

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF UBTA-UBET)
COMMUNICATIONS, INC.'S)
(DBA STRATA NETWORKS))
APPLICATION FOR UTAH)
UNVERSAL SERVICE FUND)
SUPPORT)
Applicant)

Docket No. 15-053-01
STRATA EXHIBIT 1

DIRECT TESTIMONY

OF

BRUCE TODD

ON BEHALF OF STRATA NETWORKS

April 6, 2015

DIRECT TESTIMONY OF BRUCE TODD

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

A. My name is Bruce Todd. I am the General Manager and Chief Executive Officer of UBTA-UBET Communications, Inc. dba STRATA Networks (“STRATA”). My address at STRATA is P.O. Box 398, 211 East 200 North, Roosevelt, Utah 84066.

Q. Please describe your experience in the telephone business.

A. I have been in the telecommunications business for 29 years, having served for 19 years as General Manager/Chief Executive Officer of STRATA and its predecessors.

Q. Are you authorized to provide testimony in this case on behalf of STRATA?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe STRATA and our challenges, to address STRATA’s current revenue requirement, and to support the information in STRATA’s Application seeking an additional distribution from the Utah Universal Service Fund (“UUSF”). I am familiar with STRATA’s operations. A 2014 test year adjusted for known and measurable changes should be reflective of conditions STRATA will face during the period following this case. Based on that test period STRATA has a revenue deficiency, which warrants an increased distribution from the UUSF under Utah Code Annotated Section 54-8b-15, and Utah Administrative Code R746-360.

24 **Q. Please describe STRATA.**

25 A. STRATA is a telephone cooperative organized in 1948 by a small group of local residents
26 to provide telephone service in the Uintah Basin when the Bell Company serving Utah
27 refused to expand services where they lived. At that time the company was called Uintah
28 Basin Telephone. STRATA holds a certificate of public convenience and necessity issued
29 by the Public Service Commission of Utah (“Commission”) to provide
30 telecommunications services within the state of Utah. STRATA serves ten exchanges in
31 Uintah, Duchesne, and Wasatch Counties and is an eligible telecommunications carrier
32 under 47 U.S.C. Section 214(e).

33

34 **Q: Please describe the area STRATA serves.**

35 A. As I said above, STRATA serves the Uintah Basin. In 2001, STRATA began serving the
36 exchanges in Vernal, Roosevelt and Duchesne it had purchased from Qwest to improve
37 Basin-wide services, including Extended Area Service, and digital and broadband
38 offerings. STRATA's service area is 8,293 square miles, averaging 2.25 access lines per
39 square mile. The area extends from Daniel's Canyon on the west, stretching
40 approximately 120 miles to the Colorado border on the east, and from below Flaming
41 Gorge in the north, extending approximately 100 miles through the Book Cliffs to the
42 south. STRATA's service area is equivalent to the area from Salt Lake City to Wendover,
43 east to west, and Brigham City to Nephi, north to south.

44

45 **Q: What are some of the characteristics of STRATA's service territory?**

46 A. STRATA's service area includes major recreation areas, including Strawberry
47 Reservoir, Starvation Reservoir, Red Fleet, the Colorado River and the southern slopes
48 of the High Uintas Wilderness area. Recreationalists from all over the world come to
49 hike, mountain bike, hunt, fish, and go boating. The area is also rich in natural resources
50 including forests, natural gas, mining, oil, and ranching and agriculture.

51

52 Another unique characteristic of our service area is that it encompasses the Uintah and
53 Ouray Indian Reservation. The tribal members and enterprises are members and
54 customers of STRATA. The Reservation is the second largest Indian Reservation in the
55 United States, covering over 7,000 square miles. Livestock and oil and gas leases are
56 important revenue streams for the reservation.

57

58 **Q: What challenges does STRATA face in serving its diverse serving area?**

59 A. As the telecommunications service provider in the Uintah Basin, STRATA has diligently
60 sought to meet the unique social and geographical challenges within the service area.
61 Some of these challenges include: 1) a remote and rugged service area that is vast and
62 sparsely populated (8.15 subscribers/route mile); 2) an area that has experienced
63 significant residential and commercial growth over the last decade; 3) jurisdictional
64 boundaries and rights of federal, state, local, and tribal governments; 4) growth in the
65 local oil and gas industry which has resulted in an increased demand to deliver
66 telecommunications facilities in remote locations. These unique dynamics have placed
67 significant pressure on the company to build facilities at an unprecedented rate.

68

69 **Q: Has STRATA been able to meet this increase in demand?**

70 A. In spite of regulatory uncertainty and increasing competition, STRATA has pressed
71 forward and has successfully met the needs of our customers. Many incumbent local
72 exchange carriers have seen a decrease in access lines, but that has not been the case for
73 STRATA. Over the past several years STRATA has seen an increase in access lines of
74 approximately 3 percent annually, in part because of the past energy boom. This growth
75 has increased operating costs since 2005 when we last sought an increase in STRATA's
76 distribution from the UUSF.

77

78 **Q. Will others testify for STRATA in this proceeding?**

79 A. Karl Searle who is STRATA's Chief Financial Officer will file direct testimony for the
80 Company. Douglas Meredith of John Staurulakis, Inc. ("JSI") may also submit testimony
81 in this proceeding.

82

83 **Q. Can you give a summary of STRATA's Application?**

84 A. Karl Searle's testimony lays out STRATA's case and the critical need for additional
85 revenue. STRATA's revenue deficiency is \$3,422,053. STRATA believes that it must
86 recover that deficiency from the UUSF to enable it to continue providing affordable
87 service to its customers, to upgrade and build telecommunications facilities, and to earn a
88 reasonable rate of return.

89

90 **Q. What does STRATA charge currently for basic residential (R1) and basic business
91 (B1) service?**

92 A. Currently STRATA's rate for basic residential service is \$16.50 per month and \$26.00 for
93 basic business service per month. Both rates have been deemed to be the affordable base
94 rate by the Division of Public Utilities ("Division") and the Commission.

95

96 **Q. Is STRATA seeking to change its rates in any way?**

97 A. No. STRATA is a telephone cooperative and changes its rates in accordance with § 54-7-
98 12(7) of the Utah Code. STRATA's Board of Directors changes the rates when necessary
99 before which we hold public meetings for our customers. Then we make the rates
100 effective. As I stated above, STRATA is charging the rates the Division and the
101 Commission have deemed to be the affordable base rates for both our residential and
102 business customers and therefore qualifies for distributions from the UUSF without
103 imputation or further increases in rates. STRATA is not proposing to change any of its
104 rates for services.

105

106 **Q. What test period will STRATA use in this case?**

107 A. I noted before that STRATA is using an historical 2014 test period adjusted for known
108 and measurable changes. Karl Searle gives the rationale and detail for that test period in
109 the testimony he has prepared and filed with STRATA's application.

110

111 **Q. Are you familiar with Mr. Searle's testimony?**

112 A. Yes, I have reviewed Mr. Searle's testimony and believe that it is an accurate
113 representation of STRATA's current finances and operations. The exhibits illustrate the
114 need for an increased distribution from the UUSF.

115 **Q. Did STRATA make any changes in its accounting policies prior to the 2014 test**
116 **period that could have affected its revenue requirement?**

117 A. No.

118

119 **Q. Did STRATA submit audited financial statements for 2014 with its Application?**

120 A. Yes. They are attached to Mr. Searle's testimony.

121

122 **Q. Has STRATA conducted any internal audits during 2014?**

123 A. No.

124

125 **Q. Did STRATA restructure or change its corporate organization or its relationship**
126 **with its affiliates since its most recent request for additional distributions from the**
127 **UUSF?**

128 A. No.

129

130 **Q. Do you believe that increasing STRATA's request to increase its annual UUSF**
131 **support is just, reasonable and in the public interest?**

132 A. Yes. This increase is required to enable STRATA to continue providing
133 telecommunications services at just and reasonable rates. It is also essential to enable
134 STRATA to earn a reasonable rate of return on its investment.

135

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

137 A. Yes.