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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application for
Increase in the USF Eligibility for Uintah
Basin Telecommunications Association,
Inc., and UBET Telecom, Inc.

INITIAL RESPONSE OF DPU AND
REQUEST FOR HEARING

Docket No. 05-053-01

The following is an initial response by the Division of Public Utilities (DPU) to the filing of Uintah Basin Telecommunications Association, Inc and UBET Telecom, Inc (collectively UBTA-UBET) for an increase in USF eligibility and funding.

1. On April 28, 2005 UBTA-UBET filed a request to increase its USF funding by \$7.3 million. Currently UBTA receives \$81,000 from the state USF and UBET receives no state USF support.
2. With their filing the companies have submitted insufficient information to support their increase in the USF. The DPU believes that the proposed increase in the USF raises significant issues that will require discovery and a hearing. The following include some of the issues the DPU sees will need to be addressed. First, UBTA-UBET has requested the inclusion of

the acquisition premium that UBTA paid in order to acquire the UBET exchanges from Qwest. UBTA agreed in a stipulation that the acquisition premium would not be included in the rate base or the revenue requirement of the companies. That stipulation became the bases of the Commission's Order approving the acquisition. Second, the Commission has expressed a desire to reevaluate how rate of return is calculated for cooperatives. Third the proposed change in the USF draw for these companies will have a direct and substantial impact on the state USF. For the last 12 months all companies drew approximately \$8.1 million from the USF. The DPU believes that the proposed increase in UBTA-UBET's draw from the USF will require an increase in the USF surcharge to approximately 1.7% (approximately double the current rate). Such a proposed increase raises questions as to the current level of affordable rate used in calculating the USF draw of companies.

3. As a result of the above the DPU requests that the Commission convene a scheduling conference so that the issues in this proceeding can be addressed.

Dated this _____ day of _____, 2001

MICHAEL L. GINSBERG
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CERTIFICATE OF SERVICE

I certify that I mailed or hand-delivered a copy of the DPU's Initial Response in Docket No. 05-053-01 this _____ day of May 2005 to:

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