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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 8th  
day of April, 1999.

In the Matter of the Investigation into     )  
the Earnings of McDonald County Telephone   )  
Company.   )  
Case No. TR-98-347

**ORDER APPROVING REVISED STIPULATION AND AGREEMENT**

In May of 1997, the Staff of the Public Service Commission (Staff) began a per books review of the earnings of McDonald County Telephone Company (McDonald County). Staff's audit was based upon the twelve 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 McDonald County. Staff and McDonald County entered into a Stipulation and Agreement that was filed with the Commission on February 13, 1998.

Along with the Stipulation and Agreement, on February 13, Staff and McDonald County filed a Motion to Open Docket. The Commission issued an Order Establishing and Giving Notice of Case on February 27. That order required that any party wishing to intervene in the case file an application to do so no later than March 30. Southwestern Bell Telephone Company (SWBT) and AT&T Communications of the Southwest, Inc. (AT&T) filed timely applications to intervene and were made parties to this case by the Commission on April 10. The Commission adopted a procedural schedule and the parties filed testimony. A hearing was scheduled for

November 6. On November 4, McDonald County filed a Motion to Cancel Hearing. That motion indicated that the parties had been able to agree upon a revised stipulation and agreement and asked that the hearing be canceled. The hearing was canceled by Order of the Commission issued on November 5.

On December 9, Staff, McDonald County and the Office of the Public Counsel (Public Counsel) submitted a Revised Stipulation and Agreement to supersede and replace the Stipulation and Agreement previously filed on February 13. The Revised Stipulation and Agreement was signed by Staff, McDonald County and Public Counsel. In the Agreement, the parties waived their rights to present testimony, cross-examine witnesses, present oral argument or briefs, have the transcript read by the Commission and to judicial review. Staff filed suggestions in support of the Revised Stipulation and Agreement on January 19, 1999. The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1998.

The Revised Stipulation and Agreement states that the other parties in the case did not object to the revised stipulation. However, SWBT and AT&T did not sign the Revised Stipulation and Agreement. Because SWBT and AT&T did not sign the Revised Stipulation and Agreement, it must be treated as a Nonunanimous Stipulation and Agreement. 4 CSR 240.115(3) provides that after a nonunanimous stipulation and agreement is served on all the parties, "each party shall then have five (5) days from the receipt of the notice to file a request for hearing with the commission.

Failure to file a timely request for hearing shall constitute a full waiver of the party's right to a hearing." SWBT and AT&T were served with a copy of the Revised Stipulation and Agreement on December 9, 1998. Neither company has filed a request for hearing. Therefore, SWBT and AT&T have waived their right to request a 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 in this case, the Commission may grant the relief requested based on the verified application.

After reviewing the Revised Stipulation and Agreement, the Commission had some questions and, on March 18, issued an order directing Staff to file a supplemental memorandum to answer those questions. Staff filed the required memorandum on March 30. The Commission is now satisfied that the Revised Stipulation and Agreement should be approved.

**IT IS THEREFORE ORDERED:**

1. That the Revised Stipulation and Agreement filed on December 9, 1998 by the Staff of the Public Service Commission, the Office of the Public Counsel and McDonald County Telephone Company is hereby approved (See Attachment 1).

2. That this order shall become effective on April 13, 1999.

3. That this case may be closed on April 14, 1999.

BY THE COMMISSION

A handwritten signature in cursive script that reads "Dale Hardy Roberts".

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

( S E A L )

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

Woodruff, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED  
DEC 9 1998  
Missouri Public  
Service Commission

In the matter of the investigation into the )  
earnings of McDonald County Telephone ) Case No. TR-98-347  
Company. )

**REVISED 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 McDonald County 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 Company and Staff entered into a Stipulation and Agreement which was filed with the Commission on or about February 13, 1998.

On February 27, 1998, the Commission issued its Order Establishing and Giving Notice of Case which, among other things, established March 30, 1998, as the date by which any interested party wishing to intervene should file its application to intervene.

On or about March 30, 1998, Southwestern Bell Telephone Company (SWBT) and AT&T Communications of the Southwest, Inc. (AT&T) filed applications to intervene.

On April 10, 1998, the Commission issued its Order Granting Interventions and Scheduling Prehearing Conference.

On May 1, 1998, representatives of the Company, Staff, the Office of Public Counsel (Public Counsel), SWBT and AT&T participated in the prehearing conference as directed by the Commission. As a result of that prehearing conference, the parties were unable to resolve their differences and, on June 19, 1998, they filed a proposed procedural schedule which was adopted

by the Commission in its Order issued August 4, 1998.

The parties proceeded to file prepared direct, rebuttal and surrebuttal testimonies in accordance with the Commission's Order Adopting Procedural Schedule as subsequently modified by its Order issued October 7, 1998.

On October 27, 1998, the Parties filed a Hearing Memorandum delineating some areas of agreement and all areas of disagreement. Subsequent to the filing of the Hearing Memorandum, the Parties continued to discuss their differences. On November 4, 1998, the Company filed a Motion to Cancel Hearing indicating that the Parties had either resolved their differences or minimized their concerns to the point where no Party required a hearing in this matter. On November 5, 1998, the Commission issued its Order Canceling Hearing.

As a result of the continuing negotiations, the Company, Staff and Public Counsel agreed to submit a Revised Stipulation and Agreement. The remaining parties indicated that they would have no objections to such a Revised Stipulation and Agreement. Accordingly, the Company, Staff and Public Counsel stipulate and agree as follows:

1. This Revised Stipulation and Agreement supersedes and replaces the Stipulation and Agreement previously filed on February 13, 1998.
2. The Company's gross intrastate revenues will be reduced by approximately \$91,145 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 Revised Attachment A, which is attached hereto and incorporated herein by reference.
3. The Company will prepare draft tariff sheets incorporating the rate changes identified in Revised Attachment A and provide such drafts to Staff no later than December 1,

1998. In addition, the Company is proposing to implement a new local tariff, a draft of which has previously been provided to Staff. At the time the Company is authorized to implement the rate changes agreed to herein, the Parties also agree that the Company should be authorized to implement its new local tariff.

4. Beginning January 1, 1998, the Company shall be authorized to accrue depreciation expense based on the depreciation rates set forth in Revised Attachment B, which is attached hereto and incorporated herein by reference. Included in Revised Attachment B is additional information regarding the Company's existing depreciation rates and the effect the proposed rates have on the Company's test year revenue requirement.

5. The approval of this Revised 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.

6. None of the signatories to this Revised 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 Revised Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

7. This Revised 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 Revised Stipulation and Agreement in its entirety, then this Revised Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

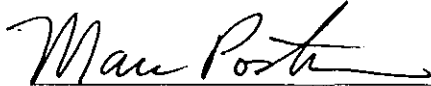
8. In the event the Commission accepts the specific terms of this Revised Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights to present testimony, to cross-examine witnesses, and to present oral argument and written briefs pursuant to Section 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.

9. 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 Revised 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 Revised 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 Revised Stipulation and Agreement, whether or not the Commission approves this Revised Stipulation and Agreement.

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



Respectfully submitted,

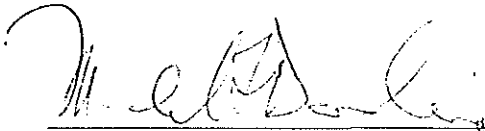


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Attorney for  
The Office of Public Counsel

Certificate of Service

9th I hereby certify that copies of the foregoing have been mailed or hand-delivered this day of December, 1998, to the following:

Leo Bub  
Southwestern Bell Telephone Company  
One Bell Center  
St. Louis, MO 63101

Paul DeFord  
Lathrop & Gage L.C.  
2345 Grand Blvd.  
Kansas City, MO 64108

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**McDonald County Telephone Company  
Rate Design Changes**

**1. Customer Activity Charges** **\$ 16,408**

Activity	Old Rate	New Rate
New Installation	\$10.00	\$13.00
Record Change Charge.	\$0.00	\$5.00
Programming Charge	\$0.00	\$5.00
Reconnection	\$7.50	\$10.00

**2. Introduce Directory Assistance Charge** **\$ 6,361**

Charge will be \$0.45 per call with a two free call allowance for each customer each month. Language regarding exemptions for physically handicapped from Citizens Telephone Company tariff will be included in the McDonald County tariff.

**3. Introduce new tariff for E911 trunks** **\$ 0**

McDonald County will introduce a new section in its local tariff to specifically tariff the provision of trunks for E911 service. The portion of those trunks provided by McDonald County will be tarified at a rate of \$25.00 per month per trunk.

**4. Eliminate Touch Call Rates** **\$ (29,412)**

The touch call rate of \$1.00 per line per month will be eliminated for all customers (80% of the total) who are now being charged this rate. Touch call will be provided as part of basic local service.

**5. Introduce local operator charges** **\$ 1,086**

Rates for local operator charges will be added to the tariff as follows:

- a. Calling Card calls \$0.50
  - b. Operator assisted calls \$1.00
- (These include local collect, third number, and other operator assisted local calls.)

## 5. Billing and collecting rates

\$ (18,270)

Rate Element	Old Rate	New Rate
Message Bill Service	\$0..67	\$0.1844

## 6. Switched Access Rates:

\$ (72,752)

The Carrier Common Line (CCL) intraLATA cap and intraLATA discounted CCL rates will be eliminated. CCL rates for interLATA and intraLATA will be brought into parity. Line Termination, End Office Switching, and Directory Surcharge rates will be combined into a single Local Switching Rate. The following switched access rates will be established:

Rate Element	Old Rate	New Rate
CCL - InterLATA Originating	\$0.04240	\$0.02666
CCL - InterLATA Terminating	\$0.07260	\$0.04586
CCL - IntraLATA Orig. Full	\$0.03860	\$0.02666
CCL - IntraLATA Term. Full	\$0.06620	\$0.04586
CCL - IntraLATA Orig. Disc.	\$0.01960	None
CCL - IntraLATA Term. Disc.	\$0.03360	None
Local Transport	\$0.01430	\$0.01430
Local Switching	None	\$0.02701
Directory Surcharge	\$0.000397	None
End Office Switch - LS1	\$0.00770	None
End Office Switch - LS2	\$0.01180	None
Line Termination	\$0.01490	None

Total Rate Design Changes

\$(96,579)

**McDonald County Telephone Company**  
**Depreciation Rate Impact-Proposed Rates to Current Rates**

	Proposed Rates	Current Rates	Rate Difference	Rev. Req. Impact
2112.000 Motor Vehicles	10.23%	12.50%	-2.27%	\$ (8,344)
2116.000 Other Work Equipment	6.71%	8.00%	-1.29%	(743)
2121.000 Buildings	2.80%	2.50%	0.30%	419
2122.000 Furniture	6.71%	5.00%	1.71%	362
2123.000 Office Support Equipment	9.70%	8.00%	1.70%	130
2124.000 Gen Purpose Computers	13.59%	NA	NA	
2212.000 Digital Elec. Switching	6.67%	4.50%	2.17%	27,444
2232.000 Circuit Equipment	10.30%	4.50%	5.80%	3,360
2351.000 Public Tel Term Eq.	8.74%	5.00%	3.74%	851
2411.000 Poles	6.19%	4.75%	1.44%	3,270
2421.000 Aerial Cable	5.52%	4.75%	0.77%	12,866
2423.000 Buried Cable	4.29%	4.75%	-0.46%	(15,566)

Total Revenue Impact - Intrastate

\$ 24,050