

**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.)

SUGGESTIONS IN SUPPORT OF STIPULATION AND AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through Counsel, and in support of the Stipulation and Agreement filed in this case, offers the following:

1. Through the process of negotiation with the parties to this case, the Staff believes the Stipulation and Agreement (Agreement) filed in this matter on March 11, 2005, is a reasonable attempt to settle all the issues related to this excess earnings complaint. The primary issues driving this case, from the Staff's perspective, were overall earnings or revenue requirement, rate design and depreciation. This pleading will provide an overview or explanation of how these items were handled in the Stipulation and Agreement that is before the Commission for approval. The Staff believes the settlement in this case was reasonable and warrants approval by the Commission because it provides for a an overall reduction in switched access rates and benefits the customers of BPS through an expanded local calling plan.

2. In terms of *Revenue* Requirement, the Staff filed supplemental testimony on December 23, 2004 showing an excess earning amount of \$852,419. On January 12, BPS witness Robert Schoonmaker recommended a proposed revenue reduction of \$376,204. After the Prehearing Conference held on January 25th and 26th of 2005, and an additional exchange of financial information, the signatory Parties subsequently agreed to a total revenue reduction amount of \$460,000.

Attachment A, attached hereto and incorporated by reference, provides a detailed list of issues and amounts agreed to by the Staff for purposes of settling the earnings amount or revenue requirement. Based upon the issues settled and listed in Attachment A, the Staff created an adjusted Accounting Schedule, which is attached hereto, incorporated by reference, and labeled Attachment B.

Attachment B generated excess earnings of \$559,492. The difference between the Staff's adjusted Accounting Schedules (Attachment B) that produced excess earnings of \$559,492 and the \$460,000 settlement amount agreed to by the signatory Parties is attributable to the rate of return. The signatories did not agree to a specific rate of return in this case. The signatory Parties, did agree, however, to a total dollar settlement (\$99,492) connected with the rate of return issue.

3. To eliminate the \$460,000 in excess earnings through *Rate Design* the Stipulation provides for, and the Staff recommends, that BPS implement a mandatory, one-way expanded local calling plan for residential and business customers at no additional charge as detailed below, and, the Staff recommends an adjustment in switched access rates.

(A) (Currently, the Company's exchanges, Bernie, Parma, and Steele have local calling only within their own individual exchanges. The expanded local calling plan will

allow customers in the Bernie exchange to call Parma and the Southwestern Bell Telephone Company (SBC) exchange of Malden without incurring a toll charge (toll free). The Parma exchange customers will be able to call Bernie and the SBC exchanges of Risco, New Madrid, Lilbourn, and Essex toll free. The Steele Exchange will be able to call the SBC exchanges of Caruthersville, Hornersville and Deering toll free. Attached hereto, labeled Attachment C, and incorporated by reference, is the BPS Expanded Local Calling Plan Schedule which details the calling plan. The toll free calling will be dialed on a local (i.e. seven-digit) basis and is not available for internet and data calling. The estimated cost of providing this expanded calling plan is \$379,993.

(B) BPS has the 11th highest switched access rates in Missouri among forty-three incumbent local telephone companies. If the Commission approves the proposed reduction to BPS' switched access rates, the Company would be moved downward to the 13th highest. The proposed Stipulation reduces BPS' switched access rate elements as follows: (1) Originating Carrier Common Line Charge is reduced from \$.029900131 to \$.02622335 (2) Terminating Carrier Common Line Charge is reduced from \$.07141421 to \$.06263003 (3) Local Switching is increased slightly from \$.02815218 to \$.02823765 and (4) Information Surcharge is reduced from \$.00008547 to \$0. The approximate overall total of these reductions is \$80,000. The Switched Access Comparison Chart is attached hereto, labeled Attachment D, and incorporated by reference.

4. BPS will file draft tariff pages incorporating the changes no later than 20 days after the Stipulation and Agreement is signed by the parties. Permanent tariff sheets will be filed with the Commission after, and in the event, the Commission approves the Stipulation and Agreement.

5. In terms of Depreciation, BPS Telephone Company was last prescribed depreciation rates in Commission Case No. TM-95-135. Those rates included salvage percentages. The Staff and the Company agreed to maintain those rates, with the exception of five accounts. Those accounts were Vehicles, General Purpose Computers, Digital Switching, Buried Metallic Cable and Buried Non-Metallic Cable. These accounts only vary slightly from the originally prescribed life and salvage parameters in Case No. TM-95-135. The Staff believes this approach is consistent with the Commission's decision on net salvage in the Laclede Gas Company case, Commission Case No. GR-99-315.

6. The Staff believes that Agreement reached and summarized just above in relation to the primary issues in this case, is reasonable and provides benefits both in terms of reduced overall switched access rates, and it benefits the customers of BPS Telephone Company through an expanded local calling plan.

WHEREFORE, the Staff respectfully requests that the Commission accept its Suggestions in Support of Stipulation and Agreement in this case and that the Commission approve the Stipulation and Agreement filed in this case.

Respectfully submitted,

DANA K. JOYCE
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/s/ Cliff Snodgrass

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 24th day of March, 2005.

/s/ Cliff Snodgrass