

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF EMERY
TELEPHONE'S APPLICATION FOR
UTAH UNIVERSAL SERVICE FUND
SUPPORT**

)
)
)
)
)
)

Docket No. 14-042-01

Applicant

DIRECT TESTIMONY

OF

BROCK JOHANSEN

ON BEHALF OF EMERY TELEPHONE

September 29, 2014

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

DIRECT TESTIMONY OF BROCK JOHANSEN

Q. Please state your name, occupation and business address.

A. Brock Johansen. I am the Chief Executive Officer of Emery Telephone (“Emery”).
Emery’s business address is 455 East Highway 29, Orangeville, Utah 84537.

Q. Please state your educational background and professional background.

A. I have a Bachelor of Science degree in Business and a Juris Doctorate from Brigham Young University. I practiced law in Provo, Utah prior to joining Emery Telephone in 2005.

Q. Are you authorized to provide testimony in this case on behalf of Emery Telephone?

A. Yes.

Q. Please describe Emery Telephone.

A. Emery is a Utah/IRC501(c)(12) cooperative qualified to transact business and operate as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Emery by the Utah Public Service Commission (“Commission”). Emery is an eligible telecommunications carrier pursuant to 47 U.S.C. Section 214(e) and is in compliance with Commission orders and rules.

Q. What is the purpose of your testimony in this matter?

22 A. I have been the CEO of Emery since 2005. In that capacity I am very familiar with the
23 operations of Emery Telephone. In early 2014, Emery and its consultants conducted a
24 thorough review of Emery's operational expenses and revenues for test year 2013,
25 adjusted for known and measurable changes, and determined that Emery has a revenue
26 deficiency, which, pursuant to Utah Code Annotated Sections 54-8b-15, and Utah
27 Administrative Code R746-360, Emery is entitled to receive disbursements from the Utah
28 Universal Service Fund ("UUSF"). The purpose of my testimony is to address the
29 current revenue requirement of Emery and to offer support for the information contained
30 in the Company's Application for UUSF distribution.

31

32 **Q. Have others been authorized to testify on behalf of Emery in this proceeding?**

33 A. Yes. Darren Woolsey, Emery's Chief Financial Officer, will file direct testimony on
34 behalf of the Company. Douglas Meredith of John Staurulakis, Inc. ("JSI") may provide
35 testimony in this proceeding, as needed. Their testimony will provide the support and
36 rationale for the proposed increase in UUSF distributions.

37

38 **Q. Are you familiar with Emery's Application for UUSF Distributions in this Docket?**

39 A. Yes. As indicated above, Emery's Application is based on a 2013 test year plus known
40 and measurable changes. These changes are identified in the Testimony of Darren
41 Woolsey and Confidential Exhibits Emery DW 1-13 filed with the Application.

42

43 **Q. Can you summarize your Application?**

44 A. Yes. As set forth in detail below, Emery is currently experiencing a revenue deficiency of
45 \$623,706. Emery is proposing that the revenue deficiency be recovered through UUSF
46 support. This will enable Emery to continue providing affordable service to its
47 customers, and to engage in construction of capital projects, while earning a reasonable
48 rate of return as permitted by Utah Code.

49

50 **Q. What are Emery's current rates for basic residential (R1) and basic business (B1)**
51 **service?**

52 A. Emery's current rate for basic residential service (R-1) is \$15.00 per month and for basic
53 business service (B-1) is \$24.50 per month.

54

55 **Q. Is Emery seeking a rate increase in this proceeding?**

56 A. No. Emery is a telephone cooperative, and is not required, pursuant to Utah law, to have
57 its rates approved by the Commission. Rather as a Cooperative, Emery's Board of
58 Directors set the rates for Emery's members. As indicated, at \$15.00 for basic residential
59 (R1) service and \$24.50 for basic business (B1) service per line per month, Emery's local
60 service rates for R1 and B1 service are currently below the Commission's UUSF
61 affordable base rate benchmarks of \$16.50 and \$26.00 per line per month. However,
62 Emery's Board is not proposing to raise its rates. Rather, Emery has included in this filing
63 a known and measurable revenue adjustment for the shortfall of revenue at existing rates
64 as compared to the State approved base affordable rates of \$16.50 and \$26.00 for R-1 and
65 B-1 respectively (see Exhibit Emery-DW 9). Accordingly, the revenue deficiency of

66 \$623,706 has been adjusted to reflect the revenue that Emery would receive if its rates
67 were at the Commission approved base affordable rate.

68

69 **Q. Do you believe imputing the revenue that Emery would receive if it increased its**
70 **rates, as a known and measurable change, is appropriate?**

71 A. Yes. Imputing the revenue that Emery would receive from raising its rates ensures that
72 the UUSF is not being used to subsidize lower rates, while maintaining the authority of
73 Emery's Board of Directors to set its rates pursuant to State law.

74

75 **Q. What test period is Emery proposing in its Application?**

76 A. As indicated above, Emery is proposing an historical test period of 2013, adjusted for
77 known and measurable changes. Darren Woolsey discusses the Application and
78 adjustments in detail in his testimony.

79

80 **Q. Have you reviewed the testimony of Darren Woolsey?**

81 A. Yes. I have reviewed the Testimony of Darren Woolsey and the Confidential Exhibits
82 attached to his testimony.

83

84 **Q. Do the Confidential Exhibits accurately represent the financial and operational**
85 **situation at Emery Telephone?**

86 A. Yes. The Testimony and Confidential Exhibits accurately reflect the financial and
87 operational situation at Emery, and support the UUSF distribution sought by Emery in its
88 Application.

89

90 **Q. Has Emery implemented any significant changes in accounting policies or**
91 **procedures for the 12 month period prior to the test period?**

92 A. No. Emery has not implemented any significant changes in accounting policies or
93 procedures that would be referenced or noted in the financial statements or auditors'
94 notes.

95

96 **Q. Has Emery included audited financial statements for 2013 with its Application?**

97 A. Yes. Audited Financial Statements and management letters are attached to the Testimony
98 of Darren Woolsey as Exhibits Emery DW 10, 10a, and 10b.

99

100 **Q. Has Emery conducted any internal audits during 2013 or 2014?**

101 A. No.

102

103 **Q. Has Emery had any corporate restructuring or changes in its affiliate relationships**
104 **since its previous general rate case?**

105 A. No.

106

107 **Q. Do you believe that annual UUSF support in the amount of \$623,706 to Emery is**
108 **just and reasonable and in the public interest?**

109 A. Yes. The distribution from the UUSF is essential to permit Emery to continue to provide
110 telecommunications services at just and reasonable rates and to recover its reasonable
111 costs of service and a reasonable rate of return on the value of its property devoted to
112 public use.

113

114 **Q. Does this conclude your testimony?**

115 A. Yes.