

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

TRANSCRIPT OF HEARING PROCEEDINGS

TAKEN AT: Public Service Commission
 160 East 300 South
 Salt Lake City, Utah

DATE: November 15, 2011

TIME: 2:00 p.m.

REPORTED BY: Kelly L. Wilburn, CSR, RPR

APPEARANCES

Presiding:

MELANIE A. REIF, Administrative Law Judge

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WITNESSES

For the Division

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For the Office

ERIC ORTON

Statement by Mr. Orton

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1 NOVEMBER 15, 2011 2:00 P.M.

2 P R O C E E D I N G S

3 THE COURT: I'm Melanie Reif, Administrative
4 Law Judge for the Public Service Commission. And this
5 is the hearing In the Matter of: South Central Utah
6 Telephone Association, Incorporated's Application For
7 Additional USF Eligibility, Docket No. 10-052-01.

8 This particular application involves a
9 request for -- it's an amended application for USF
10 eligibility. And is noticed for hearing today,
11 November 15, 2011, at 2:00 p.m.

12 We'll take appearances.

13 MS. SLAWSON: Kira Slawson from Blackburn &
14 Stoll on behalf of South Central Utah Telephone
15 Association. And with me is Michael East, CEO for
16 South Central Utah Telephone Association.

17 MS. BURTON-LEE: Dahnelle Burton-Lee,
18 Assistant Attorney General, with the Division of
19 Public Utilities. And with me is Clair Oman as the
20 witness for the Division.

21 MR. PROCTOR: Paul Proctor on behalf of the
22 Office of Consumer Services. Mr. Eric Orton will be
23 our witness today.

24 THE COURT: Thank you. Thank you everyone.
25 Ms. Slawson, I'll let you proceed. And

1 before you get started, I wanted to thank you very
2 much for your pleading. I know we had some
3 discussions about -- at a prior hearing, and I felt
4 that all ambiguities were resolved. And thank you
5 very much.

6 MS. SLAWSON: You're welcome. Thank you.

7 This case is South Central Utah Telephone
8 Association's application for USF eligibility. It was
9 filed on November 10th -- November 4, 2010. On
10 December 2, 2010, an amended application was filed
11 which complied with the total company rule that had
12 gone into effect prior to that.

13 On August 1, 2011, South Central filed its
14 second amended application for USF eligibility, which
15 proposed a total USF eligibility of \$2,228,148. Prior
16 to the filing of the second amendment South Central
17 and the Division of Public Utilities entered into a
18 stipulation whereby South Central was receiving
19 interim USF in the amount of \$484,235. That interim
20 USF was approved by the Public Service Commission on
21 an interim basis.

22 As I indicated, on August 1, 2011, South
23 Central filed its amended application. Throughout
24 this process the Division of Public Utilities has
25 conducted an audit of the books and records of South

1 Central Utah Telephone Association and has had a site
2 visit and numerous data requests that have been
3 answered by the Company.

4 Following the audit and the discovery the
5 Office of Consumer Services, the Division of Public
6 Utilities, and South Central Utah Telephone
7 Association participated in a settlement conference,
8 several discussions, and negotiations that concluded
9 in the final settlement of the issues raised this
10 case.

11 Those were contained in the stipulation that
12 was filed by the Office of Consumer Services, the
13 Division of Public Utilities, and the South Central
14 Utah Telephone Association on November 2, 2011. The
15 purpose for this hearing is to hear the terms of that
16 stipulation.

17 Under the -- currently the Company is
18 charging the base affordable rate of \$26 for business
19 lines and \$16.50 for residential lines. However, as
20 of the date of this stipulation the cost for providing
21 basic service in South Central Utah Telephone
22 Association's territory exceeds the revenues resulting
23 from the basic service charges. This is resulting in
24 a revenue shortfall.

25 Based on the information available to the

1 Company, and as audited and reviewed by the Office Of
2 Consumer Services and the Division of Public
3 Utilities, the parties have agreed to an increase in
4 the annual interstate revenue requirement for South
5 Central Utah Telephone Association in the amount of
6 \$2,103,288.

7 Because South Central is already charging the
8 base affordable rate, the balance of this revenue
9 shortfall would be from the Utah Universal Service
10 Fund. The \$2,103,288 includes the \$484,235 that
11 was -- is being received currently by South Central on
12 an interim basis.

13 The parties agree, for the purpose of this --
14 of settlement of this revenue -- of this rate case,
15 that the revenue requirement and the USF distribution
16 are based on a rate of return of 10.54 percent, which
17 is -- represents the weighted average of the
18 interstate rate of return of 12.33 percent and the
19 intrastate rate of return of 9.63 percent.

20 The parties have filed a confidential exhibit
21 to the stipulation, which the Public Service
22 Commission has in its file. The parties -- South
23 Central believes that this is -- that the \$2,103,288
24 is a just and reasonable USF eligibility and should be
25 approved by the Commission.

1 Additionally, the parties have agreed and
2 recommend that the USF distribution that was
3 previously described be effective as of August 1,
4 2011, which was the date that South Central filed its
5 second amended application.

6 Rather than having the payments from
7 August 1, 2011, through today's date -- or through the
8 date of the Commission's order be paid in a lump sum,
9 the parties would suggest that that be paid over a
10 six-month -- with six equal monthly payments beginning
11 on the payment commencement date, which the parties
12 believe would be the first -- the day of the first --
13 the first day of the month after the Public Service
14 Commission's order is issued approving the
15 stipulation.

16 And if you have any questions, we've got a
17 witness available. Or we would rest and allow the
18 Division of Public Utilities to proceed.

19 MS. BURTON-LEE: I have no --

20 THE COURT: Ms. Burton-Lee, do you have any
21 questions?

22 MS. BURTON-LEE: I have no questions, thank
23 you.

24 THE COURT: Mr. Proctor, do you have any
25 questions?

1 MR. PROCTOR: No, thank you.

2 THE COURT: Ms. Slawson, I just want to make
3 sure. I know it's written here, and I'm, I'm not
4 absolutely sure I heard you say it, but is it your
5 contention that the stipulation is in the public's
6 interest?

7 MS. SLAWSON: It is, yes.

8 THE COURT: Okay, thank you. Very good.

9 Does anyone in attendance have any questions
10 for Ms. Slawson?

11 Okay. Does anyone wish to add anything to
12 what's already been said?

13 Okay. Ms. Slawson, in your stipulation you
14 requested that the Commission take notice of the
15 prefiled testimony and admit the same. We do so at
16 this time. I know that there were a variety of things
17 filed, and certainly acknowledge your efforts in
18 resolving this.

19 And at this time would ask is there any
20 opposition to the stipulation being entered?

21 MS. SLAWSON: No. I would just state that
22 I -- there was actually no prefiled testimony in this
23 case. I think that might have been a carryover --

24 THE COURT: Oh, I'm sorry. I'm confusing
25 this with your -- the other matter that we're gonna

1 hear later in the week.

2 MS. SLAWSON: Actually, that language is in
3 the stipulation --

4 THE COURT: Yes.

5 MS. SLAWSON: -- so it's our fault. But
6 there is no prefiled testimony, but there was some
7 comments and other things filed.

8 THE COURT: Okay, very good. All right, very
9 well. Thank you everyone. We'll be adjourned, and
10 the order will be issued.

11 MR. PROCTOR: Excuse me, your Honor, but I
12 believe that the Division, and I know that the Office,
13 had come here I think for the purpose of presenting
14 their comments on the stipulation --

15 THE COURT: Okay, very good.

16 MR. PROCTOR: -- since they are, in fact,
17 parties.

18 THE COURT: Yes. And please.

19 MS. BURTON-LEE: We would like to put into
20 the record -- thank you, your Honor -- our comments,
21 just to substantiate what Ms. Slawson and the Company
22 has provided.

23 THE COURT: Please.

24 MS. BURTON-LEE: And our witness is Mr. Clair
25 Oman. I believe he would need to be sworn in in order

1 to provide his testimony.

2 THE COURT: Okay. Sir, are you prepared to
3 testify?

4 MR. OMAN: I am.

5 (Mr. Oman was duly sworn.)

6 THE COURT: Thank you. Please proceed.

7 MS. BURTON-LEE: Thank you, your Honor.

8 CLAIR OMAN,

9 called as a witness, having been duly sworn,
10 was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. BURTON-LEE:

13 Q. Mr. Oman, could you state your name and
14 address for the record, please?

15 A. My name is Clair Oman. My business address
16 is the Heber M. Wells Building, 160 East 300 South,
17 Fourth Floor, in Salt Lake City.

18 Q. And have you testified before the Public
19 Service Commission in the past?

20 A. Yes, I have.

21 Q. And do you have a statement prepared today on
22 behalf of the Division in support of the stipulation?

23 A. I have a summary I'd like to read, please.

24 Q. Thank you. Please proceed.

25 A. My purpose is to explain the Division of

1 Public Utilities' basis in supporting this stipulation
2 and the amount of Utah Universal Service Funds
3 proposed for South Central Utah Telephone Association
4 based upon the amended filing by South Central Utah
5 Telephone Association using year 2010 statement of
6 operations as a basis for known and measurable
7 adjustments.

8 SCUTA does not propose to increase local
9 service rates, which are currently at the affordable
10 base rate approved by the Commission in other dockets;
11 therefore, SCUTA has requested that the total revenue
12 deficiency be drawn from the Utah USF. This action is
13 justified in order to allow SCUTA to continue to offer
14 reliable service in its certificated area.

15 The DPU finds this distribution in the best
16 interest of the Company and its subscribers. The
17 parties have agreed that the issues have been resolved
18 through the amended filing by SCUTA based upon the
19 statement of operations for the year 2010 as a basis
20 for known and measurable adjustments.

21 Based upon the information made available by
22 the Company and agreed to by the parties, the parties
23 request that SCUTA receive total Utah USF
24 distributions of \$2,103,288 annually, or \$175,274
25 monthly, to commence on August 1, 2011. This \$175,274

1 to be disbursed monthly until modified by the
2 Commission.

3 An additional payment in six equal
4 installments of one-sixth the amount in arrears at the
5 time of the initial distribution, as indicated in
6 paragraph 6 of the stipulation, to be disbursed with
7 the first six disbursements.

8 In summary, the DPU supports this stipulation
9 as just and reasonable Utah USF amounts for SCUTA and
10 recommends it for the Commission's action.

11 Q. And does that conclude your comments?

12 A. Yes.

13 MS. BURTON-LEE: Thank you Mr. Oman.

14 Any questions for Mr. Oman?

15 MS. SLAWSON: No.

16 THE COURT: Mr. Proctor?

17 MR. PROCTOR: No, thank you.

18 THE COURT: Okay. You may proceed,

19 Mr. Proctor.

20 MR. PROCTOR: Mr. Orton is gonna provide the
21 comments from the Office. I would like him sworn,
22 please.

23 THE COURT: Okay. Mr. Orton, are you
24 prepared to testify?

25 MR. ORTON: I am.

1 (Mr. Orton was duly sworn.)

2 THE COURT: Thank you.

3 MR. ORTON: Thanks. I'm Eric Orton. I'm
4 with the Office of Consumer Services. I'm an analyst
5 there. The Office acts on behalf of residential and
6 small commercial rural telephone customers. Our
7 constituents are both the contributors and the
8 beneficiaries of the State USF funds.

9 For this reason, as a party to this docket,
10 the Office has considered the analysis of the
11 application through the discovery analysis, technical
12 conferences, and settlement negotiations that
13 represent the entire of this proceeding.

14 The proposed stipulation represents a result
15 that, in the Office's judgment, balances the interest
16 of consumers who contribute to the State USF and
17 SCUTA's customers. The Office recommends that the
18 Commission approve this stipulation. Thank you.

19 THE COURT: Any questions for Mr. Orton?

20 MS. SLAWSON: No, thank you.

21 MS. BURTON-LEE: No, your Honor.

22 THE COURT: Very good.

23 MR. PROCTOR: Thank you.

24 MS. BURTON-LEE: Thank you, your Honor.

25 THE COURT: Thank you everyone. This hearing

1 is adjourned.

2 (The hearing was concluded at 2:14 p.m.)

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C E R T I F I C A T E

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

This is to certify that the foregoing proceedings were taken before me, KELLY L. WILBURN, a Certified Shorthand Reporter and Registered Professional Reporter in and for the State of Utah.

That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting. And that a full, true, and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages, numbered 1 through 15, inclusive.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

SIGNED ON THIS **17th** DAY OF **November**, **2011**.

Kelly L. Wilburn, CSR, RPR
Utah CSR No. 109582-7801

<p>\$</p> <p>\$16.50 [1] - 6:19 \$175,274 [2] - 12:24, 12:25 \$2,103,288 [4] - 7:6, 7:10, 7:23, 12:24 \$2,228,148 [1] - 5:15 \$26 [1] - 6:18 \$484,235 [2] - 5:19, 7:10</p>	<p>13:10 acts [1] - 14:5 add [1] - 9:11 additional [1] - 13:3 Additional [1] - 4:7 Additionally [1] - 8:1 address [2] - 11:14, 11:15 adjourned [2] - 10:9, 15:1 adjustments [2] - 12:7, 12:20 Administrative Law Judge [1] - 4:3 admit [1] - 9:15 affordable [3] - 6:18, 7:8, 12:9 agree [1] - 7:13 agreed [4] - 7:3, 8:1, 12:17, 12:22 allow [2] - 8:17, 12:13 ambiguities [1] - 5:4 amended [7] - 4:9, 5:10, 5:14, 5:23, 8:5, 12:4, 12:18 amendment [1] - 5:16 amount [4] - 5:19, 7:5, 12:2, 13:4 amounts [1] - 13:9 analysis [2] - 14:10, 14:11 analyst [1] - 14:4 annual [1] - 7:4 annually [1] - 12:24 answered [1] - 6:3 appearances [1] - 4:12 Application [1] - 4:6 application [8] - 4:8, 4:9, 5:8, 5:10, 5:14, 5:23, 8:5, 14:11 approve [1] - 14:18 approved [3] - 5:20, 7:25, 12:10 approving [1] - 8:14 area [1] - 12:14 arrears [1] - 13:4 Assistant [1] - 4:18 Association's [2] - 5:8, 6:22 attendance [1] - 9:9 Attorney General [1] - 4:18 audit [2] - 5:25, 6:4 audited [1] - 7:1 August [5] - 5:13, 5:22, 8:3, 8:7, 12:25 available [3] - 6:25, 8:17, 12:21</p>	<p>average [1] - 7:17</p>	<p>B</p> <p>balance [1] - 7:8 balances [1] - 14:15 base [3] - 6:18, 7:8, 12:10 Based [2] - 6:25, 12:21 based [3] - 7:16, 12:4, 12:18 basic [2] - 6:21, 6:23 basis [5] - 5:21, 7:12, 12:1, 12:6, 12:19 beginning [1] - 8:10 behalf [4] - 4:14, 4:21, 11:22, 14:5 believes [1] - 7:23 beneficiaries [1] - 14:8 best [1] - 12:15 Blackburn [1] - 4:13 books [1] - 5:25 Building [1] - 11:16 BURTON [10] - 4:17, 8:19, 8:22, 10:19, 10:24, 11:7, 11:12, 13:13, 14:21, 14:24 Burton [2] - 4:17, 8:20 Burton-Lee [1] - 8:20 BURTON-LEE [10] - 4:17, 8:19, 8:22, 10:19, 10:24, 11:7, 11:12, 13:13, 14:21, 14:24 business [2] - 6:18, 11:15 BY [1] - 11:12</p>	<p>commencement [1] - 8:11 comments [5] - 10:7, 10:14, 10:20, 13:11, 13:21 commercial [1] - 14:6 Commission [5] - 7:25, 9:14, 12:10, 13:2, 14:18 Commission's [3] - 8:8, 8:14, 13:10 company [1] - 5:11 Company [6] - 6:3, 6:17, 7:1, 10:21, 12:16, 12:22 complied [1] - 5:11 conclude [1] - 13:11 concluded [2] - 6:8, 15:2 conducted [1] - 5:25 conference [1] - 6:7 conferences [1] - 14:12 confidential [1] - 7:20 confusing [1] - 9:24 considered [1] - 14:10 constituents [1] - 14:7 consumers [1] - 14:16 contained [1] - 6:11 contention [1] - 9:5 continue [1] - 12:13 contribute [1] - 14:16 contributors [1] - 14:7 cost [1] - 6:20 customers [2] - 14:6, 14:17</p>	<p>13:6 disbursements [1] - 13:7 discovery [2] - 6:4, 14:11 discussions [2] - 5:3, 6:8 distribution [4] - 7:15, 8:2, 12:15, 13:5 distributions [1] - 12:24 Division [4] - 4:20, 10:12, 11:22, 11:25 Division of Public Utilities [7] - 4:18, 5:17, 5:24, 6:5, 6:13, 7:2, 8:18 docket [1] - 14:9 Docket [1] - 4:7 dockets [1] - 12:10 DPU [2] - 12:15, 13:8 drawn [1] - 12:12 duly [3] - 11:5, 11:9, 14:1</p>
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