



GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services
Michele Beck, Director
Eric Orton, Utility Analyst

Copies To: Kira Slawson
Blackburn & Stoll, L.C.

Mike Ginsberg
Division of Public Utilities

Date: February 16, 2010

Subject: Office of Consumer Services' Comments on the Application of for an increase in USF eligibility for Carbon/Emory Telcom, Inc.
Docket No. 09-2302-01.

1 Background

On June 30, 2009, Carbon/Emory Telcom, Inc. filed an application for the Commission to approve an increase in its state USF eligibility. The applicant purports that a decrease in subscriber lines necessitates an increase in USF support.

The Office of Consumer Services has been involved in this case since the initial filing date to ensure that the interests of the residential and small commercial customers are protected. The Office did not do an independent investigation, but rather relied on and reviewed the work done by the Division and Company. The Office evaluated the work products considering the effect granting Carbon/Emory's petition may have on State Universal Service Funds, rural telecom customer rates, and the regulations and practice of other rural telecom providers throughout the state. In general, the Office supports the issues raised by the Division in its memo dated February 9, 2010. The Office discusses two issues in more detail below.

2 Discussion of Issues:

- 2008 as the Test Year: The Division has included a specific Test Year Expense adjustment of \$95,598. The Office believes that rates should be set based on a

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test year representative of the rate effective period. Based on the Office's understanding of the facts and the Division's investigation, it appears that the 2008 test year may not be representative of future operating years. Therefore, the Office supports the Division's adjustment which uses a methodology that is more likely to be representative of future levels of expenses.

- Rate of Return Calculation: The Office supports the methodology used by the Division in calculating its Return on Investment. The Company's proposal relies on a different methodology that would consider interstate revenues differently. This issue is being examined in another docket, Docket 09-2424-01, which is a rulemaking proceeding initiated by URTA. The outcome of that proposed rule making may alter the practice of determining the revenue requirement calculation by altering the rate base upon which the rate of return is calculated. However, it would be inappropriate to change methodologies within this case, prior to the full consideration of the merits of the new methodology. If the outcome of that rule making proceeding alters the methodology to determine Return on Investment, then the new methodology can be applied to future rate cases.

CC:

Kira Slawson
Blackburn & Stoll, L.C.
257 East 200 South, Suite 800
Salt Lake City, UT 84111

Mike Ginsberg
Division of Public Utilities