

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Increase of Universal)
Service Fund Support of Emery Telcom)

DOCKET NO. 01-2272-01

REPORT AND ORDER

ISSUED: January 25, 2002

SYNOPSIS

The Proposed increases in telephone service rates and in the annual distributions from the Utah State Universal Service Support Fund requested by Emery Telephone, are hereby approved by the Commission

By the Commission:

PROCEDURAL HISTORY

This matter was initiated by an Application for Universal Service Fund Increase (the "Application") filed with the Public Service Commission of Utah (the "Commission") by Emery Telephone, doing business as Emery Telcom ("Emery"), a telephone cooperative, on November 15, 2001. Notice of a public meeting to approve the proposed rate increase set forth in the Application was provided pursuant to Section 54-7-12(6) Utah Code Ann. (2001) to Emery's customers and members and the proposed rate increase was approved by the Board of Directors of Emery at a public meeting held on October 25, 2001. In addition, the Division of Public Utilities (the "Division") conducted an investigation and audit of the books and records of Emery pertaining to Emery's interstate and intrastate operations. This audit included an onsite investigation of Emery's operations in and surrounding Orangeville, Utah. Following its investigation, the Division stipulated with Emery to the proposed increased withdrawals from the Utah State Universal Service Support Fund ("USF"), and filed a Joint Stipulation and Agreement (the "Stipulation") with the Commission on November 30, 2001. No party has intervened in this docket.

Based on the record in this Docket, the Application, the Stipulation, and the Exhibits filed therewith, and in view of the fact that the applicable statute allows disposition of this matter without a hearing, and there appearing to be no reason for convening one, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Emery is an Incumbent Local Exchange Carrier in the State of Utah providing public telecommunications services to areas of rural Utah pursuant to a certificate of public convenience and necessity. Emery is also a telephone cooperative pursuant to § 54-7-12(6) Utah Code Ann. (2001).
2. The Application was accompanied by all necessary information and schedules required in accordance with Section 54-7-12 Utah Code Ann. (2001) and R746-344 of the Commission's Rules of Practice and Procedure. Emery also filed its tariff revisions reflecting the rate increase and other rate changes with the Commission, and such tariff revisions were available for public inspection. The Division, reviewed the information and schedules filed by Emery, and determined in a November 28, 2001 Memorandum that the revenue requirement increase was fully justified and that the rates and charges set forth in the Application and Exhibits were in the best interest of the subscribers of Emery and were just and reasonable.
3. Emery's present rates and tariff charges, supplemented by the USF, do not provide sufficient revenues to cover the costs, including capital costs and depreciation expenses, of Emery providing telecommunications services in Utah. As of

January 1, 2001, Emery's current rate structure resulted in an annual revenue requirement deficiency of \$858,720.00.

4. The increase in rates is necessitated by increased costs in the telephone industry generally, regulatory requirements and improvements in telephone plant. A rate increase and an increase in the authorized distributions from the USF are necessary to permit Emery to recover its costs of service and a reasonable return on the value of its property devoted to public use.

5. Calendar year 2000 constitutes a reasonable test year for the purpose of setting rates and determining the appropriate amount of USF support.

6. The following rate increase is necessary, fair and reasonable:

A) Residential local exchange rates are increased by \$2.50, from \$11.00 to \$13.50 per month over two years. The USF distribution set forth herein is calculated as if the \$13.50 residential rate were being implemented immediately. Business local exchange rates are increased by \$1.00 from \$22.00 to \$23.00 per month, and various miscellaneous local rate elements increased as outlined in the Exhibits attached to the Stipulation;

B) The local switching rate is increased by 0.00362¢ per minute from 0.02500¢ to 0.02862¢;

C) The local transport termination charge is increased by 0.01164¢ per minute from 0.02000¢ to 0.03164¢.

D) The residential EAS charge is increased by \$1.24 each year over two years from \$2.47 to \$4.95.

E) The Carrier Common Line originating and terminating charge is eliminated; information services, billing and collection, and special access rates will remain unaffected.

7. The increase in basic local residence rates is based on our acceptance of the Division's policy to raise rural USF supported rates to \$13.50 for residence and \$23.00 for business service (most recent cases are All West Communications, Inc., Docket No. 01-2270-01, and Citizens Telecommunications Company of Utah, Docket No. 00-2218-03.) Emery serves customers only in areas considered rural in Utah and is viewed as a rural cooperative telecommunications provider. The rates and charges contained in the Application are consistent with those being charged by other rural telecommunications providers.

8. The intrastate switched access rates will generate revenues in an amount sufficient to cover Emery's intrastate 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 Emery's 2000 Intrastate Separations reports and accounted for in basic local exchange costs.

9. The rate increases will increase local revenues annually by \$164,202, decrease access revenues by \$136,429 and increase miscellaneous revenues by \$24,744.

10. As a result of Emery's rate increases, its annual USF withdrawal is hereby increased by \$809,577. The Division and Emery both recommended to the Commission that the increase in the authorized USF withdrawal become effective as of December 1, 2001.

11. Based on Section 54-7-12(6) Utah Code Ann. (2001), the local rate increase has previously been implemented. Nevertheless, the Commission finds that such rate increase was just and reasonable.

12. Moreover, the increase of \$809,577 in Emery's annual USF distribution is just and reasonable, is in the public interest and is approved effective December 1, 2001.

13. The Commission further adopts the representations and statements contained in the Stipulation and the Exhibits thereto, which are incorporated herein by this reference, as additional findings of fact.

CONCLUSIONS OF LAW

1. The Commission has subject matter jurisdiction in this Docket pursuant to Sections 54-4-1 and 54-8b-15 Utah Code Ann. (2001).
2. It is in the public interest to approve the Stipulation as described herein.
3. The rate increases implemented by Emery are just and reasonable. Emery, as a qualifying telecommunications corporation under the provisions of the USF, is entitled to an increase in its annual withdrawal from the USF as set forth above and such is hereby approved as in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Stipulation is hereby approved.
2. The rate increases set forth in the Application, Stipulation and Exhibits thereto, and the tariff pages filed therewith, be, and the same hereby are, approved as previously implemented by Emery, as being just and reasonable and in the public interest.
3. The increase in Emery's annual withdrawals under the Utah Universal Public Telecommunications Service Support Fund as set forth herein be, and the same hereby is approved, effective December 1, 2001.
4. Pursuant to Section 63-46b-13 Utah Code Ann. (2000), any person aggrieved by this Order may petition the Commission in writing for review within 20 days of the date of this Order. Pursuant to Section 54-7-15 Utah Code Ann. (2000), failure to file such a request will result in the forfeiture of the right to appeal to the Utah Supreme Court. If the Commission fails to issue an order within 20 days after the filing of such request, the requests shall be considered denied.

DATED at Salt Lake City, Utah this 25th day of January, 2002.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

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