
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

STIPULATION

Docket No. 10-052-01

Pursuant to Utah Code Annotated § 54-7-1, South Central Utah Telephone Association, Inc. (“South Central” or the “Applicant”) and the Division of Public Utilities (“Division”), and the Office of Consumer Services (“Office”) (collectively, the “Parties”), stipulate and move the Public Service Commission of Utah (“Commission”) as follows:

PROCEDURAL HISTORY

On November 4, 2010, South Central filed its Application for USF Eligibility (the “Original Application”), pursuant to Utah Code Annotated §§ 54-8b-11 and 54-8b-15 and Rules R746-360 and R746-700 of the Commission’s Rules of Practice and Procedure. The Original Application was amended on December 2, 2010 (the “First Amendment”) to comply with the requirements of Utah Admin. Code R 746-360-8 (the “Total Company Rule”). On January 11, 2011, South Central filed an Application for Interim USF Distribution to defray, on an interim basis, the cost for South Central to provide basic telephone service within its geographic service area.

On April 26, 2011, the Applicant and the Division entered into a Stipulation for Interim USF Distribution (“Interim Stipulation”) where by South Central would receive \$484,235 in annual State USF Distribution from November 2010 through the Commission’s final order in this docket. Additionally, the parties stipulated that South Central would file a second amended application after receipt of its 2010 Audited Financial Statements to support its claim that it had experienced a material decrease in interstate access revenue NECA pool distributions. The Interim Stipulation was approved by order of the Commission on June 15, 2011.

On August 1, 2011, South Central filed its Second Amended Application for USF Distribution (“Second Amended Application”) which proposed a total of \$2,228,148, that amount included the \$484,235 of interim USF already being received by South Central pursuant

to the Interim Stipulation. Therefore, the Second Amended Application reflected an additional \$1,743,913 of Utah USF in addition to the interim of \$484,235. The Second Amended Application was based on a test year of 2009, adjusted for known and measurable changes for 2010, as permitted by the Interim Stipulation and Order. The Applicant proposed no increase in the rates charged to customers since South Central is already charging its customers the base affordable rate of \$16.50 for residential service and \$26.00 for business service. The Applicant filed documentation in support of its Second Amended Application.

The Division conducted an audit of the books and records of the Applicant pertaining to the Applicant's interstate and intrastate operations, and submitted numerous Data Requests to the Applicant, which the Applicant answered. Following the audit and discovery, the Applicant, the Division and the OCS participated in a settlement conference and several discussions and negotiations that concluded in a settlement of the issues raised in this case as set forth below. The Original Application, the First Amended Application, and the Second Amended Application are hereafter referred to jointly as the "Application."

TERMS OF STIPULATION

1. Applicant currently charges the Commission approved Base Affordable Rate for Basic Telecommunications Service, Utah Admin. Code R746-360-2 A. and C. of \$16.50 for residential lines, and \$26.00 for business lines. As of the date of this Stipulation, South Central's costs to provide basic telephone service to its customers are in excess of the rate currently considered affordable in South Central's service territory, resulting in a revenue shortfall.
2. Based upon the information made available by the Company as described above and contained in the Application and **Confidential Exhibit 1** attached hereto, the Parties agree to an increase in the annual intrastate revenue requirement for the Applicant of \$2,103,288.
3. The increase in the annual intrastate revenue requirement for the Applicant shall be funded by the intrastate USF in the amount of \$2,103,288 (total), which includes the \$484,235 interim intrastate USF currently being received plus \$1,619,053 in additional annual USF.
4. The Parties agree, for purposes of this Stipulation only, that the revenue requirement and State USF distribution be based on a Rate of Return of 10.54% which, consistent with R746-360-8, represents the weighted average of the interstate rate of return of 12.33% derived from NECA's most recent FCC form 492 interstate return for the period January 1, 2009 through December 31, 2009, and the intrastate rate of return of 9.63%
5. The Parties agree that the increase in the revenue requirement and USF eligibility set forth herein are in the public interest of the subscribers of the Applicant and are just and reasonable and should be approved by the Commission

6. The Parties recommend to the Commission that the authorized USF distribution described in paragraph 3, in the total monthly amount of \$175,274 (the “Monthly USF Distribution”) be effective as of August 1, 2011, the date of the filing of the Second Amended Application. The parties recommend that the Monthly USF payments begin on the first day of the month following the Commission’s order approving this Stipulation and authorizing such USF Distribution (“Payment Commencement Date”). The Parties further recommend that the monthly amounts accruing from August 1, 2011 through Payment Commencement Date in the amount of \$134,921 (\$175,274 Monthly USF Payment minus the \$40,353 Interim USF Payment) per month from August 1 through Payment Commencement date (the “True Up USF Payment”) be made in six (6) equal monthly payments beginning on the Payment Commencement Date, so that beginning on or near the Payment Commencement Date, South Central will receive its Monthly USF Distribution in the amount of \$175,274 plus its first of six (6) installments of the True Up USF Payment.

GENERAL TERMS AND CONDITIONS

7. Not all Parties agree that each aspect of this Stipulation is warranted or supportable in isolation. Utah Code Ann. § 54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result. While the Parties are not able to agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.
8. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation, in accordance with Utah Admin. Code R746-100-10.F.5, neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.
9. The Parties agree that no part of this Stipulation or the formulae and methodologies used in developing the same or a Commission order approving the same shall in any manner be argued or considered as precedential in any future case except with regard to issues expressly resolved by this Stipulation. This Stipulation does not resolve and does not provide any inferences regarding, and the Parties are free to take any position with respect to any issues not specifically called out and settled herein.
10. The Parties request that the Commission hold a hearing on this Stipulation. The Parties request that all of the pre-filed testimony in these dockets on issues resolved in this Stipulation be admitted into the record without witnesses being called or sworn at the proceeding. South Central, the Division, and the Office each will, and other Parties

may, make one or more witnesses available to explain and offer further support for this Stipulation. The Parties shall support the Commission's approval of this Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

11. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of this Stipulation. As applied to the Division and the Office, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review opposed to the Stipulation.
12. Except with regard to the obligations of the Parties under the four immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission.
13. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.
14. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission schedule a hearing on this Stipulation and, thereafter, enter an order approving the terms and conditions set forth in this Stipulation.

DATED this _____ day of November 2011.

BLACKBURN & STOLL, L.C.

Stanley K. Stoll
Kira M. Slawson
Attorneys for South Central Utah Telephone
Association, Inc.

DIVISION OF PUBLIC UTILITIES
STATE OF UTAH

Chris Parker
Division Director

OFFICE OF CONSUMER SERVICES
STATE OF UTAH

Michele Beck
Director

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Stipulation in the Matter of South Central Utah Telephone Association, Inc.'s Application for USF Eligibility was sent to the following individuals by email this ____ day of _____, 2011:

Patricia Schmid
Assistant Attorney General
Division of Public Utilities
pschmid@utah.gov

Dahnelle Burton-lee
Assistant Attorney General
Division of Public Utilities
Dburton-lee@utah.gov

Dennis Miller
Division of Public Utilities
dennismiller@utah.gov

William Duncan
Division of Public Utilities
wduncan@utah.gov

Erle Oman
Division of Public Utilities
eoman@utah.gov

Paul Hicken
Division of Pubic Utilities
phicken@utah.gov

Shauna Benvegna-springer
Division of Public Utilities
sbenvegn@utah.gov

Kira M. Slawson
Blackburn & Stoll, LC
kslawson@blackburn-stoll.com

Stanley K. Stoll
Blackburn & Stoll, LC
sstoll@blackburn-stoll.com

Paul Proctor
Office of Consumer Services
pproctor@utah.gov

Eric Orton
Office of Consumer Services
eorton@utah.gov

South Central Utah Telephone Association, Inc.
Docket No. 10-052-01

Confidential Exhibit 1

Subject to PSC R746-100-16