

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of South Central Utah)
Telephone Association, Inc.'s Application)
for Additional USF Eligibility)
)

DOCKET NO. 10-052-01
ORDER APPROVING STIPULATION

ISSUED: November 21, 2011

SYNOPSIS

The parties' stipulation as to the Company's application for USF distribution is approved.

By The Commission:

The above-captioned matter pertains to an application for Universal Service Funds ("USF") eligibility filed by South Central Utah Telephone Association, Inc. (the "Company") on November 4, 2010 and subsequently amended on August 1, 2011. On November 2, 2011, the Company, the Division of Public Utilities (the "Division"), and the Office of Consumer Services (the "Office") (collectively, the "parties") filed a Stipulation purporting to resolve the issues raised in the Company's application. On November 15, 2011, a hearing was conducted on whether to adopt the settlement proposal.

Kira Slawson appeared on behalf of the Company, Dahnelle Burton-Lee appeared on behalf of the Division, and Paul Proctor appeared on behalf of the Office. Ms. Slawson provided a summary of the terms of the stipulation and the support for it, including why the proposed settlement is just and reasonable and in the public interest. The Division and the Office testified in support of the stipulation and recommended approval of it. No one appeared in opposition.

PROCEDURAL HISTORY

The Company's Application

On November 4, 2010, the Company filed an application for USF eligibility, and that application was subsequently amended on December 2, 2010.¹ On January 11, 2011, the Company filed an application for interim USF distribution to defray its cost, on an interim basis, to provide basic telephone service within its geographic service area.

On April 26, 2011, the Company and the Division entered into a stipulation for interim USF distribution whereby the Company would receive \$484,235 in USF monies effective November 2010. The Commission approved the stipulation for interim USF funds on June 15, 2011. See Report and Order, dated June 15, 2011.

On August 1, 2011, the Company filed a second amended application for USF eligibility, proposing a total of \$2,229,148 annual USF including the \$484,235 already approved in the Commission's June 15, 2011 order. Excluding the \$484,235 already approved, the second amended application requested an additional amount of \$1,743,913 in USF.

The Company's second amended application was based on a 2009 test year and was adjusted for known and measurable changes for 2010. The Company proposed no increase in rates charged to its customers since the Company already charges the base affordable rate of \$16.50 for residential service and \$26.00 for business service.

¹ The amendment was filed to comply with Utah Admin. Code R746-360-8 (Calculation of Fund Distributions in Rate-of-Return Incumbent Telephone Corporation Territories).

The Stipulation

The Division conducted an audit of the Company, and the parties thereafter entered into settlement negotiations. On November 2, 2011, the parties filed a Stipulation outlining their agreement. Under the terms of the stipulation the parties agree to an increase in annual USF of \$2,103,288. The parties propose that the \$2,103,288 shall be funded by the \$484,235 already approved plus an additional annual USF of \$1,619,053.

The parties recommend that the USF distribution be disbursed in total monthly amounts of \$175,274 effective August 1, 2011, which date represents the Company's most recent USF filing. The parties recommend that monthly USF payments to the Company begin on the first day of the month following the Commission's order approving the stipulation.

The parties agree that the increase in USF revenue set forth in the stipulation is just and reasonable, and in the public interest.

Ms. Slawson explained on behalf of the Company that as of the date of the stipulation the Company's cost of providing service exceeds the revenues it raises from base affordable rates charged to its customers; thus resulting in a revenue shortfall for the Company. To offset this shortfall, the parties have agreed to a \$2,103,288 USF distribution to the Company.

SUMMARY OF THE TESTIMONY

The Division's witness testified that this stipulation is justified in order to allow the Company to continue to offer reliable service in its certified area where affordable base rates are already in place. The Division further found that the distribution proposed by the stipulation is in the best interest of the Company and its subscribers. Accordingly, the Division requested that the total USF distribution of \$2,103,288 annually (or \$175,274 monthly) commence

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effective August 1, 2011. In addition, the Division notes that the settlement provides that an additional payment of six equal installments of one-sixth the amount in arrears at the time of the initial distribution as indicated in paragraph 6 of the stipulation be disbursed with the first six disbursements.

The Office's witness testified in favor of the stipulation, emphasizing that it balances the interests of customers who contribute to the USF and the Company's customers.

The parties support the stipulation and recommend approval of it.

DISCUSSION AND ANALYSIS

Section 54-7-1 of the Utah Code Ann. states: "[t]he commission may adopt a settlement proposal if: (A) the commission finds that the settlement proposal is just and reasonable in result; and (B) the evidence, contained in the record, supports a finding that the settlement proposal is just and reasonable in result." Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).

Based on the testimony provided by the parties, the Commission finds that the settlement proposal is just and reasonable in result, and in the public interest.

ORDER

The stipulation is approved.

DATED at Salt Lake City, Utah, this 21st day of November, 2011.

/s/ Melanie A. Reif
Administrative Law Judge

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Approved and Confirmed this 21st day November, 2011, as the Order Approving
Stipulation of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
D#211614

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 21st day of November, 2011, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic Mail:

Blackburn & Stoll, L.C.
Attention: Ms. Kira M. Slawson (KiraM@blackburn-stoll.com)
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Administrative Assistant