

February 25, 2008

Stephen F. Mecham
Calister Nebeker & McCullough
10 East South Temple, Suite 900
Salt Lake City, UT 84133

Dear Mr. Mecham:

The Commission is in receipt of your January 2, 2008, Petition for Rule Change requesting the Commission engage in rulemaking and adopt your proposed rule on capital structure for rate of return telecommunications corporations and telecommunications cooperatives.

The Commission is also in receipt of the February 14, 2008, memorandum from the Division of Public Utilities ("Division") recommending the Commission reject the proposed rule because the Division finds no compelling reason or substantiation that the proposed rule is necessary to allow ILECs to earn an adequate return on equity. In addition, the Division believes the proposed rule would create artificially high equity components in capital structure, preventing just and reasonable rates in many instances. The Division also recommends the Commission appoint a taskforce to provide recommendations to the Commission in the following areas: (1) Suggested rule for capital structures for cooperative and non-cooperative rural ILECs; (2) recommendation to the Commission as to whether there is a necessity for the capital structure rule to be different for cooperatives and non-cooperatives; and (3) recommendation as to whether a uniform rule is needed or whether the issue of the appropriate capital structure should be determined in individual rate reviews.

Having reviewed your Petition and the recommendation of the Division, the Commission has determined to deny the Petition for the reasons stated by the Division and to appoint a Telecom Capital Structure Taskforce to make recommendations to the Commission as noted above. The Taskforce shall be comprised of representatives of interested parties, chaired by the Division, and shall report to the Commission regarding its recommendations and proposed rule, if any, not later than August 22, 2008.

If you have further questions or comments, I can be reached by phone at (801) 530-6716 or email at jorchar@utah.gov.

Sincerely,

/s/ Julie Orchard
Commission Secretary

JPO/sg