

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HIGHLAND TELEPHONE)
COOPERATIVE, INC. FOR AN ADJUSTMENT OF) CASE NO. 2010-00227
RATES)

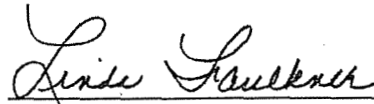
NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on June 16, 2011 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on June 16, 2011.

A copy of this Notice, the certification of the digital video record, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2010-00227/2010-00227_16Jun11_Inter.asx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 21st day of June 2011.

A handwritten signature in cursive script, reading "Linda Faulkner", written over a horizontal line.

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

Jeffrey J Yost
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CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on June 16, 2011;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of June 16, 2011 and the time at which each occurred.

Given this 20th day of June, 2011.


Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2010-00227_16Jun11

Case Title: Highland Telephone Cooperative, Inc.

Case Type: General Rates

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 6/16/2011

Location: Default Location

Judge: Jim Gardner

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
9:00:06 AM	Case Started	
9:01:33 AM	Introductory Remarks Note: Kathy Gillum	Introductions of counsel: Jeffrey Yost with Jackson Kelly, PLLC for the Petitioner; and John E. Pinney, Staff Attorney for the Commission.
9:03:03 AM	Housekeeping Issues Discussed Note: Kathy Gillum	Commissioner Gardner asks for outstanding Motions. Mr. Yost stated that Highland had filed a Motion for Leave to Introduce Additional Testimony. Commissioner Gardner Sustained the Motion by Order from the Bench.
9:04:03 AM	Statement by Jeffrey Yost (Highland) Note: Kathy Gillum	Mr. Yost made a statement regarding pre-filed prepared testimony being supplemented in the hearing today, as well as allowing Frederick Terry to testify. Commissioner Gardner stated that the witnesses could give additional testimony after pre-filed testimony, then Mr. Pinney could do cross-examination of the witness.
9:04:59 AM	Witness, Gentry Underhill (Highland) Note: Kathy Gillum	Witness called to testify by Jeffrey Yost
9:05:41 AM	Examination by Jeffrey Yost (Highland) Note: Kathy Gillum	Qualifications of witness by Mr. Yost. Witness adopts pre-filed testimony. Tier calculations discussed. Time interest term ratio. Tier for 2009 test year discussed. Tier for 2010 was 1.11. Only Tennessee customers were included. New tier for 2012 is 1.5. Impact for failure to meet the tier requirement discussed. Rate of Return discussed. Witness references Responses to 2nd Data Requests filed 6-6-11. Questions regarding proposed rate increases. Witness explained the increases in reference to the customers' monthly bills.
9:21:57 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding 911 etc. services
9:22:24 AM	Examination by Jeffrey Yost continues Note: Kathy Gillum	Mr. Yost clarifies with witness that the fees are not ones charged by Highland, but by other entities.

9:22:56 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding basic service charges and charges that were set by another entity.
9:24:20 AM	Examination by Jeffrey Yost continues Note: Kathy Gillum	The only fee set by Highland is the basic fee, but offers additional options.
9:25:13 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding Call waiting etc. not set by Commission
9:25:29 AM	Examination by Jeffrey Yost continues	
9:28:24 AM	Jeffrey Yost (Highland) Note: Kathy Gillum	No further questions.
9:28:30 AM	Examination by John Pinney (PSC) Note: Kathy Gillum	Questions regarding Response to Question 1 of Supp. D.R. (rate of return). Questions regarding pre-filed testimony Page 4. Questions regarding last rate increase (1983). Questions regarding RUS Tier (Rural Utility Services). Questions regarding Response to Data Request No. 3. Questions regarding Response to PSC 1st D.R. No. 12 concerning financial statements v. Response to D.R. No. 13 and Exhibits 12a, page 3; and 12b, page 6. Questions regarding D.R. No. 20 regarding expenses v. loss of revenue. Questions regarding funding amounts. Non-regulated entities discussed.
9:50:06 AM	John Pinney (PSC) Note: Kathy Gillum	No further questions.
9:50:13 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding loan amounts v. grant amounts regarding interest rates, grant agreements, etc. Various items discussed concerning Kentucky and Tennessee and whether separated or not. Questions regarding Which entity has Fiber to the Home. Questions regarding RUS loans. Witness directed Comm. Gardner to Mr. Arms for answers regarding RUS loans. Questions regarding loss of local lines regarding revenue lost.
10:04:19 AM	Jeffrey Yost (Highland) Note: Kathy Gillum	States that he believed that the reference Comm. Gardner was asking about was Response to D.R. No. 13.
10:05:31 AM	Commissioner Gardner Note: Kathy Gillum	Witness answers Commissioner Gardner's questions
10:06:32 AM	Data Request by Comm. Gardner Note: Kathy Gillum	Update chart on Response No. 13, page 1 to reflect 2010 as a post hearing data request
10:07:29 AM	Mr. Yost handed document to witness Note: Kathy Gillum	Audit Report for 2010
10:08:03 AM	Commissioner Gardner continues Note: Kathy Gillum	Witness continues to answer Commissioner Gardner's questions.
10:11:06 AM	Witness Excused (Gentry Underhill)	
10:11:36 AM	Witness Steve Armes (Highland) Note: Kathy Gillum	Witness called to testify by Jeffrey Yost.
10:12:20 AM	Examination by Jeffrey Yost (Highland) Note: Kathy Gillum	Qualification of witness by Mr. Yost. Witness adopts pre-filed testimony. Questions regarding revenue losses. Witness refers to 2nd set of Responses to Data Requests, Exhibit 20. Witness refers to 2nd set of Responses to Data Requests, No. 17.
9:01:35 AM	No Public Comments	

10:22:05 AM	Jeffrey Yost (Highland) Note: Kathy Gillum	No further questions.
10:22:12 AM	Examination by John Pinney (PSC) Note: Kathy Gillum	Questions regarding DSL and video rates. Inside wire charges were discussed. Questions regarding wholesale and retail rates. Questions regarding costs of services to customer. Questions regarding pricing flexibility in reference to Tier calculations. Questions regarding service area. Questions regarding loss in Tennessee.
10:33:55 AM	John Pinney (PSC) Note: Kathy Gillum	No further questions.
10:34:02 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding the company having 2 different jurisdictional areas. Access charges discussed. Employee raises and capital credits discussed. Questions regarding construction on fiber optic project. Discussion regarding loan applications. Questions regarding 1st D.R, Responses regarding the RUS loans. V42 Loan discussed. Witness states that it was rescinded. Questions regarding Page 1 of Response No. 2.
10:41:21 AM	Data Request by Comm. Gardner Note: Kathy Gillum	Commissioner Gardner requests a chart showing the different loans outstanding and the tier requirements
10:42:26 AM	Commissioner Gardner Note: Kathy Gillum	Discussion between Commissioner Gardner and Mr. Pinney regarding post hearing data request
10:43:18 AM	Statement by Jeffrey Yost (Highland) Note: Kathy Gillum	2 Loans are still outstanding.
10:44:34 AM	Commissioner Gardner Note: Kathy Gillum	Explains what he wants in the Supplemental Post Hearing Data Request
10:45:39 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding stimulus loan.
10:46:23 AM	Statement by John Pinney Note: Kathy Gillum	Clarification of Post Hearing Data Requests.
10:50:03 AM	Witness Excused (Steve Armes)	
10:50:29 AM	Case Recessed	
11:05:39 AM	Case Started	
11:05:44 AM	Witness Frederick L. Terry (Highland) Note: Kathy Gillum	Witness called to testify by Jeffrey Yost.
11:06:08 AM	Examination by Jeffrey Yost (Highland) Note: Kathy Gillum	Qualification of witness by Mr. Yost. Line loss and customer loss discussed. Revenue loss discussed regarding the actions of Highland to correct the loss. Witness explains expense cutting measures. Witness states that an increase in local service rates and non-regulated services was looked at. Highland Media subsidiary explained. Video provided area discussed. Questions regarding fiber regarding telephone service. Questions regarding financing of capital projects. Questions regarding loan (rescinded). Construction of fiber to the homes discussed. Questions regarding application for Grant Loan Stimulus money. RUS recommendations discussed. RUS Recommendations were not specific, nor in writing. Questions regarding effect of reduced amount of rate increase or no increase. Questions regarding rate increase in Tennessee.

11:34:01 AM	Commissioner Gardner Note: Kathy Gillum	Commissioner Gardner asks if witness had stated that rate increase had been implemented.
11:34:12 AM	Jeffrey Yost (Highland) Note: Kathy Gillum	No further questions.
11:34:20 AM	Examination by John Pinney (PSC) Note: Kathy Gillum	Mr. Pinney stated that there had been one complaint filed with the PSC regarding the rate increase. Questions regarding the separation of Highland Telephone and Highland Media. Questions regarding capital credits
11:38:03 AM	John Pinney (PSC) Note: Kathy Gillum	No further questions.
11:38:09 AM	Commissioner Gardner Note: Kathy Gillum	Questions regarding No. 12 pertaining to Compensation of the Board of Directors. Meeting fees of the Board also discussed. Question regarding Why Highland has not opted out of regulation in Kentucky.
11:42:05 AM	Data Request by Comm. Gardner Note: Kathy Gillum	2009 Tier and 2010 actual. What would have the projected rate been for 2010, and show the calculations.
11:43:10 AM	Statement by John Pinney (PSC) Note: Kathy Gillum	Clarification of Data Request: Projected Tier for the whole year for 2010
11:43:49 AM	Commissioner Gardner Note: Kathy Gillum	Commissioner asks parties for agreed date on post hearing data requests. The parties decided on next Friday COB June 24, 2011. Commissioner Gardner asked parties if they need to brief. Parties declined. Commissioner Gardner made statement for the record that no member of the public has been present during this hearing. Hearing Adjourned.
11:45:30 AM	Case Recessed	
1:42:08 PM	Case Stopped	