

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Staff of the Missouri Public Service Commission,	)	
	)	
Complainant,	)	
	)	
v.	)	Case No. TC-2002-1076
	)	
BPS Telephone Company,	)	
	)	
Respondent.	)	

**STIPULATION AND AGREEMENT**

Comes now the Staff of the Missouri Public Service Commission (Staff), the Office of Public Counsel (Public Counsel), BPS Telephone Company (BPS) and Southwestern Bell Telephone, L.P., d/b/a SBC Missouri (SBC Missouri) and respectfully state to the Missouri Public Service Commission (Commission) that, as a result of extensive negotiations, the undersigned Parties (Parties), with the exception of SBC Missouri (who does not oppose this Stipulation and Agreement, as more fully described herein), have reached the following Stipulation and Agreement in order to resolve all issues in this case:

1.     Revenue Requirement. BPS's present annual revenues exceed its revenue requirement as determined under a traditional rate base/rate of return analysis in accordance with §392.240 RSMo 2000 by \$460,000 annually.<sup>1</sup>
  
2.     Rate Design. The reduction in annual revenues of \$460,000 shall be accomplished by the following: 1) implementation of a mandatory, one-way expanded local

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<sup>1</sup> BPS states that it does not believe it is subject to rate base rate of return regulation pursuant to §392.240 RSMo 2000 because it has elected to be regulated under "price cap" regulation as provided in §392.245 RSMo 2000. Accordingly, BPS filed a Motion to Dismiss in this case but the Commission denied same. BPS is also pursuing appeals before the Circuit Court of Cole County as well as the Missouri Court of Appeals of prior Commission decisions rejecting its price cap election. By entering into this Stipulation, BPS states that it does not waive its Motion to Dismiss or its pending appeals, but simply agrees that if it is subject to traditional rate base/rate of return regulation, its existing revenues should be reduced by \$460,000 on an annual basis.

calling plan for BPS customers (with an estimated cost of \$379,993) as more specifically described on Attachment A, attached hereto and incorporated herein by reference; and 2) reduction in intrastate access rates (of approximately \$80,000) as more specifically set forth on Attachment B, attached hereto and incorporated herein by reference.

BPS will prepare draft tariff sheets incorporating the changes identified in Attachments A and B and provide such drafts to the Staff no later than twenty (20) days after this Stipulation and Agreement is signed by the Parties. Permanent tariff sheets will not be filed with the Commission until after the Commission approves the Stipulation and Agreement.

3. Depreciation Rates. Beginning on the first day of the month following the effective date of an Order approving this Stipulation and Agreement, BPS shall accrue depreciation expense based on the depreciation rates set forth in Attachment C, which is attached hereto and incorporated herein by reference.

4. Unless called by the Commissioners or the Regulatory Law Judge (RLJ) to respond to questions from the Commissioners or the RLJ, all of the testimony filed in this case by Staff and BPS shall be received into evidence without the necessity of the sponsoring witness taking the stand.

5. While SBC Missouri does not join in this Stipulation and Agreement, it nevertheless has indicated that it does not oppose the Stipulation and Agreement and does not request a hearing concerning the issues addressed by this Stipulation and Agreement.

6. This Stipulation and Agreement is being entered into for the purpose of settling all issues raised by the Staff Complaint which initiated this proceeding. The approval of this Stipulation and Agreement in its entirety will conclude Staff's earnings investigation of BPS. None of the Parties to this Stipulation and Agreement shall be deemed to have approved or

acquiesced in any ratemaking or procedural principal, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none of the Parties shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, whether this Stipulation and Agreement is approved or not.

7. This Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, the Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as explicitly stated herein.

8. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, and notwithstanding its provision that it shall become void therein, neither this Stipulation and Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions, and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

9. In the event the Commission unconditionally accepts the specific terms of this Stipulation and Agreement without modification, the Parties waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective

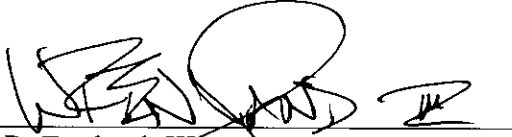
rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission Order respecting this Stipulation and Agreement issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement including, but not limited to, whether BPS is subject to regulation under §392.240 or §392.245 RSMo 2000.

10. The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other Parties to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

11. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to

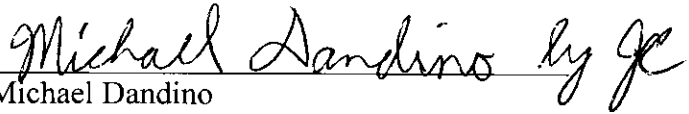
matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

Respectfully submitted,



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## ATTACHMENT A

### Expanded Local Calling Plan

End-user customers of BPS will be able to call end-user customers located in the following exchanges as part of their local exchange rate (i.e., without incurring a toll charge).

Originating Exchange	Terminating Exchange	Terminating Carrier
Bernie	Parma	BPS
	Malden	SBC
Parma	Bernie	BPS
	Risco	SBC
	New Madrid	SBC
	Lilbourn	SBC
	Essex	SBC
Steele	Caruthersville	SBC
	Hornersville	SBC
	Deering	SBC

- Calls will be dialed on a local (i.e., seven digit) basis.
- The plan is limited to voice traffic and not available for internet and data calling.
- Estimated cost of the plan is \$379,993.

ATTACHMENT B

Switched Access Rate Element	Rates	New Rates	Difference From Current
Originating CCL	\$ 0.02990131	\$ 0.02622335	(0.00367796)
Terminating CCL	\$ 0.07141421	\$ 0.06263003	(0.00878418)
Local Switching	\$ 0.02815218	\$ 0.02823765	0.00008547
Switched Transport Termination	\$ 0.00491350	\$ 0.00491350	-
Switched Transport Facility (per minute/mile)	\$ 0.00053186	\$ 0.00053186	-
Information Surcharge	\$ 0.00008547	\$ -	(0.00008547)

**BPS TELEPHONE COMPANY  
DEPRECIATION RATES  
CASE NO. TC-2002-1076**

ACCOUNT	DESCRIPTION	Balance 6/30/2004	AVERAGE SERVICE LIFE A	NET SALVAGE B	SALVAGE RATE C = B/A	ASL RATE D = 1/A	DEPR RATE D - C
2112.0	Motor Vehicles	229,168	7.5	12%	1.60%	13.33%	11.73%
2116.0	Other Work Equipment	59,533	14.0	6%	0.43%	7.14%	6.71%
2121.0	Buildings	529,230	35.0	2%	0.06%	2.86%	2.80%
2122.0	Furniture	27,184	14.0	6%	0.43%	7.14%	6.71%
2123.1	Office Equipment	38,369	10.0	3%	0.30%	10.00%	9.70%
2124.0	General Purpose Computers	188,798	6.4	0%	0.00%	15.63%	15.63%
2212.0	Digital Electronic Switching	1,430,446	12.0	0%	0.00%	8.33%	8.33%
2232.1	Circuit Equipment - Digital	939,888	10.0	-3%	-0.30%	10.00%	10.30%
2232.2	Circuit Equipment - Analog	203,005	10.0	-3%	-0.30%	10.00%	10.30%
2411.0	Poles	257,738	21.0	-30%	-1.43%	4.76%	6.19%
2421.2	Aerial Cable - Metallic	764,354	21.0	-16%	-0.76%	4.76%	5.52%
2423.1	Buried Cable - Metallic	3,464,253	20.0	0%	0.00%	5.00%	5.00%
2423.2	Buried Cable - Nonmetallic	341,219	25.0	0%	0.00%	4.00%	4.00%
2431.0	Aerial Wire	557		0%			

Attachment C