

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of United Telephone Company of Missouri )  
for authority to file tariffs for Community Optional )  
Service and to file tariffs increasing rates for tele- )  
phone service furnished to customers in its Missouri )  
service area. )

Case No. TR-90-273

APPEARANCES

Thomas A. Grimaldi, Senior Attorney, United Telephone Company of Missouri, 5454 West 110th Street, Overland Park, Kansas 66211, for United Telephone Company of Missouri.

Randy Bakewell, Assistant Public Counsel, Office of Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of Public Counsel and the public.

Robert J. Hack, Deputy General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

Hearing Examiner: Cecil I. Wright.

REPORT AND ORDER

This case stems from the Commission's Report And Order in Case No. TO-87-131, effective January 9, 1990, ordering local exchange companies (LECs) to implement Community Optional Service (COS). On April 10, 1990, United Telephone Company of Missouri (United) filed tariffs in Case No. TO-90-273 to implement COS and to recover the projected revenue deficiency from that implementation. On April 30, 1990, the Staff of the Missouri Public Service Commission (Staff) filed a recommendation concerning the proposed tariffs to implement COS and the revenue recovery tariffs. On May 1, 1990, the Commission issued an order directing changes in the COS and revenue deficiency tariffs. On May 3, 1990, United filed tariffs in compliance with the Commission's May 1, 1990 order. On May 4, 1990, the Commission issued an order approving the tariffs on an interim subject to refund basis.

In December 1991 and January 1992, respectively, the Office of Public Counsel (OPC) and Staff initiated investigations of United's COS interim local charge established in this proceeding. On April 7, 1992, OPC filed a motion proposing a two-phase procedure to (1) implement a COS refund and surcharge reduction; and (2) implement a compensatory COS rate and eliminate the existing surcharges. On April 17, 1992, Staff and United filed their timely responses to OPC's motion. On May 1, 1992 United filed tariffs reducing the surcharge for COS. Those tariffs were suspended by Commission order issued May 27, 1992. On May 5, 1992, the parties in this proceeding filed a Stipulation And Agreement resolving all issues in this proceeding. The Stipulation And Agreement was presented to the Commission at a hearing held on June 1, 1992.

#### 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.

United Telephone Company of Missouri (United) is a public utility which provides telephone service to Missouri customers within a specified service area within the State. In January 1990, United, as well as other local exchange companies, was ordered by this Commission to provide an optional service called Community Optional Service (COS) to its customers. As a result of the provisioning of COS, United projected losses in revenue that were not recovered through the rates established for COS. To ensure United remained revenue-neutral for revenue losses, the Commission approved a surcharge on all customers based upon those projected losses. The tariffs containing the surcharge were made interim subject to refund so that the Commission could refund any overcollections if the projected losses were found to be overstated.

On May 1, 1992 United filed a proposed tariff which would reduce the surcharge for its customers from \$.70 to \$.47 for residential customers and from

\$1.50 to \$.99 for business customers. The projected reductions were the results of audits performed by the Office of Public Counsel (OPC) and Commission Staff and a Stipulation And Agreement reached between OPC, Staff and United. The Stipulation And Agreement was filed on May 5, 1992. The Stipulation And Agreement is attached to this order as Attachment A and is incorporated herein by reference.

The stipulation reflected the agreement of the parties concerning the surcharge and the refunds due customers. The stipulation indicates that United's revenue will be reduced by approximately \$565,000 as a result of the reduction in the surcharge and that customers will be refunded \$1,054,840, principal and interest, for the period May 9, 1990 through May 31, 1992.

Additionally, the parties agreed that the surcharge would no longer be interim subject to refund, that notice to customers shall be made as specified in the agreement, that United shall maintain its COS data base, and that the surcharge will be a line item on customers' bills designated a COS Local Charge.

The Commission has reviewed the Stipulation And Agreement and the responses to questions at the hearing and finds that the stipulation is reasonable and will be adopted except for one modification. The audits by OPC and Staff have accomplished the purpose of the Commission when it made the COS tariff interim subject to refund. Since United's losses were projected, the actual costs of implementing COS routes had to be ascertained before rate adjustment could be made permanent. The Commission is convinced, based upon the audits and the agreement, that the reduced COS surcharge and the refund amounts are reasonable.

The Commission, though, believes that with the approval of permanent tariffs reflecting the surcharge the separate designation of the COS surcharge on the customers' bills is not necessary. COS is now a service provided by United and is a part of its costs to be recovered from ratepayers. The Commis-

sion finds that the separate designation might lead customers to believe that there might be further refunds or that COS was somehow not a permanent service. The Commission finds that the inclusion of the surcharge in the rate paid by United customers is preferable and would create less uncertainty. Based upon this decision, the Commission will modify the Stipulation And Agreement by eliminating the line item "COS Local Charge" from the customers' bills. The Commission heard no objection to this modification at the hearing. The parties should change the notice to customers to reflect this modification.

Since the stipulation calculated refunds only through May 31, 1992, the parties will need to agree on the additional refunds generated by collecting the interim rate through June 30, 1992.

#### Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

United is a public utility subject to Commission jurisdiction pursuant to Chapters 386 and 392, R.S.Mo. (Supp. 1991). The tariffs implementing the surcharge for COS were approved based upon an order of the Circuit Court of Cole County requiring the Commission to maintain revenue-neutrality for revenue losses of United and other local exchange companies ordered to implement COS. The tariffs were made interim subject to refund so that only those losses actually incurred would be recovered through the surcharge.

The Commission may, for ratemaking and rate design purposes, accept a stipulation and agreement which resolves any or all contested issues in a case. Here, the parties have reached such an agreement. Although the stipulation indicates the agreements are interdependent, the Commission concludes that the Stipulation And Agreement should be modified. This modification was not objected to by the parties at the hearing.

Based upon the findings concerning the reasonableness of the rates and refund, the Commission concludes that the Stipulation And Agreement will be adopted with the modification described above. The Commission will order United to file tariffs to reflect the Stipulation And Agreement as modified.

**IT IS THEREFORE ORDERED:**

1. That the tariffs filed by United Telephone Company of Missouri on May 1, 1992 to reflect the reduction in the COS surcharge be hereby rejected and United Telephone Company of Missouri be hereby authorized to file in lieu thereof tariffs in accordance with this Report And Order for service on and after July 1, 1992.

2. That the Stipulation And Agreement be hereby adopted as modified by this Report And Order.

3. That the parties shall agree on the additional amounts to be refunded based upon collection of the interim charge through June 30, 1992.

4. That this Report And Order shall become effective on the 1st day of July, 1992.

BY THE COMMISSION

*Brent Stewart*

Brent Stewart  
Executive Secretary

(S E A L)

McClure, Chm., Rauch, Perkins  
and Kincheloe, CC., concur.  
Mueller, C., dissents.

Dated at Jefferson City, Missouri,  
on this 10th day of June, 1992.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED  
MAY 5 1992  
PUBLIC SERVICE COMMISSION

In the matter of United Telephone )  
Company of Missouri for authority )  
to file tariffs for community )  
optional service and to file )  
tariffs increasing rates for )  
telephone service furnished to )  
customers in its Missouri service )  
area. )

Case No. TR-90-273

STIPULATION AND AGREEMENT

In December of 1991, and in January of 1992, respectively, the Office of Public Counsel (Public Counsel) and the Staff of the Missouri Public Service Commission (Staff) initiated investigations of the Interim Local Charge for Community Optional Service (COS) of United Telephone Company of Missouri (United). At the conclusion of these investigations, Public Counsel and Staff met with representatives of United to discuss Public Counsel's and Staff's findings. As a result of those meetings, the undersigned parties offer the following Stipulation and Agreement to the Missouri Public Service Commission (Commission) for its approval:

1. United shall eliminate its Interim Local Charge and substitute in lieu thereof a COS Local Charge of \$.47 and \$.99 per residential and business access line, respectively, per month for bills rendered on and after June 1, 1992, or as soon as practicable following a Commission order approving this Stipulation and Agreement. The substitution of the COS Local Charge for the Interim Local Charge will result in a reduction of United's jurisdictional gross annual revenues by approximately \$565,000. In addition, United will refund to its customers all monies (including

interest thereon as provided in the Interim Local Charge tariff) which United has collected pursuant to said Interim Local Charge from May 9, 1990, through May 31, 1992, which exceed the actual net revenue losses suffered by United as a result of its provision of COS. Interest shall be accrued on individual payments at the annual rate of 9% through the date of credit or refund. The amount to be refunded, exclusive of interest, is \$1,054,840. The Parties agree that the substitution of the COS Local Charge for the Interim Local Charge and the resulting annual revenue reduction (including the refund of the monies collected pursuant to said Charge which exceed United's actual net revenue losses associated with providing COS), will satisfy any and all obligation United may have to reduce its Interim Local Charge as a result of the Public Counsel's and Staff's aforementioned investigations, as well as any obligation to otherwise refund monies collected pursuant to the Interim Local Charge currently in effect. The COS Local Charge shall not be an interim rate; that is, the revenues collected by United pursuant thereto shall not be subject to refund.

2. United shall notify its customers by a notice in its bills of the substitution of the COS Local Charge for the Interim Local Charge. That notice shall be the same as the language contained in Attachment 1. The COS Local Charge shall be reflected on the bills of United's customers as shown in Attachment 2. United shall provide to Staff and Public Counsel a copy of any news release prepared by it concerning the elimination of the Interim Local Charge prior to its release to the news services.

3. Any refunds or credits issued by United to its customers as required by paragraph 1 of this Stipulation and Agreement shall be calculated on a customer-specific basis (i.e., based on the amount of Interim Local Charge paid and the length of time those funds were held by United) and shall be made in accordance with the following procedure:

- A. Within ninety (90) days of substitution of the COS Local Charge for the Interim Local Charge, United shall credit the accounts of those customers remaining on its system. United shall notify its customers of the credits being given at the time such credits are made by providing a notice with customer bills. The notice given shall be the same as the language contained in Attachment 3.
- B. Within ninety (90) days of substitution of the COS Local Charge for the Interim Local Charge, United shall issue checks to those who are entitled to refunds and who are no longer customers of United. Refund checks issued to those who are no longer customers of United shall be mailed to the last known address and shall bear a statement that the check is void ninety (90) days after the issuance thereof. However, the refund amount shall first be applied to the delinquent accounts of those who have left United's system without fully paying for all charges. The notice provided with the refund check shall be the same as the language contained in Attachment 4.
- C. Approximately thirty (30) days prior to issuing any credit or refund, United shall provide to Staff and Public Counsel such information as is necessary to verify that United's method of calculating credits and refunds is accurate.



D. Any monies which United should, but cannot, refund shall escheat to the State of Missouri pursuant to the provisions of Chapter 447 RSMo.

E. Within ninety (90) days after the date that unnegotiated refund checks become void, United shall submit to Staff and Public Counsel a report containing the results of the credit and refund program.

4. United shall continue to maintain its COS data base but need not transmit such data to the Staff on a monthly basis. Such data shall be available to Staff and Public Counsel upon request.

5. This Stipulation and Agreement represents a negotiated dollar settlement for the purpose of disposing of Staff's and Public Counsel's pending investigations concerning United's Interim Local Charge (Commission Case No. TR-90-273) and none of the signatories to this Stipulation and Agreement shall be prejudiced or bound by the terms of this Stipulation and Agreement in any other proceeding, or in this proceeding, in the event the Commission does not approve this Stipulation and Agreement in its entirety.

6. The parties to this Stipulation and Agreement shall not be deemed to have approved of or acquiesced in any ratemaking principle, valuation method, cost of service method, or rate design proposals; any number used in this Stipulation and Agreement or in the rates and tariffs provided for by this Stipulation and Agreement shall not prejudice, bind or affect any party hereto

except to the extent necessary to effectuate the terms of this Stipulation and Agreement.

7. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their rights to present oral argument and written briefs pursuant to Section 536.080(1), RSMo 1986, as amended; their rights pertaining to the reading of the transcript by the Commission pursuant to §536.080, RSMo 1986, as amended; and their rights to judicial review pursuant to §386.510 RSMo 1986, as amended.

8. The agreements in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event the Commission does not approve and adopt the terms of this Stipulation and Agreement in its entirety, the parties agree that this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

9. The Staff shall have the right to submit to the Commission, in memorandum form, an explanation of its rationale for entering into this Stipulation and Agreement, and to provide to the Commission whatever further explanation the Commission requests. The Staff's memorandum shall not bind or prejudice the Staff in any future proceeding or in this proceeding in the event the Commission does not approve the Stipulation and Agreement. Any rationales advanced by Staff in such a memorandum are its own and are not

acquiesced in or otherwise adopted by the other stipulating parties.

Dated this 5th day of May, 1992.

Respectfully submitted,

Thomas A. Grimaldi by PAH  
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United Telephone Company of Missouri  
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ATTORNEY FOR UNITED TELEPHONE  
COMPANY OF MISSOURI

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ATTORNEY FOR THE OFFICE OF THE  
PUBLIC COUNSEL

#### CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 5th day of May, 1992.

Robert J. Hack

Case No. TR-90-273

Thomas A. Grimaldi  
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5454 West 110th Street  
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Randy Bakewell  
Office of Public Counsel  
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On May 9, 1990, the Missouri Public Service Commission (PSC) authorized a monthly Interim Local Charge on all United Telephone customers' bills to recover projected toll revenue loss from Community Optional Service (COS).

Effective with this bill United Telephone has lowered its Interim Local Charge because the revenue loss, for the COS routes already in place, was less than previously projected.

The reduced monthly charge is \$0.47 per access line for residential customers and \$0.99 per access line for business customers and appears on the bill as "COS Local Charge" under the Other Services portion of the bill.

In addition, customers will receive a credit, plus interest at 9 percent, retroactive to May 9, 1990 or the date each customer established telephone service. The refund will appear as a one-time credit on your bill within 90 days.

The Public Service Commission continues to examine the expanded calling scope issue for the State of Missouri.

Attachment 1

# UNITED TELEPHONE SYSTEM CHARGES

## Current Charges:

Local Service - Apr 08 to May 07					\$27.00
Other Service		See Detail			.53
Long Distance Calls		See Detail			5.83
Federal End User Charge					3.50
Taxes..					
Federal	1.13	State	1.53	Emergency	.05
Franchise	1.35	County	.27	City	.36
					4.69

TOTAL CURRENT CHARGES 41.08

## \*\*\*\*\*DETAIL OF PAYMENTS

Payment Received - Thank You	03-24-92	66.32
Total Payments		66.32

## \*\*\*\*\*OTHER SERVICE

Other Service From Apr 08 to May 07

Description	Quantity	Unit Rate	Amount
Relay Missouri Surcharge		1	.06
COS LOCAL CHARGE		1	.47
TOTAL OTHER SERVICE			.53

Attachment 2

On May 9, 1990, the Missouri Public Service Commission (PSC) authorized a monthly Interim Local Charge on all United Telephone customers' bills to recover projected toll revenue loss from Community Optional Service (COS).

During June, United Telephone lowered its charge since the revenue loss, for the COS routes already in place, was less than previously projected. The reduced charge is called "COS Local Charge" and is \$0.47 per access line for residential customers and \$0.99 per access line for business customers.

Effective with this bill United Telephone has issued a credit, plus interest at 9 percent, retroactive to May 9, 1990 or the date each customer established telephone service. This one-time credit appears on the bill as "COS Surcharge Refund" under the Other Charges and Credits portion of the bill.

Attachment 3

On May 9, 1990, the Missouri Public Service Commission (PSC) authorized a monthly Interim Local Charge on all United Telephone customers' bills to recover projected toll revenue loss from Community Optional Service (COS).

Enclosed is a refund check, plus interest at 9 percent, for those customers who discontinued telephone service prior to June, 1992. This one-time refund is issued because the revenue loss from COS was less than previously projected. The refund is retroactive to May 9, 1990 or the date telephone service was established, and it covers the time period ending with the date telephone service was discontinued.

This refund will be reduced by any unpaid balance owed by the customer to United Telephone. This refund check will be good for 90 days, after which the check will be void and the refund will return to the State of Missouri.

Attachment 4