

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the investigation)
of the revenue effects upon)
Continental Telephone Company of)
Missouri and Contel System of)
Missouri, Inc. of the Tax Reform)
Act of 1986.)

Case No. TR-87-168
AO-87-48 ✓

STIPULATION AND AGREEMENT

On or about December 15, 1986, and March 2, 1987, Continental Telephone Company of Missouri (CTC) and Contel System of Missouri, Inc. (CSM) caused to be filed with the Missouri Public Service Commission (Commission) in the above-captioned matter, certain information concerning the impact on CTC and CSM of the Tax Reform Act of 1986. Subsequently, representatives of the Commission Staff, the Office of the Public Counsel (Public Counsel) and CTC and CSM engaged in discussions concerning the impact of the Federal Tax Reform Act of 1986 on CTC's and CSM's revenue requirements. As a result of these discussions, the parties stipulate and agree as follows:

1. That effective July 1, 1987, CTC and CSM be authorized to implement revised tariffs for telephone service designed to decrease their Missouri jurisdictional gross annual revenues by \$2,506,294 and \$660,620, respectively, exclusive of license, occupation, franchise, sales, gross receipts or other similar fees or taxes.

2. That the categories of telephone service for which certain rates are proposed to be reduced and the approximate, aggregate amount of the rate reductions are as follows:

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PUBLIC SERVICE COMMISSION

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A.	<u>CTC</u>	<u>Amount</u>
1)	Mileage and Zone charges (approximate 35% reduction)	\$ 762,007.00
2)	St. Charles County discount calling plan*	\$ 115,000.00
3)	Touch Calling Service (\$0.05 reduction in residential rate only)	\$ 37,038.00
4)	Local access line rates (approximate 9.7% reduction)	\$ 1,592,249.00
	Total Revenue Reduction	\$ 2,506,294.00

*See Paragraph No. 4 below for further description of this plan.

B.	<u>CSM</u>	
1)	Mileage Charges (reduce existing rates by \$0.10)	\$ 58,795.00
2)	Elimination of Rural 4-Party Mileage Charges	\$ 21,204.00
3)	Touch Calling Service (\$0.05 reduction in residential rate only)	\$ 6,897.00
4)	Local access line rates (approximate 10.7% reduction)	\$ 573,724.00
	Total Revenue Reduction	\$ 660,620.00

3. That CTC and CSM shall revise their existing Maintenance of Service Charge such that the charge will not be applied to customers who have not been equipped with a network interface jack and who have not been instructed on how to use the network interface jack to isolate their trouble. Also, the charge will be renamed the "trouble isolation charge". CTC agrees to reduce its "after normal business hours" charge such that the "trouble isolation charge" is \$25 regardless of when the

service call is made. CSM agrees to eliminate its additional quarter-hour charges such that the charge is a flat rate of \$15 for each service call regardless of duration.

4. That CTC shall be authorized to implement a St. Charles County discount calling plan in those CTC exchanges which are located within St. Charles County. This calling plan will permit CTC customers in St. Charles County to make interexchange calls among all St. Charles County exchanges served by CTC at rates which are 50% less than the existing toll rates for those calls. Subscribers to this plan will be required to pay an additional \$2.00/month flat rate in order to avail themselves of these discounted toll rates. The parties agree that the revenue loss anticipated by CTC shall be included as a part of the revenue reduction agreed to in paragraph 2.A.2) above. CTC also agrees to provide Public Counsel and the Staff with data derived from the affected exchanges so that the parties are better able to evaluate the revenue impact of the calling plan. The data CTC agrees to provide will be consistent with that CTC has agreed to provide in the EMS docket, Case No. TO-87-131, and, further, such data will be provided under terms and conditions similar to those imposed in Case No. TO-87-131.

5. That this Stipulation and Agreement is a negotiated dollar settlement which is intended to include, reflect, and fully dispose of any decreases in CTC's and CSM's gross annual revenue requirement for their Missouri jurisdictional operations which presently have been determined to result from the

provisions of the Federal Tax Reform Act of 1986. In addition, CTC and CSM shall not be further subject to any present or future requirements of the instant docket; it being understood, however, that neither Staff nor any other party is bound in any proceeding other than the above-captioned docket regarding the effects of the Tax Reform Act on CTC's and CSM's revenue requirement;

6. That this Stipulation and Agreement is intended to be binding on the parties and the Commission for purposes of Commission Case No. AO-87-48 (as it relates to CTC and CSM); that none of the provisions of this Stipulation and Agreement, however, shall prejudice, bind or otherwise affect any party should the Commission decide not to approve this Stipulation and Agreement in its entirety or in any way condition its approval of same;

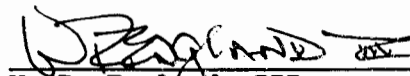
7. That except as otherwise expressly provided herein, the parties to this Stipulation and Agreement shall not be deemed to have approved of or acquiesced in any express or implied ratemaking principle, valuation method, cost of service method, or rate design proposal;

8. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to present oral arguments or written briefs, pursuant to Section 536.080(1), RSMo 1986, and their respective rights to judicial review regarding the disposition of these matters, pursuant to Section 386.510, RSMo 1986;

9. That the agreements contained in this Stipulation and

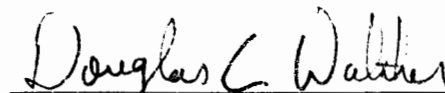
Agreement have resulted from extensive negotiations among the signatory parties and are interdependent; that in the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement and in the event the tariffs agreed to herein do not become effective in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,



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Dated: June 11, 1987