

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Increase of Rates)
and Charges of Citizens)
Telecommunications Company of Utah)

DOCKET NO. 00-041-01
REPORT AND ORDER

ISSUED: October 31, 2000

SYNOPSIS

Having concluded that the proposed rate increases are necessary, just, and reasonable, the Commission approved the Application for Rate Increase.

Appearances:

Jerold G. Oldroyd) For Citizens Telecommunications Company of Utah
Blake D. Miller,)
Ballard Spahr Andrews & Ingersoll, LLP)

Kent L. Walgren " The Division of Public Utilities
Assistant Attorney General)

By The Commission:

PROCEDURAL HISTORY

Pursuant to notice duly served, the Application for Rate Increase (the "Application") filed by Citizens Telecommunications Company of Utah ("CTC-Utah") came on regularly for hearing before the Honorable A. Robert Thurman, Administrative Law Judge, on September 12, 2000, at 9:00 a.m. Evidence was offered and received, and the Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed Findings of Fact, Conclusions of Law, and the Order based thereon.

FINDINGS OF FACT

1. CTC-Utah is an Incumbent Local Exchange Carrier in the State of Utah. CTC-Utah provides public telecommunications services pursuant to Certificate of Convenience No. 1548.
2. CTC-Utah serves customers only in areas considered "rural" in Utah and is a rural telecommunications provider. CTC-Utah currently serves the following exchanges:

- Bear River City
- Blanding
- Bluff
- Delta
- Fielding
- Fillmore

- Holden
- Howell
- Kanosh
- Lake Powell
- LaSal
- Lynndyl
- Meadow
- Mexican Hat
- Moab
- Monticello
- Oak City
- Portage
- Scipio
- Snowville
- Thatcher
- Thompson
- Tremonton

3. Notice of the Application and of the hearing was published in newspapers of general circulation in the areas of the state in which CTC-Utah provides service.

4. The Utah Division of Public Utilities (the "Division") conducted an audit of the books and records of CTC-Utah pertaining to CTC-Utah's interstate and intrastate operations (the "Audit"). As shown by the Audit, a copy of which is attached to the Application as Exhibit "B", in annual 1999, CTC-Utah's current rate structure resulted in a revenue requirement deficiency of \$914,772.

5. Calendar year 1999 constitutes a reasonable test year for the purpose of setting rates and determining the appropriate amount of the support from Utah's Universal Service Fund.

6. By Order, dated October 15, 1993, the Commission approved a Joint Stipulation and Agreement ("Stipulation"), whereby, in part, the parties agreed to a \$400,000 annual rate reduction (the "\$400,000 Rate Reduction"). Pursuant to the Stipulation, if the Operating and Maintenance ("O&M") expenses for CTC-Utah are not at least \$400,000 less than the annualized and normalized 1993 O&M expenses of Contel, as adjusted for inflation, then the Division would propose a ratemaking expense adjustment in the first CTC-Utah rate case to take into account the difference between the actual expense reductions achieved by CTC-Utah and \$400,000.

7. The O&M expenses for CTC-Utah for 1999 are at least \$400,000 less than the annualized and normalized 1993 O&M expenses of Contel.

8. This revenue deficiency disclosed by the Audit ignores the additional \$400,000 Rate Reduction.

9. The revenue deficiency is mainly due to increased plant investments and related operating expenses subsequent to Citizens' asset purchase from Contel.

10. In order to eliminate the revenue requirement deficiency and to provide just and reasonable rates, CTC-Utah rates should be increased as follows:

- Residential local exchange rates should be increased by \$2.00, from \$11.50 to \$13.50 per month;
- The local switching rate should be increased by 0.878¢ per minute;
- The local transport termination charge should be increased by 0.568¢ per minute;
- The Carrier Common Line originating and terminating charge should be eliminated; and
- EAS, IntraLATA toll rates, and special access rates should remain unaffected.

11. The proposed increase in basic local residence rates is based on a uniform Division policy to raise rural USF supported rates to \$13.50 for residence and \$23.00 for business. The rates and charges proposed in the Application are

consistent with those being charged by, or that will be proposed by the Division to be charged by, other rural telecommunications providers.

12. The proposed intrastate switched access rates will generate revenues in an amount sufficient to cover CTC-Utah's switched access revenue requirement. As a basis for determining the proposed intrastate switched access rates, the Carrier Common Line originating and terminating revenues and costs were removed from the switched access revenue requirement per CTC-Utah's 1999 Intrastate Separations reports and accounted for in basic local exchange costs.

13. Although CTC-Utah has agreed to the Audit as part of the Application, CTC-Utah has not stipulated or agreed to any particular contained in the Audit, or agreed to any adjustments contained in the Audit Report.

CONCLUSIONS OF LAW

1. The proposed rate increases are just, reasonable, and in the public interest.
2. Notice of the Application and of the Hearing was proper.
3. The \$400,000 Rate Reduction should be eliminated.
4. The rate increases set forth in the Application and in the proposed Tariffs attached to the Application as Exhibit "C" (the "Tariffs") should be approved.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The \$400,000 Rate Reduction shall be, and hereby is, eliminated.
2. The rate increases set forth in the Application and in the Tariffs shall be, and are hereby approved, effective as of the date of this Order.

DATED at Salt Lake City, Utah, this 31st day of October, 2000.

/s/ A. Robert Thurman
Administrative Law Judge

Approved and Confirmed this 31st day of October, 2000, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary