--BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH--

In the Matter of the Application for Increase in Rates and Charges and USF Eligibility for Carbon/Emery Telcom, Inc.	Docket No. 05-2302-01 Bart S. Croxford Exhibit No. DPU 6.0

PREFILED DIRECT TESTIMONY OF

BART S. CROXFORD

FOR THE

DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

NOVEMBER 17, 2005

PUBLIC VERSION

I. QUALIFICATIONS

Q. PLEASE STATE YOUR NAME FOR THE RECORD.

A. Bart S. Croxford.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR BUSINESS ADDRESS?

A. I am employed by the Utah Department of Commerce, Division of Public Utilities ("Division"). My business address is 160 East 300 South, Fourth Floor, Salt Lake City, Utah, 84111.

Q. WHAT IS YOUR POSITION?

A. Utility Regulatory Analyst.

Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I received a Bachelor of Arts in Accounting from the University of Utah in 1976. I am also a certified public accountant. I was employed by Utah Power & Light and PacifiCorp for a total of nineteen years in the accounting and power supply operations departments. I have been with the Division for more than eight years and have worked mainly in the regulation of telecommunications utilities. I am responsible for auditing companies in preparation for rate cases, making recommendations to the Commission after reviewing contracts, tariffs, applications for competitive entry, etc. Currently, I have been asked to examine issues in conjunction with the application of Carbon/Emery Telcom, Inc. ("Carbon/Emery") for an increase in rates and charges and USF Eligibility in this docket.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony addresses the revenue requirement relating to Carbon/Emery's revenue accounts. I will be addressing revenue that could have been collected for the implementation of local number portability and pole attachments, as well as recommending several adjustments for out-of-period accounting entries.

III. ADJUSTMENTS

1. LOCAL NUMBER PORTABILITY (LNP)

Q. PLEASE DESCRIBE THE ADJUSTMENT FOR LOCAL NUMBER PORTABILITY.

A. The Telecommunications Act of 1996 amended the Communications Act of 1934 "to provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition." In particular, section 251(b) of the amended 1934 Act imposes specific obligations on all local exchange carriers ("LECs") to open their networks to competition. Congress recognized that the inability of customers to retain their telephone numbers when changing local service providers hampers the development of local competition. To address this concern, Congress added section 251(b)(2) to the 1934 Act, which requires all LECs, both incumbents and new entrants, to provide, to the extent technically feasible, number portability in accordance with requirements by the Federal Communications Commission ("FCC").

In its *Third Report and Order*, the FCC concluded that section 251(e)(2) requires the FCC to ensure that all telecommunications carriers bear, in a competitively-neutral manner, the costs of providing long-term portability for interstate and intrastate calls. It concluded that the costs of number portability that carriers must bear on a competitively-neutral basis included the costs that LECs incur to meet the obligation imposed by section 251(b)(2), as well as the costs other telecommunications carriers—such as interexchange carriers and commercial mobile radio service providers—incur for the industry-wide solution to providing local number portability.

Initially, this did not affect Carbon/Emery because it was protected from competition, pursuant to section 251(f)(1) of the 1996 Act. But when the FCC required wireless number portability to be implemented by May 24, 2004 by all wireless carriers that were not required to implement LNP by the original date of

November 24, 2003, it affected Carbon/Emery because its wireless affiliate was required to provide LNP.

The *Third Report and Order* also allowed rate-of-return and price cap LECs to recover their carrier-specific costs directly related to providing long-term LNP through a federally-tariffed, monthly number-portability charge that applied to end users.

Carbon/Emery reported costs of [redacted] for implementing wireless LNP but did not report any revenues from charging its customers to recover these costs. If the Company had done so, the total Company revenue requirement would have been reduced by [redacted] as detailed in DPU Exhibit 6.1. After the state allocation is applied, based on the intrastate allocation factor of 56.43% for Account 2210, Central Office Switching Equipment, the result is an intrastate adjustment of [redacted]. This allocation factor of 56.43% is given in Supplement B to the Application of the Carbon/Emery Rate Increase, where it shows the basic study factors for the most recent cost study. We have made the adjustment by taking the amount in Account 2210 and imputing that amount that could have been collected as revenue.

An argument could be made that, since Carbon/Emery can recover these costs over a five-year period, the [redacted] should be divided by five to reflect this fact. There are at least two reasons this argument does not work.

First, the entire cost of [redacted] was incurred and reflected during the test year of 2004. It would only be fair that, if the entire [redacted] increases the revenue requirement, the entire [redacted] should be eliminated. The fact that the FCC allows the Company to recover the costs over a five-year period is not pertinent when the entire cost is incurred during the test year. The issue is not to properly reflect the recovery of revenue and allow the Company to collect it over a five-year period just so that it can increase its revenue requirement for the test year. The issue is that the Company incurred a one-time cost of implementing LNP and it should be reflected as such, not as a regularly-occurring item over the next five years. In fact, a year is already gone and the Company now has only four more years to recover the LNP costs. Chances are that, if the Company has not taken any measures to recover the costs by now, it will never do so and would just as soon have the entire state's ratepayers foot the bill out of the USF. And, since one year has already lapsed since it incurred the costs, the longest the Company would have to recover its costs is four years, not five.

Second, if the Company charges its ratepayers over a five-year period, each ratepayer would take a hit for [redacted] per month; whereas, if it charges ratepayers over a one-year period, each ratepayer would take a hit for [redacted] per month. It would not be cost effective to place a charge of [redacted] per month for five years on customers' bills as opposed to [redacted] per month for one year. Also, the Company would need to explain the item to customers for five years rather than for one year. The FCC allows companies to charge as much $0.53 per customer per month. By comparison, Qwest has charged its customers $0.43 per month for recovery of its LNP expenses.

2. POLE ATTACHMENTS

Q. PLEASE EXPLAIN THE ADJUSTMENT FOR POLE ATTACHMENTS

A. PacifiCorp and the local cable television company, CATV, have attached their facilities to Carbon/Emery's poles but the Company has not billed them for those attachments to date. Such billings would produce revenue that would offset some of the amount, for which the Company is requesting in this rate case.

Carbon/Emery's officials provided information which indicated that PacifiCorp had [redacted] unbilled attachments to Carbon/Emery's poles and CATV had [redacted] unbilled attachments. The Company also stated that PacifiCorp billed

Carbon/Emery a total of [redacted] for its [redacted] attachments to PacifiCorp's facilities in 2004.

Taking the average that Carbon/Emery paid for its attachments to PacifiCorp's poles of [redacted] per pole and multiplying it by the unbilled attachments that both PacifiCorp and CATV had on Carbon/Emery's poles in 2004, Carbon/Emery could have received an additional [redacted] in revenue during the test year of 2004 and would need that much less in revenue to meet its revenue requirement. This is detailed in DPU Exhibit 6.2.

3. OUT-OF-PERIOD ADJUSTMENTS

Q. PLEASE DESCRIBE THE ADJUSTMENTS FOR OUT-OF-PERIOD ADJUSTMENTS.

A. Account 5082.2, Interstate Switched Access Revenue, includes a reimbursement to UBET Telecom for transited traffic on Carbon/Emery's network in the amount of [redacted], which is a true-up for the year 2003. Carbon/Emery did not make an adjustment in its filing, which means that its revenue requirement is overstated by [redacted]. In other words, without this true-up for the out-of-period adjustment, Carbon/Emery's revenue would be [redacted] higher and would mean that it would require that much less in its revenue requirement which it is seeking in this rate case.

This adjustment is similar to the adjustment made by Carbon/Emery in Exhibit S-11, in which it removed an out-of-period item in Account 5082.43, Prior Period Adjustments—NECA for [redacted].

Also, in Account 5084.20, State Switched Access Revenue, is the intrastate portion of the true-up to UBET Telecom in the amount of [redacted] Again, Carbon/Emery did not make an adjustment for this in its filing, so this results in the revenue requirement being overstated by [redacted]

In Account 5083.00, Interstate Special Access Revenue, there are billing adjustments or true-ups of CABS billings in the amounts of [redacted] and [redacted]. These adjustments were made in March and May of 2004 and there is no evidence that any offsets were made before those months in 2004, which means that these are adjustments for prior periods, or out of the 2004 test year.

The calculation is made by simply adding the amounts of the four out-of-period true-ups, which total [redacted]. This is detailed in DPU Exhibit 6.3.

IV. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

RESUME
BART S. CROXFORD

EDUCATION:

Bachelor of Arts, Accounting: University of Utah, 1976, Magna Cum Laude

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CPA STATUS:

Licensed in Utah since 1981

EMPLOYMENT:

July 1997 to present:	Utah Division of Public Utilities 160 East 300 South, 4th Floor Salt Lake City, UT 84111
Position:	Utility Regulatory Analyst
Description:	Primary responsibilities include reviewing and analyzing financial statements, tariffs, contracts, and applications of telecommunications companies and making recommendations to the Commission. Responsibilities also include auditing telecommunications companies in preparation of rate cases.
Jan. 1989 to Nov. 1995:	PacifiCorp/Utah Power & Light Company 825 NE Multnomah Portland, OR 97032
Position:	Power Analyst
Description:	Compiled and analyzed power plant loads and costs for management.
April 1977 to Jan. 1989:	Utah Power & Light Company 1407 W. North Temple Salt Lake City, UT 84116
Position:	Accountant
Description:	Prepared cost analyses and billings involving Company property.
