
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of All West Communications,
Inc.’s Application for an Increase in USF
Eligibility**

REDACTED STIPULATION

Docket No. 11-2180-01

Pursuant to Utah Code Annotated § 54-7-1, All West Communications, Inc. (the “Applicant”) and the Division of Public Utilities (“Division”) (collectively, the “Parties”), enter into this Stipulation to resolve certain issues in the Application as set forth below:

PROCEDURAL HISTORY

On May 10, 2011, Applicant filed its Application for Increase of USF Eligibility (the “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 Applicant proposed an increase of \$2,039,339 in State USF support based on a test year of 2010, adjusted for known and measurables for 2011. The Applicant proposed no increase in the rates charged to customers. The Applicant filed documentation in support of its 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, the Applicant, the Division and the OCS participated in a settlement conference and several discussions and negotiations that concluded in a partial settlement of the issues raised in this case. The terms of the partial settlement are described herein. Specifically, the Parties herein have agreed to resolve all issues in the case except: 1) normalization of depreciation; and 2) the appropriate application of approved depreciation rates under group asset depreciation accounting to include treatment of fully depreciated accounts. It is All West’s position that the Depreciation Expense is ****CONFIDENTIAL****. The Division’s position is that the Depreciation Expense should be ****CONFIDENTIAL****. These two issues are specifically reserved for hearing on the matter and determination by the Public Service Commission (the “Reserved Issues”). It is the intent of the parties to resolve all of the issues presented in this case in this partial settlement except for the

Reserved Issues.

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, All West's costs to provide basic telephone service to its customers is in excess of the rate currently considered affordable in All West'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 at least \$797,700, plus any additional amount as determined by the Public Service Commission after a hearing on the Reserved Issues. It is understood and agreed by the parties that All West's annual additional intrastate revenue requirement is at least \$797,700, subject only to increase after hearing on the Reserved Issues.
3. The increase in the annual intrastate revenue requirement for the Applicant shall be funded by the intrastate USF in the amount of \$797,700 in addition to the current \$944,598 in intrastate USF currently being received by the Applicant, for a total annual USF distribution to Applicant of \$1,742,298.
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 ****CONFIDENTIAL****% which, consistent with R746-360-8, represents the weighted average of the interstate rate of return of ****CONFIDENTIAL****% 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 ****CONFIDENTIAL****%, which was derived using an imputed capital structure of ****CONFIDENTIAL****% equity and ****CONFIDENTIAL****% debt, with a cost of debt of ****CONFIDENTIAL****% and a cost of equity of ****CONFIDENTIAL****%.
5. The Parties further agree for purposes of this Stipulation that the Applicant's Normalized Rate Base shall be ****CONFIDENTIAL****.
6. The Parties agree that the depreciation rate for Buried Cable – Metallic (account 2423.1) will be increased to ****CONFIDENTIAL****%, effective January 1, 2012, and the depreciation rates/useful lives set forth in Schedule 11 to the Application are appropriate and should be approved by the Commission. For purposes of calculating USF eligibility in this case, the accelerated depreciation for Buried Cable Metallic was included as a

known and measurable change.

7. 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.
8. The Parties recommend to the Commission that the increase in the authorized USF distribution described in paragraph 3 be effective on the first day of the month following the Commission's order approving this Stipulation and authorizing such USF Distribution. It is anticipated by the Parties that the Commission will enter an Order on the Stipulation prior to the hearing on the Reserved Issues.
9. The Parties agree that this Stipulation represents a resolution among them of the matters in this proceeding included within this Stipulation. As such, all discussions or conduct relating to the negotiation and execution of this Stipulation are privileged and 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. The Parties further agree that the Parties have specifically reserved the Reserved Issues for hearing by the Public Service Commission. It is understood and agreed that depending upon the Commission's determination of the Reserved Issues, the Applicant's intrastate USF distribution may increase, but it shall not decrease as a result of the outcome of the hearing on the Reserved Issues.
10. The Parties understand and agree that upon approval of this Stipulation by the Commission, the parties will seek a new scheduling order. The parties agree that All West will file direct testimony, the Division will file testimony rebutting the documentation and position of All West on the Reserved Issues as set forth in All West's Application. All West will thereafter file responsive rebuttal testimony and the Division reserves the right to file surrebuttal testimony. All deadlines for filing testimony will be set forth in the new scheduling order.
11. In the event the Commission or a court rejects all or any portion of this Stipulation as resolving the issues included within this Stipulation, or imposes any additional conditions with respect to such issues, each Party reserves the right to withdraw from this Stipulation. In such case, no Party to this Stipulation shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission order, to file any testimony it chooses, to cross-examine witnesses, and in general to put on such case as it deems appropriate. If this Stipulation does not become

effective according to its terms, it shall be null and void unless otherwise agreed to by the Parties. Further, if a court rejects all or any portion of this Stipulation, following approval by the Commission and USF payments being made to All West pursuant to this Stipulation, All West agrees to return all or any portion of the USF monies distributed to All West pursuant to this Stipulation consistent with any such court order.

12. Except to the extent expressly stated in this Stipulation, nothing in this Stipulation shall be (1) cited or construed as precedent or as indicative of the Parties' positions on a resolved issue, or (2) asserted or deemed to mean that a Party agreed with or adopted another Party's legal or factual assertions in this or any other proceeding, including those before the Commission, the state courts of Utah or of any other state, the federal courts of the United States of America, or the Federal Communications Commission. The limitation in this paragraph shall not apply to any proceeding to enforce the terms of this Stipulation or any Commission order adopting this Stipulation.
13. The Parties acknowledge that this Stipulation is the product of negotiations and compromise and shall not be construed against any Party on the basis that it was the drafter of any or all portions of this Stipulation. This Stipulation constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations shall be relied upon by the Parties. By entering into the Stipulation, the Parties intend that the Commission exercise its authority to govern this Stipulation as contained in applicable laws.
14. Each Party shall take all actions necessary and appropriate to enable it to carry out this Stipulation, including, providing witnesses and argument in support of the approval by the Commission of the Stipulation. With respect to the Division and Office any explanation and support of this Stipulation will be made consistent with their statutory authority and responsibilities.
15. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation, without material change or condition by the Commission, in accordance with its terms and conditions.
16. The Parties request that the Commission hold a hearing on this Stipulation. Further, the Parties recommend that the Commission adopt this Stipulation in its entirety upon holding a hearing and the taking of testimony supporting the reasonableness of this Stipulation, that it is just and serves the public interest. The Applicant and the Division shall make witnesses available to provide testimony in support of this Stipulation, including testimony to explain the basis of their support for this Stipulation. In the event other parties introduce witnesses opposing approval of the Stipulation, the Parties agree to cooperate and use their best efforts to support the terms and conditions of this Stipulation in cross-examination and in providing testimony as necessary to rebut the testimony of

opposing witnesses. As applied to the Division and the Office, the phrase “use its best efforts” means they shall do so in a manner consistent with their statutory authority and responsibilities.

17. No Party shall appeal any portion of this Stipulation and no Party shall oppose the adoption of this Stipulation pursuant to any appeal filed by any person not a party to the Stipulation. 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 and the Commission approval.
18. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.
19. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this _____ day of September, 2011.

BLACKBURN & STOLL, L.C.

Stanley K. Stoll
Kira M. Slawson
Attorneys for All West Communications, Inc.

DIVISION OF PUBLIC UTILITIES
STATE OF UTAH

Chris Parker
Division Director

CERTIFICATE OF MAILING

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

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Exhibit 1

****CONFIDENTIAL****