

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
HOWARD W. MOTLEY, JR., FOR AN) CAUSE PUD NO. 000260
INQUIRY INTO THE EFFECT OF THE 1986)
TAX REFORM ACT ON OKLAHOMA UTILITIES.) ORDER NO. 313853

HEARINGS: June 23, 1986, before the Commission en banc.

APPEARANCES: Jane P. Olson for the Commission Staff,
G. Michael Bauer for Southwestern Bell Telephone Company,
Robert Butkin for Attorney General Robert Henry.

BY THE COMMISSION:

The Corporation Commission of the State of Oklahoma being regularly in session and the undersigned Commissioners being present and participating, this Cause comes on for hearing.

Procedural History

On October 23, 1986, Applicant filed an application in PUD Cause No. 000260 requesting that the Commission quantify the effect of the 1986 Tax Reform Act on certain public utilities, including Respondent.

Respondent Southwestern Bell Telephone Company (Bell) and the other Respondent utilities participated in a Technical Conference conducted by the Commission Staff on November 10, 1986.

On June 10, 1987, Notice of Setting Hearing on the Rates of SWB was issued.

The Staff and Respondent entered into a Stipulation on June 23, 1987, whereby they agreed that if the Commission ultimately determines that a rate reduction is appropriate for Respondent, that said reduction would be effective as of July 1, 1987, in order to allow the full benefits of the Tax Reform Act to accrue to Respondent's customers.

Summary of Evidence

Dixie Limnenbrink, Manager of the Accounting Department of the Public Utility Division, appeared on behalf of the Commission Staff. Ms. Limnenbrink testified that the 1986 Tax Reform Act reduced the corporate income tax rate to 34% effective July 1, 1987 which equates to a 40% tax rate for the calendar year 1987. Ms. Limnenbrink further testified that the authorized rates of Respondent were based on an

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income tax rate of 46%. Ms. Lirnenbrink further testified that Staff and Respondent had entered into a Stipulation, wherein they agreed if the Commission ultimately determines a rate reduction is appropriate for the Respondent that the reduction would be effective July 1, 1987, in order to accomplish an effective tax rate of 40% for 1987 and a 34% tax rate prospectively. She further stated that due to the number of utilities being investigated and the limited resources of Staff it would be at least two or three months before Staff could complete an audit and investigation of Respondent's books and records and make a recommendation in this cause. She speculated that a hearing could be held in September or October on Respondent's rates. Ms. Lirnenbrink testified that she therefore supported the Stipulation and recommended its adoption by the Commission.

Findings of Fact and Conclusions of Law

Upon full and fair consideration of the evidence and record in this cause, and being well and fully advised in the premises, the Corporation Commission makes the following findings and conclusions:

The Commission has jurisdiction in this Cause by virtue of the provisions of Article IX, Section 18 of the Oklahoma Constitution, 17 Okl. Stat. §131 et seq., and the Corporation Commission Rules and Regulations Governing and Regulating the Operations of Telephone Companies and Telecommunications in Oklahoma.

The Commission finds that the terms of the Stipulation are fair, reasonable and equitable and that it should be adopted. In accordance with the Stipulation, rates ultimately authorized in this case should reflect an income tax rate of 34% as of July 1, 1987, in order to allow the benefits of the 40% income tax rate for 1987 and a 34% tax rate prospectively to flow to the customers of Oklahoma. Therefore, a copy of the Stipulation is attached hereto, marked Attachment A, and incorporated by reference.


ORDER


IT IS THEREFORE THE ORDER OF THE CORPORATION COMMISSION that the Stipulation, attached hereto as Attachment A, be and the same is hereby adopted.

IT IS FURTHER ORDERED that if the Commission ultimately determines that a rate reduction is required for Respondent, Southwestern Bell Telephone Company, that said reduction shall be effective July 1, 1987.

CORPORATION COMMISSION OF OKLAHOMA

JAMES B. TOWNSEND, Chairman


BOB HOPKINS, Vice Chairman


NORMA EAGLETON, Commissioner

DONE AND PERFORMED this 23 day of JUNE, 1987.

BY ORDER OF THE COMMISSION:


BERDEE S. HOLT, Secretary

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SECRETARY
CORPORATION COMMISSION
OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
HOWARD W. MOTLEY, JR., FOR AN)
INQUIRY INTO THE EFFECT OF THE 1986)
TAX REFORM ACT ON OKLAHOMA UTILITIES.) CAUSE PUD NO. 000260

STIPULATION BETWEEN STAFF AND
SOUTHWESTERN BELL TELEPHONE COMPANY

Howard W. Motley, Jr., Applicant, on behalf of the Public Utility Division (Staff) of the Oklahoma Corporation Commission and Southwestern Bell Telephone Company (Respondent), hereby stipulate and agree as follows:

1. The 1986 Tax Reform Act which was signed by the President of the United States on October 22, 1986, lowered the corporate income tax rate from 46% to 34%, effective July 1, 1987. Respondent's currently authorized rates and charges are based on a 46% income tax rate.

2. Applicant filed an application herein requesting that the Commission quantify the effect of the 1986 Tax Reform Act on certain public utilities, including Respondent.

3. An investigation and audit must be conducted by the Staff in order for Staff to make a final recommendation in this cause. Respondent and Staff further acknowledge that Staff's investigation and audit will not be completed for several months due to the number of utilities being investigated and the limited resources of Staff.

4. In order to allow the full benefits of the 1986 Tax Reform Act to accrue to the benefit of Respondent's Oklahoma customers, Respondent and Staff agree that if the Commission, after hearing, ultimately determines a rate reduction is appropriate for Respondent, taking into account all known and measurable changes in Respondent's business, that said reduction will be effective as of July 1, 1987.

5. All parties to this Stipulation will cooperate in seeking its acceptance and approval by the Commission. If this Stipulation is not accepted and approved by the Commission without modification or condition, then it shall not be binding

on either party, and both parties shall in that event be deemed to have reserved all their respective rights and remedies in this proceeding.

6. It is agreed that nothing in this Stipulation shall constitute an admission by any part of the correctness or applicability of any claim, defense, rule or interpretation of law, allegation of fact, principle or method of ratemaking or cost of service determination. It is also agreed that, except as stated herein, the parties shall not be considered as necessarily agreeing with or conceding the applicability of any principle, method of ratemaking, cost of service determination, accounting method, design of rate schedule, terms and conditions of service, or the application of any rules or interpretation of law that may underlie, or may be thought to underlie, this Stipulation. It is further agreed that in any further negotiation or proceeding, other than any proceeding involving the honoring, enforcement or construction of this Stipulation, the parties shall not be bound or prejudiced by this Stipulation.

Dated this 23rd day of June, 1987.

PUBLIC UTILITY DIVISION
OF THE CORPORATION
COMMISSION OF OKLAHOMA

SOUTHWESTERN BELL TELEPHONE COMPANY

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