

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Investigation into the     )  
Earnings of Citizens Telephone Company     )  
of Higginsville, Missouri                     )

Case No. IR -2005-0024

**STIPULATION AND AGREEMENT**

COME NOW the Staff of the Missouri Public Service Commission, Citizens Telephone Company of Higginsville, Missouri and the Office of the Public Counsel (OPC) and stipulate and agree as follows:

The Staff of the Missouri Public Service Commission (Staff) has conducted an investigation into the earnings of Citizens Telephone Company of Higginsville, Missouri (Citizens). Staff's audit was based upon the twelve months ending December 31, 2002, updated for known and measurable changes occurring during 2003. Upon completion of its earnings audit, the Staff began discussions with Citizens. As a result of extensive negotiations, the signatories hereto stipulate and agree as follows:

1.     **Revenues:** The Company's gross intrastate revenues will be reduced by approximately \$183,291 on an annual basis.
2.     **Rate Design:** This overall reduction in revenues is to be accomplished by reductions in the following: (1) charges for 911 related services; (2) local rates; (3) intrastate interLATA terminating carrier common line rate; and (4) intrastate interLATA and intraLATA local transport rates. These adjustments are more specifically set forth in Attachment A, which is attached hereto and incorporated herein by reference.

Citizens will prepare draft tariff sheets incorporating the rate changes identified in Attachment A and provide such drafts to the Staff no later than ten (10) 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. The permanent tariff sheets will show an effective date no later than 30 days from the effective date of the Order Approving the Stipulation and Agreement.

3. **Depreciation:** Beginning upon the effective date of an Order approving this Agreement, Citizens shall accrue depreciation expense based on the depreciation rates set forth in Attachment B, which is attached hereto and incorporated herein by reference.

4. **Rate Moratorium:** No signatory may file a general rate increase or a rate complaint case in the four years (1,096 days) following the effective date of the Commission's Order approving this Stipulation and Agreement, unless a significant, unusual event that has a major impact on Citizens occurs, such as:

- (i) terrorist activity or an act of God;
- (ii) a significant change in federal or state tax laws; or
- (iii) a significant change in federal or state utility laws or regulations.

This provision would not preclude the filing of revised tariffs and rates that are revenue neutral to Citizens.

The Parties also agree that the terms of this settlement shall not limit the Company's ability to explore and possibly implement expanded local calling plans that may result from Case No. TW-2004-0471, *In the Matter of a Commission Inquiry into the Metropolitan Calling Area Plan and Calling Scopes in Missouri*.

5. **Miscellaneous:** The approval of this Stipulation and Agreement in its entirety by the Commission will conclude Staff's earnings investigation of Citizens upon which this Stipulation and Agreement was based.

6. The Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement in its entirety, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

7. None of the signatories to this Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking or procedural principle or any methods of cost determination or cost allocation, and none of the signatories shall be prejudiced or bound, in any manner, by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

8. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein, their respective rights to present testimony and to cross-examine witnesses pursuant to Section 536.070(2) RSMo. 2000; their respective rights to provide written briefs or to present oral argument, and to the reading of the transcript by the Commission pursuant to Section 536.080 RSMo. 2000; and their respective rights to judicial review of the Commission's Report and Order in this case pursuant to Section 386.510 RSMo. 2000.

9. The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement and all other Parties shall have the right to file, within five (5) business days of receipt of Staff's memorandum, a responsive memorandum that shall also be served on all Parties.

10. The Staff shall also 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 Staff shall, to the extent reasonably practicable, provide the other parties with advance notice when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. 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.

11. At the request of the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each of the Parties shall be served with a copy of any such memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

WHEREFORE, for the foregoing reason, the undersigned Parties respectfully request that the Commission issue its Order approving this Stipulation and Agreement in its entirety.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

/s/ William K. Haas

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FOR: Office of the Public Counsel

### Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 16<sup>th</sup> day of July, 2004.

/s/ William K. Haas

**Citizens Telephone Company  
Rate Design Changes**

**1. Introduce new tariff for E911 Trunks (\$3,491)**

Citizens will remove the existing 911 rate elements and insert the new rate elements listed below.

	<u>Per Trunk</u>
Trunks Between Central Offices	\$25.00
Trunks Between Central Office and PSAP	\$25.00
Database Records Charges	
Initial Upload of Record, One Time Charge	\$992.00
Database Record Charges, per record charge (Move, Add, Change)	\$0.38

**2. Local Rate (\$61,827)**

	Current Rate	Proposed Rate
R1 Residential Basic Local Service	\$8.40	\$8.25
B1 Business Basic Local Service	14.25	14.00
Series Completion - Variable	2.00	0.00
Additional Series Completion	1.00	0.00
Series Completion - Fixed	2.00	0.00
Caller ID - Number	5.00	3.50
Call Party ID	7.00	5.00
Caller ID on CW	10.00	8.00
Call Waiting/Cancel Call Waiting	2.00	1.00
Adl Call Waiting/Cancel Call Waiting	1.00	0.00
Call Forwarding	2.00	1.00
Additional Call Forwarding	1.00	0.00
3-way Calling	2.00	1.00
Additional 3-way Calling	1.00	0.00
Alternate Line Number	2.00	1.00
Additional Alternate Line Number	1.00	0.00
Initial Service Order Charge	11.00	0.00
Programming Change Charge	8.00	0.00
Service Order Change Charge	7.00	0.00

**Citizens Telephone Company  
Rate Design Changes**

**3. Switched Access Rates – CCL** **(\$8,092)**

The Carrier Common Line (CCL) terminating rates for intrastate interLATA switched access will be reduced.

	Current Rate	Proposed Rate
CCL – Intrastate InterLATA Terminating	\$0.08198	\$0.07571

**4. Switched Access Rates – Local Transport** **(\$109,881)**

The intrastate local transport rates for the Intrastate interLATA and intraLATA will be reduced.

	Current Rate	Proposed Rate
Local Transport - IntraLATA	\$0.02048	\$0.011642
Local Transport - InterLATA	\$0.02048	\$0.011642

**TOTAL Rate Design Changes** **(\$183,291)**

**CITIZENS TELEPHONE COMPANY OF HIGGINSVILLE, MISSOURI**  
**DEPRECIATION RATES**  
**EARNINGS REVIEW**

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
2112	MOTOR VEHICLES	14.00%	7.1
2116	OTHER WORK EQUIPMENT	7.14%	14.0
2121	BUILDINGS	2.86%	35.0
2122	FURNITURE	7.14%	14.0
2123.1	OFFICE EQUIPMENT - OFFICE SUPPORT	10.00%	10.0
2123.2	OFFICE EQUIPMENT - CO. COMMUNICATIONS	11.90%	8.4
2124	GENERAL PURPOSE COMPUTERS	15.63%	6.4
2212	DIGITAL SWITCHING	6.67%	15.0
2232.1	CIRCUIT EQUIPMENT-DIGITAL	10.00%	10.0
2411	POLES	0.00%	-
2421.2	AERIAL CABLE-METALLIC	4.76%	21.0
2422.1	UNDERGROUND CABLE-NONMETALLIC	3.57%	28.0
2422.2	UNDERGROUND CABLE-METALLIC	3.85%	26.0
2423.1	BURIED CABLE-NONMETALLIC	3.57%	28.0
2423.2	BURIED CABLE-METALLIC	4.17%	24.0
2431.0	AERIAL WIRE	0.00%	-
2441	CONDUIT SYSTEMS	2.00%	50.0

Attachment B