STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 1st day of October, 1998.

In the Matter of the Investigation into the Earnings of Oregon Farmers Mutual Telephone Company.	)))	**Case No. TR-98-348**

ORDER APPROVING STIPULATION AND AGREEMENT

The Staff of the Commission (Staff) and Oregon Farmers Mutual Telephone Company (Oregon Farmers) filed a Stipulation and Agreement (Agreement) and a Motion to Open Docket on February 13, 1998. The motion stated that Staff had conducted an audit of Oregon Farmers' earnings and, as a result, Staff and the company agreed to a decrease in revenues of $22,436.00[1] per year. The rate elements to be decreased are set out in the Agreement and specifically described in Attachment A. Staff and Oregon Farmers are the only signatories.

On March 30, both Southwestern Bell Telephone Company (SWBT) and AT&T Communications of the Southwest, Inc. (AT&T) filed timely applications to intervene. Both companies were granted intervention on April 14. The parties met in a prehearing conference on May 1 after which they advised the Commission that the parties were not requesting an evidentiary hearing regarding the reasonableness of the Agreement. SWBT, AT&T, and the Office of the Public Counsel (OPC) all filed letters advising the Commission that they had no objection to approval of the Agreement without hearing.

[1] The information submitted by the parties indicated a revenue reduction of $22,436.00 but an error in calculation resulted in this figure being off by $10.00. The correct figure is $22,426.00.

The Agreement proposed by the parties, and included with this order as Exhibit 1, was the result of an earnings investigation undertaken by Staff and subsequent negotiations between Staff and Oregon Farmers. Staff conducted a per book review of Oregon Farmers' earnings based on the 12 months ending December 31, 1996, and updated for known and measurable changes occurring during 1997.

The Agreement calls for Oregon Farmers to reduce its intraLATA Common Carrier Line (CCL) rates for originating and terminating minutes to parity with its interLATA CCL originating and terminating rates. Oregon Farmers will further reduce the parity rates 9 percent for originating CCL traffic and 6 percent for terminating CCL traffic. This will decrease Oregon Farmers' yearly revenue by $20,695.10. The Agreement also calls for Oregon Farmers to reduce its various current 911 trunk rates to a flat $25.00 per month. This will decrease Oregon Farmers' yearly revenue by $1,730.88. Lastly, the Agreement calls for Oregon Farmers to begin accruing depreciation expenses in accordance with a new depreciation schedule contained in Attachment B of the Agreement. No effect on Oregon Farmers' yearly revenue was indicated for this action. Combining the above revenue decreases and rounding to the nearest dollar produces the total $22,426.00 yearly revenue reduction proposed by the parties.

When reviewing the Stipulation and Agreement, the Commission determined additional information regarding the proposed new depreciation schedule was necessary. The Commission therefore issued an Order Directing Supplemental Filing on August 18, 1998 requesting Oregon Farmers provide its current depreciation rates, a statement as to when it wished to begin accruing depreciation expenses under the new schedule, and a statement as to what effect use of the new depreciation rates would have on Oregon Farmers' annual revenue.

Oregon Farmers responded to the Commission's request and submitted a Supplemental Filing on September 1. Oregon Farmers stated that, following Commission approval, it wished to begin accruing depreciation expenses under the new schedule as of January 1, 1998. Oregon Farmers also submitted as Attachment A to its filing a chart showing its current authorized depreciation rates and amounts, the proposed depreciation rates and amounts, and the overall increase in total depreciation under the proposed rates of $17,127.00 per year.

The Commission has reviewed the proposed Agreement and the official case file and finds that the Stipulation and Agreement filed by Staff and Oregon Farmers should be approved without an evidentiary hearing. 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, the Commission may grant the relief requested based on the Agreement submitted and the filed letters stating the intentions of the intervenors. The Commission may accept a Stipulation and Agreement offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1997.

The Commission finds that the actions proposed by the Agreement and the related revenue reductions are appropriate. The Commission finds that the implementation of parity between interLATA and intraLATA originating and terminating CCL access rates is in keeping with the move to a more competitive market. The Commission will direct Oregon Farmers to file tariffs to implement the revenue changes approved. The Commission also directs the Staff to file, in any future earnings investigations, information similar to the additional information requested regarding depreciation rates and their effect on annual revenue. This information is necessary before Commission approval of new depreciation rates can be granted.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the Staff of the Commission and Oregon Farmers Mutual Telephone Company on February 13, 1998, is approved. The Agreement shall become effective on the effective date of tariffs filed in conformance with this order to implement the authorized rate changes.

2. That Oregon Farmers Telephone Company shall file 30-day tariff sheets designed to implement the rate changes set out in the Stipulation and Agreement approved by this order no later than 10 days following the effective date of this order.

3. That this order shall become effective on October 14, 1998.

BY THE COMMISSION

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray
and Schemenauer, CC., concur.
Crumpton, C., dissents, with
dissenting opinion to follow.

Harper, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the investigation into the earnings of Oregon Farmers Mutual Telephone Company.	)))	Case No. TR-98-348

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 Oregon Farmers Mutual Telephone Company (Company). 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 Company. As a result of extensive negotiations, the signatories hereto stipulate and agree as follows:

1. The Company's gross intrastate revenues will be reduced by approximately $22,436 on an annual basis. This overall reduction in revenues is to be accomplished as a result of changes in certain intrastate rates as more specifically set forth in Attachment A, which is attached hereto and incorporated herein by reference.

2. The Company will prepare draft tariff sheets incorporating the rate changes identified in Attachment A and provide such drafts to Staff no later than March 6, 1998.

3. Beginning January 1, 1998, the Company 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.

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

5. 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.

6. 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.

7. 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.

8. 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,

Cynthia R. Bryant

Cynthia Bryant, Mo. Bar No. 47937
Assistant General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-7485
(573) 751-9285/Fax
Attorney for the
Missouri Public Service Commission

by pgb

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 Oregon Farmers
Mutual 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

Penny G. Baker

Oregon Farmers Mutual Telephone Company
Rate Design Changes

1. Switched Access Rates $(20,695.10)

CCL rates for intraLATA traffic would be reduced to parity with interLATA rates. Both inter and intraLATA rates would then be further reduced; 9% for originating traffic and 6% for terminating traffic.

Rate Element	Old Rate	New Rate
CCL - InterLATA Originating	0.04180	0.03800
CCL - InterLATA Terminating	0.07160	0.06725
CCL - IntraLATA Originating	0.04230	0.03800
CCL - IntraLATA Terminating	0.07238	0.06725

2. Reduce 911 trunk rate (1,730.88)

Oregon will reduce its 9-1-1 trunk rates to a flat rate of $25 per month.

Attachment A

Small Telephone Company
Depreciation Rates
Case No. Tx-98-x

Account	Account Number	Net Salvage	Average Service Life	Rate (%)
Vehicles - Combined	2112	12	8.6	10.23
Vehicles - Passenger Cars	2112.1	10	6.3	14.29
Vehicles - Light Trucks	2112.2	9	7.9	11.52
Vehicles - Heavy Trucks	2112.3	13	9.9	8.79
Garage Work Equipment	2115	1	13.0	7.62
Other Work Equipment	2116	6	14.0	6.71
Buildings	2121	2	35.0	2.80
Furniture	2122	6	14.0	6.71
Office Equipment - Office Support	2123.1	3	10.0	9.70
Office Equipment - Company Communications	2123.2	3	8.4	11.55
General Purpose Computers	2124	13	6.4	13.59
Digital Switching	2212	0	15.0	6.67
Electromechanical Switching	2215	*Rate based on company specific data*		
Operator Systems	2220	*Rate based on company specific data*		
Radio Equipment	2231	2	11.3	8.67
Circuit Equipment- Combined	2232	-3	10.0	10.30
Circuit Equipment - Digital	2232.x	-3	10.0	10.30
Circuit Equipment- Analog	2232.x	-3	10.0	10.30
Station Apparatus	2311	*Rate based on company specific data*		
Customer Premise Wiring	2321	*Rate based on company specific data*		
Large PBX	2341	*Rate based on company specific data*		
Public Telephones	2351	10	10.3	8.74
Other Terminal Equipment/Subscriber Carrier	2362	0	8.7	11.49
Poles	2411	-30	21.0	6.19
Aerial Cable - Metallic	2421.1	-16	21.0	5.52
Aerial Cable - Fiber	2421.2	-10	21.0	5.24
Aerial Cable - Drop	2421.3	-15	17.0	6.76
Underground Cable - Metallic	2422.1	-5	26.0	4.04
Underground Cable - Fiber	2422.2	-5	28.0	3.75
Buried Cable - Metallic	2423.1	-3	24.0	4.29
Buried Cable - Fiber	2423.2	-3	28.0	3.68
Buried Cable - Drop	2423.3	-2	21.0	4.86
Submarine Cable	2424	-1	21.0	4.81
Intrabuilding Network Cable	2426	*Rate based on company specific data*		
Aerial Wire	2431	-70	12.0	14.17
Conduit Systems	2441	0	50.0	2.00

Attachment B