STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 27th day of July, 2006.

Staff of the Public Service Commission of the State of Missouri,	)	
Complainant,	)	
v.	)	**Case No. TC-2006-0184**
New Florence Telephone Company,	)	
Respondent.	)	

ORDER APPROVING STIPULATION AND AGREEMENT

Issue Date: July 27, 2006 Effective Date: August 6, 2006

The Staff of the Commission filed a complaint against New Florence Telephone Company on October 24, 2005. In that complaint, Staff sought authority from the Commission to seek penalties in circuit court against New Florence for violations of law by the company. On June 2, 2006, Staff, the Office of the Public Counsel, and New Florence filed a stipulation and agreement that would resolve all contested issues related to the complaint. Two of the indirect owners of New Florence, Robert D. Williams and Local Exchange Company, LLC, also signed the stipulation and agreement. Staff filed suggestions in support of the stipulation and agreement on June 7.

Because the stipulation and agreement purports to resolve concerns about over-earning by New Florence, the Commission, on June 12, ordered that notice of the filing of the stipulation and agreement be given to the general public and to potentially interested parties. June 28 was established as the deadline for filing applications to intervene. No applications to intervene were filed.

Staff's complaint against New Florence contains eleven counts:

Count I alleged that LEC, LLC, one of the owners of New Florence, charged New Florence fees for administrative services that exceeded the costs it incurred to provide those services;

Count II alleged that LEC, LLC, overcharged New Florence for management consulting services as part of a scheme to inflate New Florence's costs to obtain an overall revenue increase from federal Universal Service Fund support payments and National Exchange Carriers Association, Inc. settlements;

Count III alleged that South Holt Communications, Inc., a company owned by Robert Williams, another owner of New Florence, overcharged New Florence for management consulting services as part of a scheme to inflate New Florence's costs to obtain an overall revenue increase from federal Universal Service Fund support payments and National Exchange Carriers Association, Inc. settlements;

Count IV alleged that Matzco, a company owned by Kenneth M. Matzdorff, a member of LEC, LLC, and thus an owner of New Florence, overcharged New Florence for management consulting services as part of a scheme to inflate New Florence's costs to obtain an overall revenue increase from federal Universal Service Fund support payments and National Exchange Carriers Association, Inc. settlements;

Count V alleged that New Florence improperly recorded the cost of a newly purchased switch at an inflated cost of $584,000, when an affiliate of New Florence had actually purchased the switch at a cost of $183,754;

Count VI alleged that New Florence recorded false entries in its accounts related to charges for administrative services allegedly provided by LEC, LLC;

Count VII alleged that New Florence recorded false entries in its accounts related to charges for management services allegedly provided by LEC, LLC;

Count VIII alleged that New Florence recorded false entries in its accounts related to charges for management services allegedly provided by South Holt Communications, Inc.;

Count IX alleged that New Florence recorded false entries in its accounts related to charges for management services allegedly provided by Matzco, LLC;

Count X alleged that New Florence recorded false entries in its accounts related to acquisition of a switch; and

Count XI alleged that New Florence recorded false entries in its accounts related to loans made to Robert D. Williams and Kenneth M. Matzdorff.

In the stipulation and agreement, New Florence agrees to make a payment to the Public School Fund in the amount of $100,000 in settlement of the matters alleged in Staff's complaint and in all other potential complaints that might arise out of Staff's investigation into the affairs of New Florence. In addition, if New Florence has not arranged its sale to new, independent, owners by October 2, 2006, it will be obligated to pay an additional $250,000 to the Public School Fund by October 3.

The stipulation and agreement also provides that Staff will recommend to the Commission that New Florence, or its new owners, be certified for receipt of federal Universal Service Fund disbursements, if Staff finds that the company's management is independent, has no relationship or ties to current owners and has sufficient knowledge and skill to be acceptable to Staff. The stipulation and agreement further provides that New Florence will adjust its books and records to correct inaccuracies.

In addition, to address concerns about overearning by the company, the stipulation and agreement requires New Florence, or its successor, to issue a credit of $50 per access line to each customer of New Florence on December 29, 2006. The stipulation and agreement would also institute a two-year rate moratorium measured from the closing date of the sale of the company, or December 29, 2006, whichever occurs first.

Finally, New Florence agrees that neither it, nor any successor company will seek competitive classification or price cap status until after the Commission has conducted a rate case regarding New Florence's basic local telecommunications service rates.

The Commission held an on-the-record presentation regarding the proposed settlement on July 6. At that proceeding, the Commission questioned the signatory parties about the details of the stipulation and agreement.

After reviewing the stipulation and agreement, and considering the testimony offered at the on-the-record presentation, the Commission finds that the stipulation and agreement should be approved as a resolution of Staff's complaint. The Commission, however, notes that Mr. Robert Williams, an indirect owner, officer, and consultant for New Florence, provided extensive testimony before the Commission regarding the operations of New Florence, the allegations in the complaint, the services of his consulting company and his personal services for New Florence. The Commission emphasizes that the release language found in paragraph III.H of the stipulation and agreement does not release Robert Williams, or any other witness, from liability for having offered false testimony before the Commission.

IT IS ORDERED THAT:

1. The stipulation and agreement filed on June 2, 2006, is approved, and the signatory parties are ordered to comply with its terms.

2. None of the financial penalty imposed on New Florence Telephone Company by terms of this order and the stipulation and agreement shall ever be recovered from the ratepayers of the company.

3. This order shall become effective on August 6, 2006.

BY THE COMMISSION

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton,
and Appling, CC., concur.

Woodruff, Deputy Chief Regulatory Law Judge