

Stanley K. Stoll (A3960)  
Kira M. Slawson (7081)  
BLACKBURN & STOLL, L.C.  
Attorneys for Carbon/Emery Telcom, Inc.  
257 East 200 South, Suite 800  
Salt Lake City, Utah 84111  
Telephone: (801) 521-7900

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE INCREASE  
IN USF ELIGIBILITY FOR  
CARBON/EMERY TELCOM, INC.

APPLICATION FOR INCREASE IN USF  
ELIGIBILITY

DOCKET NO. 09-2302-01

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Carbon/Emery Telcom, Inc. ("Carbon/Emery") hereby files this Application for increase in USF Eligibility with the Public Service Commission of Utah (the "Commission") pursuant to Utah Code Annotated Sections 54-8b-11 and 54-8b-15, and R746-360 of the Commission's Rules of Practice and Procedure, and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Anno. Sections 54-4-1 and 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure with respect to Carbon/Emery's Application for USF Eligibility.
2. Carbon/Emery is a Utah corporation qualified to transact business and operate as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Carbon/Emery by the Commission.

3. This Application is accompanied by the necessary information and schedules in accordance with Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure to support Carbon/Emery's Application for USF Eligibility.

4. Calendar year 2008 constitutes a reasonable test year pursuant to Utah Code Anno. Section 54-4-4(3) for the purpose of determining the appropriate amount of support from Utah's USF. Carbon/Emery's revenue requirement calculation includes known and measurable test year adjustments consistent with Utah Code Anno. Section 54-4-4(3).

5. Carbon/Emery's Application is supported by the following attached Confidential exhibits and schedules:

**CONFIDENTIAL -- SUBJECT TO PROTECTIVE ORDER IN DOCKET**

**NO. 05-2303-01.**

Exhibit 1, State Rate of Return Earnings Analysis; Exhibit 1-A, Total Company Income Statement; Exhibit 1-B, Intrastate Income Statement; Exhibit 2, Rate Base Development; Exhibit 3, Cash Working Capital Calculation; Exhibit 4, Rate Base Related Deferred Tax Analysis; Exhibit 5, Capital Structure as of 12/31/2008 and Projected; Exhibit 6, Income Tax Calculation; Exhibit 7, Interest Expense Attributable to Rate Base; Exhibit 8, Separation Factors for Calendar Year; Schedule A, Carbon/Emery Trial Balance 2007 and 2008; Schedule B, Asset Rollforward From Base Year and Adjusted Depreciation Detail for the Adjusted 2008 Base Year (projected 2009); Schedule C, Projected Capital Additions; ; Schedule D, Known and Measureable Revenue Decrease (land line loss); ; Schedule E, Projected State Rate Case Expenditures.

6. Carbon/Emery's present tariff charges and State USF do not provide sufficient revenues to cover the Carbon/Emery's 2008 test year costs adjusted for known and measurable

additions thereto, including capital costs and depreciation expense. At January 1, 2009, Carbon/Emery's current rate structure resulted in an annual revenue requirement deficiency of **[Begin Confidential \$\_\_\_\_\_ (see Exhibit1) End Confidential]** against Carbon/Emery's adjusted 2008 test year costs when considering plant construction, known and measurable additions thereto, and including an overall rate of return of **[Begin Confidential \_\_\_\_\_% End Confidential]** based on a capital structure of **[Begin Confidential \_\_\_\_\_% equity End Confidential]** and of **[Begin Confidential \_\_\_\_\_% debt End Confidential]** (calculated on a basis of a return on equity of **[Begin Confidential \_\_\_\_\_% End Confidential]** and a return on debt of **[Begin Confidential \_\_\_\_\_% End Confidential]**).

7. Carbon/Emery's current rate for basic residential service (R-1) is \$15.49 per month and for basic business service (B-1) is \$25.49 per month. Carbon/Emery proposes no increase its R-1 and B-1 rates. Any increase in Carbon/Emery's R-1 and B-1 rates will serve only to put Carbon/Emery at greater competitive disadvantage with its principal competitor for the delivery of voice services, the wireless companies. Such an increase will accelerate the migration of landline customers to wireless and, thus, impose an even greater burden on the remaining landline customers and State USF.

8. Maintaining local residential and business rates of \$15.49 and \$25.49, respectively, is in the best interests of the public served by Carbon/Emery for the reasons cited in paragraph 7 above and should be determined by the Commission's to be the appropriate Base Affordable Rates for Carbon/Emery pursuant to Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure. While Carbon/Emery serves customers only in areas considered rural in Utah and has not, to date, experienced significant landline competition, it does experience substantial competition from wireless carriers serving its

service territory. During the past four years since Carbon/Emery's 2005 rate case, Carbon/Emery has experienced an overall reduction of [**Begin Confidential \_\_\_\_\_ End Confidential**] access lines (12/31/2005 to 8/1/2009) much of which is attributable to migration from landline to wireless only, particularly in those households represented by the 20-35 age group.

9. Based on Carbon/Emery's 2008 Test Year, an annual intrastate USF distribution of \$991,696, in addition to the \$250,714 currently being received, is required for Carbon/Emery to recover its annual cost of service and a reasonable return on the value of its property devoted to state public use. See Exhibit 1.

10. This will be Carbon/Emery's first rate proceeding since 2005 (Docket 05-2302-01). Subsequent to this previous rate case proceeding in 2005, Carbon's costs as well as net investment level has remained fairly consistent. This control of total cost is remarkable in light of general industry inflation and labor/benefit inflation. Carbon has sought increasing cost control in the wake of fierce wireless competition with resulting revenue/landline deterioration. The amount of annual USF funding allowed by the state from the 2005 rate case, and level which continues today, has from its onset been insufficient to allow for recovery of cost and a reasonable rate of return. The current request for rate increases and USF funding is necessitated by continued investment levels and costs as in previous years for which USF funding has not adequately provided recovery for.

11. This Application for USF Eligibility is accompanied by the necessary information and schedules to support the approval by the Commission of a total annual intrastate USF distribution of \$1,242,410 (\$250,714 existing annual support and \$991,696 additional annual support requested herein).

12. Carbon/Emery requests that the Commission, in accordance with Utah Code Anno. Section 54-8b-15 and R746-306 of the Commission's Rules of Practice and Procedure, approve an increase in the annual intrastate USF distribution of \$991,696 to Carbon/Emery for a total USF distribution of \$1,242,410.

WHEREFORE, Carbon/Emery respectfully submits this Application for Proposed Rate Increase and USF Eligibility.

DATED this \_\_\_\_ day of September, 2009.

BLACKBURN & STOLL, L.C.

By /s/Kira M. Slawson \_\_\_\_\_  
Stanley K. Stoll  
Kira M. Slawson  
Attorneys for Carbon/Emery Telcom, Inc.

## CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Application for Rate Increase, Docket No. 09-2302-01 was sent to the following individuals by hand delivery and email this \_\_\_\_ day of September, 2009:

Michael Ginsberg  
Assistant Attorney General  
Division of Public Utilities  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84111  
[mginsberg@utah.gov](mailto:mginsberg@utah.gov)

Paul Proctor  
Assistant Attorney General  
Office of Consumer Services  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84111  
[pproctor@utah.gov](mailto:pproctor@utah.gov)

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Kira M. Slawson