

Agenda Date: May 31, 2012  
Item Number: A2

**Docket:** UT-120585  
Company Name: Ellensburg Telephone Company d/b/a FairPoint Communications

Staff: Jing Liu, Regulatory Analyst  
Roger Hahn, Regulatory Analyst  
Tim Zawislak, Regulatory Analyst  
John Cupp, Regulatory Analyst  
William Weinman, Assistant Director - Telecommunications

### **Recommendation**

Allow the tariff filing increase in local residential rates in Docket UT-120585 to become effective June 1, 2012, and January 1, 2013, respectively by operation of law.

### **Discussion**

On April 26, 2012, Ellensburg Telephone Company d/b/a FairPoint Communications (Ellensburg) filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate an increase of \$1.53 per month per residential access line service beginning June 1, 2012, through December 31, 2012, and another increase of \$4.00 per month per residential access line service beginning January 1, 2013. The company's justification for the increase states the filing is made to conform to the Federal Communications Commission (FCC) Order No. 11-161. The annual effect of the filing would increase the company's local revenues by approximately \$188,722 in 2012 and \$493,392 in 2013.

### **Background**

The FCC order has reformed Intercarrier Compensation (ICC) and the federal Universal Service Fund (USF) in a way that will affect a reduction in Ellensburg's receipt of high cost support unless the company increases its local residential rates. The FCC imposes an urban rate floor<sup>1</sup> to avoid consumers from contributing high cost support to companies with artificially low local rates in rural areas. The urban rate floor will begin transitioning local rates to higher levels on July 1, 2012. If the Incumbent Local Exchange Carrier (ILEC) charges a rate less than the urban rate floor, the FCC will reduce monthly high cost support dollar for dollar to offset the amount the local rate is less than the urban rate floor. The urban rate floor for the fiscal year starting July 1, 2012, and ending June 30, 2013, is \$10.00 per month; and for the fiscal year starting July 1, 2013, and ending June 30, 2014, it becomes \$14.00 per month. Beginning July 1, 2014,

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<sup>1</sup> Effective December 29, 2011, the Federal Communications Commission (FCC) adopted its "local urban rate floor" criteria for use in determining federal high-cost support, in 47 CFR 54.318(f)(1) and (f)(2), for 2012 and 2013, respectively.

and each subsequent calendar year thereafter, the FCC's Wireline Competition Bureau will establish a new urban rate floor and update the FCC's, "*Reference Book of Rates*."

### Analysis

Staff has analyzed Ellensburg's filing using confidential 2010 and 2011 financial information supplied by the company, similar to the 2009 data the company provided in Docket UT-110858, Staff's investigation to establish a State Universal Service Fund.<sup>2</sup> This investigation has confirmed that the increase in local rates requested in this filing will not result in excessive earnings by the company.

### Rate Comparison

<u>Residential Monthly Rates</u>	<u>Current Rate</u>	<u>Proposed Rate</u>
<b>Kittitas County</b> <i>for the areas including: Ellensburg, Thorp, Selah, Kittitas, Lauderdale and Vantage</i>		
Local Exchange Service (Effective June 1, 2012)	\$8.47	\$10.00
Local Exchange Service (Effective January 1, 2013)	\$10.00	\$14.00

The company has requested waiver of WAC 480-07-510 (guidelines for general rate proceedings) or WAC 480-120-339 (streamlined filing requirements for Class B telecommunications companies). Staff notes Ellensburg is a Class B telecommunications company and falls under the criteria of WAC 480-120-339. Staff recommends the commission grant a waiver of WAC 480-07-510, or alternatively WAC 480-120-339. The company has submitted sufficient financial information to justify the increases in local rates for both the June 1, 2012, as well as the January 1, 2013, increase. Staff believes that the data the company submitted is satisfactory for this purpose. Staff concludes the rate increases are fair, just, and reasonable, and should be allowed by the commission.

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<sup>2</sup> In the company's cover letter, it agrees to the use of this previously filed data in this Docket and that it is appropriate for staff's analysis in this proceeding.

### **Customer Comments**

The company notified its customers of the proposed rate increase by mail in April. One comment has been received to date opposing the proposed rate increase. The customer was notified that documents about this rate case are available on the commission's website, and that they may contact John Cupp at 1-888-333-WUTC (9882) or [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns.

### **General Comments**

- The customer does not want the company to raise its rates.

### **Staff Response**

Staff explained that, due to changes in federal regulations, the company must raise its rates or lose federal funding that enables it to provide reasonable rates in a rural, high cost area. If it loses the federal funding, it could have a negative impact on the company's operations.

Staff recommends that the company re-notice these customers again approximately thirty days before the next scheduled local rate increase (per the tariff on January 1, 2013).

### **Conclusion**

The company has demonstrated that the proposed rates are fair, just, and reasonable. Therefore, staff recommends the commission allow the tariff filing increases in Docket UT-120585 to become effective June 1, 2012, and January 1, 2013, respectively and that the company notifies its customers approximately 30 days before the new rates become effective January 1, 2013.