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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE APPLICATION OF UINTAH BASIN  
TELECOMMUNICATIONS ASSOCIATION, INC., AND UBET TELECOM, INC.,  
FOR AN ORDER OF THE COMMISSION APPROVING THE COMBINATION,  
MERGER AND CONSOLIDATION OF UBET TELECOM, INC. AND UINTAH  
BASIN TELECOMMUNICATIONS ASSOCIATION, INC.

DOCKET NO. 04-053-03

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DIRECT TESTIMONY OF

RAYMOND A. HENDERSHOT

On behalf of

Uintah Basin Telecommunications Association  
UBET Telecommunications, Inc.

1 Q. PLEASE STATE YOUR NAME AND CURRENT BUSINESS ADDRESS.

2 A. My name is Raymond A. Hendershot. My business address is 2270 LaMontana Way,  
3 Colorado Springs, Colorado 80918.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am a Vice President for GVNW Consulting, Inc. (“GVNW”).

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK  
7 EXPERIENCE.

8 A. I graduated from Brigham Young University with a Bachelor’s Degree in Accounting and  
9 a Master’s Degree of Accountancy in 1973. I received a CPA Certificate from the State  
10 of Texas. Upon graduation, I was employed by General Telephone and Electronics  
11 (“GTE”), where I served in a variety of positions within the financial area of the  
12 company. In 1985, I joined GVNW. GVNW provides a wide variety of management  
13 services within the communications industry. My primary areas of responsibility have  
14 included the development of rates and tariffs, preparation of toll cost separation studies  
15 and depreciation rate studies, evaluations of acquisitions and sales of telephone  
16 properties, and providing other management services.

17 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY  
18 COMMISSION?

19 A. Yes. I have provided testimony on telecommunications issues before the Utah Public  
20 Service Commission (“UPSC” or “Commission”) on numerous occasions. I have also  
21 testified in various telephone company filings and generic regulatory proceedings before  
22 the Arizona Corporation Commission, the Idaho Public Utility Commission, the

23 Washington Utilities and Transportation Commission, the Wisconsin Public Service  
24 Commission, and the Wyoming Public Service Commission.

25 Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?

26 A. I am appearing on behalf of Uintah Basin Telecommunications Association (“UBTA”),  
27 and UBET Telecommunications (“UBET”). I refer to them hereafter collectively as “the  
28 Companies”,

29 Q. ARE YOU APPEARING AS THE ONLY SPOKESPERSON FOR THE ABOVE  
30 NAMED COMPANIES IN THESE PROCEEDINGS?

31 A. No. My comments address areas of general concern to the Companies listed above.  
32 Each of the companies is a party to these proceedings, and they may choose to provide  
33 additional comments regarding issues of special interest to that company.

34 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

35 A. I will provide some comments on behalf of the Companies on some general issues  
36 relative to the Merger of the Companies. I will also explain some of the benefits to the  
37 company upon successful completion of the merger.

38 Q. CAN YOU EXPLAIN THE BACKGROUND OF THE COMPANIES AND WHY WE  
39 HAVE TWO COMPANIES TODAY?

40 A. Yes. UBTA is a cooperative and has been providing telephone service in the rural areas  
41 of the Uintah Basin for over 50 years. When Qwest elected to sell its service area  
42 consisting of the exchanges of Duchesne, Roosevelt and Vernal in the Uintah Basin area  
43 of the state, UBTA stepped forward quickly to purchase the Qwest properties. Some  
44 cooperative members were concerned about how UBTA could acquire the Qwest  
45 properties and assume the debt obligation to purchase the Qwest exchanges. Another

46 concern that some of the cooperative members had was that with the addition of the  
47 customers in the three Qwest exchanges of Duchesne, Roosevelt and Vernal, the new  
48 potential members of the cooperative would out-number the long time members of  
49 UBTA and could take over control of the cooperative. In an effort to satisfy the concerns  
50 of the existing cooperative members, it was determined prior to the acquisition of the  
51 Qwest exchanges that a subsidiary of UBTA would be formed to acquire the Qwest  
52 properties and, thus, address the concerns of the cooperative membership.

53 Now that four years have passed since the acquisition, the people in both companies are  
54 very receptive to the idea of the Companies being merged. The customers have seen  
55 many benefits that have accrued to both companies as a result of one owner, or one  
56 telephone company in spirit, providing service in the Uintah Basin area. One of the  
57 benefits that the people have seen as a result of one telephone company serving the area  
58 is Basin wide calling without a toll charge, which has been the dream of people in the  
59 Basin for years. Other benefits include one common set of local rates throughout the  
60 Basin, the same technology (DSL, etc.) being offered to the people in the Basin as the  
61 people on the Wasatch Front, and same customer feature offerings throughout the Basin  
62 due to the same digital switch in all exchanges.

63 The people in the Basin are ready for one telephone company to provide their  
64 telecommunications needs within the Uintah Basin area. With strong community support  
65 and strong cooperative membership support, now is the time for the Companies to merge.

66 Q. WHAT STEPS HAVE BEEN TAKEN TO PREPARE FOR THE MERGER?

67 A. In the last rate case, the Companies filed for and the Commission approved the  
68 establishment of a Uintah Basin extended area service (“EAS”) calling area between the

69 Companies and all of the exchanges of the Companies. In that case all of the rates,  
70 except for the EAS rates, for both Companies were made the same. When I talk about  
71 the same rates, I mean the local rates, access rates and special access rates. Also, as part  
72 of that case, the tariffs for both companies were made the same. Each company has its  
73 own tariff, but the terms, conditions and offerings are the same for both companies within  
74 the tariffs. As part of the rate case, the depreciation rates were also made the same for  
75 both companies.

76 These steps have had a significant impact on the billing process and the accounting  
77 process for property records. The last rate case, or the EAS case, of the Companies has  
78 helped to prepare the way for the Companies to merge.

79 Q. HAVE THE COMPANIES TAKEN ANY OTHER STEPS IN PREPARING FOR THE  
80 MERGER?

81 A. Yes. Since UBTA acquired the exchanges of Duchesne, Roosevelt and Vernal, the  
82 Companies have undertaken a review and evaluation of the facilities and network of the  
83 UBET exchanges to establish a plan for consistent and uniform facilities between the  
84 Companies. A major step was taken to consolidate the two switching networks of the  
85 Companies into one host digital switch in Vernal, with remotes in all of the other  
86 exchanges of the companies. This change in the switching network was a major change,  
87 yet improved the efficiency of the network. Identification of facilities between the  
88 companies becomes more difficult as the networks become more efficient and integrated.

89 Q. ARE THERE OTHER AREAS OF THE COMPANY THAT WILL BENEFIT FROM  
90 THE MERGER OF THE TWO COMPANIES, UBTA AND UBET, INTO UBTA-UBET  
91 COMMUNICATIONS?

92 A. Yes. The accounting department has deferred the addition of two employees to help in  
93 the accounting and reporting process. The accounting department anticipates a  
94 simplification of accounting and allocations between UBTA and UBET and elimination  
95 of duplication of filings of reports with the UPSC, lenders, National Carrier Exchange  
96 Carriers Association (“NECA”), state governmental agencies (Ex. Property tax reports,  
97 etc.) and the Federal Communications Commission (“FCC”).

98 The merger of the Companies will eliminate some double billing such as the billing of  
99 interexchange carriers for access charges by each company for its usage of the network.  
100 The Companies will eliminate one audit by the outside auditors as they review the  
101 combined companies. One cost study will be required instead of two. These are  
102 additional areas where the Companies will see benefits.

103 The merger of the Companies will allow the merger of accounting records, such as the  
104 continuing property records, for each company to be combined into one data base.  
105 Likewise, the billing records for each company may be combined into one customer data  
106 base or one file. The company sees many benefits of merging the two telephone  
107 companies into one company.

108 Q: HOW WILL THE MERGER, COMBINATION AND CONSOLIDATION OF THE  
109 TWO COMPANIES BE ACCOMPLISHED?

110 A: It is our understanding from legal counsel that there is no provision under Utah law for a  
111 statutory merger of a for-profit corporation such as UBET Telecom into a not-for-profit  
112 corporation such as UBTA. Therefore, the Companies propose to accomplish the merger,  
113 combination and consolidation of the two companies by dissolving UBET Telecom and,  
114 then, transferring all the assets of UBET Telecom to UBTA. UBTA will assume all of

115 UBET Telecom's liabilities and obligations. In this manner, the same result will be  
116 achieved as if the statutory merger had been authorized under Utah law.

117 Q: WHAT ARE THE TAX IMPLICATIONS OF THE LIQUIDATION OF UBET  
118 TELECOM AND THE TRANSFER OF ITS ASSETS AND LIABILITIES TO UBTA?

119 A. Tax counsel and tax consultants have advised the Companies that the liquidation of  
120 UBET Telecom and transfer of its assets and liabilities to UBTA will be accomplished on  
121 a tax-free basis under Internal Revenue Code §331(d). Accordingly, there will be no tax  
122 consequences of the proposed merger, combination and consolidation.

123 Q. HAS A TIME TABLE BE ESTABLISHED WHEN THE MERGER IS SCHEDULED  
124 TO BE COMPLETED?

125 A. Yes. The tax experts have recommended that the merger be accomplished near or at the  
126 end of the year. The company is continuing to move forward on the assumption that the  
127 Commission will approve the merger. Several things need to be accomplished following  
128 approval by the Commission. The Companies data systems (billing, accounting records,  
129 engineering records, etc.) need to be merged in to one system and tariffs need to be filed  
130 for the consolidated Companies. Other work needs to be done once the approval has  
131 been received from the Commission.

132 Q. DO YOU HAVE ANY OTHER COMMENTS?

133 A. No.

134 Q. WOULD YOU LIKE TO SUMMARIZE YOUR TESTIMONY?

135 A. Yes. The Companies have been working on the consolidation or merger of UBTA and  
136 UBET Telecom since the day of acquisition of the Qwest exchanges in 2001. The  
137 companies have gone through a process of merging the networks and developing one

138 networking that serves the Uintah Basin area very efficiently. The company has taken  
139 the steps in filing a rate case that created Basin wide EAS to the benefit of all of the  
140 customers. As part of that case, all of the rates (local, access and special access) except  
141 for the EAS are the same for both UBTA and UBET. Each Company has its own tariffs,  
142 but they are the same in terms, conditions and offerings. Both Companies have the same  
143 depreciation rates. This case will finish the process of merging the Companies into one  
144 entity. I would encourage the Commission to approve this application as timely a manner  
145 as possible, so the merger may be complete at year-end.

146 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

147 A. Yes.