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STATE OF COLORADO

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Docket No. 07M-063T

IN THE MATTER OF THE PETITION OF SAN ISABEL TELECOM, INC. FOR THE
MODIFICATION FOR THE DISAGGREGATION AND TARGETING OF SUPPORT FOR
CENTURYTEL OF EAGLE, INC. FOR STUDY AREA CODE-462185 PURSUANT TO 47
C.F.R. § 54.315 UNDER PATH 3.

STIPULATION AND SETTLEMENT AGREEMENT

CenturyTel of Eagle, Inc. ("Eagle"), San Isabel Telecom, Inc. ("San Isabel"), and Trial Staff of the Public Utilities Commission of the State of Colorado ("Staff") (collectively the "Stipulating Parties" or the "Parties"), through their undersigned counsel, enter into this Stipulation and Settlement Agreement ("Stipulation") regarding the Path Two Disaggregation Plan filed by Eagle for Commission approval in the instant docket.¹ The Parties submit this Stipulation for approval by the Colorado Public Utilities Commission (the "Commission" or the "PUC") pursuant to the Commission's Rules of Practice and Procedure, 4 CCR 723-1-1407 and 1408, and also based upon the Path Two Disaggregation Plan proposed by Eagle as supported by the testimony filed by it in this Docket and Commission Decision Nos. R08-0350 and C08-0873.

PRELIMINARY STATEMENT

1. Under the provisions of Title 47 of the Code of Federal Regulations (CFR), Part 54, Section 54.315, all rural incumbent local exchange carriers for which high cost universal support is provided pursuant to Sections 54.301, 54.303 and/or 54.305 of subpart B, subpart K of

¹ The Colorado Office of Consumer Counsel ("OCC") is an Intervenor and party in this Docket; however, and as discussed in Paragraph 19, *infra*, the OCC does not join in this Stipulation and Settlement Agreement ("Stipulation"), but does not oppose the Stipulation's approval.



Part 54, and/or subpart F of Part 36, of Chapter 1 of the CFR, must select a path for the disaggregation and targeting of support received by such rural incumbent local exchange carriers. Three alternative disaggregation path choices are described in Section 54.315: Path One,² Path Two,³ and Path Three⁴.

2. On May 15, 2002, Eagle filed with the Commission a notification that it had elected a Path Three self-certification for Study Area Code No. 462185. Because this was a Path Three self-certified plan, the Commission did not review it when it was filed. Eagle opted to disaggregate to the wire center level and grouped its Colorado wire centers into two universal service support zones: Zone 1 and Zone 2.

3. On November 25, 2002, the Federal Communications Commission ("FCC") granted the Commission's petition to redefine Eagle's service area to be consistent with the Company's disaggregation choice of a Path Three plan.

4. The Commission designated San Isabel as an Eligible Telecommunications Carrier ("ETC") in the Eagle, Edwards, Gypsum, and McCoy wire centers in 2003 in Docket No. 01A-442T, Decision No. R02-0205.

5. On March 7, 2007, San Isabel filed a Petition asking that the Commission modify Eagle's Disaggregation Plan which the Company had selected. That filing led to an initial hearing in this Docket and to the issuance of two separate Commission decisions: Decision No. R08-0350 and Decision No. C08-0873.

² Path One, a rural ILEC chooses not to disaggregate.

³ Path Two, a rural ILEC elects to disaggregate based on a plan for which the carrier obtains prior approval from the appropriate regulatory authority.

⁴ Path Three, a rural ILEC elects to disaggregate and to self-certify the disaggregation and targeting plan which the carrier has adopted. The plan becomes effective on the date the carrier self-certifies its plan to the state regulatory commission.

6. After hearing, Eagle was ordered to make a choice of either a Path Two or Path Three plan and to file notice of its election with the Commission. Pursuant to the orders of this Commission, Eagle filed its proposed Path Two Disaggregation Plan on December 9, 2008.

7. On December 23, 2008 the Commission issued Decision No. CO8-1334 inviting parties to submit comments on Eagle's proposed plan.

8. On January 8, 2009, San Isabel filed comments concerning Eagle's proposed Path Two replacement plan pursuant to Commission Decision C08-1334.

9. On January 22, 2009, Eagle filed its reply comments. On April 17, 2009, Staff and San Isabel filed Answer Testimony. Eagle filed its Rebuttal Testimony on May 18, 2009.

10. On February 26, 2009 the Administrative Law Judge (ALJ) to whom this docket was assigned, issued Decision No. R09-0190-I establishing a procedural schedule for this docket.

11. Eagle, San Isabel, and the Staff, engaged in settlement discussions in an attempt to resolve their differences regarding issues raised by the San Isabel Petition.

12. Eagle, San Isabel, and the Staff, have now reached agreement on the issues raised in this docket, as set forth in the following Agreement. This Stipulation is entered into for the purpose of avoiding the costs and risks of litigation. The Parties to this Agreement agree this Stipulation should have no legal effect outside of the instant docket.

AGREEMENT

WHEREFORE, based on their review of all testimony and exhibits submitted and upon their settlement discussions, the Parties hereby stipulate and agree as follows:

1. San Isabel holds a Certificate of Public Convenience and Necessity to provide competitive local exchange telecommunications service, and is a facilities-based Competitive

Local Exchange Carrier ("CLEC"). San Isabel is a designated Eligible Telecommunications Carrier (ETC) in the Eagle exchanges of Eagle, Edwards, Gypsum, and McCoy. Furthermore, both AllTel and NECC are designated as ETCs in Eagle's service territory.

2. Eagle is a facilities-based rural ILEC and provides local exchange telecommunications service in Study Area Code No. 462185.

3. The Parties agree to use Eagle's proposed Path Two plan on an exchange basis. The Parties used Staff's method of direct assigned investment for Plant In Service, Central Office, Central Office – Category 4.13 and Cable and Wire Facilities. This investment was adjusted to reflect San Isabel's recommendations and Eagle's methodology to reflect the spread for power and common investment associated with the Central Offices. This spread of power and common investment was based on the principles found in FCC Part 36.121 and Eagle's Part 36 results submitted to the FCC on a yearly basis. This methodology is reflected in attached Confidential Exhibit A.⁵ The Parties agree to use Staff's methodology for calculation of accumulated depreciation and the associated depreciation expense methodology. This Staff methodology is incorporated in Confidential Exhibit A.

4. The Stipulated Path Two Plan consists of the following elements: 1) disaggregation of Eagle's service area into 53 exchanges; 2) Staff's direct assignment of investment for each exchange; 3) San Isabel's recommendation and Eagle's methodology to spread the common and power investments to the individual exchanges; and 4) Staff's methodology to calculate accumulated depreciation reserve and depreciation expense on the direct investment in each exchange. The result allocates appropriate amounts of support per line in each exchange based upon the agreed upon methodology of the Parties. Exhibit B attached hereto outlines the total

⁵ Due to the size of the document, Confidential Exhibit A is being submitted with this Stipulation on a disc pursuant to the Commission's rules regarding the treatment of confidential information.

amount of support provided by the Eagle Disaggregation Path Two Plan and the support amount to the total support amount Eagle received in 2007.

5. The Stipulated Eagle Path Two Disaggregation Plan and the associated calculation methodology meets the requirements of 47 CFR Section 54.315(c) and (e) as well as Commission Rule 4 CFR 723-2-2190(b) as outlined below.

DISAGGREGATION PLAN RATIONALE

6. Eagle's Path Two Disaggregation Plan was developed in accordance with the following assumptions. Eagle's study area consists of approximately 31,817 square miles. Eagle had approximately 73,353 access lines in 2007.

7. The Parties agree to use the relevant Eagle's Continuous Property Records data to directly assign the central office and the cable and wire facilities' investment to each exchange.

8. The Parties agree to use San Isabel's recommendations and Eagle's methodology for spreading the common and power investment to the Central Office categories.

9. The Parties agree to directly apply the Commission-approved depreciation life percentages to each type of investment for each exchange.

10. The Parties agree to calculate the accumulated depreciation and depreciation expense on the direct investment in each exchange as modified by Staff.

11. The Parties attach Exhibit B which demonstrates that the 2007 support available to Eagle's Study Area as proposed in the Disaggregation Path Two plan equals the total 2007 support available to the study area without disaggregation as the same is required by the applicable FCC and Commission rules.

GENERAL PROVISIONS

12. Without waiving any of their written positions previously filed in this docket, the Parties desire to end further uncertainty in litigation by entering this Stipulation. Accordingly, the Parties hereby agree to be bound to the terms of this Stipulation. The Parties recognize and agree, however, that should the Commission or the FCC determine that a particular regulatory treatment is applicable to ETC designees different than the requirements which currently apply, in further rulemaking or otherwise, that any such lawful and applicable determinations would apply to Eagle and San Isabel. Notice of any such FCC or Commission determination shall be provided to the Staff and OCC.

13. This Stipulation is a settlement of disputed and compromised claims and accordingly, this Stipulation is made for settlement purposes only. No Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Stipulation. No precedential effect or other significance, except as may be necessary to enforce this Stipulation or a Commission order concerning this Stipulation, shall be attached to any principle or methodology contained in this Stipulation.

14. All witnesses of the Parties will support all aspects of the Stipulation and Settlement Agreement embodied in this document in any hearing conducted to determine whether the Commission should approve this Stipulation. Each Party also agrees that, except as expressly provided in this Stipulation, it will take no action in any administrative or judicial proceeding, which would have the effect, directly or indirectly, of contravening the provisions of this Stipulation. Without prejudice to the foregoing, the Parties expressly reserve the right to advocate positions different from those stated in this Agreement in any proceeding other than

one necessary to obtain approval of, or enforce this Stipulation or a Commission order approving this Stipulation. Nothing in this Stipulation shall constitute a waiver by any Party with respect to any matter not specifically addressed in this Stipulation.

15. This Stipulation shall not become effective until the Commission issues a final order approving the Stipulation, which order does not contain any modification of the terms and conditions of this Stipulation that is unacceptable to any of the Parties to the Stipulation. In the event the Commission modifies this Stipulation in a manner unacceptable to any Party hereto, that Party may withdraw from the Stipulation and shall so notify the Commission and the other Parties to the Stipulation in writing within ten (10) days of the date of the applicable Commission order. In the event a Party exercises its right to withdraw from the Stipulation, this Stipulation shall be null and void and of no effect in this or any other proceedings.

16. In the event this Agreement becomes null and void or in the event the Commission does not approve this Stipulation, this Stipulation, as well as the negotiation undertaken in conjunction with the Stipulation, shall not be admissible into evidence in these or any other proceedings.

17. The Parties state that they have reached this Stipulation by means of a negotiated process that is in the public interest, and that the results reflected in this Stipulation are just, reasonable and in the public interest. Approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable, and reasonable resolution of all issues, which were or could have been contested by the Parties with respect to the San Isabel Petition.

18. This Stipulation is an integrated agreement that may not be altered by the unilateral determination of any Party.

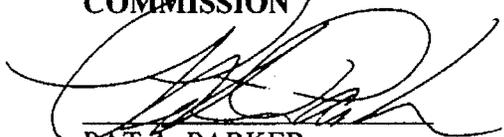
19. While the Office of Consumer Counsel and NE Colorado Cellular, Inc. do not join in this Stipulation and Settlement Agreement, neither opposes its approval by this Commission.

20. To facilitate the execution and filing of this Agreement, counsel for Eagle has authorized counsel for San Isabel to execute this Stipulation on behalf of both he and his client representative.

WHEREFORE, the Parties respectfully submit this Stipulation and Settlement Agreement for approval by the Commission and request that the Commission grant such approval.

Dated this 11th day of June, 2009.

**FOR THE STAFF OF THE
COLORADO PUBLIC UTILITIES
COMMISSION**



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Insert provided by Administrative Law Judge: Exhibit A contains information
claimed to be confidential. Exhibit A is filed under seal with the Commission.

