

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF GUNNISON)	
TELEPHONE COMPANY'S)	Docket No. 14-043-01
APPLICATION FOR RATE INCREASE)	
AND FOR INCREASE IN USF ELIGIBILITY)	
GUNNISON TELEPHONE COMPANY,)	
)	
Applicant)	

DIRECT TESTIMONY

OF

NATALIE GLEAVE

ON BEHALF OF GUNNISON TELEPHONE COMPANY

June 6, 2014

DIRECT TESTIMONY OF NATALIE GLEAVE

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Q. Please state your name, occupation and business address.

A. Natalie Gleave. I am the Controller of Gunnison Telephone Company (“Gunnison or “Company”). Gunnison’s business address is 29 South Main, P.O. Box 850, Gunnison, UT 84634.

Q. Please state your educational background and professional background.

A. I have a Bachelor of Science degree in Accounting and a Master of Accountancy from Southern Utah University.

Q. Why are you qualified to offer testimony in this case?

A. I have been employed by Gunnison since November 1993. During that time I have become very familiar with the books and records of Gunnison. My job duties involve overseeing accounts payable, billing, bank and general ledger reconciliations, reporting to state and federal regulatory agencies, toll processing, maintaining property records. I have prepared preliminary financial statements, general ledger transactions, monthly, quarterly, and annual reports submitted to the Federal Communications Commission (“FCC”), Internal Revenue Service (“IRS”), National Exchange Carriers Association (“NECA”), the Utah State Tax Commission, and the Utah Public Service Commission (“Commission”_). I am member of the management team at Gunnison, and I work closely with the independent auditors, Thorne & Associates. Additionally, my educational background and professional experience have focused on accounting and

23 telecommunications. I am familiar with the day to day operations of Gunnison and the
24 accounting processes and procedures in my capacity as controller.

25

26 **Q. What is the purpose of your testimony?**

27 A. The purpose of my testimony is to address the current revenue requirement of Gunnison
28 and to offer support for the information contained in the Company's Application for Rate
29 Increase and Increase in Utah Universal Service Fund ("UUSF") distribution.

30

31 **Q. Have others been authorized to testify on behalf of Gunnison in this proceeding?**

32 A. Yes. Daniel Meszler and Curt Huttshell of TCA, Inc. – Telcom Consulting Associates
33 ("TCA") will file direct testimony on behalf of the Company. Their testimony will
34 provide the support and rationale for the proposed increase in UUSF distributions.

35

36 **Q. Are you familiar with the Company's Application for Rate Increase and Increase in**
37 **UUSF Distributions in this Docket?**

38 A. Yes. The Company's Application is based on a 2013 test year plus known and
39 measurable changes. These changes are identified in the Testimony of Daniel Meszler,
40 and Confidential Exhibits DM 1-8 filed with the Application

41

42 **Q. Can you summarize your Application?**

43 A. Yes. As set forth in detail below, Gunnison is seeking to increase its current R1 and B1
44 rates to the Commission approved affordable base rates of \$16.50 (R1) and \$26.00 (B1),

45 while at the same time, decreasing its extended service area (“EAS”) rates from \$3.59 per
46 user per month, to more properly reflect the costs of providing the EAS service, which
47 the EAS cost study shows to be \$0.48 per user per month. Gunnison is also currently
48 experiencing a revenue deficiency of \$142,898, which it seeks to recover from an
49 increased disbursement from the Utah Universal Service Fund (“UUSF”).
50

51 **RATES**

52 **Q. What are Gunnison’s current rates for residential (R1) and business (B1) service?**

53 A. Gunnison’s current residential rate for R1 service is set at \$13.50 per subscriber per
54 month. Our business rate for B1 service is currently \$23.00 per month.
55

56 **Q. In addition to the R1 and B1 rates, does Gunnison have a mandatory extended area
57 service charge that is imposed on your customers?**

58 A. Yes. As mentioned above Gunnison is currently required to charge each of its residential
59 and business customers an EAS charge in the amount of \$3.59 per line per month. This
60 permits each customer to call throughout Gunnison (435-528), Manti (435-835), Ephraim
61 (435-283), Mt. Pleasant (435-462), Fountain Green (435-445), Fairview (435-427), and
62 Moroni (435-436), Utah.
63

64 **Q. Is Gunnison seeking a rate increase in this proceeding?**

65 A. Gunnison is seeking to increase its R1 and B1 rates, while decreasing its mandatory EAS
66 rate.

67

68 **Q. Please explain.**

69 A. Gunnison proposes to increase its R1 and B1 rates by \$3.00 per line per month, which
70 will bring the Gunnison R1 and B1 rates to the Commission approved affordable base
71 rates of \$16.50 (R1) and \$26.00 (B1). With regard to the EAS rates, as supported by an
72 updated EAS cost study, Gunnison proposed to reduce its EAS rate to \$0.48 per line per
73 month.

74

75 **Q. How was the current EAS rate established?**

76 A. The current mandatory EAS charge was set by the Commission in approximately 2006,
77 and was based on the costs associated with providing the EAS service to the various
78 communities at that time.

79

80 **Q. Do the current costs associated with the EAS support an EAS charge of \$3.59**
81 **today?**

82 A. No. According to the EAS study conducted by our consultant TCA, the costs associated
83 with providing the EAS are substantially lower than they were in the past. First, the costs
84 of the facilities have come down considerably in the past ten years, and the access rates
85 are substantially lower than they were when the EAS rate was set. Based on the study
86 conducted by TCA, as presented in the testimony of Daniel Meszler, we believe the costs
87 for providing EAS support a substantial reduction in EAS rate.

88

89 **Q. Can you summarize the effect Gunnison's rate rebalancing will have on its**
90 **customers and this proceeding?**

91 A. As indicated, Gunnison is seeking to increase the R1 and B1 rates to the affordable base
92 rate as determined by the Commission, and decrease the EAS rate to \$0.48. The
93 Gunnison customers would see a composite rate decrease of \$0.11 per line per month.
94 With regard to this proceeding, Gunnison's approach means that the entire revenue
95 deficiency will be made up by an increase in UUSF disbursement.

96

97 **Q. Do you believe this approach is in the public interest?**

98 A. Yes. Gunnison, like all rural telecommunications providers has been struggling with line
99 loss with the advent of cell phone use. As proposed, Gunnison's R1 and B1 rates will be
100 set at the affordable base rate as determined by the Commission, and the EAS rates will
101 be cost based as required by the Commission Rules.

102

103

INCREASE IN UUSF DISBURSEMENT

104 **Q. In addition to the rate changes you have discussed above, Gunnison's Application**
105 **seeks its revenue deficiency from an increase in Utah USF disbursements, correct?**

106 A. Yes. Gunnison is currently experiencing a revenue deficiency in the amount of \$142,898.
107 Gunnison is proposing that the revenue deficiency be recovered through UUSF
108 disbursements. This will enable Gunnison to continue providing affordable service to its
109 customers, and to begin construction of capital projects that have been postponed by our
110 current financial situation.

111 **Q. What test period is Gunnison proposing in its Application?**

112 A. Gunnison is proposing an historical test period of 2013, adjusted for known and
113 measurable changes. Daniel Meszler of TCA discusses the Application and adjustments
114 in detail in his testimony.

115

116 **Q. IS-2 adjusts Utah Education Network (“UEN”) revenues to current levels. Please**
117 **describe in detail this adjustment and why it is a necessary known and measurable**
118 **change?**

119 A. UEN has been renegotiating contracts across the state and Gunnison’s contract rates have
120 been declining. IS—2 reflects the anticipated reduction in UEN circuit fees for 2014.

121

122 **Q. IS-4, attached with the Application, is a change to regulated payroll costs. Can you**
123 **explain this adjustment?**

124 A. Gunnison is proposing a conservative 1% increase in wages for its employees in 2014.
125 IS-3 reflects this 1% increase in wages. IS-3 also reflects an allocation of management
126 and customer service compensations costs to non-regulated operations. Gunnison is a
127 very small company and its management and customer service representatives’ work on
128 regulated and non-regulated activities. This allocation reflects that division of labor.

129

130 **Q. IS-5, attached to the Application, recognizes a “known and measurable” increase in**
131 **healthcare and employee benefit costs for 2014. Please explain.**

132 A. Healthcare and benefits costs continue to rise year after year. Gunnison has experienced
133 an increase in its healthcare and benefits costs for 2014. This increase is known and
134 measurable and is reflected in IS-5.

135

136 **Q. IS-6 calculates Gunnison's recoverable procedural costs in prosecuting this rate**
137 **case. Please explain this adjustment.**

138 A. We have estimated the rate case expenses in IS-6 and have amortized those expenses over
139 two years.

140

141 **Q. Has Gunnison implemented any significant changes in accounting policies or**
142 **procedures for the 12 month period prior to the test period?**

143 A. No. Gunnison has not implemented any significant changes in accounting policies or
144 procedures that would be referenced or noted in the financial statements or auditors'
145 notes.

146

147

148 **Q. Has Gunnison included audited financial statements for 2013 with its Application?**

149 A. Yes. Audited Financial Statements and management letters are attached hereto as
150 Confidential Exhibit NG 1. No adjusting journal entries were required.

151

152

153 **Q. Has Gunnison conducted any internal audits during 2013 or 2014?**

154 A. No.

155

156 **Q. Has Gunnison had any corporate restructuring or changes in its affiliate**
157 **relationships since its previous general rate case?**

158 A. No.

159

160 **Q. R746-700-40 also requires Gunnison to provide its affiliates organization chart**
161 **including a clear indication of affiliates, parent companies, divisions and**
162 **subsidiaries indicating their regulatory status, and a personnel organization chart**
163 **chart. Have you provided that?**

164 A. Yes. A copy of the required information is attached hereto as Gunnison Exhibit NG 2.

165

166 **Q. Can you summarize Gunnison's treatment of bad debt beginning in 2011 and**
167 **through the date of the Application?**

168 A. A Summary of Bad Debt is attached to this Testimony as Gunnison Exhibit NG 3. This
169 exhibit provides the beginning bad debt reserve balance, the amount written off, the
170 recoveries, the reserve adjustment, and other charges or credits, and the ending reserve
171 balance.

172

173 **Q. Has Gunnison changed its collection policies or write-off policies since its last**
174 **general rate case?**

175 A. No.

176

177 **Q. Has Gunnison had any penalties or fines assessed during the test period?**

178 A. No.

179

180 **Q. Does this conclude your testimony?**

181 A. Yes.

182