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COMMISSIONERS

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ORIGINAL

ARIZONA CORPORATION COMMISSION  
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IN THE MATTER OF THE APPLICATION OF SOUTH CENTRAL UTAH TELEPHONE ASSOCIATION, INC., A UTAH NON-PROFIT CORPORATION, FOR A HEARING TO DETERMINE THE EARNINGS OF THE COMPANY, THE FAIR VALUE OF THE COMPANY FOR RATEMAKING PURPOSES, AND TO INCREASE RESIDENTIAL RATES AS NECESSARY TO COMPENSATE FOR THE RATE IMPACTS OF THE FCC'S USF/ICC TRANSFORMATION ORDER

DOCKET NO. T-01923A-13-0428

RESPONSE TO PROCEDURAL ORDER

Arizona Corporation Commission

DOCKETED

AUG 22 2014

DOCKETED BY

1 South Central Utah Telephone Association, Inc., a non-profit Utah corporation, doing  
2 business as South Central Communications ("SCC"), hereby responds to the following requests  
3 in Judge Rodda's August 7, 2014, Procedural Order in the above-captioned docket. Specifically,  
4 the Order stated that SCC:

5 should update its schedules to show the pro forma effects on revenues if  
6 residential access rates are increased to \$16, \$18 and \$20, and to also show the  
7 effect on operations if residential rates remain at \$14/month and the federal  
8 benchmark is \$16, \$18 and \$20/ month; and shall update the exhibit that shows a  
9 typical residential rate at the requested rates.

10 Attached hereto is a sheet summarizing returns for each of the six cases, followed by a  
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1 Respectfully submitted on August 22, 2014.  
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# South Central Utah Telephone Association, Inc.

REGULATED RESULTS OF OPERATIONS FOR 12 MONTHS ENDING 09/30/2013  
 REFLECTS CHANGES EFFECTIVE WITH ARC AND CAF IMPLEMENTATION -- YEAR 2  
 COMPARISON OF VARIOUS RATE AND BENCHMARK SCENARIOS

	INTRASTATE Base Case	INTRASTATE Case 1	INTRASTATE Case 2	INTRASTATE Case 3	INTRASTATE Case 4	INTRASTATE Case 5	INTRASTATE Case 6
1 Assumed Actual Rate	\$ 14.00	\$ 16.00	\$ 16.00	\$ 20.00	\$ 14.00	\$ 14.00	\$ 14.00
2 Assumed Benchmark Rate	\$ 14.00	\$ 16.00	\$ 16.00	\$ 20.00	\$ 16.00	\$ 18.00	\$ 20.00
	(f)	(f)	(f)	(f)	(f)	(f)	(f)
3 Local	262,507	262,507	262,507	262,507	262,507	262,507	262,507
4 Universal Service Fund (USF-HCI) and Safety Net Additive (SNA)	150,671	150,671	150,671	150,671	150,671	150,671	150,671
5 Access Revenues	20,420	20,420	20,420	20,420	20,420	20,420	20,420
6 Billing & Collecting	433,598	433,598	433,598	433,598	433,598	433,598	433,598
7 Other Misc., Uncollectibles	90,814	90,814	90,814	90,814	90,814	90,814	90,814
8 Total Operating Revenues	4,845	4,845	4,845	4,845	4,845	4,845	4,845
9 Plant Specific Expenses	186,766	186,766	186,766	186,766	186,766	186,766	186,766
10 Plant Nonspecific Expenses	70,281	70,281	70,281	70,281	70,281	70,281	70,281
11 Depreciation & Amortization Expenses	70,281	70,281	70,281	70,281	70,281	70,281	70,281
12 Customer Operations Expenses	70,394	70,394	70,394	70,394	70,394	70,394	70,394
13 Corporate Operations Expenses	64,189	64,189	64,189	64,189	64,189	64,189	64,189
14 Other Operating Taxes and (Income)	487,289	487,289	487,289	487,289	487,289	487,289	487,289
15 Nonregulated Adjustment	(53,691)	(53,691)	(53,691)	(53,691)	(53,691)	(53,691)	(53,691)
16 Total Operating Expenses	487,289	487,289	487,289	487,289	487,289	487,289	487,289
17 State Income Taxes (SIT) (6.97%)	-	-	-	-	-	-	-
18 Federal Income Taxes (FIT) (35%)	-	-	-	-	-	-	-
19 Total Operating Income Taxes	-	-	-	-	-	-	-
20 Total Expenses and Income Taxes	487,289	487,289	487,289	487,289	487,289	487,289	487,289
21 Net Operating Income	(53,691)	(53,691)	(53,691)	(53,691)	(53,691)	(53,691)	(53,691)
22 Total Year-End Avg Rate Base	980,729	980,729	980,729	980,729	980,729	980,729	980,729
23 Return on Rate Base (Ln 20 / Ln 21)	-5.47%	-5.47%	-5.47%	-5.47%	-5.47%	-5.47%	-5.47%
24 Estimated Revenue from Local Rate Increase	0	15,682	31,364	47,046	0	0	0
25 Estimated Annual Reduction in High-Cost Loop Support	0	0	0	0	15,682	31,364	47,046
26 State Income Taxes (SIT) (6.97%)	-	-	-	-	-	-	-
27 Federal Income Taxes (FIT) (35%)	0	15,682	31,364	47,046	-15,682	-31,364	-47,046
28 Increase in Net Operating Income	(53,691)	(38,009)	(22,327)	(6,645)	(69,373)	(85,055)	(100,737)
29 Return on Rate Base After Increase (Ln27 / Ln21)	-5.47%	-3.88%	-2.28%	-0.68%	-7.07%	-8.87%	-10.27%

# South Central Utah Telephone Association, Inc.

## Typical Charges for Subscribers to Basic Residential Service Comparison of Effect in Various Rate Scenarios

	<u>Base Case</u>	<u>Case 1</u>	<u>Case 2</u>	<u>Case 3</u>
Residential Telephone Service	\$ 14.00	\$ 16.00	\$ 18.00	\$ 20.00
Subscriber Line Charge	6.50	6.50	6.50	6.50
Access Recovery Charge	1.50	1.50	1.50	1.50
AZ 911 Excise Tax	0.20	0.20	0.20	0.20
AZ Universal Service Fund	-	-	-	-
Federal Excise Tax	0.66	0.72	0.78	0.84
Federal Universal Service Fund	1.26	1.26	1.26	1.26
State/County Sales Tax (Bill description will specify the county)	0.85	0.98	1.10	1.22
AZ Telephonic Device Fee	0.15	0.18	0.20	0.22
<b>Total Basic Residential Service Bill</b>	<b>\$ 25.12</b>	<b>\$ 27.34</b>	<b>\$ 29.54</b>	<b>\$ 31.74</b>

**South Central Utah Telephone Association, Inc.**

Proposed Rate Design  
09/30/2013 Average Units

(A) Service Description	(B) Average Units	(C) Current Rates	(D) 09/30/2013 Annual Revenues	(E) Proposed Rates		(F) Proposed Revenues		(G) Proposed Change		(H) Percent
				Rates	Revenues	Revenues	Revenues	Revenue	Percent	
Basic Service	297	\$ 14.00	\$ 49,812.00	\$ 16.00	\$ 56,928.00	\$ 7,116.00	14.29%			
Residence in Colorado City Base Rate Area (CLCY)	357	\$ 14.00	\$ 59,962.00	\$ 16.00	\$ 68,528.00	\$ 8,566.00	14.29%			
Residence in Fredonia Base Rate Area (FRDN)										
Estimated Revenue from Local Rate Increase						<u>\$ 15,682.00</u>				

**Residential Lines**

Year	Area	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
2013	CLCY	291	292	295	295	295	300	302	302	301	301	292	284
2013	FRDN	363	363	358	363	367	363	356	351	352	348	349	350
	09/30/2013 Total	654	655	653	658	667	666	658	653	649	641	634	634

**Multi-line business Lines**

Year	Area	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
2013	CLCY	190	180	172	171	171	170	170	168	170	173	175	177
2013	FRDN	173	173	173	165	170	169	168	172	172	173	173	176
	09/30/2013 Total	363	353	345	336	341	339	338	340	342	346	348	353

**Total AZ Lines**

CLCY	481	472	467	466	473	471	473	472	470	471	474	467	461
FRDN	536	536	531	528	532	537	532	524	523	524	521	522	526
	1017	1008	998	994	1005	1008	1005	996	993	995	995	989	987

**South Central Utah Telephone Association, Inc.**

Proposed Rate Design  
09/30/2013 Average Units

(A) Service Description	(B) Average Units	(C) Current Rates	(D) 09/30/2013 Annual Revenues	(E)		(F)		(G)		(H)
				Dec-12 Rates	Jan-13 Revenues	Proposed Rates	Proposed Revenues	Revenue	Percent Change	
Basic Service	297	\$ 14.00	\$ 49,812.00	\$ 18.00	\$ 64,044.00	\$ 14,232.00	28.57%			
Residence in Colorado City Base Rate Area (CLCY)	357	\$ 14.00	\$ 59,962.00	\$ 18.00	\$ 77,094.00	\$ 17,132.00	28.57%			
Residence in Fredonia Base Rate Area (FRDN)										
<b>Estimated Revenue from Local Rate Increase</b>						<b>\$ 31,364.00</b>				

**Residential Lines**

Year	Area	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
2013	CLCY	291	292	295	295	300	303	302	302	301	301	292	284
2013	FRDN	363	363	358	363	367	363	356	351	352	348	349	350
		654	655	653	658	667	666	658	653	653	649	641	634
	<b>09/30/2013 Total</b>												

**Multi-line business Lines**

Year	Area	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
2013	CLCY	190	180	172	171	171	170	170	168	170	173	175	177
2013	FRDN	173	173	173	165	170	169	168	172	172	173	173	176
		363	353	345	336	341	339	338	340	342	346	348	353
	<b>09/30/2013 Total</b>												

**Total AZ Lines**

CLCY	481	472	467	466	471	471	473	472	470	471	474	467	461
FRDN	536	536	531	528	537	532	532	524	523	524	521	522	526
	1017	1008	998	994	1008	1005	1005	996	993	995	995	989	987

**South Central Utah Telephone Association, Inc.**

Proposed Rate Design  
09/30/2013 Average Units

(A) Service Description	(B) Average Units	(C) Current Rates	(D) 09/30/2013 Annual Revenues	(E) Proposed		(F) Proposed		(G) Proposed Change		(H) Percent
				Rates	Revenues	Revenues	Revenues	Revenue	Percent	
Basic Service	297	\$ 14.00	\$ 49,812.00	\$ 20.00	\$ 7,116.00	\$ 21,348.00	42.86%			
Residence in Colorado City Base Rate Area (CLCY)	357	\$ 14.00	\$ 59,962.00	\$ 20.00	\$ 85,660.00	\$ 25,698.00	42.86%			
Residence in Fredonia Base Rate Area (FRDN)										
<b>Estimated Revenue from Local Rate Increase</b>						<b>\$ 47,046.00</b>				

**Residential Lines**

Year	Area	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
2013	CLCY	291	292	295	295	300	303	302	302	301	301	292	284
2013	FRDN	363	363	358	363	367	363	356	351	352	348	349	350
	<b>09/30/2013 Total</b>	<b>654</b>	<b>655</b>	<b>653</b>	<b>658</b>	<b>667</b>	<b>666</b>	<b>658</b>	<b>653</b>	<b>653</b>	<b>649</b>	<b>641</b>	<b>634</b>

**Multi-line business Lines**

Year	Area	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
2013	CLCY	190	180	172	171	171	170	170	168	170	173	175	177
2013	FRDN	173	173	173	165	170	169	168	172	172	173	173	176
	<b>09/30/2013 Total</b>	<b>363</b>	<b>353</b>	<b>345</b>	<b>336</b>	<b>341</b>	<b>339</b>	<b>338</b>	<b>340</b>	<b>342</b>	<b>346</b>	<b>348</b>	<b>353</b>

**Total AZ Lines**

CLCY	481	472	467	466	471	471	473	472	470	471	474	467	461
FRDN	536	536	531	528	537	532	522	524	523	524	521	522	526
	<b>1017</b>	<b>1008</b>	<b>998</b>	<b>994</b>	<b>1008</b>	<b>1005</b>	<b>996</b>	<b>996</b>	<b>993</b>	<b>995</b>	<b>995</b>	<b>989</b>	<b>987</b>

**South Central Utah Telephone Association, Inc.**

Proposed Rate Design

Estimated Reduction in Federal High-Cost Loop Support

09/30/2013 Average Residence One-Party	654
FCC Benchmark Rate	\$16.00
Present Rate	\$14.00
Deficiency in Rate	<u>\$2.00</u>
Reduction in High Cost Loop Support per month	<u>\$1,308.00</u>
Reduction in High Cost Loop Support per year	<u>\$15,696.00</u>

**South Central Utah Telephone Association, Inc.**  
Proposed Rate Design  
Estimated Reduction in Federal High-Cost Loop Support

09/30/2013 Average Residence One-Party	654
FCC Benchmark Rate	\$18.00
Present Rate	\$14.00
Deficiency in Rate	<u>\$4.00</u>
Reduction in High Cost Loop Support per month	<u>\$2,616.00</u>
Reduction in High Cost Loop Support per year	<u><u>\$31,392.00</u></u>

**South Central Utah Telephone Association, Inc.**

Proposed Rate Design

Estimated Reduction in Federal High-Cost Loop Support

09/30/2013 Average Residence One-Party 654

FCC Benchmark Rate \$20.00

Present Rate \$14.00

Deficiency in Rate \$6.00

Reduction in High Cost Loop Support per month \$3,924.00

Reduction in High Cost Loop Support per year \$47,088.00

BEFORE THE ARIZONA CORPORATION COMMISSION

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3 in Judge Rodda's August 7, 2014, Procedural Order in the above-captioned docket. Specifically,  
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6 residential access rates are increased to \$16, \$18 and \$20, and to also show the  
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9 typical residential rate at the requested rates.

10 Attached hereto is a sheet summarizing returns for each of the six cases, followed by a  
11 revised exhibit that shows total residential rates at the \$16, \$18, and \$20 base rates, detailed rate  
12 design exhibits at the three rates, and exhibits that detail the loss of high-cost loop support at the  
13 new benchmarks if rates were not raised.

14 The requested increases (to \$16, \$18, and \$20) are just and reasonable because, if they  
15 were not authorized, SCC would lose federal high-cost loop support funds and further reduce  
16 revenues below the levels that would be required for SCC to earn its authorized rate of return.

1 Respectfully submitted on August 22, 2014.  
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