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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 4th day of August, 1998.

In the Matter of the Investigation into the Earnings of Fidelity Telephone Company and Bourbeuse Telephone Company.)
) Case No. TR-98-344
)
)

ORDER APPROVING STIPULATION AND AGREEMENT

The Staff of the Commission (Staff), Fidelity Telephone Company, and Bourbeuse Telephone Company (Fidelity/Bourbeuse) filed a Stipulation and Agreement (Agreement) and a Motion to Open Docket on February 13, 1998. The motion stated that Staff had conducted an audit of Fidelity/Bourbeuse's earnings and, as a result, Staff and the companies agreed to a decrease in revenues of \$799,923 per year. The rate elements to be decreased are set out in the Agreement and specifically described in Attachment A. Staff and Fidelity/Bourbeuse are the only signatories.

Southwestern Bell Telephone Company (SWBT) and AT&T Communications of the Southwest, Inc. (AT&T) filed timely applications to intervene which were granted on April 8. The parties met in a prehearing conference after which they advised the Commission that the parties were not requesting an evidentiary hearing regarding the reasonableness of the Agreement. SWBT, AT&T, and the Office of the Public Counsel (OPC) all filed letters advising the Commission that they had no objection to approval of the Agreement without hearing.

The Agreement proposed by the parties, and included with this order as Exhibit 1, was the result of an earnings investigation undertaken by Staff and subsequent negotiations between Staff and

Fidelity/Bourbeuse. Staff conducted a per book review of Fidelity/Bourbeuse's earnings based on the 12 months ending December 31, 1996, and updated for known and measurable changes occurring during 1997. Central to the agreed-upon result is a proposed merger between Fidelity and Bourbeuse that would permit rate consolidation and an expanded calling scope for end users. The proposed merger is pending before the Commission as Case No. TM-98-444.

The Agreement calls for Fidelity and Bourbeuse to merge and eliminate all toll charges for calls between their exchanges. This would increase the calling scope of their end users to 15,248 lines and decrease the combined company's revenues by \$330,955 annually. After the merger, Bourbeuse's rates will be changed to match Fidelity's. This adjustment will result in increases in residential and business rates for local service, with a net increase in revenues of \$49,717 per year. However, intraLATA toll rates will be reduced significantly, reducing overall revenues by \$132,381 per year.

End user charges for Touch-tone service will be eliminated, and rates for ten vertical services, such as call waiting and caller ID, will be reduced. In addition, rates for E911 trunks will be reduced and educational institutions will receive a 50 percent discount. The combined effect of these reductions will be a decrease in revenues of \$87,687 per year. Fidelity/Bourbeuse will also eliminate an existing surcharge on foreign exchange private lines, used primarily by businesses, for a further revenue reduction of \$24,629 annually.

Fidelity/Bourbeuse will upgrade its system by replacing all its analog equipment with digital equipment at a cost of \$275,000. The net revenue impact of these upgrades will be a revenue reduction of \$50,000 per year.

The largest single impact on Fidelity/Bourbeuse's rates provided for by the Agreement is the implementation of parity between originating and terminating access rates. Making this change will reduce revenues by \$224,081 annually.

The Commission has reviewed the proposed Agreement and its official case file and finds that the Stipulation and Agreement filed by Staff and Fidelity/Bourbeuse should be approved without an evidentiary hearing. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing, the Commission may grant the relief requested based on the Agreement submitted and the filed letters stating the intentions of the intervenors. The Commission may accept a Stipulation and Agreement offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1997.

The Commission finds that the merger proposed between Fidelity and Bourbeuse will permit a consolidation of rates and expanded calling scope that will produce more efficient operations and provide value to the end users of both companies by expanding the local calling scope. Increases in basic local service costs to Bourbeuse's customers will be more than offset by these advantages and by other rate reductions, particularly intraLATA toll reductions, and by the improvement in service attendant upon the installation of digital equipment. The Commission finds that the implementation of parity between originating and terminating access rates is in keeping with the move to a more competitive toll market. The Commission will direct Fidelity/Bourbeuse to file tariffs

to implement the revenue changes approved. Because implementation is dependent upon the successful completion of the merger between Fidelity and Bourbeuse, the tariff sheets will not be due until the merger has been approved and the necessary transactions completed.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the Staff of the Commission, Fidelity Telephone Company, and Bourbeuse Telephone Company on February 13, 1998, is approved. The Agreement shall become effective on the effective date of tariffs filed in conformance with this order to implement the authorized rate changes.

2. That Fidelity Telephone Company and Bourbeuse Telephone Company shall file 30-day tariff sheets designed to implement the rate changes set out in the Stipulation and Agreement approved by this order no later than ten days after the parties have advised the Commission by appropriate notice that the merger between them, proposed in Case No. TM-98-444, has been approved by the Commission and the necessary transactions completed.

3. That this order shall become effective on August 14, 1998.

BY THE COMMISSION

(S E A L)



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Lumpe, Ch., Drainer, Murray
and Schemenauer, CC., concur.
Crumpton, C., absent.

Wickliffe, Deputy Chief Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
FEB 13 1998
MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of the investigation into the)
earnings of Fidelity Telephone Company) Case No. TR-98-344
and Bourbeuse Telephone Company.)

STIPULATION AND AGREEMENT

In May of 1997, the Staff of the Missouri Public Service Commission (Staff) began a per books review of the earnings of Fidelity Telephone Company (Fidelity) and Bourbeuse Telephone Company (Bourbeuse) (or collectively referred to as Companies). Staff's audit was based upon the twelve (12) months ending December 31, 1996, updated for known and measurable changes occurring during 1997. Upon completion of its preliminary earnings analysis, the Staff began discussions with the Companies. As a result of extensive negotiations, the signatories hereto stipulate and agree as follows:

1. The Companies' gross intrastate revenues will be reduced by approximately \$799,923 on an annual basis.
2. This overall reduction in revenues occurs partially as a result of the Companies' commitment to invest approximately \$275,000 in digital carrier equipment which will eliminate all analog carrier equipment currently existing in the Companies' networks. (The annual revenue impact associated with this investment is approximately \$50,000.)
3. The remaining reduction in gross intrastate revenues (i.e., \$749,923) is to be accomplished as a result of changes in intrastate rates as more specifically set forth in Attachment A, which is attached hereto and incorporated herein by reference.
4. The Companies will prepare draft tariff sheets incorporating the rate changes identified on Attachment A and provide such drafts to Staff no later than March 6, 1998.

5. The approval of this Stipulation and Agreement in its entirety by the Commission will conclude Staff's per books earnings investigation of the Companies upon which this settlement was based.

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 method of cost determination or cost allocation, or any service or payment standard 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. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt 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.

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, to cross-examine witnesses, and to present oral argument and written briefs pursuant to Section 536.080.1 RSMo. 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1994.

9. If requested by 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 Party of record shall be served with a copy of any memorandum and shall be

entitled to submit to the Commission, within five (5) days of receipt of the 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 and Agreement. 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 the Stipulation and Agreement, whether or not the Commission approves this Stipulation and Agreement.

WHEREFORE, the signatories respectfully request that the Commission issue its order approving the terms of this Stipulation and Agreement and for such other orders as are reasonable in the circumstances.

Respectfully submitted,

Carol Keith by *psfb*

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Attorneys for
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Bourbeuse Telephone Company

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following:

Michael Dandino
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Penny G Baker

**Fidelity Telephone Company and Bourbeuse Telephone Company
Rate Design Change**

Revenue Enhancement:

1. Merge Bourbeuse into Fidelity, converting Bourbeuse's rates to Fidelity's. \$49,717

Bourbeuse Local Rates	Old Rate	New Rate
Residential in city	\$4.00	\$7.55
Res. outside city	\$7.50	\$7.55
Business in city	\$7.00	\$14.25
Business outside city	\$12.75	\$14.25
Bus. trunks inside city	\$10.50	\$21.90
Bus. trunks outside city	\$19.15	\$21.90

Revenue Reductions:

2. Expanded Calling Scope (\$330,955)

Remove all toll charges for calls between all Fidelity exchanges and between Bourbeuse and all Fidelity exchanges. This will increase the number of lines in the local calling scope to 15,248.

3. Access Rate Adjustment (\$224,081)

Modify originating and terminating CCL rates as follows:

CCL Rate	Old Rate	New Rate
Fidelity - orig.	\$0.033273	\$0.038073
Fidelity - term.	\$0.057024	\$0.038073
Bourbeuse - orig.	\$0.031519	\$0.038073
Bourbeuse - term.	\$0.054022	\$0.038073

4. IntraLATA Toll Rate Reduction (\$132,381)

Initial Minutes:

Mileage	Old Rate	New Rate
51-60	\$0.48	\$0.44
61-80	\$0.50	\$0.44
81-100	\$0.50	\$0.44
101-125	\$0.51	\$0.45
126-150	\$0.54	\$0.46
151-190	\$0.57	\$0.47
191-300	\$0.59	\$0.47

4. IntraLATA Toll Rate Reduction (cont.)

Additional Minutes:

Mileage	Old Rate	New Rate
51-60	\$0.29	\$0.26
61-80	\$0.31	\$0.26
81-100	\$0.32	\$0.26
101-125	\$0.34	\$0.27
126-150	\$0.37	\$0.28
151-190	\$0.39	\$0.29
191-300	\$0.41	\$0.29

5. Digital Carrier

(\$50,000)

Replace all analog carrier in Fidelity and Bourbeuse exchanges at total capital expenditure of \$275,000.

6. Touch-tone

(\$41,634)

Remove all Touch-tone charges for all Fidelity and Bourbeuse customers. Current Touch-tone charges are \$.25 per line for residence, \$.50 per line for business customers and \$.50 per business trunk.

7. CLASS Rate Reduction

(\$25,182)

Feature	Old Rate	New Rate
Call Waiting	\$2.85	\$2.75
Caller ID	\$5.00	\$3.75
Speed Call 30	\$3.90	\$2.50
Auto Call-back	\$3.00	\$2.50
Auto-Redial	\$3.00	\$2.50
Hot Line	\$3.00	\$2.50
Selective Accept.	\$3.00	\$2.50
Selective Rejection	\$3.00	\$2.50
Selective Dist. Alert.	\$3.00	\$2.50
Selective Call Fwd.	\$3.00	\$2.50

8. Private Line Rate Reduction

(\$24,629)

Eliminate surcharge on foreign exchange private lines.

9. Educational Discounts

(\$11,621)

Provide 50% discount to schools on all telecommunications services. Fidelity has developed a set of criteria to determine if an institution qualifies for the discount. The criteria have been included as Exhibit 1.

10. E911 Rate Reduction

(\$9,250)

Remove all mileage charges on E911 trunks. Fidelity will introduce a new section in its local tariff to specifically tariff the provision of trunks for E911 service. After elimination of the mileage charges, Fidelity's rate for E911 trunks will be a flat \$21 monthly.

Total Rate Design Changes:

Total Over-earnings

\$799,923

Additional Revenue

\$49,717

Revenue Reductions

(\$849,733)

MISSOURI SCHOOL DISCOUNT PROGRAM

1. A discount from all Missouri intrastate tariffed items may be allowed in connection with service through the Missouri School Discount Program, pursuant to the Video Instructional Development and Educational Opportunity Program, as enacted by the Missouri State Legislature.
2. Upon the customer's request, a discount of Fifty percent (50%) from all Missouri intrastate tariffed items may be allowed to educational institutions within the Company's certified area, as determined in Paragraph .3, following.
3. An educational institution shall be defined as an accredited public or private school in the State of Missouri. Private schools must be accredited by either the Missouri Chapter of the National Federation of non-Public Schools Accrediting Association, Independent Schools Association of the Central States, North Central Association of Colleges and Schools, and/or the University of Missouri-Columbia. Public schools must be accredited by the Department of Elementary and Secondary Education for the State of Missouri and/or the North Central Association of Colleges and Schools.
4. The qualifying discount will be permitted only where the predominate use is providing educational and instructional programs for the educational institutions' administrative use. The discount is not allowed to residential complexes associated with the institution.
5. The qualifying discount will not apply to any federal, state, county, local taxes Subscriber Line Charges, E911 taxes, and Relay Missouri Surcharge.
6. In addition to meeting the qualification specified in Paragraph .3 preceding an eligible customer must sign and affidavit certifying that the qualification is met. The affidavit will be retained on file with the Company.
7. The customer should request to receive the discount on all subsequent additions of eligible services, which are ordered. There will be no additional affidavits required.

* Indicates new rate or text

+ Indicates change

Issued:

Issuing Officer:
Kent Bliss, VP Revenues
64 North Clark
Sullivan, MO 63080

Effective Date: