UNITED TELEPHONE COMPANY OF MISSOURI
IMPACT OF 1986 TAX REFORM ACT
CASE NO. AO-87-48

On November 3, 1986, in Case No. AO-87-48, the Missouri Public Service Commission ordered United Telephone Company of Missouri (the Company or United) and others to provide information and supporting workpapers regarding the effect of the 1986 Tax Reform Act on the Company's jurisdictional operations. The Order further provided for the Company to file recommendations addressing procedural alternatives for 1986 Tax Reform Act. This response contains the effects on 1986 operations due March 2, 1987.

United's response filed December 15, 1986 was in three parts. This response is in two parts. Part I contains the responses to the specific reporting requirements set forth in the body of the Order. The reference numbers correspond to the numbered requirements in the Order.

Part II contains the workpapers supporting all the calculations.

PART I -- RESPONSES TO SPECIFIC REPORTING REQUIREMENTS

1. N/A

2. The revenue requirement showing the jurisdictional unadjusted 1986 operating results based upon the tax law in effect in 1987 is $24,813,895, a decrease of $533,024 over the revenue requirement based upon 1986 tax law.

3. The revenue requirement showing the jurisdictional unadjusted 1986 operating results based upon the tax law in effect in 1988 is $23,861,244, a decrease of $952,651 over the revenue requirement based upon 1987 tax law. Years subsequent to 1988 do not contain specific tax changes which would affect United.

4. Workpapers for the deferred tax reserves are provided in Part II.

5. Disaggregation of deferred tax expense and reserve information is contained in the workpapers in Part II.

6. The response to question 6 was filed December 15, 1986.

PART II -- WORKPAPERS

The complete workpapers supporting the calculations in the manner prescribed in the Order are attached.

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UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1986

Line No.		1986 INTRASTATE PER BOOKS	1987 TAX LAW CHANGES Annual	1987 TAX LAW CHANGES Cumulative	1988 TAX LAW CHANGES Annual	1988 TAX LAW CHANGES Cumulative
1	1986 INTRASTATE RATE BASE	110,234,077				
2	RATE OF RETURN AT AUTHORIZED RETURN ON EQUITY	11.80%				
3	1986 NET OPERATING INCOME REQUIREMENT	13,002,379	303,810	303,810	627,666	931,476
4	REVENUE CONVERSION FACTOR	1.94941		1.75447		1.59497
5	1986 INTRASTATE REVENUE REQUIREMENT	25,346,919				
6	EFFECT ON REVENUE REQUIREMENT		(533,024)	(533,024)	(952,651)	(1,485,675)
7	ADJUSTED 1986 REVENUE REQUIREMENT			24,813,895		23,861,244

CAPITAL STRUCTURE

8 CAPITAL STRUCTURE AUTHORIZED PER DOCKET TF-85-179

		% To Total	Cost Rate	Authorized Weighted Cost
9	Common Equity	58.11%	14.4%	8.37%
10	Long Term Debt	40.65%	8.69%	3.53%
11	Short Term Debt	1.24%	8.25%	0.10%
12	TOTAL CAPITAL	100.00%		12.00%

CURRENT CAPITAL STRUCTURE AT AUTHORIZED RETURN ON EQUITY

Balance Dec 31, 1986	% To Total	Cost Rate	Weighted Cost
85,801,315	55.45%	14.4%	7.99%
63,929,000	41.32%	8.69%	3.59%
5,000,000	3.23%	6.80%	0.22%
154,730,315	100.00%		11.80%

REVENUE CONVERSION FACTOR

		Federal Tax Rate 46.00%	Federal Tax Rate 40.00%	Federal Tax Rate 34.00%
13	Revenue Requirement	100.0000	100.0000	100.0000
14	Less : Uncollectible Revenues	0.0045	0.0045	0.0045
15	Factor to Equate Expense to Revenue	99.9955	99.9955	99.9955
16	State Income Tax At 5.00%	4.9998	4.9998	4.9998
17	Balance	94.9957	94.9957	94.9957
18	Federal Income Tax	43.6980	37.9983	32.2985
19	Sub - Total	51.2977	56.9974	62.6972
20	REVENUE CONVERSION FACTOR	1.9494	1.7545	1.5950

UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1986

		TOTAL COMPANY PER BOOKS (a)	Intrastate Factors (b)	1986 INTRASTATE PER BOOKS (c)	1987 TAX LAW CHANGES Annual Effect	1987 TAX LAW CHANGES Adjusted Amounts	1988 TAX LAW CHANGES Annual Effect	1988 TAX LAW CHANGES Adjusted Amounts	CUMULATIVE EFFECT
	INTRASTATE RATE BASE								
1	Telephone Plant In Service	282,599,258	0.672629	190,084,456					
2	Less : Depreciation Reserve	88,450,593	0.676328	59,821,613					
3	Net Telephone Plant	194,148,665		130,262,844					
4	Less : Deferred Taxes	29,121,810	0.672620	19,587,912					
5	Add : Material and Supplies	1,119,751	0.662808	742,180					
6	Add : Prepayments	224,141	0.707915	158,673					
7	Less : Cash Working Capital (-1.03% of Net Plant)	(1,999,731)		(1,341,707)					
8	TOTAL INTRASTATE RATE BASE	164,371,016		110,234,077		110,234,077		110,234,077	0
	INTRASTATE NET OPERATING INCOME								
9	Local Service	29,567,546		29,567,546					
10	Toll Revenues	33,596,633		30,050,670	(586,934)	29,463,736	(765,975)	28,697,761	(1,352,909)
11	Access Charge	45,192,949		12,642,331					
12	Miscellaneous	6,521,551		5,060,422					
13	Less: Uncollectible	395,792	0.886451	350,850					
14	Total Oper Revenue			76,970,118		76,383,184		75,617,209	
15	Maintenance	21,512,696	0.671440	14,444,485					
16	Depreciation	20,586,987	0.678338	13,966,292					
17	Traffic	5,669,069	0.729799	4,137,281					
18	Commercial	5,035,665	0.870828	4,385,198					
19	Marketing	761,501	0.870828	663,136					
20	General Office	13,534,184	0.714213	9,666,290					
21	Other Operating	8,786,849	0.702760	6,175,046					
22	Other Taxes	5,645,343	0.738978	4,171,784					
23	Total Oper Exp & Oth Taxes	81,534,294	0.706568	57,609,513		57,609,513		57,609,513	
24	PRE - TAX INCOME			19,360,606	(586,934)	18,773,672	(765,975)	18,007,697	
25	Current Federal Tax			3,913,818	13,480	3,927,298	(791,468)	3,135,830	(777,988)
26	Deferred Federal			1,982,907	(585,127)	1,397,781	(563,761)	834,019	(1,148,888)
27	Deferred ITC			(961,518)	(327,737)	(1,289,256)	(113)	(1,289,369)	(327,850)
28	Total Federal Income Tax			4,935,207	(899,385)	4,035,823	(1,355,342)	2,680,480	(2,254,727)
29	Current State Tax			585,879	26,015	611,894	(36,482)	575,413	(10,466)
30	Deferred State			232,356	(17,373)	214,982	(1,817)	213,164	(19,192)
31	Total State Income Tax			818,235	8,641	826,876	(38,299)	788,577	(29,658)
32	Total Income Tax			5,753,442	(890,744)	4,862,698	(1,393,641)	3,469,057	(2,284,385)
33	TOTAL OPERATING EXPENSE AND TAXES			63,362,955	(890,744)	62,472,211	(1,393,641)	61,078,570	
34	INTRASTATE NET OPERATING INCOME			13,607,163	303,810	13,910,973	627,666	14,538,639	931,476

UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1986

	EFFECT ON TOLL REVENUES	TOTAL COMPANY PER BOOKS (a)	Intrastate Factors (b)	1986 INTRASTATE PER BOOKS (c)	1987 TAX LAW CHANGES Annual Effect	Adjusted Amounts	1988 TAX LAW CHANGES Annual Effect	Adjusted Amounts	CUMULATIVE EFFECT
1	Telephone Plant (100.1.2.3.4)	286,155,879	0.244655	70,009,467					
2	Less : Depreciation Reserve	88,446,271	0.243417	21,529,326					
3	Net Telephone Plant	197,709,608		48,480,141					
4	Less : Deferred Taxes	29,121,810	0.243948	7,104,207					
5	Add : Material and Supplies	1,119,751	0.229497	256,979					
6	Total Rate Base for Toll	169,707,549		41,632,913					
7	Toll Rate of Return Per Cost Study			12.8235%					
8	Return (Net Operating Income)			5,338,797					
9	Interest Charged Construction	305,944	0.072375	22,143					
10	Return Includable In Rev Req			5,316,654		5,316,654		5,316,654	
11	Interest Expense Per Books	5,770,163	0.245241	1,415,081		1,415,081		1,415,081	
12	Other Income and Adjustments	(646,640)	0.244181	(157,897)		(257,218)		103,005	
13	Investment Tax Credit	1,878,612	0.243981	458,346		453,246		453,246	
14	FIT Base (Return-FC-OIA-ITC)			3,601,125		3,705,546		3,345,322	
15	FIT Tax (Base X Rate / 1-Rate)			3,067,625		2,470,364		1,723,348	
16	Investment Tax Credit			458,346		453,246		453,246	
17	FIT (FIT Base - ITC)			2,609,279		2,017,118		1,270,102	
18	SIT Base (FIT Base+FIT+ITC)			4,059,471		4,158,792		3,798,568	
19	SIT Tax At 5.00 %			213,656		218,884		199,925	
20	Toll Revenue Requirement			8,139,390		7,552,656		6,786,680	
21	Add: Toll Revenues From Expenses & Other Tax			19,620,249		19,620,249		19,620,249	
	(Factor X Books)	0.240638	81,534,294						
21a	Adjust for True-Ups Booked			2,609,361		2,609,361		2,609,361	
21b	Remove Interstate Adjustments Booked for 1983 and Prior			(318,530)		(318,530)		(318,530)	
22	CHANGE IN TOLL REVENUES DUE TO TAX EFFECT			30,050,670	(586,934)	29,463,736	(765,975)	28,697,761	(1,352,909)
	Total Other Income & Adjustments			(646,640)		(1,053,392)		421,839	
	Toll Factor			0.244181		0.244181		0.244181	
	Intrastate Other Income & Adjustments			(157,897)		(257,218)		103,005	
	Total Investment Tax Credit			1,878,612		1,857,710		1,857,710	
	Toll Factor			0.243981		0.243981		0.243981	
	Intrastate Investment Tax Credit			458,346		453,246		453,246	

UNITED TELEPHONE COMPANY OF MISSOURI
REVENUE REQUIREMENT EFFECT OF 1986 TAX REFORM ACT
CALENDAR YEAR - 1986

INTEREST EXPENSE PER BOOKS	(Not Used)	5,770,163	0.671270		3,873,337

INTEREST IMPUTATION

Intrastate Rate Base				110,234,077	
Plant Under Construction	2,720,024	0.672629		1,829,567	
Total				112,063,644	
WEIGHTED COST OF DEBT :					
UTC of Mo LTD			3.59%		
UTC of Mo STD			0.22%		
Parent Co LTD			0.61%		
Parent Co STD			0.28%		
Total Weighted Cost of Debt				4.70%	
IMPUTED INTEREST REDUCTION (Interest Synchronization)					5,266,025

	Balance Dec 31, 1986	% To Total	Cost Rate	Weighted Cost
UTC of Mo Equity	85,801,315	55.45%	14.41%	7.99%
UTC of Mo LTD	63,929,000	41.32%	8.69%	3.59%
UTC of Mo STD	5,000,000	3.23%	6.80%	0.22%
	154,730,315	100.00%		11.80%

	000 OMITTED (Per 85-179 Sch FA-34)	Parent Co % to Total	% UTC of Mo Equity %	Parent Co Cost Rates	WEIGHTED COST
Parent Co Equity	1,849,146	81.71%	45.31%	15.54%	7.04%
Parent Co LTD	255,002	11.27%	6.25%	9.77%	0.61%
Parent Co STD	128,432	5.68%	3.15%	8.85%	0.28%
Parent Co Pref Stk	30,400	1.34%	0.74%	7.75%	0.06%
	2,262,980	100.00%	55.45%	14.41%	7.99%

UNITED TELEPHONE COMPANY OF MISSOURI
Reconciliation of Federal Income Tax----Operating-Intrastate
For the Year 1986, Using the tax rate of 46%

Line Number		Column 1	Column 2 Intrastate Factor	Column 3 Intrastate Amount	Column 4 State Current Tax @ 5.0	Column 5 Federal Current Tax @ 46%	Column 6 Permanent differences & flo-thru items	Column 7 State Deferred Tax @ 5.0	Column 8 Federal Deferred Tax @ 46%
1a	Income before all Income Tax (Intrastate Amount)			19,360,606					
1b	Less : Imputed Interest			5,266,025					
1c	INTRASTATE TAXABLE INCOME			14,094,581	704,729	6,159,332			
2	Permanent book/tax differences-add (deduct)								
3	Meals & Entertainment	0	70.2760%	0	0	0		0	0
4	Non-Deductible Insurance Premium	33,854	70.2760%	23,791	1,190	10,397	23,791	0	0
5	Other: IDC - Bldgs.	16,697	68.5559%	11,447	572	5,002	11,447	0	0
6	Timing differences - add (deduct)								
7	Allowable depreciation	(22,744,745)	67.8338%	(15,428,625)	(771,431)	(6,742,309)	(910,884)	725,887	6,344,253
8	Depr. chgd. to clearing account	(296,671)	67.8338%	(201,243)	(10,062)	(87,943)		10,062	87,943
9	S/L tax depreciation	18,135,540	67.8338%	12,302,031	615,102	5,375,988		(615,102)	(5,375,988)
10	S/L tax depreciation (Adj for Captd Taxes & Pensions)	0	67.8338%	0	0	0		0	0
11	Other depreciation	2,787,942	67.8338%	1,891,167	94,558	826,440	1,891,167	0	0
12	Other depreciation (Adjust for Captd Taxes & Pensions)	0	67.8338%	0	0	0		0	0
13	Interest chgd. construction: current year	0	68.5559%	0	0	0		0	0
14	amortization of CY & prior year	0	68.5559%	0	0	0		0	0
15	Capitalized taxes & pensions: current year	(1,025,558)	70.2760%	(720,721)	(36,036)	(314,955)	(720,721)	0	0
16	amortization of CY & prior year	0	68.5559%	0	0	0		0	0
17	Cost of Removal	(588,212)	67.6328%	(397,824)	(19,891)	(173,849)	(397,824)	0	0
18	Station connection expense: current year	1,198,519	67.1440%	804,734	40,237	351,669		(40,237)	(351,669)
19	amortization of CY & prior year	(1,348,209)	67.1440%	(90[illegible],241)	(45,262)	(395,591)		45,262	395,59[illegible]
20	Gain on repurchase of LTDs current year	0	70.2760%	0	0	0		0	[illegible]
21	amortization of CY & prior year	0	70.2760%	0	0	0		0	0
22	Gain from salvage on fully-depreciated assets	411,321	67.8338%	279,015	13,951	121,929		(13,951)	(121,929)
23	Vacation accrual	0	70.2760%	0	0	0		0	0
24	Interstate FCC Revenue Reserve	0	0.0000%	0	0	0		0	0
25	IRS Interest		67.1270%						
26	Accrual-not currently deductible	131,147	67.1270%	88,035	4,402	38,471		(4,402)	(38,471)
27	Paid-currently deductible	(5,051)	67.1270%	(3,391)	(170)	(1,482)		170	1,482
28	Deferred directory advertising	0	100.0000%	0	0	0		0	0
29	Deferred officer compensation & interest	15,963	70.2760%	11,218	561	4,902	11,218	0	0
30	Reserve for uncollectible accounts	0	88.6451%	0	0	0		0	0
31	Bad Debts	0	88.6451%	0	0	0		0	0
32	ITC on leased property as income	2,465	67.2311%	1,657	83	724	1,657	0	0
33	Acquisition adjustment	0		0	0	0		0	0
34	CWE costs: current year	409,327	67.1440%	274,839	13,742	120,104		(13,742)	(120,104)
35	amortization of CY & prior year	(270,904)	67.1440%	(181,896)	(9,095)	(79,488)		9,095	79,488
36	Equal Access Costs	(22,540)	67.1440%	(15,134)	(757)	(6,614)		757	6,614
37	WRP	(60,783)	70.2760%	(42,716)	(2,136)	(18,667)		2,136	18,667
38	EIPP	(15,700)	70.2760%	(11,033)	(552)	(4,822)		552	4,822
39	KMSIP	0	70.2760%	0	0	0		0	0
40	Missouri Partnership	(2,644,163)	100.0000%	(2,644,163)	(132,208)	(1,155,499)		132,208	1,155,499
41	Neighborhood Assistance	0	0.0000%	0	0	0	0	0	0
42	Total Tax Effect	(5,879,753)		(4,864,054)	461,526	4,033,740	(90,149)	238,695	2,086,197

UNITED TELEPHONE COMPANY OF MISSOURI
Reconciliation of Federal Income Tax----Operating-Intrastate
For the Year 1986, Using the tax rate of 46%

Line Number Continued		Intrastate Factor	Column 1 Current Federal	Column 2 Deferred Federal	Column 3 Deferred ITC	Column 4 Total Federal	Column 5 State Current	Column 6 State Deferred	Column 7 State Total	Column 8 Total State & Fed
43	Totals		4,033,740	2,086,197		6,119,937	461,526	238,695	700,222	6,820,158
										0
										0
44	Adjustments of prior year taxes due to:		143,078	(134,611)	2,167	11,434	123,142	(13,429)	109,713	121,147
45	Adjust 1985 Tax to Actual	67.2311%	12,001	(12,001)		0				0
46	Current/Deferred GS&L Reclass	67.2311%		113		113		(432)	(432)	(319)
47	State Tax Rate Change	67.2311%					1,211	(1,211)	0	0
48	Reclass RAR	67.2311%							0	0
										0
										0
										0
										0
										0
										0
49	Current year credits:		(341,903)		341,903	0				0
50	ITC before recapture & amortization	67.2311%	65,302		(65,302)	0				0
51	ITC recapture	67.2311%			22,725	22,725				22,725
52	ITC Recapture-Effect on Amortization	67.2311%			(1,263,012)	(1,263,012)				(1,263,012)
53	Amortization of deferred ITC	67.2311%		76,323		76,323		8,733	8,733	85,055
54	ITC basis reduction-amort of exp-owned	67.2311%								0
										0
55	Others:			(32,313)		(32,313)				(32,313)
56	Effect of Timing Dif Reversing at 48%	67.2311%								0
										0
										0
57	Other adjustments:									0
58	Totals		3,913,818	1,982,907	(961,518)	4,935,207	585,679	232,356	818,235	5,753,442
59					Federal Basc	13,276,346		State Base	14,094,581	
60					Eff FIT Rate	46.10%		Eff SIT Rate	5.81%	

UNITED TELEPHONE COMPANY OF MISSOURI
Reconciliation of Federal Income Tax----Operating-Intrastate
For the Year 1987, Using the tax rate of 40%

Line Number		Column 1	Column 2 Intrastate Factor	Column 3 Intrastate Amount	Column 4 State Current Tax @ 5.0	Column 5 Federal Current Tax @ 40%	Column 6 Permanent differences & flo-thru items	Column 7 State Deferred Tax @ 5.0	Column 8 Federal Deferred Tax @ 40%
1a	Income before all Income Tax (Intrastate Amount)			18,773,672					
1b	Less : Imputed Interest			5,266,025					
1c	INTRASTATE TAXABLE INCOME			13,507,647	675,382	5,132,906			
2	Permanent book/tax differences-add (deduct)								
3	Meals & Entertainment	87,000	70.2760%	61,140	3,057	23,233	61,140	0	0
4	Non-Deductible Insurance Premium	33,854	70.2760%	23,791	1,190	9,041	23,791	0	0
5	Other: IDC - Bldgs.	16,697	68.5559%	11,447	572	4,350	11,447		
6	Timing differences - add (deduct)								
7	Allowable depreciation	(22,850,121)	67.8338%	(15,500,105)	(775,005)	(5,890,040)	(910,884)	729,461	5,543,904
8	Depr. chgd. to clearing account	(296,671)	67.8338%	(201,243)	(10,062)	(76,472)		10,062	76,472
9	S/L tax depreciation	18,135,548	67.8338%	12,302,031	615,102	4,674,772		(615,102)	(4,674,772)
10	S/L tax depreciation (Adj for Captd Taxes & Pensions)	32,595	67.8338%	22,110	1,106	8,402		(1,106)	(8,402)
11	Other depreciation	2,787,942	67.8338%	1,891,167	94,558	718,643	1,891,167	0	0
12	Other depreciation (Adjust for Captd Taxes & Pensions)	(32,595)	67.8338%	(22,110)	(1,106)	(8,402)	(22,110)	0	0
13	Interest chgd. construction: current year	0	68.5559%	0	0	0		0	0
14	amortization of CY & prior year	0	68.5559%	0	0	0		0	0
15	Capitalized taxes & pensions: current year	0	70.2760%	0	0	0		0	0
16	amortization of CY & prior year	0	68.5559%	0	0	0		0	0
17	Cost of Removal	(588,212)	67.6328%	(397,824)	(19,891)	(151,173)	(397,824)	0	0
18	Station connection expense: current year	1,198,519	67.1440%	804,734	40,237	305,799		(40,237)	(305,799)
19	amortization of CY & prior year	(1,348,209)	67.1440%	(905,241)	(45,262)	(343,992)		45,262	343,992
20	Gain on repurchase of LTD: current year	0	70.2760%	0	0	0		0	0
21	amortization of CY & prior year	0	70.2760%	0	0	0		0	0
22	Gain from salvage on fully-depreciated assets	411,321	67.8338%	279,015	13,951	106,026		(13,951)	(106,026)
23	Vacation accrual	513,000	70.2760%	360,516	18,026	136,996		(18,026)	(136,996)
24	Interstate FCC Revenue Reserve	0	0.0000%	0	0	0		0	0
25	IRS Interest		67.1270%						
26	Accrual-not currently deductible	131,147	67.1270%	88,035	4,402	33,453		(4,402)	(33,453)
27	Paid-currently deductible	(5,051)	67.1270%	(3,391)	(170)	(1,288)		170	1,288
28	Deferred directory advertising	0	100.0000%	0	0	0		0	0
29	Deferred officer compensation & interest	15,963	70.2760%	11,218	561	4,263	11,218	0	0
30	Reserve for uncollectible accounts	0	88.6451%	0	0	0		0	0
31	Bad Debts (\$164,000*25%)	41,000	88.6451%	36,344	1,817	13,811		(1,817)	(13,811)
32	ITC on leased property as income	2,465	67.2311%	1,657	83	630	1,657	0	0
33	Acquisition adjustment	0	0.0000%	0	0	0		0	0
34	COE costs: current year	409,327	67.1440%	274,839	13,742	104,439		(13,742)	(104,439)
35	amortization of CY & prior year	(270,904)	67.1440%	(181,896)	(9,095)	(69,120)		9,095	69,120
36	Equal Access Costs	(22,540)	67.1440%	(15,134)	(757)	(5,751)		757	5,751
37	WRP	(60,783)	70.2760%	(42,716)	(2,136)	(16,232)		2,136	16,232
38	EIPP	(15,700)	70.2760%	(11,033)	(552)	(4,193)		552	4,193
39	KMSIP	0	70.2760%	0	0	0		0	0
40	Missouri Partnership	(2,644,163)	100.0000%	(2,644,163)	(132,208)	(1,004,782)		132,208	1,004,782
41		0	0.0000%	0	0	0	0	0	0
42	Total Tax Effect	(4,318,571)		(3,756,813)	487,542	3,705,317	669,602	221,321	1,682,038

UNITED TELEPHONE COMPANY OF MISSOURI
Reconciliation of Federal Income Tax----Operating-Intrastate
For the Year 1987, Using the tax rate of 40%

Line Number Continued		Intrastate Factor	Column 1 Current Federal	Column 2 Deferred Federal	Column 3 Deferred ITC	Column 4 Total Federal	Column 5 State Current	Column 6 State Deferred	Column 7 State Total	Column 8 Total State & Fed
43	Totals		3,705,317	1,682,038		5,387,355	487,542	221,321	708,862	6,096,217
										0
44	Adjustments of prior year taxes due to:									0
45	Adjust 1985 Tax to Actual	67.2311%	143,878	(134,611)	2,167	11,434	123,142	(13,429)	109,713	121,147
46	Current/Deferred BS&L Reclass	67.2311%	12,801	(12,801)		0				0
47	State Tax Rate Change	67.2311%			113	113		(432)	(432)	(319)
48	Reclass RAR	67.2311%					1,211	(1,211)	0	0
										0
										0
										0
										0
										0
										0
49	Current year credits:									0
50	ITC before recapture & amortization	67.2311%	0		0	0				0
51	ITC recapture	67.2311%	65,302		(65,302)	0				0
52	ITC Recapture-Effect on Amortization	67.2311%			22,725	22,725				22,725
53	Amortization of deferred ITC	67.2311%			(1,248,959)	(1,248,959)				(1,248,959)
54	ITC basis reduction-amort of exp-owned	67.2311%		71,572		71,572		8,733	8,733	80,304
										0
55	Other:									0
56	Effect of Timing Dif Reversing at 40%	67.2311%		(208,416)		(208,416)				(208,416)
										0
										0
57	Other adjustments:									0
										0
58	Totals		3,927,298	1,397,781	(1,289,256)	4,035,823	611,894	214,982	826,876	4,862,698
59										
60										

Federal Base	12,690,771	State Base	13,507,647
Eff FIT Rate	42.48%	Eff SIT Rate	6.12%

UNITED TELEPHONE COMPANY OF MISSOURI
Reconciliation of Federal Income Tax----Operating-Intrastate
For the Year 1989, Using the tax rate of 34%

Line Number		Column 1	Column 2 Intrastate Factor	Column 3 Intrastate Amount	Column 4 State Current Tax @ 5.0	Column 5 Federal Current Tax @ 34%	Column 6 Permanent differences & flo-thru items	Column 7 State Deferred Tax @ 5.0	Column 8 Federal Deferred Tax @ 34%
1a	Income before all Income Tax (Intrastate Amount)			18,007,697					
1b	Less : Imputed Interest			5,266,025					
1c	INTRASTATE TAXABLE INCOME			12,741,672	637,084	4,115,560			
2	Permanent book/tax differences-add (deduct)								
3	Meals & Entertainment	87,000	70.2760%	61,140	3,057	19,748	61,140	0	0
4	Non-Deductible Insurance Premium	33,854	70.2760%	23,791	1,190	7,685	23,791	0	0
5	Other: IDC - Bldgs.	16,697	68.5559%	11,447	572	3,697	11,447	0	0
6	Timing differences - add (deduct)								
7	Allowable depreciation	(22,850,121)	67.8338%	(15,500,105)	(775,005)	(5,006,534)	(910,884)	729,461	4,712,319
8	Depr. chgd. to clearing account	(296,671)	67.8338%	(201,243)	(10,062)	(65,002)		10,062	65,002
9	S/L tax depreciation	18,135,548	67.8338%	12,302,031	615,102	3,973,556		(615,102)	(3,973,556)
10	S/L tax depreciation (Adj for Captd Taxes & Pensions)	32,595	67.8338%	22,110	1,106	7,142		(1,106)	(7,142)
11	Other depreciation	2,787,942	67.8338%	1,891,167	94,558	610,847	1,891,167	0	0
12	Other depreciation (Adjust for Captd Taxes & Pensions)	(32,595)	67.8338%	(22,110)	(1,106)	(7,142)	(22,110)	0	0
13	Interest chgd. construction: current year	0	68.5559%	0	0	0		0	0
14	amortization of CY & prior year	0	68.5559%	0	0	0		0	0
15	Capitalized taxes & pensions: current year	0	70.2760%	0	0	0		0	0
16	amortization of CY & prior year	0	68.5559%	0	0	0		0	0
17	Cost of Removal	(588,212)	67.6328%	(397,824)	(19,891)	(128,497)	(397,824)	0	0
18	Station connection expenses: current year	1,198,519	67.1440%	804,734	40,237	259,929		(40,237)	(259,929)
19	amortization of CY & prior year	(1,348,209)	67.1440%	(905,241)	(45,262)	(292,393)		45,262	292,393
20	Gain on repurchase of LTD: current year	0	70.2760%	0	0	0		0	0
21	amortization of CY & prior year	0	70.2760%	0	0	0		0	0
22	Gain from salvage on fully-depreciated assets	411,321	67.8338%	279,915	13,951	90,122		(13,951)	(90,122)
23	Vacation accrual	513,000	70.2760%	360,516	18,026	116,447		(18,026)	(116,447)
24	Interstate FCC Revenue Reserve	0	0.0000%	0	0	0		0	0
25	IRS Interest		67.1270%						
26	Accrual-not currently deductible	131,147	67.1270%	88,035	4,402	28,435		(4,402)	(28,435)
27	Paid-currently deductible	(5,051)	67.1270%	(3,391)	(170)	(1,095)		170	1,095
28	Deferred directory advertising	0	100.0000%	0	0	0		0	0
29	Deferred officer compensation & interest	15,963	70.2760%	11,218	561	3,623	11,218	0	0
30	Reserve for uncollectible accounts	0	88.6451%	0	0	0		0	0
31	Bad Debts ($164,000*50%)	82,000	88.6451%	72,689	3,634	23,479		(3,634)	(23,479)
32	ITC on leased property as income	2,465	67.2311%	1,657	83	335	1,657	0	0
33	Acquisition adjustment	0	0.0000%	0	0	0		0	0
34	COE costs: current year	409,327	67.1440%	274,839	13,742	88,773		(13,742)	(88,773)
35	amortization of CY & prior year	(270,904)	67.1440%	(181,896)	(9,095)	(58,752)		9,095	58,752
36	Equal Access Costs	(22,540)	67.1440%	(15,134)	(757)	(4,888)		757	4,888
37	WRP	(60,783)	70.2760%	(42,716)	(2,136)	(13,797)		2,136	13,797
38	EIPP	(15,700)	70.2760%	(11,033)	(552)	(3,564)		552	3,564
39	KMSIP	0	70.2760%	0	0	0		0	0
40	Missouri Partnership	(2,644,163)	100.0000%	(2,644,163)	(132,208)	(854,065)		132,208	854,065
41		0	0.0000%	0	0	0	0	0	0
42	Total Tax Effect	(4,277,571)		(3,720,469)	451,060	2,913,849	669,602	219,504	1,417,993

UNITED TELEPHONE COMPANY OF MISSOURI
Reconciliation of Federal Income Tax----Operating-Intrastate
For the Year 1988, Using the tax rate of 34%

Line Number Continued		Intrastate Factor	Column 1 Current Federal	Column 2 Deferred Federal	Column 3 Deferred ITC	Column 4 Total Federal	Column 5 State Current	Column 6 State Deferred	Column 7 State Total	Column 8 Total State & Fed
43	Totals		2,913,849	1,417,993		4,331,841	451,060	219,504	670,564	5,002,405
										0
44	Adjustments of prior year taxes due to:									0
45	Adjust 1985 Tax to Actual	67.2311%	143,878	(134,611)	2,167	11,434	123,142	(13,429)	109,713	121,147
46	Current/Deferred GS&L Reclass	67.2311%	12,801	(12,801)		0				0
47	State Tax Rate Change	67.2311%		113		113		(432)	(432)	(319)
48	Reclass RAR	67.2311%					1,211	(1,211)	0	0
										0
										0
										0
										0
										0
										0
49	Current year credits:									0
50	ITC before recapture & amortization	67.2311%	0		0	0				0
51	ITC recapture	67.2311%	65,302		(65,302)	0				0
52	ITC Recapture-Effect on Amortization	67.2311%			22,725	22,725				22,725
53	Amortization of deferred ITC	67.2311%			(1,248,959)	(1,248,959)				(1,248,959)
54	ITC basis reduction-amort of exp-owned	67.2311%		60,836		60,836		8,733	8,733	69,569
										0
55	Other:									0
56	Effect of Timing Dif Reversing at 40%	67.2311%		(497,510)		(497,510)				(497,510)
										0
										0
57	Other adjustments:									0
										0
58	Totals		3,135,030	834,019	(1,269,369)	2,680,480	575,413	213,164	788,577	3,469,057
59					Federal Base	11,953,095		State Base	12,741,672	
60					Eff FIT Rate	36.24%		Eff SIT Rate	6.19%	