

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application
For Rate Increase to State USF
Distribution for Gunnison
Telephone Company,

Docket No. 14-043-01

HEARING ON JOINT
SETTLEMENT STIPULATION

PLACE: Public Service Commission
160 E. 300 S.
Salt Lake City, UT

DATE: August 19, 2014

TIME: 3:00 p.m.

REPORTED BY: Kellie Peterson, RPR

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

ADMINISTRATIVE LAW JUDGE:
Melanie Reif

FOR THE DIVISION:
Justin Jetter, Esq.
Assistant Utah Attorney General
DIVISION OF PUBLIC UTILITIES
160 E. 300 S.
Fourth Floor
Salt Lake City, UT 84111

FOR GUNNISON TELEPHONE:
Kira M. Slawson, Esq.
BLACKBURN & STOLL
257 E. 200 S.
Suite No. 800
Salt Lake City, UT 84111

APPEARING TELEPHONICALLY:
Kim Sanders

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESS	EXAMINATION BY	PAGE NO.
NATALIE GLEAVE		
	Examination by Ms. Slawson	6
	Examination by Administrative Law Judge	12
BILL DUNCAN		
	Examination by Mr. Jetter	17
	Examination by Administrative Law Judge	21

E X H I B I T S

Ex. No.	Description	Page No.
DPU-1	Gunnison Telephone Company Information (Not attached to the transcript)	22

1 P R O C E E D I N G S

2 ADMINISTRATIVE LAW JUDGE REIF: Welcome,
3 everyone. This is the date and time for the stipulation
4 hearing in docket 14-043-01, and this is entitled, in
5 the Matter of the Application for Rate Increase and
6 Increase in State USF distribution of Gunnison Telephone
7 Company.

8 Let's start by taking appearances, and just
9 for clarification, I am Melanie Reif, and I serve as the
10 Administrative Law Judge for the Utah Public Service
11 Commission.

12 MS. SLAWSON: Good afternoon. My name is
13 Kira Slawson. I represent Gunnison Telephone Company
14 today. Here with me, I have Natalie Gleave from
15 Gunnison Telephone Company.

16 ADMINISTRATIVE LAW JUDGE REIF: And do you
17 plan to call Ms. Gleave as a witness?

18 MS. SLAWSON: Yes.

19 ADMINISTRATIVE LAW JUDGE REIF: Okay, thank
20 you. Mr. Jetter?

21 MR. JETTER: I am Justin Jetter, with the
22 Utah Attorney General's Office, representing the Utah
23 Division of Public Utilities. And with me at Counsel
24 table is Bill Duncan and I intend to call him as a
25 witness.

1 ADMINISTRATIVE LAW JUDGE REIF: Thank you.

2 MS. MURRAY: This is Cheryl Murray with the
3 Office of Consumer Services, and we are not a party to
4 the stipulation. I am here, basically, in case you have
5 any questions for the Office.

6 ADMINISTRATIVE LAW JUDGE REIF: Thank you,
7 Ms. Murray. I appreciate that.

8 Okay. Ms. Slawson, this is your
9 application, and subsequent filing of the settlement
10 stipulation, and as I'm sure everybody is aware, the
11 Commission reviews the settlement stipulation under Utah
12 code 54-7-1, so we will let you --

13 MS. SLAWSON: Thank you. I would like to
14 call Natalie Gleave, please.

15 ADMINISTRATIVE LAW JUDGE REIF: Good
16 afternoon, Ms. Gleave.

17 MS. GLEAVE: Hi.

18 ADMINISTRATIVE LAW JUDGE REIF: Are you
19 prepared to testify today?

20 MS. GLEAVE: Yes.

21 ADMINISTRATIVE LAW JUDGE REIF: And would
22 you kindly rise your right hand?

23 NATALIE GLEAVE

24 Called as a witness and having been duly sworn,

25 Was examined and testified as follows:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXAMINATION

ADMINISTRATIVE LAW JUDGE REIF: Thank you.

You may proceed.

BY MS. SLAWSON:

Q. Good afternoon, Ms. Gleave. Can you state your name and your position at Gunnison Telephone Company for the record?

A. My name is Natalie Gleave. I am a controller of Gunnison Telephone Company. Gunnison's business address is 29 South Main, PO Box 850, Gunnison, Utah, 84634.

Q. And what is the purpose of your testimony here today?

A. I will offer support for the stipulation filed on August 14, 2014, between Gunnison Telephone Company and the Division of Public Utilities, in the matter of Gunnison's application for rate increase and the increase in USF distribution.

Q. And did you previously file testimony in this matter?

A. Yes, I filed testimony to address the current revenue requirement on Gunnison and to offer support for the information contained in the company's application for rate increase and increase in Utah Universal Service Fund distribution.

Q. And can you briefly summarize Gunnison's

1 application that was filed in this matter?

2 A. Yes. As indicated in detail in the testimony
3 filed in this matter by the company, Gunnison is seeking
4 to increase its current R-1 and B-1 rates to the
5 Commission approved affordable base rate of \$16.50 for
6 R-1 and \$26 for B-1, all at the same time decreasing the
7 EAS rate from \$3.59 per user per month to 48 cents per
8 user per month. Gunnison is also currently experiencing
9 a revenue deficiency, which it seeks to recover from an
10 increased disbursement from the Universal Service Fund.

11 Q. And are you familiar with the stipulation that
12 was filed by Gunnison and the Division of Public
13 Utilities on August 14th of this year?

14 A. Yes.

15 Q. I want to briefly go over the terms of that
16 stipulation. The first four paragraphs of that
17 stipulation refer to the procedural history in this
18 matter, so what I would like to start with is the terms
19 and conditions, which are in paragraph four.

20 In paragraph four, the parties agree, for
21 purposes of settlement, that Gunnison's present tariff
22 charges and state USF do not provide sufficient revenues
23 to cover Gunnison's 2013 test year costs to provide
24 basic telephone service to its customers, which results
25 in a revenue shortfall. Can you tell me, is Gunnison

1 experiencing a revenue shortfall at this time?

2 A. Yes.

3 Q. And have you reviewed the confidential Schedules
4 1 through 5 that were attached to the stipulation?

5 A. Yes.

6 Q. In reviewing those schedules, it appears that
7 Schedule 3 that was filed with the stipulation was a
8 blank document, but we have -- I believe we have given
9 to you what is Schedule 3 that has the numbers in it.
10 Have you had a chance to review that here today?

11 A. Yes.

12 Q. Okay. And for purposes of this settlement, do
13 the Schedules 1 through 5, including the re-revised
14 Schedule 3, reflect the current financial position of
15 Gunnison Telephone Company?

16 A. Yes. Gunnison worked with the Division of Public
17 Utilities and agreed the for purposes of settlement,
18 Schedules 1 through 5 accurately reflect the current
19 financial position of Gunnison and provide the basis for
20 rates and USF distributions proposed in this settlement
21 agreement.

22 Q. And is Gunnison seeking a rate increase in this
23 application?

24 A. Yes, Gunnison is seeking to increase its R-1 and
25 B-1 rate and a decrease in its EAS rate.

1 Q. And what are the rates proposed for Gunnison's
2 R-1 and B-1 service?

3 A. Okay. Gunnison agrees that its rate should be
4 increased to \$16.50 for residential services, R-1, and
5 to \$26 for business services, B-1.

6 Q. And I believe you testified with regard to the
7 EAS rate, you're seeking a decrease. What does the
8 stipulation provide with regard to the EAS rate?

9 A. Okay. The parties agree for purposes of
10 settlement that Gunnison's EAS rate should be decreased
11 from \$3.59 per customer, per month, to 48 cents per
12 customer, per month, to more accurately reflect costs to
13 Gunnison to provide EAS service throughout Gunnison,
14 Manti, Ephriam, Mt. Pleasant, Fountain Green, Fairview
15 and Moroni.

16 Q. And did Gunnison perform a cost study relating to
17 the EAS costs?

18 A. Yes. Daniel Meszler, from TCA, conducted a cost
19 study and determined the cost to provide EAS service.
20 Results of his study are included in his testimony filed
21 in this case.

22 Q. And will these rate changes in R-1, the R-1, B-1
23 and EAS rates, allow Gunnison to cover its costs of
24 providing telephone service, plus a reasonable rate of
25 return?

1 A. No. Gunnison's cost to provide basic telephone
2 service to its customers are in excess of base
3 affordable rates, resulting in a revenue shortfall. The
4 parties have agreed that for purposes of settlement,
5 Gunnison is entitled to an increase in the annual USF
6 distribution in the amount of \$120,475 or \$10,039.58 per
7 month. This USF increase is in addition to the \$224,842
8 intrastate USF currently being received by Gunnison, for
9 a total USF distribution of \$345,317 or \$28,776.41 per
10 month. The parties have requested that this
11 distribution be made on or about the first of each
12 month, beginning on September 1, 2014.

13 Q. And does the revenue shortfall that Gunnison is
14 experiencing that you have testified here today, include
15 the rate case expenses that you have incurred in this
16 case?

17 A. No. However, the parties agreed for purposes of
18 settlement that Gunnison shall be entitled to a one time
19 lump sum distribution to Gunnison in the amount of
20 \$45,991.51 to cover the reasonable costs associated with
21 this rate case application. The parties have requested
22 that the lump sum payment shall be made on or about
23 September 1, 2014.

24 Q. And, Ms. Gleave, do you believe that the increase
25 in R-1 and B-1 rates and the decrease in the EAS rates

1 set forth in the stipulation and discussed here today,
2 are just and reasonable and in the public's interest?

3 A. Yes.

4 Q. And do you also believe that the increase in USF
5 eligibility set forth in the stipulation is in the
6 public's interest and just and reasonable?

7 A. Yes.

8 Q. And do you have any other comments regarding the
9 stipulation?

10 A. Yes. I want to thank all the parties for working
11 together to reach this stipulation. It was negotiated
12 in good faith by the parties and I believe the
13 stipulation is just and reasonable and is in the public
14 interest.

15 MS. SLAWSON: I have no other questions for
16 Ms. Gleave.

17 MR. JETTER: No questions from the Division,
18 thank you.

19 ADMINISTRATIVE LAW JUDGE REIF: Thank you.

20 MS. GLEAVE: Thank you.

21 ADMINISTRATIVE LAW JUDGE REIF: Thank you,
22 Ms. Gleave. I have a few questions for you, please.

23 MS. GLEAVE: Okay.

24 EXAMINATION

25 BY ADMINISTRATIVE LAW JUDGE REIF:

1 Q. You've identified yourself as a controller for
2 the company?

3 A. Yes.

4 Q. Are you an owner of the company?

5 A. I do own stock in the company.

6 Q. Okay. Can you help me understand that a little
7 bit better?

8 A. Sure. We are a corporation. We have over 30
9 stockholders, and I own just less than one percent,
10 which I was able to purchase just recently, so...

11 Q. Okay, all right. And I'm going to ask you to
12 clarify some things, just to make sure the record is
13 clear with respect to some acronyms that have been used.

14 A. Okay.

15 Q. And when referring to the R-1 rate, could you
16 help me understand what you mean by that?

17 A. Okay. That is just our residential rate that we
18 charge all of our residential customers.

19 Q. Okay. Would it be correct that it is also
20 referred to as the basic residential rate?

21 A. Yes.

22 Q. Okay. And same question for the B-1 rate; could
23 you please clarify what you were referring to there?

24 A. Sure. That is just our business rate that we
25 charge for our business customers.

1 Q. Okay. And would it also be correct to refer to
2 it as the basic business service rate?

3 A. Yes.

4 Q. Okay, thank you. And the EAS that you were
5 referring to, are you referring to the Extended Area
6 Service charge there?

7 A. Yes.

8 Q. Okay, thank you very much. And with respect to
9 the USF issue that you addressed, just for
10 clarification, are you referring to the Utah USF?

11 A. Yes.

12 Q. As opposed to the federal USF?

13 A. Yes.

14 Q. Okay. Do you have a copy of the stipulation in
15 front of you?

16 A. Yes, I do.

17 Q. Okay. If you would go to paragraph 8 of the
18 stipulation on the third line, it refers to -- just at
19 the very end of that line, it refers to a statement that
20 says, "An increase in the annual USF distribution in the
21 amount of," then it goes down to the next line. Just
22 for clarification again, are you -- is it your
23 understanding that the parties are referring to the
24 state USF?

25 A. Yes.

1 ADMINISTRATIVE LAW JUDGE REIF: Okay. And,
2 Ms. Slawson, if you think this question would be better
3 suited for another witness, please let me know.

4 MS. SLAWSON: Okay.

5 ADMINISTRATIVE LAW JUDGE REIF: I was just
6 hoping that somebody could -- one of your witnesses, in
7 particular, could go through the numbers with me to help
8 me understand how you get to the -- how you get to the
9 increase of \$142,898. And I am -- in particular, I am
10 looking at the figures that are in paragraph 8, and also
11 referring back to paragraph 1 where the increase is
12 requested.

13 MS. SLAWSON: So I don't want to testify but
14 the numbers in paragraph 1 refer to what was initially
15 requested in the application and the number that is
16 referred to in paragraph 8 refer to what was agreed
17 upon.

18 ADMINISTRATIVE LAW JUDGE REIF: Agreed upon?

19 MS. SLAWSON: Yes.

20 BY ADMINISTRATIVE LAW JUDGE REIF:

21 Q. Okay, very good. Is that your understanding, as
22 well --

23 A. Yes.

24 Q. -- Ms. Gleave?

25 A. Yes.

1 Q. Thank you. Okay, one more question, please.
2 With respect to paragraph 9, second line, it states,
3 "One time lump sum distribution to Gunnison," is that
4 referring to the lump sum Utah USF distribution?

5 MS. SLAWSON: Could you restate the
6 question?

7 BY ADMINISTRATIVE LAW JUDGE REIF:

8 Q. In paragraph 9, I will just read it from the very
9 beginning, it states -- and this question is for you,
10 Ms. Gleave, if you know the answer to it.

11 A. Okay.

12 Q. The question is, the parties agree, for purposes
13 of settlement, that Gunnison shall be entitled to a one
14 time lump sum distribution to Gunnison in the amount of
15 \$45,991.51, etc., etc., and my question is, between the
16 phrase lump sum and distribution, is it correct that
17 it's the Utah USF distribution that is what is being
18 requested there?

19 A. Yes, that is what my understanding is.

20 Q. Okay, thank you. And, Ms. Gleave, do you have
21 anything that you intend to present to the Commission
22 today with respect to the -- I believe the company was
23 going to be sending something to their customers in
24 anticipation of this hearing.

25 A. We have sent a notice.

1 Q. Okay.

2 A. We printed the notice on our billing statement
3 for the last two months, we posted it in our office, and
4 we actually have a little handout that they can take.

5 Q. Okay.

6 A. And we have it posted, also, in our office.

7 Q. Okay. And we may go to -- we may ask you for
8 that --

9 A. Okay.

10 Q. -- testimony and/or information at the public
11 witness hearing, as well.

12 A. Okay.

13 Q. And one final question for you, please; are you
14 aware of any opposition to the stipulation?

15 A. No.

16 Q. Okay, thank you. I have no further questions.

17 MS. SLAWSON: One last thing I forgot to
18 mention is that Gunnison would move that the testimony
19 of Natalie Gleave and Daniel Meszler and Curt Huttshell
20 be admitted into the record of this matter.

21 ADMINISTRATIVE LAW JUDGE REIF: Would you
22 also like to have the application and stipulation, as
23 well?

24 MS. SLAWSON: Sure, thanks. Yes, great.

25 ADMINISTRATIVE LAW JUDGE REIF: Any

1 opposition?

2 MR. JETTER: No opposition.

3 ADMINISTRATIVE LAW JUDGE REIF: Okay, thank
4 you. It is admitted. Mr. Jetter?

5 MR. JETTER: Thank you. The Division would
6 like to call Mr. Bill Duncan.

7 ADMINISTRATIVE LAW JUDGE REIF: Mr. Duncan,
8 are you prepared to testify?

9 MR. DUNCAN: Yes.

10 ADMINISTRATIVE LAW JUDGE REIF: And you are
11 welcome to stand at any time, if you wish. Please raise
12 your right hand.

13 WILLIAM DUNCAN

14 Called as a witness and having been duly sworn,

15 Was examined and testified as follows:

16 EXAMINATION

17 ADMINISTRATIVE LAW JUDGE REIF: Thank you.

18 BY MR. JETTER:

19 Q. Thank you. Mr. Duncan, would you please state
20 your name and occupation for the record?

21 A. Yes. My name is William Duncan. I am the
22 manager of the telecom section of the Utah Division of
23 Public Utilities.

24 Q. Thank you. And have you prepared a brief
25 statement?

1 A. Yes, I have.

2 Q. Please go ahead.

3 A. Utah Division of Public Utilities support the
4 stipulation filed jointly with the Gunnison Telephone
5 and testifies that the terms and conditions of that
6 stipulation are just, reasonable, and in the public's
7 interest.

8 The Division has conducted an audit and
9 review of the operations and records of Gunnison and has
10 found that an additional Utah Universal Service Fund
11 distribution of \$120,475 annually is warranted to
12 provide Gunnison adequate revenue to meet its
13 operational expenses, anticipated taxes, and allow a
14 reasonable return on investment.

15 The Division also supports an increase in
16 rates to the Commission authorized portable base rates
17 of \$16.50 for residential customers and \$26 for business
18 customers. During the review of Gunnison Telephone, the
19 Division examined the cost associated with providing
20 extended area service to the residents of Gunnison
21 Telephone. During this review, the Division found the
22 cost of providing this service has decreased due to
23 Gunnison's deployment of newer switching technology.
24 The division supports the decrease in EAS rates to 48
25 cents per month.

1 The Division has also reviewed the invoices
2 from consultants and attorneys employed by Gunnison in
3 preparation of this application and finds that the
4 amount of \$45,991.51 is reasonable and reflects the
5 actual cost expended by Gunnison in this case.

6 In conclusion, the Division believes the
7 stipulation to be just and reasonable and recommends
8 that the Commission approve the stipulation as filed.

9 Q. Thank you. And I would like to ask you a few
10 brief questions about the exhibits that were attached to
11 the filed stipulation.

12 A. Okay.

13 Q. After filing the stipulation, did you have a
14 chance to review the exhibits?

15 A. Yes, I reviewed them in preparation for this
16 hearing.

17 Q. And did you find an error in the exhibits?

18 A. I found Exhibit 3 was blank. The numbers had
19 disappeared from that worksheet.

20 Q. Okay. I would like to -- and have you reviewed
21 -- I would like to request that we mark this as DPU
22 Hearing Exhibit 1, and for the record, this is a set of
23 five confidential exhibits that are listed, numbered as
24 Exhibits 1 through 5. Have you reviewed Exhibit 3 in
25 this DPU Hearing Exhibit 1?

1 A. Yes, I have.

2 Q. And does that accurately reflect the numbers that
3 were agreed upon between the parties and reflected in
4 this stipulation document?

5 A. Yes, it does.

6 Q. And should that be replaced -- excuse me, should
7 that Exhibit 3 paper in DPU Hearing Exhibit 1 replace
8 the blank Exhibit 3 spreadsheet that was filed by the
9 Division?

10 A. Yes.

11 Q. Thank you.

12 MR. JETTER: With that, I just move that
13 this be entered into the record as DPU Exhibit 1?

14 MS. SLAWSON: No objections.

15 ADMINISTRATIVE LAW JUDGE REIF: Thank you.
16 Mr. Jetter, just one question for you, and this may be a
17 question for both you and the Company, typically when we
18 take an exhibit at a hearing, it goes -- once it is
19 admitted into the record, it is part of the record, but
20 it also is attached to the transcript. Inasmuch as
21 these are marked -- well, it's on -- inasmuch as the
22 original exhibits were marked confidential and this is
23 presented on yellow paper and they are also marked
24 confidential, is it your desire to not have them
25 attached to the transcript?

1 MR. JETTER: Yes, we would like to have
2 these remain as confidential.

3 THE COURT: Okay. Thank you. That is
4 clear.

5 MR. JETTER: Thank you.

6 (Exhibit No. 1 was entered into the record.)

7 BY MR. JETTER:

8 Q. Just a few quick followup questions, or maybe
9 just one; are you aware of any opposition to this
10 settlement stipulation?

11 A. No.

12 Q. And do you believe that the terms reflected
13 within the settlement stipulation are just and
14 reasonable and in the public's interest?

15 A. Yes.

16 Q. Thank you.

17 MR. JETTER: I have no further questions.

18 MS. SLAWSON: No questions.

19 ADMINISTRATIVE LAW JUDGE REIF: Thank you.

20 Mr. Jetter, just to be clear in case there was any
21 ambiguity, this is admitted in as much as it replaces
22 the prior exhibit and will not be included as part of
23 the transcript.

24 MR. JETTER: Thank you.

25 EXAMINATION

1 BY ADMINISTRATIVE LAW JUDGE REIF:

2 Q. Mr. Duncan, just a question or two for you,
3 please. You were here when Ms. Gleave gave her
4 testimony; is that correct?

5 A. Yes.

6 Q. Okay. And she provided a number of clarifying
7 statements with respect to terms referred to in her
8 testimony. And are you in agreement that the acronyms,
9 in particular, that she referred to are defined in the
10 manner in which she defined them?

11 A. Yes, I am.

12 Q. Okay. Thank you for your testimony. I have no
13 further questions.

14 Is there anything further you wish to
15 present?

16 MS. SLAWSON: No, thank you.

17 ADMINISTRATIVE LAW JUDGE REIF: Okay, all
18 right. The Commission will take this under advisement.
19 As you are aware, the standard for this is set forth in
20 the rule that I mentioned initially, and we will await
21 the transcript and issue an order on it. Essentially,
22 the rule states that the Commission may adopt a
23 settlement proceeding, if, in part, the Commission finds
24 that the settlement proposal is just, reasonable, and in
25 the public interest. So we will be adjourned and off

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

the record.

(The hearing was concluded at 3:30 p.m.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

State of Utah)
)
County of Salt Lake)

I hereby certify that the witness in the foregoing deposition was duly sworn to testify to the truth, the whole truth, and nothing but the truth in the within-entitled cause;

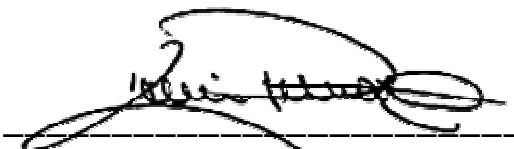
That said deposition was taken at the time and place herein named;

That the testimony of said witness was reported by me in stenotype and thereafter transcribed into typewritten form.

I further certify that I am not of kin or otherwise associated with any of the parties of said cause of action and that I am not interested in the even thereof.

IN WITNESS WHEREOF, I set my hand this 19th day of August, 2014.





Kellie Peterson, RPR