consistent with the protection of ratepayers and the promotion of the public interest. Such classification should become effective upon the tariffs for the services becoming effective. Such authority should be conditional, not to be exercised until such time as tariffs for those services have been filed (together with the written disclosure as stipulated above) and have become effective. The Commission's Order should state the foregoing conditions substantially as follows:

"The service authority and service classification herein granted are subject to the requirements of Section 392.200 and are conditional and shall not be exercised until such time as tariffs for services have become effective."

The parties agree that Z-Tel's switched exchange access services may be classified as competitive services. The parties further agree that Z-Tel's switched exchange access services are subject to Section 392.200. Any increases in switched access service rates above the maximum switched access service rates as set forth in paragraph 2 herein shall be cost-justified and be made pursuant to Sections 392.220 and 392.230 and not 392.500 and 392.510. The Commission's order should state the foregoing conditions substantially as follows:

"The service authority and service classification for switched exchange access granted herein are expressly conditioned on the continued applicability of Section 392.200 and the requirement that any increases in switched access service rates above the maximum switched access service rates set forth herein shall be cost-justified and pursuant to Sections 392.220 and 392.230 and not Sections 392.500 and 392.510."

10. Z-Tel's request for a waiver of 4 CSR 240-2.060(4)(H), which requires applications to include a proposed tariff with a 45-day effective date, is not opposed by the parties and should be granted because at the time of its application, Applicant did not yet have

approved interconnection agreements with the large incumbent LECs. Prior to the granting of its certificate of service, Z-Tel will file with the Commission a Joint Petition for Approval of Resale Agreement. Z-Tel agrees that at such time as all facts necessary for the development of tariffs become known it will submit tariffs in this docket, with a minimum 45-day proposed effective date, to the Commission for its approval, together with the written disclosure as stipulated above. Z-Tel shall serve notice to all parties and participants in this docket of the filing of its tariffs at the time they are filed with the Commission and serve them with the aforesaid written disclosure and shall upon request immediately provide any party with a copy of those tariffs. The Commission's order should state these obligations as conditions to the waiver of 4 CSR 240-2.060(4)(H), substantially as follows:

"Applicant's request for temporary waiver of 4 CSR 240-2.060(4)(H) is hereby granted for good cause in that Applicant does not yet have an approved interconnection agreement with the incumbent local exchange carriers within whose service areas it seeks authority to provide service; provided when Applicant submits its tariffs in this docket to the Commission, such tariffs shall have a minimum of a 45-day effective date and the applicant shall serve written notice upon the parties hereto of such submittal, and shall provide copies of such tariffs to such parties immediately upon request. When filing its initial basic local tariff in this docket, the applicant shall also file and serve upon the parties hereto a written disclosure of all interconnection agreements which affect its Missouri service areas, all portions of its Missouri service areas for which it does not have an interconnection agreement with the incumbent local exchange carrier and its explanation of why such an interconnection agreement is unnecessary for any such areas."

11. Z-Tel's request for waiver of the application of the following rules and statutory provisions as they relate to the regulation of Z-Tel's services should be granted:

STATUTORY PROVISIONS

§392.210.2  
§392.270  
§392.280  
§392.290.1  
§392.300.2  
§392.310  
§392.320  
§392.330  
§392.340

COMMISSION RULES

4 CSR 240-10.020  
4 CSR 240-30.040  
4 CSR 240-35

12. 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 adopt this Stipulation in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof. The Stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the signatories to take other positions in other proceedings.

13. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties and participants waive, with respect to the issues resolved herein: their respective rights pursuant to §536.080.1, RSMo 1994, to present testimony, to cross examine witnesses, and to present oral argument or written briefs; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, RSMo 1994; and their respective rights to seek rehearing pursuant to §386.500 RSMo 1994 and to seek judicial review pursuant to §386.510, RSMo 1994. The parties agree to cooperate with Z-Tel and with each other in

presenting this Stipulation and Agreement for approval to the Commission and shall take no action, direct or indirect, in opposition to the request for approval of the Z-Tel application made herein.

14. The Staff may submit a Staff Recommendation concerning matters not addressed in this Stipulation. In addition, 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 and participant herein 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 Staff's memorandum, a responsive memorandum which shall also be served on all parties and participants. All memoranda submitted by the parties shall be considered privileged in the same manner as settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties and participants, 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 and adopts 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 and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties and participants with advance notice of when the Staff

shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure.

15. Z-Tel will comply with all applicable Commission rules and regulations except those which are specifically waived by the Commission.

16. Finally, the Office of the Public Counsel, while not a signatory to this Stipulation and Agreement, has been contacted with regard to its filing and, to the signatory parties' best information and belief, has offered no objection.

WHEREFORE, the signatories respectfully request the Commission to issue an Order approving the terms of this Stipulation and Agreement and granting authority and classification as requested by Z-Tel, subject to the conditions described above.

Respectfully submitted,

*Cathleen A. Martin*

Cathleen A. Martin #45682  
Newman, Comley & Ruth P.C.  
601 Monroe St., Ste. 301  
P.O. Box 537  
Jefferson City, MO 65102-0537  
(573) 634-2266  
(573) 636-3306 FAX

FOR: Z-Tel, Inc.

*Anthony K. Conroy by Cathleen A. Martin*

Anthony K. Conroy #35199  
Southwestern Bell Telephone  
100 N. Tucker, Blvd., Rm. 630  
St. Louis, MO 63101-1976  
(314) 235-6060  
(314) 247-0014 FAX

FOR: Southwestern Bell Telephone  
Company

*Denny L. Frey*

Denny Frey #44967  
Deputy General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102  
(573) 751-8700  
(573) 751-9285 FAX

FOR: Staff of the Missouri  
Public Service Commission

SOUTHWESTERN BELL MISSOURI EXCHANGES

|                  |                        |                      |              |
|------------------|------------------------|----------------------|--------------|
| Adrian           | Elsberry               | Louisiana            | Scott City   |
| Advance          | Essex                  | Macks Creek          | Sedalia      |
| Agency           | Eureka                 | Malden               | Senath       |
| Altenburg-Frohna | Excelsior Springs      | Manchester           | Sikeston     |
| Antonia          | Farley                 | Marble Hill          | Slater       |
| Archie           | Farmington             | Marceline            | Smithville   |
| Argyle           | Fayette                | Marionville          | Springfield  |
| Armstrong        | Fenton                 | Marshall             | Stanberry    |
| Ash Grove        | Festus-Crystal City    | Marston              | Trenton      |
| Beaufort         | Fisk                   | Maxville             | Tuscumbia    |
| Bell City        | Flat River             | Meta                 | Union        |
| Benton           | Frankford              | Mexico               | Valley Park  |
| Billings         | Fredericktown          | Moberly              | Versailles   |
| Bismarck         | Freeburg               | Monette              | Vienna       |
| Bloomfield       | Fulton                 | Montgomery City      | Walnut Grove |
| Bloomsdale       | Gideon                 | Morehouse            | Wardell      |
| Bonne Terre      | Glasgow                | Neosho               | Ware         |
| Boonville        | Grain Valley           | Nevada               | Washington   |
| Bowling Green    | Gravois Mills          | New Franklin         | Webb City    |
| Brookfield       | Gray Summit            | New Madrid           | Wellsville   |
| Camdenton        | Greenwood              | Oak Ridge            | Westphalia   |
| Campbell         | Hannibal               | Old Appleton         | Wyatt        |
| Cape Girardeau   | Harvester              | Oran                 |              |
| Cardwell         | Hayti                  | Pacific              |              |
| Carl Junction    | Herculaneum-Pevely     | Patton               |              |
| Carrollton       | Higbee                 | Paynesville          |              |
| Carthage         | High Ridge             | Perryville           |              |
| Caruthersville   | Hillsboro              | Pierce City          |              |
| Cedar Hill       | Holcomb                | Pocohontas-New Wells |              |
| Center           | Hornersville           | Pond                 |              |
| Chaffee          | Imperial               | Poplar Bluff         |              |
| Charleston       | Jackson                | Portage Des Sioux    |              |
| Chesterfield     | Jasper                 | Portageville         |              |
| Chillicothe      | Joplin                 | Puxico               |              |
| Clarksville      | Kansas City Metro      | Qulin                |              |
| Clever           | Kennett                | Richmond             |              |
| Climax Springs   | Kirksville             | Richwoods            |              |
| Deering          | Knob Noster            | Risco                |              |
| DeKalb           | Lake Ozark-Osage Beach | Rushville            |              |
| Delta            | Lamar                  | Ste. Genevieve       |              |
| DeSoto           | LaMonte                | St. Charles          |              |
| Dexter           | Lancaster              | St. Clair            |              |
| Downing          | Leadwood               | St. Joseph           |              |
| East Prairie     | Lilbourn               | St. Louis Metro      |              |
| Edina            | Linn                   | St. Marys            |              |
| Eldon            | Lockwood               | San Antonio          |              |

GTE MIDWEST INCORPORATED MISSOURI EXCHANGES

|                     |                         |                |                |
|---------------------|-------------------------|----------------|----------------|
| Alton               | Dardenne/Lake St. Louis | Koshkonong     | Roby           |
| Amazonia            | Defiance                | LaBelle        | Rocheport      |
| Annapolis           | Dora                    | Laddonia       | Rockaway Beach |
| Arcola              | Easton                  | LaGrange       | Rockville      |
| Ashland             | Edgar Springs           | La Plata       | Rosendale      |
| Augusta             | Eldorado Springs        | Lawson         | Safe           |
| Aurora              | Elkland                 | Leasburg       | St. James      |
| Ava                 | Ellsinore               | Lesterville    | St. Peters     |
| Avenue City         | Elmer                   | Lewistown      | Santa Fe       |
| Avilia              | Eminence                | Licking        | Sarcoxie       |
| Belgrade            | Everton                 | Louisburg      | Savannah       |
| Belle               | Ewing                   | Lowry City     | Schell City    |
| Bellevue            | Exeter                  | Macon          | Seymour        |
| Birch Tree          | Fillmore                | Manes          | Shelbina       |
| Bland               | Foley                   | Mansfield      | Shelbyville    |
| Blue Eye            | Fordland                | Mano           | Sheldon        |
| Bolckow             | Foristell               | Marshfield     | Shell Knob     |
| Boss                | Forsyth                 | Marthasville   | Sparta         |
| Bourbon             | Fremont                 | Maysville      | Stewartsville  |
| Bradleyville        | Gainesville             | Milo           | Stoutsville    |
| Branson             | Galena                  | Monroe City    | Sturgeon       |
| Branson West        | Golden City             | Montauk Park   | Summersville   |
| Braymer             | Gorin                   | Monticello     | Thayer         |
| Bronaugh            | Gower                   | Morrison       | Theodosia      |
| Brunswick (Triplet) | Greenfield              | Moscow Mills   | Thomasville    |
| Buffalo             | Grovespring             | Mount Sterling | Timber         |
| Bunker              | Hallsville              | Mt. Vernon     | Trimble        |
| Cabool              | Hamilton                | Mtn. Grove     | Troy           |
| Caledonia           | Hartville               | Mtn. View      | Truxton        |
| Cameron             | Hawk Point              | Nebo           | Turney         |
| Canton              | Helena                  | New Melle      | Urbana         |
| Cape Fair           | Hermann                 | Niangua        | Van Buren      |
| Cassville           | Hermitage               | Norwood        | Vanzant        |
| Caulfield           | High Hill               | Oates          | Vichy          |
| Cedar Creek         | Highlandville           | O'Fallon       | Walker         |
| Centerville         | Holstein                | Old Monroe     | Warrenton      |
| Centralia           | Houston                 | Osborn         | Washburn       |
| Chamois             | Humansville             | Osceola        | Wasola         |
| Clarence            | Hunnewell               | Ozark          | Wayland        |
| Clark               | Hurley                  | Palmyra        | Weaubleau      |
| Clarksdale          | Irondale                | Paris          | Wentzville     |
| Collins             | Ironton                 | Perry          | West Plains    |
| Columbia            | Jamestown               | Pittsburg      | West Quincy    |
| Concordia           | Jenkins                 | Plattsburg     | Wheatland      |
| Conway              | Jerico Springs          | Potosi         | Whitesville    |
| Crosby              | Jonesburg               | Prairie Home   | Willow Springs |
| Crane               | Kohoka                  | Preston        | Winfield       |
| Cross Timbers       | Keytesville             | Protem         | Winona         |
| Cuba                | Kidder                  | Raymondville   | Wooldridge     |
| Dadeville           | Kimberling City         | Reeds Spring   | Wright City    |
| Dalton              | Kingston                | Revere         |                |



SPRINT MISSOURI EXCHANGES

|                |                |
|----------------|----------------|
| Appleton City  | Maryville      |
| Blackburn      | Missouri City  |
| Blairstown     | Montrose       |
| Brazito        | Mound City     |
| Buckner        | New Bloomfield |
| Butler         | Newburg        |
| Calhoun        | Norborne       |
| California     | Oak Grove      |
| Camden Point   | Odessa         |
| Centertown     | Orrick         |
| Centerview     | Otterville     |
| Chilhowee      | Pickering      |
| Clarksburg     | Platte City    |
| Clinton        | Pleasant Hill  |
| Coal           | Richland       |
| Cole Camp      | Rolla          |
| Craig          | Russellville   |
| Dearborn       | St. Robert     |
| Deepwater      | St. Thomas     |
| Edgerton       | Salem          |
| Eugene         | Smithton       |
| Fairfax        | Strasburg      |
| Ferrelview     | Sweet Springs  |
| Fort Wood      | Syracuse       |
| Greenridge     | Taos           |
| Hardin         | Tarkio         |
| Harrisonville  | Tipton         |
| Henrietta      | Urich          |
| Holden         | Warrensburg    |
| Holt           | Warsaw         |
| Holts Summit   | Waverly        |
| Hopkins        | Waynesville    |
| Houstonia      | Wellington     |
| Ionia          | Weston         |
| Jefferson City | Windsor        |
| Kearney        |                |
| King City      |                |
| Kingsville     |                |
| Lake Lotawana  |                |
| Lebanon        |                |
| Leeton         |                |
| Lexington      |                |
| Lincoln        |                |
| Lone Jack      |                |
| Malta Bend     |                |