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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE  
APPLICATION FOR USE ELIGIBILITY  
FOR SOUTH CENTRAL UTAH  
TELEPHONE ASSOCIATION, INC.

[REDACTED] APPLICATION FOR  
INTERIM USE SUPPORT

DOCKET NO. 10-052-01

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South Central Utah Telephone Association, Inc. ("SOUTH CENTRAL") hereby files this Application for Interim USE Support with the Public Service Commission of Utah (the "Commission") and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Annotated §§ 54-4-1 and 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure.
2. The Applicant is Utah corporation qualified to transact business and operate as a local exchange carrier providing telecommunications services within the State of Utah under authority issued by the Commission. The Applicant is an "eligible telecommunications carriers" pursuant to R746-360-6.A.1 of the Commission's Rules of Practice and Procedure and 47 U.S.C.

§214(e). For purposes of 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure, South Central is a rate-of-return regulated telecommunications carrier.

3. Since April of 2006, South Central has not received any state USF distributions.

4. Beginning in approximately 2010 South Central lost an estimated [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] in interstate access revenue distributions from the NECA pools as a result of several plant accounts that have been fully depreciated over the past two years, corporate operating expenses being reduced through cost cutting measures, and reduction in return on interstate rate base, all of which have resulted in a significant shortfall in South Central's revenue requirement.

5. On November 2, 2010 South Central filed an Application for USF Support which was amended on December 2, 2010, requesting state USF distribution in the amount of [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] (the "2010 Request for USF Support")<sup>1</sup>. The 2010 Request for USF Support is currently pending.

6. In the interim, however, South Central continues to experience a shortfall in its revenue requirement that has prohibited South Central from meeting its loan covenant ratios with its lender CoBank. Specifically, South Central's loan documents require that it maintain a Debt to EBITDA ratio of less than [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] on a quarterly basis; a Debt Service Coverage Ratio of greater than [BEGIN CONFIDENTIAL]\*\*\*\*\*[END CONFIDENTIAL]; and an Equity to Total Assets ratio of greater than [BEGIN CONFIDENTIAL]\*\*\*\*\* [END CONFIDENTIAL]. As set forth on the

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<sup>1</sup> South Central's original filing was not calculated using the new total company rule. The Amendment used the total company rule and resulted in a slightly lower USF request.

attached **Confidential Exhibit 1**, South Central has [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL].

7. In order to meet its loan covenant ratios on December 30, 2010, South Central would have needed an additional [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] in annual revenue. South Central has taken significant steps to reduce expenses, including, among other things, a reduction in force with an annual expense savings of [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL], elimination of all marketing expenses, restrictions on employee travel, a moratorium on vehicle purchases, and the anticipated sale of its wireless subsidiary (which would result in a monthly expense savings of approximately [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL]). Despite these cost cutting measures, South Central continues to experience a significant revenue shortfall, and seeks interim USF support in the amount of [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] during the pendency of its 2010 Request for USF Support. Receipt of [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] per month in State USF coupled with the cost cutting measures already taken, and the [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL], would have enabled South Central to [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL].

8. Utah Code Annotated § 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure governs the methods, practices and procedures by which funds are collected for, and disbursed from, the Universal Service Fund to qualifying telecommunications corporations so that they will provide basic telecommunications services at just, reasonable and affordable rates.

9. South Central's 2010 Request for USF Support that has been previously filed with this Commission contains the necessary information in accordance with Utah Code Annotated § 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure to support a determination by the Commission that, on an interim basis, South Central is eligible for the proposed interim increase in intrastate USF eligibility.

10. South Central requests that the Commission, in accordance with Utah Code Annotated §§ 54-8b-15 and R746-306 of the Commission's Rules of Practice and Procedure, approve an interim annual USF distribution in the amount of [BEGIN CONFIDENTIAL] \*\*\*\*\* [END CONFIDENTIAL] (the "Interim Award") to be paid to South Central in monthly installments beginning on the first day of the month following the Commission's issuance of an Order approving this Interim Request (the "Effective Date") .

11. South Central proposes that the Division of Public Utilities track the payments received by South Central as part of the Interim Award (the "Interim USF Revenues") so that they may be compared to the USF revenues South Central is awarded at the conclusion of the 2010 Request for USF Support ("Final USF Revenues"). Beginning on the Effective Date, the Interim USF Revenues will be recorded in the Interim USF Revenue Balancing Account established by the Commission in the order approving this Stipulation. In the event that the Final USF Revenues established by the rate case differ from the Interim USF Revenues, the difference between the Interim USF Revenues and the Final USF Revenues will be debited or credited to South Central, as the case may be, along with interest at the rate currently applicable to funds deposited in the State Treasury. Payments (either by South Central to the USF or to South Central from the USF) of the total will be made in twelve equal amounts beginning one month

after the final Commission order in this 2010 Request for USF Support docket and continuing monthly for one year until the balance is retired.

WHEREFORE, South Central respectfully submits this Application for an Interim USF Support.

DATED this \_\_\_\_ day of January, 2011.

BLACKBURN & STOLL, L.C.

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

## CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Application for Interim USF Support, Docket No. 10-052-01 was sent to the following individuals by mailing a copy thereof via first-class mail, postage prepaid, this \_\_\_\_ day of January, 2011:

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