

Stephen F. Mecham (4089)  
Callister Nebeker & McCullough  
10 East South Temple, Suite 900  
Salt Lake City, Utah 84133  
Telephone: 801 530-7300  
Fax: 801 364-9127  
Email: sfmecham@cnmlaw.com

*Attorneys for the Utah Rural Telecom Association*

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations	<b>DOCKET NO. 10-035-124</b>
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**DIRECT TESTIMONY OF**  
**DOUGLAS DUNCAN MEREDITH**  
**ON BEHALF OF THE**  
**UTAH RURAL TELECOM ASSOCIATION**

1 **Q: PLEASE STATE YOUR FULL NAME, PLACE OF EMPLOYMENT AND**  
2 **POSITION.**

3 A: My full name is Douglas Duncan Meredith. I am employed by John Staurulakis, Inc.  
4 (“JSI”) as Director – Economics and Policy. JSI is a telecommunications consulting firm  
5 headquartered in Greenbelt Maryland. My office is located at 547 Oakview Lane,  
6 Bountiful, Utah 84010. JSI has provided telecommunications consulting services to rural  
7 local exchange telecommunications carriers since 1963.

8 **Q: PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**  
9 **EDUCATIONAL BACKGROUND.**

10 A: As the Director of Economics and Policy at JSI, I assist clients with the development  
11 of policy pertaining to economics, pricing and regulatory affairs. I have been  
12 employed by JSI since 1995. Prior to my work at JSI, I was an independent research  
13 economist in the District of Columbia and a graduate student at the University of  
14 Maryland – College Park.

15  
16 In my employment at JSI, I have participated in numerous proceedings for rural and  
17 non-rural telephone companies. These activities include, but are not limited to, the  
18 creation of forward-looking economic cost studies, the development of policy  
19 related to the application of the rural safeguards for qualified local exchange  
20 carriers, the determination of Eligible Telecommunications Carriers, and the  
21 sustainability and application of universal service policy for telecommunications  
22 carriers.

23 In addition to assisting telecommunications carrier clients, I have served as the  
24 economic advisor for the Telecommunications Regulatory Board of Puerto Rico  
25 since 1997. In this capacity, I provide economic and policy advice to the Board  
26 Commissioners on all telecommunications issues that have either a financial or  
27 economic impact. I have participated in a number of Arbitration panels established  
28 by the Board to arbitrate interconnection issues under Section 252 of the  
29 Telecommunications Act of 1996 (the "Act").

30  
31 I am participating or have participated in numerous national incumbent local  
32 exchange carrier and telecommunications groups, including those headed by NTCA,  
33 OPASTCO, USTA, and the Rural Policy Research Institute. My participation in  
34 these groups focuses on the development of policy recommendations for advancing  
35 universal service and telecommunications capabilities in rural communities and  
36 other policy matters.

37  
38 I have testified or filed pre-filed regulatory testimony in various states including  
39 Utah, South Carolina, New Hampshire, New York, Michigan, Wisconsin, North  
40 Dakota, South Dakota, Vermont, Texas, Kentucky, Maine and Tennessee. I have  
41 also participated in regulatory proceedings in many other states that did not require  
42 formal testimony, including Florida, Louisiana, Mississippi, North Carolina, Puerto  
43 Rico and Virginia. In addition to participation in state regulatory proceedings, I  
44 have participated in federal regulatory proceedings through filing of formal

45 comments in various proceedings and submission of economic reports in an  
46 enforcement proceeding.

47  
48 I have a Bachelor of Arts degree in economics from the University of Utah, and a  
49 Masters degree in economics from the University of Maryland – College Park.  
50 While attending the University of Maryland – College Park, I was also a Ph.D.  
51 candidate in Economics. This means that I completed all coursework,  
52 comprehensive and field examinations for a Doctorate of Economics without  
53 completing my dissertation.

54 **Q: ON WHOSE BEHALF ARE YOU TESTIFYING?**

55 A: I am testifying in this docket on behalf of the Utah Rural Telecom Association  
56 (“URTA”). URTA is comprised of fourteen independent telephone companies  
57 serving customers throughout rural Utah.

58 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

59 A: My purpose in providing this testimony to the Public Service Commission of Utah  
60 (“Commission”) is to respond to the testimony of Jeffrey M. Kent filed on behalf of  
61 Rocky Mountain Power (“RMP”). I make specific policy recommendations  
62 regarding the calculation of RMP’s pole attachment rate and urge the Commission  
63 to adopt my recommendations in this proceeding.

64 **Q: WHAT IS YOUR UNDERSTANDING OF RMP’S PROPOSAL FOR POLE**  
65 **ATTACHMENTS IN THIS CASE?**

66 A: RMP is proposing to change the rate formula established by the Commission by rule  
67 in Rule R746-345 to add costs from FERC Account 588 (18 CFR § 101.588) and to  
68 add a fee schedule for non-recurring costs.

69 **Q: IS THIS RATE CASE THE APPROPRIATE PLACE TO ADDRESS**  
70 **CHANGES TO THE POLE ATTACHMENT RATE FORMULA?**

71 A: No. If the Commission believes it needs to review its established pole attachment  
72 rate formula, any review should be done in a rulemaking proceeding.

73 **Q: WHY SHOULD THE COMMISSION ADDRESS THIS ISSUE IN A**  
74 **RULEMAKING PROCEEDING?**

75 A: Because all affected parties would be notified and be able to participate in what  
76 amounts to be a significant change in the pole attachment rate formula. The *ad hoc*  
77 addition of costs booked to FERC Account 588 amounts to a 28 percent increase in  
78 the proposed rate. Without fully vetting this proposal in a rulemaking and allowing  
79 for a rule change, this proposed increase is not appropriate in a rate case proceeding.

80 **Q: HOW DOES RMP PROPOSE TO CHANGE THE RULE?**

81 A: RMP proposes to include costs from FERC Account 588 in calculating the pole  
82 attachment rate. It announces without any documentary backup that 89.7 percent of  
83 this amount is associated with administrative costs associated with joint-use pole  
84 attachments. It also adds GIS licensee support costs and avers that 100 percent of  
85 this cost is recoverable through a pole attachment rate. RMP adds these two  
86 amounts and divides by the total quantity of invoiced attachments to calculate a joint  
87 use administrative cost rate.

88 **Q: ARE ALL OF THE COSTS FROM ACCOUNT 588 ATTRIBUTABLE TO**  
89 **POLE ATTACHMENTS?**

90 A: No. RMP reports the total for account 588 is in excess of \$3 million and only about  
91 a third of them are listed on Mr. Kent's Exhibit A, attached to his testimony.

92 **Q: WHAT IS INCLUDED IN FERC ACCOUNT 588?**

93 A: FERC Account 588 includes the following:  
94  
95 18 CFR 101.588 Miscellaneous distribution expenses.

96 This account shall include the cost of labor, materials used and expenses incurred in  
97 distribution system operation not provided for elsewhere.

98 Items

99 Labor:

100 1. General records of physical characteristics of lines and substations, such as  
101 capacities, etc.

102 2. Ground resistance records.

103 3. Joint pole maps and records.

104 4. Distribution system voltage and load records.

105 5. Preparing maps and prints.

106 6. Service interruption and trouble records.

107 7. General clerical and stenographic work except that chargeable to account 586,  
108 Meter expenses.

109 Expenses:

110 8. Operating records covering poles, transformers, manholes, cables, and other  
111 distribution facilities. Exclude meter records chargeable to account 586. Meter  
112 Expenses and station records chargeable to account 582, Station Expenses (For  
113 Nonmajor utilities, account 581.1, Line and Station Expenses), and stores records  
114 (For Nonmajor utilities, station records) chargeable to account 163, Stores Expense  
115 Undistributed (For Nonmajor utilities, account 581.1, Line and Station Expenses).

116 9. Janitor work at distribution office buildings including snow removal, cutting  
117 grass, etc.

118 Materials and Expenses:

119 10. Communication service.

120 11. Building service expenses.

121 12. Miscellaneous office supplies and expenses, printing, and stationery, maps and  
122 records and first-aid supplies.

123 13. Research, development, and demonstration expenses (Major only).

124 **Q: HAS RMP PROVIDED ANY DOCUMENTATION SUPPORTING ITS**  
125 **CHANGE TO THE POLE ATTACHMENT FORMULA?**

126 A: Very little. Mr. Kent states that “administrative support costs the Company incurs to  
127 manage joint use of the Company’s poles are not being fully recovered from pole  
128 occupants who are causing the costs.” (Kent Direct at lines 99 – 101.)

129

130 There is no cite or source or discussion on how RMP derived the Joint Use  
131 Administrative Costs reported on Exhibit A. RMP alleges that approximately one-  
132 third of the total costs assigned to Account 588 is cost associated with administrative  
133 joint use. However, a detailed examination of Account 588, with its myriad of  
134 activities, is completely absent from RMP’s schedules.

135 **Q: IS IT APPROPRIATE TO USE THE TOTAL QUANTITY OF INVOICED**  
136 **ATTACHMENTS AS A DENOMINATOR TO CALCUALTE THE JOIN USE**  
137 **ADMINISTRATIVE RATE?**

138 A: Without a clear explanation of what costs are in the numerator of the rate  
139 development, I cannot conclude that invoiced attachments should be used as a

140 denominator. If these costs are associated with the administrative maintenance of  
141 RMP's poles, then the total number of attachments should be used, this would  
142 include RMP's attachments.

143 **Q: IF MISCELLANEOUS DISTRIBUTION COSTS WERE INCLUDED IN THE**  
144 **FORMULA USED BY THE COMMISSION, WHERE WOULD THESE**  
145 **COSTS BE PLACED?**

146 A: If the Commission were to want to change its rule and allow miscellaneous  
147 distribution costs for poles in the pole attachment formula, it should look to add  
148 these costs to Account 593 Maintenance Expense in calculating a maintenance  
149 expense factor. Because RMP has failed to provide any documentation supporting  
150 its *ad hoc* approach, the Commission should assume that miscellaneous distribution  
151 costs associated with poles should be treated like Account 593 Maintenance  
152 Expense costs.

153  
154 I also note that RMP retains a separate fee for unauthorized attachments—thus any  
155 administrative costs associated with auditing, documenting and imposing this fee on  
156 unauthorized attaching entities should be removed from any joint administrative  
157 factor development.

158 **Q: HAS THE COMMISSION ALREADY ADDRESSED THE NON-**  
159 **RECURRING COSTS RMP IS ATTEMPTING TO RECOVER IN THIS**  
160 **CASE?**

161 A: Yes. I understand that in Docket No. 04-999-03 the Commission determined that  
162 costs like pre- and post-construction inspection costs should be recovered through



163 the application fee and the annual rental rate, not through separate additional fees.  
164 There doesn't appear to be any documentation cited in Exhibit A of Mr. Kent's  
165 testimony that provides support that these costs are involved with pre- and post-  
166 construction inspection and maintenance costs.

167 **Q: HAS THE FCC GIVEN ANY GUIDANCE TO THE INDUSTRY ON POLE**  
168 **ATTACHMENTS?**

169 A: Yes. On April 7, 2011, the FCC reduced the pole attachment rate to the cable rate  
170 level and the Chairman said that the FCC implemented the best practices of some  
171 states, including Utah, in doing so.

172 **Q: IS THE FCC'S ORDER BINDING ON UTAH?**

173 A: No. The Utah Commission has asserted jurisdiction in regulating pole attachment  
174 rates, but the FCC's order shows the direction the rest of the industry is going  
175 regarding pole attachment rates, and it is not the direction RMP has taken here.

176 **Q: WHAT IS YOUR RECOMMENDATION IN THIS CASE?**

177 A: That the Commission reject RMP's request. It is not in the public interest and there  
178 is no justification for changing the rate formula or adding non-recurring charges at  
179 this time. RMP's proposal is a significant step backward for the  
180 telecommunications and cable industries as it proposes a 28 percent increase in pole  
181 attachment rates when nationally pole attachment rates are declining under FCC  
182 guidance. In the event the Commission believes a portion of FERC Account 588  
183 should be included in its formula, a separate rulemaking proceeding should be held  
184 in order to fully vet RMP's proposal. This way the Commission would be able to

185 view all supporting documentation for RMP's proposal—documentation that is  
186 absent in this proceeding.

187

188 **Q: DOES THIS CONCLUDE YOUR DIRECT PRE-FILED TESTIMONY?**

189 A: Yes.

Certificate of Service

I hereby certify that on May 18, 2011, I caused a true and correct copy of the direct testimony of Douglas D. Meredith for the Utah Rural Telecom Association filed in Docket No. 10-035-124 to be emailed to the following:

Paul Proctor  
[pproctor@utah.gov](mailto:pproctor@utah.gov)

Chris Parker  
William Powell  
[ChrisParker@utah.gov](mailto:ChrisParker@utah.gov)  
[wpowell@utah.gov](mailto:wpowell@utah.gov)

Gary A. Dodge  
[gdodge@hjdllaw.com](mailto:gdodge@hjdllaw.com)

Cheryl Murray  
Michele Beck  
[cmurray@utah.gov](mailto:cmurray@utah.gov)  
[mbeck@utah.gov](mailto:mbeck@utah.gov)

Patricia Schmid  
[pschmid@utah.gov](mailto:pschmid@utah.gov)

Gary A. Dodge  
[gdodge@hjdllaw.com](mailto:gdodge@hjdllaw.com)

F. Robert Reeder  
William J. Evans  
Vicki M. Baldwin  
[bobreeder@parsonsbehle.com](mailto:bobreeder@parsonsbehle.com)  
[bevans@parsonsbehle.com](mailto:bevans@parsonsbehle.com)  
[vbaldwin@parsonsbehle.com](mailto:vbaldwin@parsonsbehle.com)

Peter J. Mattheis  
Eric J. Lacey  
[pjm@bbrslaw.com](mailto:pjm@bbrslaw.com)  
[elacey@bbrslaw.com](mailto:elacey@bbrslaw.com)

Gerald H. Kinghorn  
Jeremy R. Cook  
[ghk@pkhlawyers.com](mailto:ghk@pkhlawyers.com)  
[jrc@pkhlawyers.com](mailto:jrc@pkhlawyers.com)

Stephen J. Baron  
[sbaron@jkenn.com](mailto:sbaron@jkenn.com)

Holly Rachel Smith  
[holly@raysmithlaw.com](mailto:holly@raysmithlaw.com)

Ryan L. Kelly  
[ryan@kellybramwell.com](mailto:ryan@kellybramwell.com)

Steve W. Chriss  
[stephen.chriss@wal-mart.com](mailto:stephen.chriss@wal-mart.com)

Charles R. Dubuc, Jr.  
[rdubuc@westernresources.org](mailto:rdubuc@westernresources.org)

Steven S. Michel  
[smichel@westernresources.org](mailto:smichel@westernresources.org)

Mike Legge  
[mlegge@usmagnesium.com](mailto:mlegge@usmagnesium.com)

Bruce Plenk  
[bplenk@igc.org](mailto:bplenk@igc.org)

Gloria D. Smith  
[gloria.smith@sierraclub.org](mailto:gloria.smith@sierraclub.org)

Sonya L. Martinez  
Betsy Wolf  
[smartinez@slcap.org](mailto:smartinez@slcap.org)  
[bwolf@slcap.org](mailto:bwolf@slcap.org)

Jerold G. Oldroyd  
Sharon M. Bertelsen  
Theresa A. Foxley  
[OldroydJ@ballardspahr.com](mailto:OldroydJ@ballardspahr.com)  
[BertelsenS@ballardspahr.com](mailto:BertelsenS@ballardspahr.com)  
[FoxleyT@ballardspahr.com](mailto:FoxleyT@ballardspahr.com)

Randy N. Parker  
Leland Hogan  
[rparker@fbfs.com](mailto:rparker@fbfs.com)  
[leland.hogan@fbfs.com](mailto:leland.hogan@fbfs.com)

Shayla L. McNeill  
Karen S. White  
[Shayla.mcneill@tyndall.af.mil](mailto:Shayla.mcneill@tyndall.af.mil)  
[Karen.white@tyndall.af.mil](mailto:Karen.white@tyndall.af.mil)

Kurt J. Boehm  
[kboehm@BKLawfirm.com](mailto:kboehm@BKLawfirm.com)

Arthur F. Sandack  
[asandack@msn.com](mailto:asandack@msn.com)

Sophie Hayes  
Sarah Wright  
[sophie@utahcleanenergy.org](mailto:sophie@utahcleanenergy.org)  
[sarah@utahcleanenergy.org](mailto:sarah@utahcleanenergy.org)

Alex M. Duarte  
Torry Somers  
[Alex.Duarte@qwest.com](mailto:Alex.Duarte@qwest.com)  
[torry.r.somers@centurylink.com](mailto:torry.r.somers@centurylink.com)

Mark C. Moench  
Yvonne R. Hogle  
[mark.moench@pacificorp.com](mailto:mark.moench@pacificorp.com)  
[yvonne.hogle@pacificorp.com](mailto:yvonne.hogle@pacificorp.com)

Paul J. Hickey  
[phickey@hickeyevans.com](mailto:phickey@hickeyevans.com)

/s/Stephen F. Mecham