

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 29th
day of October, 1993.

In the matter of United Telephone Company)	
of Missouri's tariff sheets designed to)	
increase rates for telephone service to)	<u>Case No. TR-93-181</u>
customers in the Missouri service area.)	
private pay telephone service within the)	
State of Missouri.)	
In the matter of the local exchange)	
telecommunications companies')	
modernization of plans pursuant to)	
4 CSR 240-32.100.)	<u>Case No. TO-93-309</u>

DISSENTING OPINION OF COMMISSIONER HAROLD CRUMPTON

I respectfully dissent from the opinion of the majority in its October 27, 1993 opinion concerning the treatment of Other Post-Retirement Employment Benefits (OPEBs). On the issue of OPEBs, the majority rejected the Company's position that the Missouri Public Service Commission (Commission) should accept a 20 year phase in of prior costs, Transitional Benefit Obligation (TBO) and a complete recovery of current OPEBs costs.

In support of its position, United argued that accrual accounting for these costs would properly match the revenues received with the services that created those revenues. The majority in its opinion took the position of the Missouri Public Service Commission Staff (Staff) and the Office of Public Counsel (OPC), who are opposed to accrual accounting for OPEBs. The majority cited the argument

that the accrual amount is not "known and measurable."

My position is that Staff uses other accrual procedures that measure accounting items that are not precisely known and measurable, the most prominent being depreciation. No one can predict, with complete accuracy, the number of miles United will get from its fleet. Nor can anyone do any better with the years of useful life obtainable from the switches planned for the seven (7) year modernization plan. Yet the majority granted United the right to use depreciation as a presently recoverable expense.

Black's Law Dictionary defines depreciation as follows: "...A decline in value of property caused by wear or obsolescence and is usually measured by a set of formula which reflects these elements over a given period of useful life of property. ...Consistent, gradual process of estimating and allocating cost of capital investments over estimated useful life of asset in order to match cost against earnings..."

The Commission even employs a staff of depreciation specialists whose job it is to determine the validity of the depreciation charges used by United and other companies. The Commission must employ actuaries to evaluate the conclusions reached by the Company's actuaries, and challenge their assumptions on the record. This will bring OPEBs as close to "known and measurable" as depreciation is today.

Nowhere in the majority decision is it stated that the OPEBs expenses are not recoverable. In fact, the Commission willing to fund OPEBs, but not in its entirety right now; maybe later, if the Federal government does not come to the rescue. The government did not create the OPEBs expenses; the subscribers did. When an expense or a financial obligation is recognized, generally accepted accounting principles require that the obligation be matched with the revenues received as a result of that obligation. Every effort must be made to determine as closely as practicable, the total value of said obligation.

The second point made by the majority in support of its failure to provide adequate rate relief for OPEBs was, as mentioned above, the possibility that the Federal government is considering a National Health Plan, which if enacted might have an effect on OPEBs. The facts are that the Federal government has been discussing national health care for more than 50 years, and nothing has happened yet. Can an auditing firm footnote an annual report with the statement that the company in the audit has an unfunded obligation for certain OPEBs expenses that the Missouri Public Service Commission believes will most certainly be affected by a National Health Care Plan that is currently being considered by Congress? I think not.

For the above reasons I respectfully dissent from the opinion of the majority on OPEBs.

Respectfully submitted

A handwritten signature in cursive script, reading "Harold Crumpton". The signature is written in dark ink and is positioned above the printed name and title.

Harold Crumpton
Commissioner