

Kira M. Slawson (7081)
BLACKBURN & STOLL, L.C.
Attorneys for Gunnison Telephone Company
257 East 200 South, Suite 800
Salt Lake City, Utah 84111
Telephone: (801) 521-7900

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

SETTLEMENT STIPULATION
DOCKET NO. 14-043-01

Pursuant to Utah Code Ann. §54-7-1 and Utah Admin. Code R746-100-10.F.5, Gunnison Telephone Company (“Gunnison”) and the Division of Public Utilities (“Division”) (collectively the “Parties”) submit this Settlement Stipulation (“Stipulation”) in resolution of this docket and move the Public Service Commission of Utah (“Commission”) as follows:

PROCEDURAL HISTORY

1. On June 6, 2014, Gunnison filed its Application for Rate Increase and Increase in State USF Distribution (the “Application”), pursuant to Utah Code Ann. §§ 54-8b-11 and 54-8b-15 and Utah Admin. Code R746-360 and R746-700. Included with the Application, Gunnison filed the direct testimony of Natalie Gleave, Daniel Meszler, and Dr. Curt Huttshell in support of the Application. Gunnison proposed an increase in its current rate for basic residential service (R-1) from \$13.50 to \$16.50 per month, and for basic business service (B-1) from \$23.00 to \$26.00 per month, which are the affordable base rates as approved by the Commission. Gunnison

also proposed to decrease its mandatory extended area service charge (“EAS”) from \$3.59 per line per month for residential and business customers to \$0.48 per line per month, pursuant to the EAS Cost Study performed by Daniel Meszler. Finally, Gunnison requested an increase of \$142,898 in State USF support based on a test year of 2013, adjusted for known and measurable changes for 2014.

2. The Division conducted a thorough investigation, review, and audit of Gunnison’s books and records, and conducted an on-site review of Gunnison’s interstate and intrastate operations. Gunnison and the Division interacted informally during this audit and review process.

3. Following the conclusion of a site visit and the audit, Gunnison and the Division began discussions and negotiations to reach a settlement in this matter. These discussion and negotiations have resulted in a final settlement of all issued in this docket as set forth below. It is the request of the parties that this Settlement Stipulation be considered at an expedited hearing and approved by final Order of the Public Service Commission as a resolution of all of the issues in this docket.

TERMS AND CONDITIONS

4. The Parties agree for purposes of settlement that as of the date of this Stipulation Gunnison’s present tariff charges and State USF do not provide sufficient revenues to cover Gunnison’s 2013 test year costs to provide basic telephone service to its customers, resulting in a revenue shortfall.

5. The Parties agree for purposes of this settlement that the attached schedules 1-5 reflect the current financial position of Gunnison and provide the basis for rates and USF distributions proposed in this Settlement Agreement.

6. The Parties agree for purposes of settlement that Gunnison's residential and business rates are currently below the affordable base rate and should be increased to \$16.50 for residential services (R-1) and to \$26.00 for business services (B-1) at any time after the Effective Date upon notice required by U.C.A. §54-7-12(8)(a)(ii). Gunnison will file revised tariff pages reflecting this change.

7. The Parties agree for purposes of settlement that Gunnison's EAS rate should be decreased from \$3.59 per customer per month to \$0.48 per customer per month to more accurately reflect the costs to Gunnison to provide EAS service 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 will file revised tariff pages reflecting this change.

8. Based on the information made available by Gunnison as described above and contained the Application and Direct Testimony filed in support of the Application, the Parties agree for purposes of settlement to an increase in the annual USF distribution in the amount of \$120,475.00, or \$10,039.58 per month ("USF Increase"). The USF increase is in addition to the \$224,842 intrastate USF currently being received by Gunnison, for a total USF distribution of \$345,317, or \$28,776.41 per month. This distribution will be made on or about the first of each month beginning on September 1, 2014.

9. The Parties agree for purposes of settlement that Gunnison shall be entitled to a one-time lump-sum distribution to Gunnison in the amount of \$45,991.51 to cover the reasonable costs associated with this rate case Application. The lump sum payment shall be made on or about September 1, 2014.

10. The Parties agree for purposes of settlement that the increase R-1 and B-1 rates, the decrease in the EAS rates, and the increase in USF eligibility set forth herein are in the public interest and are just and reasonable in result and should be approved by the Commission.

GENERAL TERMS AND CONDITIONS

11. Not all Parties agree that each aspect of this Stipulation is warranted or supportable in isolation. Utah Code Ann. § 54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result. While the Parties may not agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

12. All negotiations related to this Stipulation are 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.

13. The Parties agree that no part of this Stipulation or the formulae and methods used in developing the same or a Commission order approving the same shall in any manner

be argued or considered as precedential in any future case except with regard to issues expressly resolved by this Stipulation. This Stipulation does not resolve and does not provide any inferences regarding, and the Parties are free to take any position with respect to any issues not specifically called out and settled herein.

14. The Parties request that the Commission hold a hearing on this Stipulation as set by the Commission on August 19, 2014 at 3:00 p.m. The Parties request that all of the pre-filed testimony in this docket on issues resolved in this Stipulation be admitted into the record without witnesses being called or sworn at the proceeding. Gunnison and the Division will, and other Parties may, make one or more witnesses available to explain and offer further support for this Stipulation. The Parties shall support the Commission's approval of this Stipulation. As applied to the Division, the explanation and support shall be consistent with their statutory authority and responsibility.

15. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of this Stipulation. As applied to the Division, the phrase "use its best efforts" means that it shall do so in a manner consistent with its statutory authority and responsibility. 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.

16. Except with regard to the obligations of the Parties under the four immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and

binding on the Parties until it has been approved without material change or condition by the Commission.

17. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

18. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission hear this Stipulation on August 19, 2014, at 3:00 p.m., and, thereafter, enter an order approving the terms and conditions set forth in this Stipulation, in full resolution of this docket.

DATED this 12th day of August, 2014.

BLACKBURN & STOLL, L.C.



Kira M. Slawson
Attorney for Gunnison Telephone Company

Dated this 14th day of August, 2014.

Chris Parker
Director of the Division of Public Utilities

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Settlement Stipulation, Docket No. 14-043-01 was sent via email to the following individuals, this ____ day of August, 2014:

Brent Coleman
Assistant Attorney General
Office of Consumer Services
brentcoleman@utah.gov

Bela Vastag
Michele Beck
Office Of Consumer Services
bvastag@utah.gov
mbeck@utah.gov

Justin Jetter
Assistant Attorney General
Division of Public Utilities
Jjetter@utah.gov

William Duncan
Division of Public Utilities
wduncan@utah.gov

Kira M. Slawson
Blackburn & Stoll, LC
kslawson@blackburn-stoll.com

SCHEDULE 1
GUNNISON TELEPHONE COMPANY
14-043-01

SCHEDULE 2
GUNNISON TELEPHONE COMPANY
14-043-01

SCHEDULE 3
GUNNISON TELEPHONE COMPANY
14-043-01

SCHEDULE 4
GUNNISON TELEPHONE COMPANY
14-043-01

SCHEDULE 5
GUNNISON TELEPHONE COMPANY
14-043-01