

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

In the Matter of the Investigation into the
Earnings of Steelville Telephone
Exchange, Inc.

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Case No. IR-2004-

STIPULATION AND AGREEMENT

The Staff of the Missouri Public Service Commission (Staff) has conducted an investigation into the earnings of Steelville Telephone Exchange, Inc. (STE). Staff's audit was based upon the twelve months ending December 31, 2001, updated for known and measurable changes occurring during 2002. Upon completion of its earnings audit, the Staff began discussions with STE. 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 \$330,441 on an annual basis.

2. **Rate Design:** This overall reduction in revenues is to be accomplished by a reduction in intraLATA terminating rates and interLATA terminating rates, and a reduction in charges for 9-1-1 related services. These adjustments are more specifically set forth in Appendix A, which is attached hereto and incorporated herein by reference.

STE will prepare draft tariff sheets incorporating the rate changes identified in Appendix A and provide such drafts to the Staff no later than August 1, 2003. Permanent tariff sheets will not be filed with the Commission until after the Commission approves the Stipulation and Agreement. The tariff sheets will show an effective date no later than 30 days from the effective date of the Order.

3. **Depreciation:** Beginning upon the effective date of an Order approving this Agreement, STE shall accrue depreciation expense based on the depreciation rates set forth in Appendix B, which is attached hereto and incorporated herein by reference. The Staff used these depreciation rates to calculate the Company's revenue requirement.

During the test year, Steelville recognized the early retirement of its Stromberg-Carlson digital switch to include the associated trucking and subscriber equipment. The Staff and Steelville agree that the Company be allowed to recover the early retirement of the Stromberg-Carlson digital switch and associated equipment over the average service life of the respective plant account (Account 2212 - Digital Electronic Switching). The early retirement will be recovered through current depreciation rates (6.67 percent) over a 15-year period.

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

5. 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.

6. 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.

7. 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 pursuant to Section 536.070(2) RSMo. 2000 to present testimony and to cross-examine witnesses; and pursuant to Section 536.080 RSMo. 2000 their respective rights to provide written briefs, to present oral argument, and to the reading of the transcript by the Commission; and their respective rights to judicial review of the Commission's Report and Order in this case pursuant to Section 386.510 RSMo. 2000.

8. 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.

9. 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.

10. 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



Eric Anderson, MO Bar # 47253
Associate General Counsel
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-7485 - Telephone
(573) 751-9285 - Fax
e-mail: ericanderson@psc.state.mo.us

FOR: Staff of the
Missouri Public Service Commission



W.R. England III
Missouri Bar No. 23975
BRYDON, SWEARENGEN
& ENGLAND PC
312 E. Capitol Avenue
P. O. Box 456
Jefferson City, MO 65102
(573) 635-7166 (Telephone)
(573) 635-0427 (Fax)
e-mail: trip@brydonlaw.com

FOR: Steelville Telephone Exchange, Inc.

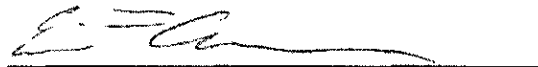


Michael F. Dandino,
MO Bar #24590
Office of Public Counsel
P. O. Box 7800
Jefferson City, MO 65102
(573) 751-5559 - Telephone
(573) 751-5562 - Fax
e-mail: mdandino@ded.state.mo.us

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 emailed to all counsel of record this 23rd day of July 2003.



**Steelville Telephone Exchange, Inc.
Rate Design Changes**

1 Introduce new tariff for E911 Trunks (\$13,477)

Steelville will introduce a new section in its local tariff to specifically tariff the provisions of trunks for E911 service. The portion of those trunks provided by Steelville will be tarified at a rate of \$25.00 per month per trunk.

2. Switched Access Rates (\$316,964)

The Carrier Common Line (CCL) terminating rates for the Intrastate interLATA and intraLATA will be reduced. The following terminating switched access rates will be established.

Rate	Current Rate	Proposed Rate
CCL – InterLATA Terminating	\$0.11520	\$0.06980
CCL – IntraLATA Terminating	\$0.11520	\$0.06980

TOTAL Rate Design Changes (\$330,441)

**Steelville Telephone Exchange Company
Depreciation**

Line	Account	Description	Current Rates	Recommended Rates	Difference
1	General Support				
2	2110.010	Land	N/A	N/A	N/A
3	2110.020	Land Improvements	2.80%	0.00%	-2.80%
4	2112.000	Vehicle	10.23%	11.63%	1.40%
5	2116.020	Other Work Equipment - Small Tools	6.71%	7.14%	0.43%
6	2116.035	Mobile Telephones	6.71%	6.71%	0.00%
7	2116.040	Trenchers/Mowers	6.71%	7.14%	0.43%
8	2121.000	Building	2.80%	2.86%	0.06%
9	2122.000	Furniture	6.71%	7.14%	0.43%
10	2123.000	Office Equipment	9.70%	10.00%	0.30%
11	2124.000	Computers	13.59%	15.63%	2.04%
12					
13	Operating Plant				
14	2212.000	C.O. Digital Equipment	6.67%	6.67%	0.00%
15	2231.040	Mobilephone Equipment	8.67%	8.85%	0.18%
16	2232.010	Trunk Equipment	10.30%	10.00%	-0.30%
17	2232.020	Subscriber Equipment	10.30%	10.00%	-0.30%
18	2232.030	Fiber Terminal Equipment	10.30%	10.00%	-0.30%
19	2232.040	DSL Equipment	10.30%	10.00%	-0.30%
20	2311.000	Station Apparatus Private Line	8.74%	0.00%	-8.74%
21	2411.000	Pole	6.19%	1.00%	-5.19%
22	2412.000	Intrabuilding Network Cable	5.10%	3.57%	-1.53%
23	2421.010	Aerial Cable	5.52%	4.76%	-0.76%
24	2421.020	Aerial Drop	6.76%	4.76%	-2.00%
25	2422.010	Underground Copper Cable	4.04%	3.85%	-0.19%
26	2422.012	Underground Fiber-Optic Cable	3.75%	3.57%	-0.18%
27	2423.010	Buried Cable	4.29%	4.17%	-0.12%
28	2423.011	Buried Drops	4.86%	4.17%	-0.69%
29	2423.012	Fiber-optic Cable - Buried	3.68%	3.57%	-0.11%
30	2431.000	Aerial Wire	14.17%	0.00%	-14.17%
31	2441.010	Conduit	2.00%	2.00%	0.00%

Appendix B