

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application for Rate)
Increase and Increase in State USF) DOCKET NO. 14-043-01
Distribution for Gunnison Telephone) REPORT AND ORDER
Company)

ISSUED: August 27, 2014

SYNOPSIS

The Commission approves a rate change and an annual Utah Universal Service Support Fund increase in the amount of \$120,475 for Gunnison Telephone Company.

BACKGROUND

On June 6, 2014, Gunnison Telephone Company (Gunnison or Company) filed an application in which Gunnison sought Commission approval to do the following: (1) raise both its basic residential service (R-1) rate from \$13.50 to \$16.50 per month and its basic business service (B-1) rate from \$23.00 to \$26.00 per month, increases the Company asserts are consistent with the affordable base rate approved by the Commission;¹ (2) decrease its extended area service (EAS) rate from \$3.59 to \$0.48 per month for residential and business customers, which the Company contends is supported by the EAS cost study;² and, (3) increase its Utah Universal Service Fund (UUSF) eligibility by an additional amount of \$142,898, which Gunnison maintains is necessary for it to continue to provide telecommunications services at just and

¹ See Application for Rate Increase and Increase in State USF Distribution at 3, ¶ 7, filed June 6, 2014.

² See *id.* ¶ 8.

reasonable rates and to recover its reasonable costs of service and a reasonable rate of return.³

The Company filed its direct testimony along with its application.⁴

On June 19, 2014, the Commission issued a notice of hearings and set a schedule for this docket.⁵ On July 7, 2014, the Division of Public Utilities (Division) filed a recommendation that the Commission accept Gunnison's filing as complete.⁶ Additionally, the Division stated it "has no opposition to the filing."⁷ On July 30, 2014, the Company, through its counsel, notified the Commission that both Gunnison and the Division expected to file a joint stipulation within a few days.⁸ Based on this communication, the Commission suspended the scheduling order and set two hearings -- one on the settlement stipulation and the other as a public witness hearing to hear public testimony or comments pertaining to this docket.⁹ Both hearings were set for August 19, 2014, at 3:00 p.m. and 5:00 p.m., respectively.¹⁰

On August 14, 2014, the parties filed a settlement stipulation.¹¹ The stipulation is signed by the Company and the Division.¹² The settlement stipulation provides the following key provisions:

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.

³ See id. ¶ 9.

⁴ See Direct Testimony of Natalie Gleave, filed June 6, 2014; Direct Testimony of Curt Huttshell, Ph.D., filed June 6, 2014; and Direct Testimony of Daniel Meszler, filed June 6, 2014.

⁵ See Scheduling Order and Notices of Hearings, issued June 19, 2014.

⁶ See Division Memo, filed July 7, 2014.

⁷ Id.

⁸ See E-mail from Kira Slawson, to Administrative Law Judge Melanie Reif (July 30, 2014; 12:32 PM).

⁹ See Notice of Suspension of Scheduling Order, and Notices of Hearing on Joint Settlement Stipulation and Public Witness Hearing, issued July 31, 2014.

¹⁰ See id. at 2.

¹¹ See Settlement Stipulation, filed August 14, 2014.

¹² See id. at 7.

§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 [in] the Application and Direct Testimony filed in support of the Application, the Parties agree for purposes of settlement to an increase in the annual [U]USF distribution in the amount of \$120,475.00, or \$10,039.58 per month ("[U]USF Increase"). The [U]USF increase is in addition to the \$224,842 intrastate [U]USF currently being received by Gunnison, for a total [U]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 [in the] 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.

Settlement Stipulation at 3, ¶¶ 6-9; 4, ¶ 10.

On August 19, 2014, the Commission held a hearing at which parties provided testimony on whether the proposed settlement stipulation is just and reasonable and in the public interest. Kira M. Slawson appeared on behalf of the Company along with Natalie Gleave, controller for Gunnison, and Kent Sanders, who joined telephonically. Justin Jetter represented

the Division and was accompanied by William Duncan, telecom manager. Cheryl Murray of the Office of Consumer Services (Office) was also present but noted the Office is not a party to the stipulation. Both Gunnison and the Division testified that the settlement stipulation is just and reasonable in result, and in the public interest.¹³ Following the hearing in this matter, a public witness hearing was held and no one from the public appeared to either support or oppose the settlement stipulation.¹⁴

DISCUSSION, FINDINGS AND CONCLUSIONS

As set forth by statute and as previously noted by the Commission in other orders, settlements of matters before the Commission are encouraged at any stage of the proceedings.¹⁵ The Commission may approve a settlement proposal after considering the interests of the public and other affected persons, if it finds the settlement proposal in the public interest.¹⁶ In addition, the Commission may adopt a settlement stipulation if the Commission finds that the settlement proposal is just and reasonable in result, and the evidence contained in the record supports a finding that the settlement proposal is just and reasonable in result.¹⁷

¹³ See Transcript of Hearing on Joint Settlement Stipulation held on August 19, 2014, at 10, lines 24-25; at 11, lines 1-7, 12-14 (testimony of Natalie Gleave). See also id. at 18, lines 3-7; at 19, lines 6-8; at 21, lines 12-15 (testimony of William Duncan).

¹⁴ See Transcript of Public Witness Hearing held on August 19, 2014, at 10, lines 11-20. In addition, Ms. Murray from the Office proffered that the Office was unaware of any opposition to this docket. See id. at 9, lines 11-25.

¹⁵ See Utah Code Ann. § 54-7-1 (LexisNexis 2010). See also In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, Docket No. 11-035-200 (Report and Order; Sept. 19, 2012), at 26; and In the Matter of the Application of Questar Gas Company to Adjust Rates for Natural Gas Service in Utah, Docket No. 04-057-04 (Report and Order; Jan. 6, 2006), at 26.

¹⁶ See Utah Code Ann. § 54-7-1(2)(a). See also Utah Dept. of Admin. Services v. Public Service Comm'n, 658 P.2d 601, 613-14 (Utah 1983).

¹⁷ See Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).

Given that the stipulation is uncontested and that the parties to the stipulation each testified that it is just and reasonable, and in the public interest, the Commission approves the stipulation and approves the rate and UUSF provisions stated therein.

ORDER

Therefore, we approve the stipulation, filed August 14, 2014, and order:

1. Gunnison's residential and business rates shall be increased to \$16.50 for basic residential services (R-1) and \$26.00 for basic business services (B-1). These changes may take effect after Gunnison complies with the requirements of Utah Code Ann. § 54-7-12(8)(a)(ii).

Gunnison shall file revised tariff pages reflecting these rate changes with the Commission.

2. Gunnison's EAS rate shall be decreased to \$0.48 per customer per month to more accurately reflect the costs to Gunnison to provide EAS service throughout Gunnison's service area. Gunnison shall file revised tariff pages reflecting this change with the Commission.

3. Gunnison shall receive an increase in the annual UUSF subsidy in the amount of \$120,475.00, or \$10,039.58 per month (UUSF Increase). The UUSF Increase is in addition to the \$224,842 intrastate UUSF subsidy currently being received by Gunnison, for a total UUSF subsidy of \$345,317, or \$28,776.41 per month. This change shall take effect on September 1, 2014, and payments shall be made on or about the first each month.

4. Gunnison shall receive a one-time lump sum UUSF subsidy in the amount of \$45,991.51 to cover the reasonable costs associated with the rate application in this docket. This lump sum UUSF subsidy shall be made on or about September 1, 2014.

5. Gunnison shall use the UUSF subsidies it receives for UUSF purposes only.

6. The UUSF subsidies shall not be used by any other company or affiliate other than Gunnison.

DATED at Salt Lake City, Utah this 27th day of August, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#259980

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 27th day of August, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

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