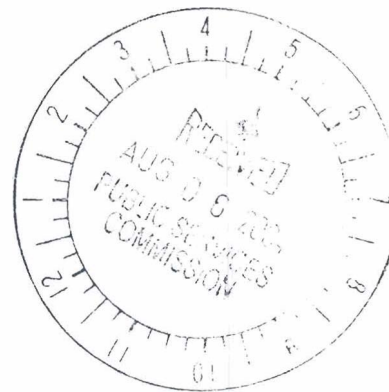


GOVERNMENT OF THE VIRGIN ISLANDS
OF THE UNITED STATES

Public Services Commission



IN RE:)
) PSC DOCKET NO. 532
RATE INVESTIGATION OF INNOVATIVE)
TELEPHONE COMPANY PURSUANT TO)
ACT NO. 6402)
ORDER NO. 42 /2004
_____)

AMENDED FINAL ORDER

THIS MATTER came before the Commission for hearing and decision on April 24, 2003. The Commission reviewed the report of the Hearing Examiner dated September 13, 2002. The Commission had on December 4, 2002 heard a presentation from the Hearing Examiner and Innovative Telephone Company. The Commission had entered Order 20/2003. It has been discovered that the order entered was an incomplete transcription of the action directed by the Commission. For that reason an amended order is entered. The Commission being otherwise satisfied in the premises; it is

ORDERED that the findings and recommendations of the Hearing Examiner are accepted except that the finding regarding the rate of return is modified to provide for a rate of return of 11.5% and concluded as imperative. The Commission was advised by Innovative Telephone Company that it would not seek future benefits from the Virgin Islands Economic Development Commission (formerly Industrial Development Commission) when the current benefits expire in September 2003. Therefore, the future

benefits received from the Virgin Islands Economic Development Commission will continue to be exempted from consideration in any calculation of Innovative Telephone Company's operating income until the benefits in place as of April 24, 2003 expire. In the event further benefits are sought and received from the Virgin Islands Economic Development Commission the rate of return and any tariffs based thereon will be reconsidered by the Commission. All other findings and recommendations are expressly accepted. Specifically the following are accepted.

Findings

1. Investment in the United States Virgin Islands carries an attendant risk not experienced in comparable investment on the mainland.
2. An adjustment to the cost-of-equity to reflect any incremental investment risk is permissible.
3. A rate-of-return must be authorized by the Virgin Islands Public Service Commission prior to use by a regulated utility.
4. A rate-of-return of 11.5% is currently authorized by the Virgin Islands Public Service Commission for use by Innovative Telephone Company.
5. Innovative Telephone Company has used 11.5% as its permitted rate-of-return in calculating its revenue requirement.

6. Innovative Telephone Company effectively earned a return of 6.1% for the year ending June 30, 2001.

Innovative Telephone Company has invested over \$200 million in telecommunications technology and supporting infrastructure to serve the United States Virgin Islands.
8. Innovative Telephone Company has forecast additional investment for telecommunications technology and supporting infrastructure to serve the United States Virgin Islands.
9. Inclusion by Innovative Telephone of expenditures and assessments -- such as those presented by this proceeding -- in a revenue requirement is permissible and consistent with Virgin Islands law.
10. An allowance of \$913,506.57 for rate case expense associated with this proceeding is consistent with the evidence presented in this proceeding and the requirements set forth in Title 30, Sections 23 & 25 of the Virgin Islands Code. This allowance may be adjusted downward to the extent that there are reductions in the actual billings accepted and paid in the docket by the Commission.

11. No compelling reason has been presented that the PSC must perform a cost-of-service study to satisfy the requirements set forth in Act 6402.

Conclusions

1. The currently authorized rate-of-return for Innovative Telephone Company of 11.5% is necessary to ensure future access to the financial markets.
2. Reauthorization of a rate-of-return of 11.5% is fair and reasonable, needed, necessary and imperative to ensure Innovative's combined cost of debt and equity capital is met.
3. Accounting practices employed by Innovative have proven generally acceptable and consistent with all prescribed rules, regulations and requirements of the VIPSC and the FCC.
4. A rate base of \$103,311,000 is fair and reasonable, and consistent with the evidence provided in this proceeding.
5. Innovative has not exceeded its authorized rate-of-return in the test year ending December 31, 2001;
6. Innovative recognizes its business relationships with affiliate entities in a manner consistent with all prescribed accounting rules and regulations governing such transactions;

7. Innovative has met its statutory requirements in this proceeding to provide such information as is deemed necessary by the Commission to discharge its responsibilities under Public Act 6402;
8. Suspending additional scheduled contributions by Innovative to the Lifeline account until such time as it is determined by Innovative they are necessary to ensure funding of approved Lifeline programs is consistent with the evidence presented in this proceeding. At present the accumulated sum appears adequate to meet all foreseeable needs.

Dated: 08-06, 2004

FOR THE COMMISSION



VALENCIO JACKSON

Valencio Jackson, Chairman

cc: Keithley Joseph, Executive Director
Frederick G. Watts, Esq.

