

## **2<sup>nd</sup> Revised Memo:**

Agenda Date: March 29, 2012  
Item Number: A3

**Docket:** UT-120129  
Company Name: Pioneer Telephone Company

Staff: Tim Zawislak, Regulatory Analyst  
Jing Liu, Regulatory Analyst  
Roger Hahn, Regulatory Analyst  
John Cupp, Regulatory Analyst

### **Recommendation**

Grant an exemption from WAC 480-07-510, or alternatively WAC 480-120-339 and allow the tariff filing increase in local residential rates in Docket UT-120129 to become effective April 1, 2012, and January 1, 2013, respectively by operation of law.

### **Discussion**

On January 30, 2012, Pioneer Telephone Company (Pioneer or company) filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate an increase of \$1.00 per month per residential access line service beginning April 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 \$6,030.00 in 2012 and \$32,160.00 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 Pioneer'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. 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.

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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.

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.*"

**Analysis**

Staff has analyzed Pioneer's filing using confidential financial information supplied by the company in Docket UT-110858, Staff's investigation to establish a State Universal Service Fund.<sup>2</sup> 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**

<b><u>Residential Monthly Rates</u></b>	<b><u>Current Rate</u></b>	<b><u>Proposed Rate</u></b>
<b>Whitman County</b> <i>for the areas including: Endicott, Lacrosse, Winona, Hooper, Dusty, and Hay</i>		
Local Exchange Service (Effective April 1, 2012)	\$9.00	\$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 notes Pioneer is a Class B telecommunications company and falls under the criteria of WAC 480-120-339 (streamlined filing requirements for Class B telecommunications companies). Staff does recommend the commission grant a waiver of WAC 480-07510, or alternatively WAC 480-120-339. The company has submitted sufficient financial information under the current investigation in Docket UT-110858 to justify the increases in local rates for both the April 1, 2012, as well as the January 1, 2013, increase. 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.

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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**

On January 30, 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 approximately thirty days before the next scheduled local rate increase (per the tariff on January 1, 2013).

### **Conclusion**

The company should be granted a waiver of WAC 480-07-510, or alternatively WAC 480-120-339. 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-120129 to become effective April 1, 2012, and January 1, 2013, respectively and that the company notices its customers approximately 30 days before the new rates become effective January 1, 2013.