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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE  
APPLICATION FOR RATE  
INCREASE AND INCREASE IN  
STATE USF DISTRIBUTION FOR  
GUNNISON TELEPHONE COMPANY

APPLICATION FOR RATE INCREASE  
AND INCREASE IN STATE USF  
DISTRIBUTION

DOCKET NO. 14-043-01

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Gunnison Telephone Company (“Gunnison”) hereby files this Application for Rate Increase and Increase in State USF Distribution with the Public Service Commission of Utah (the "Commission") pursuant to Utah Code Annotated Sections 54-8b-11 and 54-8b-15, and Utah Administrative Code R746-360 and R746-400-40, and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Anno. Sections 54-4-1, 54-8b-15, and Utah Administrative Code R746-360 and R746-700.
2. Gunnison is a Utah corporation qualified to transact business and operate as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Gunnison by the Commission.
3. This Application is accompanied by the necessary information, schedules, and testimony in accordance with Utah Code Anno. Section 54-8b-15 and R746-360 of the

Commission's Rules of Practice and Procedure to support Gunnison's Application for USF Eligibility.

4. Calendar year 2013 constitutes a reasonable test year pursuant to Utah Code Anno. Section 54-4-4(3) for the purpose of determining the appropriate amount of support from Utah's USF. Gunnison's revenue requirement calculation includes known and measurable test year adjustments consistent with Utah Code Anno. Section 54-4-4(3).

5. In accordance with Utah Administrative Code R746-700-40 - Information for a General Rate Case Application for a Telecommunications Corporation, Gunnison's application is supported by the necessary information and schedules. Attachment 1 to this Application lists each filing requirement and the location of the responsive information which can be found in this Application, or the prefiled written direct testimony and exhibits of the following witnesses:

- **Natalie Gleave**, Controller of Gunnison Telephone Company, will provide an overview of the operations of Gunnison including discussion of the current revenue requirement of Gunnison.
- **Daniel Meszler**, Senior Regulatory Consultant for TCA, Inc. – Telcom Consulting Associates ("TCA") will present Gunnison's overall revenue requirement based on the operations during the test year. Mr. Meszler will describe in detail the sources of data and will present certain normalizing adjustments and known and measurable changes related to revenue, operations expense, depreciation and amortization, rate base, and taxes.
- **Curt Huttshell, Ph.D**, Senior Regulatory Consultant for TCA will present testimony addressing the cost of equity capital to Gunnison.

6. Gunnison's present tariff charges and State USF do not provide sufficient revenues to cover Gunnison's 2013 test year costs adjusted for known and measurable additions thereto, including capital costs and depreciation expense. At January 1, 2014, Gunnison's current rate structure resulted in an annual revenue requirement deficiency of \$142,898 against Gunnison's adjusted 2013 test year costs when considering plant construction, known and measurable additions thereto, and including a total company rate of return of 10.71%, which represents the weighted average of the interstate rate of return of 12.16% and the intrastate rate of return of 9.77%. Gunnison's intrastate cost of capital is based on a theoretical capital structure of 65% equity and 35% debt (calculated on a basis of a state cost of equity of 12.50% and a cost of debt of 4.70%, which results in a composite intrastate rate-of-return of 9.77%) (see Testimony of Daniel Meszler, Exhibits DM 1-7 attached thereto, and the Testimony of Curt Huttzell and Exhibit CH 1 attached thereto).

7. Gunnison's current rate for basic residential service (R-1) is \$13.50 per month and for basic business service (B-1) is \$23.00 per month. Gunnison proposes to increase its R-1 and B-1 rates to \$16.50 and \$26.00 respectively, which is the affordable base rate as approved by the Commission.

8. Gunnison also has a mandatory extended area service charge ("EAS") of \$3.59 per line per month for residential and business customers. This permits each customer to call throughout Gunnison (435-528), Manti (435-835), Ephraim (435-283), Mt. Pleasant (435-462), Fountain Green (435-445), Fairview (435-427), and Moroni (435-436), Utah. Gunnison proposes to decrease the EAS charge from \$3.59 per line per month to \$0.48 per line per month, as supported by the EAS Cost Study, attached as Exhibit DM 8 to the Testimony of Daniel

Meszler. The revenue shortfall due to the decrease of the EAS charges is identified in the Testimony of Daniel Meszler, Exhibit DM 5 (IS 3), and will be made up in part from the increase in local R-1 and B-1 rates described in paragraph 7 above.

9. The residual revenue shortfall will be made up by an additional Utah Universal Service Fund (“UUSF”) distribution in the annual amount of \$142,898. The rate changes and increased distributions from the UUSF are essential to permit Gunnison to continue to provide telecommunications services at just and reasonable rates and to recover its reasonable costs of service and a reasonable rate of return on the value of its property devoted to public use.

10. Gunnison requests that the Commission, in accordance with Utah Code Anno. Section 54-8b-15 and R746-306 of the Commission's Rules of Practice and Procedure, approve an annual USF distribution of \$142,898 to Gunnison..

WHEREFORE, Gunnison respectfully submits this Application for Proposed Rate Increase and Increase in UUSF Eligibility and requests that the Commission:

1. Approve an increase in R-1 and B-1 Rates to \$16.50 and \$26.00 respectively;
2. Approve a decrease in the EAS charge from \$3.59 to \$0.48 per line per month;
3. Approve an increase of \$142,898 to Gunnison’s annual UUSF distribution.

DATED this 6<sup>th</sup> day of June, 2014.

BLACKBURN & STOLL, L.C.

By \_\_\_\_\_  
Kira M. Slawson  
Attorney for Gunnison Telephone Company

## CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Application for Rate Increase and Increase In UUSF Distribution, Docket No. 14-043-01 was sent via email to the following individuals, this 6<sup>th</sup> day of June, 2014:

Brent Coleman  
Assistant Attorney General  
Office of Consumer Services  
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Kira M. Slawson

**Attachment 1**  
**Index of data pursuant to R746-700-40**

A. General Information

1. Historical Operations – Testimony of Daniel Meszler, Confidential Exhibit DM 4, Column A
2. Adjusted Operations – Testimony of Daniel Meszler, Confidential Exhibit DM 4, Column E
3. Adjustments to Test Period
  - a. Rate Base Adjustments – – Testimony of Daniel Meszler, Confidential Exhibit DM 3 (RB 1-2)
  - b. Income Statement Adjustments – Testimony of Daniel Meszler, Confidential Exhibit DM 5 (IS 1-8); Testimony of Natalie Gleave, beginning Line 119
  - c. Description of Normalizing Adjustments – Testimony of Daniel Meszler, beginning line 152
4. Changes in Accounting Policies – Testimony of Natalie Gleave, beginning line 143
5. Cost Study – Not Applicable—See Testimony of Daniel Meszler, beginning line 227
6. Audit Entries – Testimony Natalie Gleave, Line 149, Confidential Exhibit NG1
7. Management Letters – Testimony Natalie Gleave, Line 148-151
8. List of Internal Audits – Testimony of Natalie Gleave, Line 154
9. Organizational Charts – Testimony of Natalie Gleave, Exhibit NG 2
10. Corporate Restructuring/Changes in Affiliate Relationships – Testimony of Natalie Gleave, Line 158
11. Bad Debt – Testimony of Natalie Gleave, Exhibit NG 3
12. Changes in Collection Policy – Testimony of Natalie Gleave, Line 175
13. Penalties and Fines – Testimony of Natalie Gleave, Line 178

B. Tax Adjustment

1. Explanation of Tax Adjustment – Testimony of Daniel Meszler, Confidential Exhibit DM 1.1
2. Tax Adjustment – Testimony of Daniel Meszler, Confidential Exhibit DM 1.1