

Agenda Date: February 23, 2012
Item Number: A1

Docket: UT-120116
Company Name: St. John Co-operative Telephone And Telegraph Company

Staff: Bill Weinman, Assistant Director - Telecommunications
Tim Zawislak, Regulatory Analyst
John Cupp, Regulatory Analyst

Recommendation

Allow the tariff filing increase in local residential rates in Docket UT-120116 to become effective March 1, 2012, and January 1, 2013, respectively by operation of law.

Discussion

On January 26, 2012, St. John Co-operative Telephone And Telegraph Company (St. John or company) filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate an increase of 50 cents per month per residential access line service beginning March 1, 2012, through December 31, 2012, and another increase of \$4.00 per month per residential access line service beginning on 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 \$2,700.00 in 2012 and \$21,800.00 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 St. John's receipt of high cost support unless the company increases its local residential rates. The FCC imposes an urban rate floor¹ to avoid consumers from contributing high cost support to companies with artificially low local rates in rural areas. Generally, the urban rate floor will be calculated annually by the FCC's Wireline Competition Bureau staff after June 30, 2014. 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, and each subsequent calendar year thereafter, the FCC will establish a new urban rate floor when its staff updates the FCC's, "*Reference Book of Rates*."

¹ 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.

Analysis

Staff has analyzed St. John's filing using confidential financial information supplied by the company in Docket UT-110858, Staff's investigation to establish a State Universal Service Fund.² Staff has reviewed financial data of both the ILEC along with its affiliates and non-regulated operations on an overall consolidated entity basis. 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>
Whitman County <i>for the areas including St. John and Ewan</i>		
Local Exchange Service (Effective March 1, 2012)	\$9.50	\$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), staff does not recommend granting a waiver because the company has already submitted sufficient information under the current investigation in Docket UT-110858 to justify the increases in local rates for both the March 1, 2012, as well as the January 1, 2013, increase. St. John is a Class B telecommunications company and falls under the criteria of WAC 480-120-339 (streamlined filing requirements for Class B telecommunications companies) rather than WAC 480-07-510. Staff believes that the data submitted in Docket UT-110858 is satisfactory for this purpose. Staff concludes the rate increases are fair, just, and reasonable, and should be allowed by the Commission.

Customer Comments

On January 26, 2012, the company notified its customers of the proposed rate increases by mail. No comments were received from customers at this time. However, Staff recommends that the company re-notice these customers again at least thirty days before the next scheduled local rate increase (per the tariff on January 1, 2013).

² 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..

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-120116 to become effective March 1, 2012, and January 1, 2013, respectively and that the company notices its customers 30 days before the new rates become effective January 1, 2013.