

*Aggerty*



# Missouri Public Service Commission

Area Code 314  
751-3234

P.O. BOX 360  
JEFFERSON CITY  
MISSOURI 65102

August 18, 1987

## FILED

AUG 18 1987

Mr. Harvey G. Hubbs

Secretary

Missouri Public Service Commission

Post Office Box 360

Jefferson City, Missouri 65102

**PUBLIC SERVICE COMMISSION**

Re: Case No. AO-87-48 - In the matter of the investigation of the revenue effects upon Missouri Utilities of the Tax Reform Act of 1986

Dear Mr. Hubbs:

Enclosed for filing in the above-captioned case is an original and fourteen (14) conformed copies of a Stipulation and Agreement which has been entered into by Southwestern Bell (SWB) and the Staff of the Missouri Public Service Commission (Staff).

Copies of the Stipulation and Agreement are, this same day, being sent by overnight mail to all parties of record. We have attempted to contact all parties who participated in the informal meetings ordered to occur by virtue of the Commission's directive in this case. As of this date, representatives of MCI and United Telephone Company have indicated that they will file their comments in writing with the Commission and will not request a hearing. Southwestern Bell and the Staff are conferring with the remainder of the participating parties -- Public Counsel, AT&T, GTE and the Continental Group, but their representatives have not yet made a final decision. The Staff will inform the Commission whether these remaining parties also waive any right they may have to be heard, other than through written comments, as soon as possible.

SWB has represented that in order to implement the first quarter's billing credit, they would appreciate an order prior to September 1, 1987, the last month of the first quarter.

**Commissioners:**

WILLIAM D. STEINMEIER

Chairman

CHARLOTTE MUSGRAVE

ALLAN G. MUELLER

CONNIE B. HENDREN

JAMES M. FISCHER

ROBERT J. SCRIBNER

Staff Director

HARVEY G. HUBBS

Secretary

WILLIAM C. HARRELSON

General Counsel

August 18, 1987  
Page 2

Of course, should the Commission desire a hearing SWB and the Staff will make themselves available for that purpose. The Staff and SWB do not believe a hearing is required in order to consider a Stipulation and Agreement in this investigatory docket. However, should the Commission desire a hearing, we hereby request that one be scheduled for August 28, 1987 or earlier if the parties and the Commission will allow.

Thank you for your cooperation in this matter.

Sincerely,

*William C. Harrelson*  
William C. Harrelson  
General Counsel

WCH:rr  
Enclosures

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

AUG 18 1987

PUBLIC SERVICE COMMISSION

In the matter of the investigation )  
of the revenue effects upon Missouri ) Case No. AO-87-48  
utilities of the Tax Reform Act of 1986 )

STIPULATION AND AGREEMENT

On or about December 15, 1986 and March 2, 1987, Southwestern Bell Telephone Company (Southwestern Bell), in response to the Commission's Order in Case No. AO-87-48, filed certain information concerning the impact of the Federal Tax Reform Act of 1986 (TRA) as applied to Southwestern Bell's operating results for 1985 and 1986. The TRA is effective, in part, on July 1, 1987. The Staff of the Missouri Public Service Commission (Staff) conducted a review of the aforementioned information. Subsequently, representatives of Staff, the Office of Public Counsel (Public Counsel), MCI, various other local exchange telephone companies, and Southwestern Bell had discussions concerning the impact of TRA on Southwestern Bell's revenue requirement and Staff's review of Southwestern Bell's filed information. As a result of these discussions, the signatory parties stipulate and agree as follows:

1. That Southwestern Bell shall apply credits in the form of an across the board percentage credit to all classes of residential local service access lines. This credit will be applied each quarter for one year beginning July 1, 1987, said credits to continue for four (4) consecutive quarters and to be charged against the revenues of that quarter with the last credit paid in the quarter ending June 30, 1988. This has an intrastate

revenue requirement effect of \$14,900,000. Southwestern Bell estimates the first quarter credit for single party flat rate residential customers will range from \$1.90 to \$5.74 depending on the customers' location and rate grouping. Appendix A sets out the estimated credit amount applicable to Southwestern Bell's rate groupings. Staff reserves the right to check the computations and they are not binding until verified by Staff. Appendix B lists the Southwestern Bell exchanges contained in each rate grouping.

2. That effective October 1, 1987 or as soon thereafter as possible, Southwestern Bell shall implement a lifeline plan for all its customers who apply for lifeline service and who are certified for Utilicare, with a local service rate that is \$3.50 below the current basic residential rate. The lifeline plan has an annual intrastate revenue requirement effect of \$1,100,000. Southwestern Bell believes lifeline should be governmentally funded; however, until such time as funding is secured through general revenues via legislation, Southwestern Bell will fund the program. Within ten days following the Commission's approval of this Stipulation and Agreement, Southwestern Bell will cause to be filed with the Commission, lifeline tariffs having an effective date of October 1, 1987;

3. That introduction of this lifeline plan will permit Southwestern Bell to implement a waiver of the federal subscriber line charge. Upon approval by the Commission of the Company's proposed lifeline plan, Southwestern Bell will immediately thereafter file the necessary documentation for approval by the Federal Communications Commission (FCC) of a waiver of the interstate subscriber line charge for qualifying Missouri customers

of Southwestern Bell. This subscriber line charge is now \$2.60 per month for residence customers;

4. That effective October 1, 1987, or as soon thereafter as possible, Southwestern Bell shall implement a waiver of its charge for grade of service change, and reduce its installation charge by 50 percent of the charge now effective, for all its customers who are certified for Utilicare;

5. That Southwestern Bell will absorb and not seek recovery in its Missouri jurisdictional telephone rates of the expense or investment incurred to provide party line instrument adapters for two-party line customers in order to insure such customers are properly identified as the calling party when calling 911. This has a one-time revenue requirement effect of \$500,000.

6. That effective October 1, 1987, Southwestern Bell shall absorb the revenue loss resulting from the implementation of the Commission's Extended Measured Service experiment, which has a revenue requirement effect of \$1,300,000;

7. In accordance with RSMo §392.280(2), as amended, Southwestern Bell shall be authorized to book intrastate depreciation consistent with the interstate depreciation rate levels as filed with the FCC on July 24, 1987. This will include amortization of the alleged reserve deficiency found to exist by the FCC as well as the associated technical update of all rates. The effective date of the intrastate booking shall coincide with the date of approval for the interstate booking. The annual intrastate revenue requirement is \$10,900,000;

8. That effective January 1, 1987, Southwestern Bell shall synchronize on its books of account its intrastate depreciation

rate with its interstate depreciation rate for step-by-step central office equipment. This synchronization has an annual intrastate revenue requirement effect of \$300,000;

9. That the amortization and depreciation rate booked in accordance with paragraphs 1 and 2 above shall not be binding on the Staff or any other signatory party in any future rate proceeding, whether instituted by complaint, by file and suspend procedure or otherwise, for the purpose of setting Southwestern Bell's prospective rates and charges, except that any reduction of Southwestern Bell's rate base attributable to the accrued reserve, depreciation or amortization, shall be taken into account in the setting of future rates and charges;

10. That this Stipulation and Agreement is a negotiated settlement. For purposes of Case No. AO-87-48, "In the matter of the investigation of the revenue effects upon Missouri utilities of the Tax Reform Act of 1986," this Stipulation and Agreement is intended to include, reflect and fully dispose of any concerns with Southwestern Bell's gross annual revenue requirement for its Missouri jurisdictional operations which presently have been determined to result from the provisions of the Federal Tax Reform Act for the year ending June 30, 1988. In addition, Southwestern Bell shall not be subject to any present or future requirements of the Commission's Federal Tax Reform Act docket, Case No. AO-87-48, and shall be dismissed therefrom; it being understood, however, that neither Staff nor any other signatory party is bound in any proceeding other than the above-captioned docket regarding the effects of the Tax Reform Act on Southwestern Bell's future revenue requirement;

11. That this Stipulation and Agreement is voluntarily executed and is intended to be binding on the signatory parties and the Commission in Case No. AO-87-48, as it relates to Southwestern Bell; that none of the provisions of this Stipulation and Agreement, however, shall prejudice, bind or otherwise affect any signatory party should the Commission decide not to approve this Stipulation and Agreement in its entirety or in any way condition its approval of same;

12. That none of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle, valuation methodology, method of cost-of-service determination, or cost allocation underlying any of the tariff and the depreciation rates provided for in this Stipulation and Agreement. This Stipulation and Agreement shall not prejudice, bind or affect any party thereto, except to the extent necessary to give effect to the terms of this Stipulation and Agreement;

13. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatory 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 386.500, RSMo 1986, solely as to the other signatory parties;

14. That the agreements contained in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are independent; that in the event that the Commission does not approve and adopt the terms of this

Stipulation and Agreement and in the event the tariff agreed to herein does 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.

IN WITNESS THEREOF, the parties have signed this Stipulation and Agreement as of this 18 day of August, 1987.

SOUTHWESTERN BELL TELEPHONE  
COMPANY

By Durward D. Dupre

PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

By William C. Narvelson

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, this 18 day of August, 1987 to all parties of record in this case.

Durward D. Dupre  
Durward D. Dupre



TAX REFORM PLAN  
LOCAL SERVICE CREDITS

<u>CLASS OF SERVICE</u>	<u>Grp. A</u>	<u>Grp. B</u>	<u>Grp. C</u>	<u>Clever</u>	<u>Billings</u>	<u>Grp. D</u>
<u>One-Party Flat</u>						
Credit Amount	\$1.90	\$2.28	\$2.45	\$2.60	\$2.97	\$2.83
Current Rate	\$7.80	\$9.35	\$10.05	\$10.65	\$12.20	\$11.60
 <u>Two-Party Flat</u>						
Credit Amount	\$1.33	\$1.60	\$1.72	--	--	\$1.97
Current Rate	\$5.45	\$6.55	\$7.05	--	--	\$8.10
 <u>Four-Party Flat</u>						
Credit Amount	\$1.52	\$1.83	\$1.96	\$2.07	\$2.38	--
Current Rate	\$6.25	\$7.50	\$8.05	\$8.50	\$9.75	--
 <u>Local Measured</u>						
Credit Amount	\$1.05	\$1.26	\$1.35	\$1.43	\$1.63	\$1.56
Current Rate	\$4.30	\$5.15	\$5.55	\$5.85	\$6.70	\$6.40
 <u>One-Party Message</u>						
Credit Amount	\$1.41	\$1.62	--	--	--	\$1.93
Current Rate	\$5.80	\$6.65	--	--	--	\$7.90
 <u>Two-Party Message</u>						
Credit Amount	--	--	--	--	--	\$1.69
Current Rate	--	--	--	--	--	\$6.95

<u>CLASS OF SERVICE</u>	<u>Grp. D</u> <u>Tier 1</u>	<u>Grp. D</u> <u>Tier 2</u>	<u>Lcl. Met.</u> <u>A</u>	<u>Lcl. Met.</u> <u>B</u>	<u>Lcl. Met.</u> <u>Spec. Opt.</u> <u>A</u>	<u>Lcl. Met.</u> <u>Spec. Opt.</u> <u>B</u>
<u>One-Party Flat</u>						
Credit Amount	\$2.95	\$3.11	\$4.19	\$4.40	\$5.36	\$5.74
Current Rate	\$12.10	\$12.75	\$17.20	\$18.05	\$22.00	\$23.55
<u>Two-Party Flat</u>						
Credit Amount	\$2.06	\$2.18	--	--	--	--
Current Rate	\$8.45	\$8.95	--	--	--	--
<u>Four-Party Flat</u>						
Credit Amount	--	\$2.49	--	--	--	--
Current Rate	--	\$10.20	--	--	--	--
<u>Local Measured</u>						
Credit Amount	\$1.62	\$1.71	\$2.30	\$2.41	\$2.95	\$3.16
Current Rate	\$6.65	\$7.00	\$9.45	\$9.90	\$12.10	\$12.95
<u>One-Party Message</u>	--	--	--	--	--	--
<u>Two-Party Message</u>						
Credit Amount	\$1.75	\$1.82	--	--	--	--
Current Rate	\$7.20	\$7.45	--	--	--	--

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

LOCAL EXCHANGE TARIFF  
Original Sheet 3.02

## LOCAL EXCHANGE TARIFF

## (MT) 1.2 RATES-(Continued)

## 1.2.2 Main Service-(Continued)

- (C) A. Local-Metropolitan Service - An optional service, the primary service area of which includes the Metropolitan Exchange and other exchanges as described in Paragraph 1.5.1 following.

This service is offered in the following exchanges:

- (CT) 1. Local-Metropolitan Service "A"  
-Greenwood -Smithville
- (CT) 2. Local-Metropolitan Service "B"  
-Chesterfield -Manchester  
-Fenton -Maxville  
-Valley Park

(RT)

## B. Special Optional Local-Metropolitan Service

- (C) An optional service, the primary service area of which includes the Metropolitan Exchange, other exchanges, Special Optional Local-Metropolitan service customers and the primary service area of the exchange from which the service is offered, as described in Paragraph 1.5.1 following.

This service is offered in the following exchanges:

- (CT) 1. Special Optional Local-Metropolitan "A"  
-Antonia -Pond  
-Grain Valley -Eureka
- (CT) 2. Special Optional Local-Metropolitan "B"  
-High Ridge -Portage Des Sioux  
-Imperial -St. Charles  
-Harvester

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Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division  
Southwestern Bell Telephone Company  
St. Louis, Missouri

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

LOCAL EXCHANGE TARIFF  
13th Revised Sheet 6  
Replacing 12th Revised Sheet 6

## LOCAL EXCHANGE TARIFF

## 1.3 RATE GROUP A(4)

Adrian(2)	(MT) Clever (Local) (2)(3)	Hornersville(2)
Advance(2)	Climax Springs (3)	Jasper
(MT) Agency(2)	(MT) Deering(2)(5)	Knob Noster
Altenburg-Frohna(2)	(MT) DeKalb(2)	Lamar
(MT) Antonia (Local)(2)(5)	Delta(2)	LaMonte
Archie(2)	Downing	Lancaster
Argyle	(MT) East Prairie(2)	(MT) Leadwood(2)(5)
Armstrong(2)	Edina	Lilbourn
Ash Grove	(MT) Eldon(2)(6)	Linn
Beaufort(3)	Elsberry(2)	Lockwood(3)
Bell City(2)	(MT) Essex(2)(5)	Louisiana(2)
(MT) Benton(2)(5)	(MT) Eureka(Local)(2)	Macks Creek
Billings (Local)(2)(3)	(MT) Fair Grove(2)	Malden
(MT) Bismarck(2)(5)	Farley	Marble Hill
(MT) Bloomfield(2)(5)	Fayette(2)	Marceline
Bloomsdale(2)	(MT) Fisk(2)(5)	Marionville
(MT) Bonne Terre(2)(5)	Frankford	Marston(2)
Boonville(2)	Fredericktown	Meta
Bowling Green	Freeburg	(MT) Monett(2)(6)
Brookfield	Gideon	Montgomery City(2)
Campbell	Glasgow(2)	(MT) Morehouse(2)(5)
Cardwell(2)	(MT) Grain Valley(Local)(2)(5)	(MT) New Franklin(2)(5)
(MT) Carl Junction(2)(5)	(MT) Gray Summit(2)(5)	New Madrid(2)
Carrollton	(MT) Greenwood (Local)(2)(5)	(MT) Nixa(2)
(MT) Caruthersville(2)(5)	(MT) Hayti(2)(5)	(MT) Oak Ridge(2)(5)
(MT) Cedar Hill(2)(5)	(MT) Herculanum-Pevely(2)(5)	(MT) Old Appleton(2)(5)
Center	(MT) Higbee(2)(5)	Oran(2)
(MT) Chaffee(2)(5)	(MT) Hillsboro(2)(5)	(MT) Pacific(2)(5)
(MT) Charleston(2)(5)	(MT) Holcomb(2)(5)	Patton
Clarksville(2)		

- (RT) (1)  
 (2) Extended Area Service - See Paragraph 1.4.  
 (3) Residence Two-Party Line Service not offered.  
 (4) Message Service not offered.  
 (AT) (5) Message Rate Business Service obsolete-limited to existing customers.  
 (AT) (6) Message Rate Business Service not offered.

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division  
 Southwestern Bell Telephone Company  
 St. Louis, Missouri

No supplement to this  
tariff will be issued  
except for the purpose  
of canceling this tariff.

LOCAL EXCHANGE TARIFF  
Original Sheet 6.01

## LOCAL EXCHANGE TARIFF

## 1.3 RATE GROUP A(4)-(Continued)

(MT) Paynesville(1)(2)	(MT) Rogersville(1)	(MT) Trenton(1)(4)
Pierce City(1)(5)	Rushville(1)	Tuscumbia(1)(4)
Pocahontas-New Wells(1)(4)	Ste. Genevieve(1)(5)	Union(1)(4)
Pond (Local)(1)	St. Clair	Versailles(1)(4)
Portage Des Sioux (Local)	St. Marys(1)(4)	Vienna
Portageville(1)	San Antonio(1)	Walnut Grove
Puxico	Scott City(1)(4)	Wardell(1)
Qulin(1)(4)	Senath(1)(4)	Ware(1)(2)(4)
Republic(1)	Slater	Webb City(1)(4)
Richmond	Smithville (Local)(1)(4)	Wellsville
Richwoods(2)	Stanberry	Westphalia
(MT) Risco	(MT) Strafford(1)	Willard(1)
		(MT) Wyatt(1)

- (1) Extended Area Service - See Paragraph 1.4.
- (2) Residence Two-Party Line Service not offered.
- (3) Message Service not offered.
- (4) Message Rate Business Service obsolete-limited to existing customers.
- (5) Message Rate Business Service not offered.

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division  
Southwestern Bell Telephone Company  
St. Louis, Missouri

No Supplement to this  
tariff will be issued  
except for the purpose  
of canceling this tariff.

LOCAL EXCHANGE TARIFF  
27th Revised Sheet 7  
Replacing 26th Revised 7

## LOCAL EXCHANGE TARIFF

## 1.3 RATE GROUP B(2)

	Fulton(3)	
	Gravois Mills(1)(3)	
	Hannibal(3)	Perryville(1)(3)
Camdenton(1)(3)	Harvester (Local)(1)	Cape Girardeau(1)(3)
Poplar Bluff(1)(3)		
Carthage(3)	High Ridge (Local)(1)	St. Charles (Local)(1)(3)
		St. Joseph(1)
	Imperial (Local)(1)(3)	
Chesterfield (Local)(1)	Jackson(1)(3)	
Chillicothe(3)	Joplin(1)(3)	
	Kennett(1)(3)	Sedalia(3)
	Kirksville(3)	
	(CP)Lake Ozark-Osage	Sikeston(1)(3)
	Beach(1)(3)(5)	
DeSoto(1)(3)		
Dexter(1)(3)	Manchester (Local)(1)	
	Marshall(3)	
	Mexico(3)	Valley Park (Local)(1)
	Maxville (Local)(1)	
	Moberly(1)(3)	Washington(4)
Excelsior Springs		
Farmington(1)(3)		
Fenton (Local)(1)	Neosho(3)	
Festus-Crystal City(1)(3)	Nevada(1)(3)	
Flat River(1)(3)		

(1)Extended Area Service - See Paragraph 1.4.

(2)Residential Message Two-party Service not offered.

(3)Message Rate Business Service obsolete-limited to existing customers.

(4)Message Rate Business Service not offered.

(AT) (5)All Four-party service inside of the Base Rate Area will be eliminated by  
December 1, 1987.

Issued: June 22, 1987

Effective: August 3, 1987

By R.D. BARRON, President-Missouri Division  
Southwestern Bell Telephone Company  
St. Louis, Missouri

No supplement to this  
tariff will be issued  
except for the purpose  
of canceling this tariff.

LOCAL EXCHANGE TARIFF  
25th Revised Sheet 8  
Replacing 24th Revised Sheet 8

LOCAL EXCHANGE TARIFF

1.3 RATE GROUP C(3)

(MT)

Springfield Local-Metropolitan

Billings(1)(2)  
Clever(1)(2)

(MT)

Springfield(1)

(MT)

(MT)

- (1) Extended Area Service - See Paragraph 1.4.
- (2) Residence Two-Party Line Service not offered.
- (3) Residential Message Two-Party Service not offered.

Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division  
Southwestern Bell Telephone Company  
St. Louis, Missouri

No supplement to this  
tariff will be issued  
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of canceling this tariff.

LOCAL EXCHANGE TARIFF  
23rd Revised Sheet 9  
Replacing 22nd Revised Sheet 9

## LOCAL EXCHANGE TARIFF

## 1.3 RATE GROUP D

Kansas City Metropolitan Exchange (RT) St. Louis Metropolitan Exchange

## Principal Zone

Tier I Zones

Gladstone  
Independence  
Parkville  
Raytown  
South Kansas City

Tier II Zones

Belton  
Blue Springs  
East Independence  
Lee's Summit  
Liberty  
Nashua  
Tiffany Springs

## Principal Zone

Tier I Zones

Ferguson  
Ladue  
Mehlville  
Overland  
Riverview  
Sappington  
Webster Groves

Tier II Zones

Bridgeton  
Creve Coeur  
Florissant  
Kirkwood  
Oakville  
Spanish Lake

(RT)

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Issued: JUN 27 1986

Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division  
Southwestern Bell Telephone Company  
St. Louis, Missouri