

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

STIPULATION AND AGREEMENT

On or about December 15, 1986, March 2, 1987, and May 5, 1987, Missouri Telephone Company (Company) caused to be filed with the Missouri Public Service Commission (Commission) in the above-captioned matter, certain information concerning the impact on the Company of the Tax Reform Act of 1986. Subsequently, representatives of the Commission Staff, the Office of the Public Counsel (Public Counsel) and the Company engaged in discussions concerning the impact of the Federal Tax Reform Act of 1986 on the Company's revenue requirement. As a result of these discussions, the parties stipulate and agree as follows:

1. That effective July 1, 1987, the Company be authorized to implement revised tariffs for local exchange access line service designed to decrease Missouri jurisdictional gross annual revenues by \$37,000, exclusive of license, occupation, franchise, sales, gross receipts or other similar fees or taxes. The actual rates to be implemented as a result of this Stipulation and Agreement as well as a quantification of the proposed rate reductions are attached hereto and incorporated herein by reference as Appendix A;

2. That this Stipulation and Agreement is a negotiated dollar settlement which is intended to include, reflect, and

fully dispose of any decreases in the Company'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 of 1986. In addition, the Company 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 the Company's revenue requirement;

3. 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 Missouri Telephone Company); 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;

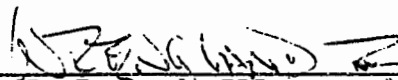
4. That except as otherwise expressly provided herein, the parties to this Stipulation and Agreement shall not be deemed to have approved of or acquiesced in any express or implied ratemaking principle, valuation method, cost of service method, or rate design proposal;

5. 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;


6. 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,



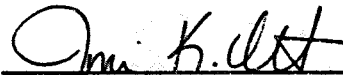
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The Office of the Public Counsel

Dated: May _____, 1987

MISSOURI TELEPHONE COMPANY
TAX REFORM RATE REDUCTION ALLOCATION

	LINES	Group Reduction	Group Red. Annualized	Current Rate	New Rate	Percent Change
RESIDENTIAL LINES						
Group 1	2429	0.15	\$4,372.20	7.05	6.90	2.13%
Group 2	2342	0.15	\$4,215.60	7.45	7.30	2.01%
Group 3	7669	0.20	\$18,405.60	7.90	7.70	2.53%
RESIDENTIAL TOTALS	12440		\$26,993.40			
BUSINESS ACCESS LINES						
Group 1	162	0.25	\$486.00	12.35	12.10	2.02%
Group 2	235	0.25	\$705.00	12.95	12.70	1.93%
Group 3	1104	0.35	\$4,636.80	13.85	13.50	2.53%
SINGLE BUSINESS LINES	1501		\$5,827.80			
BUSINESS TRUNK LINES						
Group 1	21	0.40	\$100.80	18.55	18.15	2.16%
Group 2	65	0.46	\$312.00	19.40	19.00	2.06%
Group 3	629	0.50	\$3,774.00	20.75	20.25	2.41%
TOTAL TRUNK LINES	715		\$4,186.80			
TOTAL BUSINESS LINES	2216					
SEMI PUBLIC PAY STATIONS	29	0.45	\$156.60	Various	Various	1.8%-2.1%
TOTALS	14685		\$37,164.60			

	Residence	Business	Semi-Pub	Totals
Group 1				
Aldrich	306	14		320
Allendale	103	11		116
Coffey	122	14		138
Fair Play	356	27		387
Half Way	365	25		393
Jameson	175	11		188
Polk	358	14		372
Union Star	326	24		356
Winston	318	22		342
Total-Group 1	2429	162		2612

Group 2				
Grant City	619	97	2	750
Morrisville	553	42		600
Pattonsburg	553	59		625
Pleasant Hope	617	37		669
Total-Group 2	2342	235	2	2644

Group 3				
Albany	948	166	2	1211
Bolivar	3717	526	13	4653
Gallatin	1215	163	7	1458
Stockton	1789	249	5	2107
Total-Group 3	7669	1104	27	9429

GRAND TOTALS	12440	1501	29	14685
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