

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

Docket No. 10-052-01

REDACTED AMENDED STIPULATION
FOR INTERIM USF DISTRIBUTION

Pursuant to Utah Code Ann. § 54-4-1, South Central Utah Telephone Association, Inc. (South Central), the Utah Division of Public Utilities (Division), and the Utah Office of Consumer Services (Office) have signed this Stipulation and request that the Commission issue an order approving its terms and conditions following a public hearing.

On January 11, 2011, South Central filed an Application for Interim USF Support (“Interim Application”). This Stipulation, in response to the Interim Application, requests an order for interim distribution from the Universal Public Telecommunications Service Support Fund (Utah USF), Utah Code Ann. § 54-8b-15, for the purpose of defraying on an interim basis, the cost for South Central to provide basic telephone service within its geographic service area.

In support of the interim Utah USF distribution, the parties hereby stipulate and agree as follows:

1. On November 4, 2010, South Central filed a request for USF eligibility (the “Original Application”) pursuant to Utah Code Ann. § 54-7-12, § 54-8b-15, and Utah Admin. Code R 746-360, and the Commission’s Rules of Practice and Procedure. This Original Application was amended on December 2, 2010 (the “Amended Application”) to comply with the

requirements of Utah Admin. Code R 746-360-8 (the “Total Company Rule”). The Original Application and the Amended Application are hereinafter referred to collectively as the “Application”. In its Amended Application, South Central proposed an annual increase in its intrastate revenue requirement in the amount of \$1,306,289. In neither application does South Central propose to increase its local service rates and has requested that any revenue deficiency be recovered entirely from the Utah USF.

2. Since the filing of the Application, the parties have submitted and responded to discovery and on January 24 to January 28, 2011, the Division conducted an on-site audit of South Central. However, the parties agree that additional discovery is necessary; in particular, discovery pertaining to South Central’s Audited 2010 Financial Statements, which South Central has not yet received from its auditors. Discovery and analysis also is necessary to examine the Application in light of the filed test period, the adjustments for known and measurable changes to the filed test period, and upon the issue of whether another test period best reflects the conditions that South Central will encounter in the rate effective period. Such proceedings will require additional time and until completed, the parties cannot determine with reasonable certainty, whether, or the amount of, rate changes or additional Utah USF distribution is necessary to establish just and reasonable rates.

3. South Central currently charges the Commission approved Affordable Base Rate for Basic Telecommunications Service, Utah Admin. Code R 749-360-2 A. and C.: \$16.50 for residential lines, and \$26.00 for business lines. As of the date of this Stipulation, as shown in the currently available evidence and information, the parties agree that South Central’s cost to provide basic telephone service to its customers, is in excess of the rate currently considered affordable in

South Central's geographic service area. However, since 2006 South Central has not received Utah USF distributions.

4. In its Application for Interim USF Support, South Central alleges that it has experienced a material decrease in interstate access revenue NECA pool distributions as a result of fully depreciated accounts and a reduction in return on interstate rate base. As a result of reduced revenue and other financial conditions, South Central cannot comply with loan covenant ratios, despite the steps taken to reduce expenses.

5. The parties agree that the facts and circumstances described above jeopardize South Central's financial integrity, operations and facilities, placing at risk its capacity to provide basic telephone service within its geographic service area. The parties agree that the facts and circumstances described above establish an adequate prima facie showing that an immediate, interim Utah USF contribution is necessary to ensure continuous service to South Central's customers, pending the Commission's final order.

6. Based upon information made available by the company as described above and contained in the Confidential Application for Interim USF Support and Confidential Exhibit 1, attached hereto, the parties request that South Central receive interim State USF distributions of \$484,235 annually, or \$40,353 monthly (the "Interim USF"), commencing November 4, 2010. The parties request that the Commission authorize an Interim USF payment of \$282,471 for seven (7) monthly payments representing Interim USF from November 2010 through May 2011, and that ongoing payments in the monthly amount of \$40,353 commence on June 1, 2011 to continue until the Commission's final order in this docket.

7. South Central represents that Interim USF shall be used solely for regulated operations, and South Central agrees to separately account for Interim USF receipts and expenditures. The Interim USF accounting shall be available for the Division's review.

8. Upon receipt of its Audited 2010 Financial Statements, South Central has agreed to provide a copy to the Division and shall make them available to the Office upon request. Within forty five (45) days of receipt of the Audited 2010 Financial Statements, South Central will file a Second Amended Application for USF Eligibility updating its known and measurable adjustments for 2010, or using 2010 as the test year, adjusted for known and measurable changes, with all supporting schedules.

9. For the reasons described in paragraph 2, and because the information and evidence underlying the facts and circumstances requiring interim relief require continued investigation and analysis, the parties cannot conclude the pre-hearing procedures, prepare testimony and present their respective cases at a hearing within 240 days of the November 2, 2010 initial application. In addition, the parties agree that the Audited 2010 Financial Statements are essential to a determination of just and reasonable rates and the proper Utah USF distribution. The parties further represent that given the material amendments to the Applications that have occurred and will occur, a final written order is unlikely to be issued prior to the time that by law a "proposed rate increase or decrease is final." Utah Code Ann. § 54-7-12(3) (b).¹

10. Accordingly, South Central hereby waives and relinquishes all rights granted to South Central by Utah Code Ann. § 54-7-12 (3).

¹ The schedule for this docket has been suspended in its entirety. Order Vacating Scheduling Order April 14, 2011.

11. The parties agree that this stipulation for Interim USF does not represent a resolution of any matter, dispute, claim for relief or defense, including without limitation, whether local service rates should increase; the amount, if any, of Utah USF to be distributed to South Central; the allowed rate of return; capital structure; and, all issues pertaining to the appropriate affordable base rate, designated support area, and geographic unit defined by Utah Admin. Code R 746-360-2 A., D., and F.; or, issues pertaining to South Central's regulated and unregulated operations. Accordingly, the parties agree that any order issued upon this stipulation is not a final order.

12. The Parties agree that this Stipulation should be filed with the Commission upon execution, agree to request a hearing on this Stipulation as soon as possible, and agree to request that the Commission approve this Stipulation.

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

Respectfully submitted this _____ day of April 2011.

BLACKBURN & STOLL, LC

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

Utah Division of Public Utilities

By Patricia E. Schmid
Assistant Attorney General
Utah Division of Public Utilities

Utah Office of Consumer Services

By Paul H. Proctor
Assistant Attorney General
Utah Office of Consumer Service