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**THE FOLLOWING CONTAINS INFORMATION WHICH IS CONFIDENTIAL
SUBJECT TO PROTECTIVE ORDER IN DOCKET NO. 15-2302-01**

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF
CARBON/EMERY TELCOM, INC.'S
APPLICATION FOR AN INCREASE
IN UTAH UNVERSAL SERVICE
FUND SUPPORT

APPLICATION FOR INCREASE IN
UTAH UNIVERSAL SERVICE FUND
SUPPORT

DOCKET NO. 15-2302-01

Carbon/Emery Telcom, Inc. ("Carbon/Emery") hereby files this Application for an Increase in Utah Universal Service Fund ("UUSF") Support with the Public Service Commission of Utah (the "Commission") pursuant to Utah Code Annotated Sections 54-8b-15 and Utah Administrative Code R746-360 and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Anno. Sections 54-4-1, 54-8b-15, and Utah Administrative Code R746-360.
2. Pursuant to R746-360-6.A.1 of the Commission Rules, "to qualify to receive USF support funds, a telecommunications corporation shall be designated an 'eligible telecommunications carrier,' pursuant to 47 U.S.C. Section 214(e), and shall be in compliance with Commission orders and rules. Each telecommunications corporation receiving support shall

use that support only to provide basic telecommunications service and any other services or purposes approved by the Commission.”

3. R746-360-6.A.2(b) provides that “Rate-of-return Incumbent telephone corporations shall complete a Commission review of their revenue requirement and public telecommunications services’ rate structure prior to any change in their USF distribution which differs from prior USF distribution, beginning with the USF distribution for December, 1999.”

4. R746-360-6.B provides that “to be eligible, a telecommunications corporation may not charge retail rates in excess of the Commission determined Affordable Base Rates for basic telecommunications service or vary from the terms and conditions determined by the Commission for other telecommunications services for which it receives Universal Service Fund support.”

5. Carbon/Emery is a telephone corporation qualified to transact business within the State of Utah. Carbon/Emery operates as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Carbon/Emery by the Commission. Carbon/Emery has been designated an “eligible telecommunications carrier” pursuant to 47 U.S.C. Section 214(e), and is in compliance with Commission Orders and rules.

6. This Application seeks an increase in UUSF support for Carbon/Emery, and is accompanied by supporting 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 an Increase in UUSF Support. Attachment 1 to this Application lists the supporting information which can be found in the pre-filed written direct testimony and exhibits of the following witnesses:

- **Brock Johansen**, Chief Executive Officer of Carbon/Emery Telcom, Inc. will provide an overview of the operations of Carbon/Emery including discussion of the current revenue requirement and shortfall of Carbon/Emery.
- **Darren Woolsey**, Chief Financial Officer of Carbon/Emery Telephone will present Carbon/Emery's overall revenue requirement based on the operations during the test year, adjusted for known and measurable changes. Mr. Woolsey will describe in detail the sources of data and will present certain normalizing adjustments and known and measurable changes related to revenue, operations expense, depreciation and amortization, rate base, and taxes.

7. Calendar year 2014 constitutes a reasonable test year for the purpose of determining the appropriate amount of additional support from Utah's Universal Service Fund. Carbon/Emery's revenue requirement calculation includes known and measurable test year adjustments.

8. Carbon/Emery's present tariff charges, adjusted for known and measurable changes, do not provide sufficient revenues to cover Carbon/Emery's 2014 test year costs adjusted for known and measurable changes thereto. At December 31, 2014, Carbon/Emery is experiencing an annual revenue requirement deficiency of \$563,262 (see Exhibit Carbon/Emery DW1) against Carbon/Emery's adjusted 2014 test year costs when considering plant construction, known and measurable changes thereto, and including an overall rate of return of 10.42% based on a theoretical capital structure of 65% equity and 35% debt (calculated on a basis of a state return on equity of 12.13% and a return on debt of 5.636%) (see Testimony of Darren Woolsey, Confidential Exhibits Carbon/Emery-DW 1- 14).

9. Carbon/Emery's current rate for basic residential service (R-1) is \$16.50 per month and for basic business service (B-1) is \$26.00 per month. These are the current Commission approved base affordable rates.

10. By this Application, Carbon/Emery seeks to have its revenue shortfall made up by additional UUSF support in the annual amount of \$563,262. This additional UUSF distribution is essential to permit Carbon/Emery to continue to provide telecommunications services at just and reasonable rates and to recover its reasonable costs of service and a reasonable rate of return on the value of its property devoted to public use.

11. Carbon/Emery also seeks a one-time lump-sum distribution to Carbon/Emery from the UUSF in the amount of the reasonable costs incurred by Carbon/Emery associated with this Application.

12. Carbon/Emery requests that the Commission, in accordance with Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure, approve an additional annual UUSF distribution of \$563,262 plus a one-time lump-sum payment from the UUSF to Carbon/Emery to cover its costs associated with this Application, as being just and reasonable, and in the public interest.

WHEREFORE, Carbon/Emery respectfully submits this Application for Utah Universal Service Fund support.

DATED this 27th day of March, 2015.

BLACKBURN & STOLL, L.C.

By _____
Kira M. Slawson
Attorney for Carbon/Emery Telcom, Inc.

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Carbon/Emery Telcom, Inc. Application for and Increase in Universal Service Fund Support, Docket No. 15-2302-01 was sent to the following individuals by mailing a copy thereof via first-class mail, postage prepaid, this 27th day of March, 2015:

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ATTACHMENT 1
CARBON/EMERY TELCOM, INC. APPLICATION FOR INCREASE IN UUSF SUPPORT
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Testimony of Brock Johansen

Confidential Exhibit Carbon/Emery BJ1	Collection Policy and Bad Debt Write Off Policy
Confidential Exhibit Carbon/Emery BJ2	Penalties and Fines

Testimony of Darren Woolsey

Confidential Exhibit Carbon/Emery DW 1	USF Calculation Worksheet
Confidential Exhibit Carbon/Emery DW 2	Rate Base Calculation
Confidential Exhibit Carbon/Emery DW 3	Cost of Capital / Rate of Return Calculations
Confidential Exhibit Carbon/Emery DW 4	Trial Balances - 2013 and 2014 (6 pages)
Confidential Exhibit Carbon/Emery DW 5	Cash Working Capital Calculation
Confidential Exhibit Carbon/Emery DW 6	Summary of Apportionment Ratios by Account - 2013
Confidential Exhibit Carbon/Emery DW 7	Known and Measurable Adjustment Summary
Confidential Exhibit Carbon/Emery DW 7a	Landline Loss
Confidential Exhibit Carbon/Emery DW 7b	Shared Asset Allocation
Confidential Exhibit Carbon/Emery DW 8	2013 Carbon/Emery Telcom Cost Study Part 36
Confidential Exhibit Carbon/Emery DW 8a	2013 Cost Study - Combined Regulated Entities
Confidential Exhibit Carbon/Emery DW 9	Cost Allocation Manual - Accounting and General
Confidential Exhibit Carbon/Emery DW 9a	Cost Allocation Manual - CABS Allocator
Confidential Exhibit Carbon/Emery DW 9b	Cost Allocation Manual - Business Solutions
Confidential Exhibit Carbon/Emery DW 9c	Cost Allocation Manual - Outside Plant and Dispatch
Confidential Exhibit Carbon/Emery DW 9d	Cost Allocation Manual - Inside Plant
Confidential Exhibit Carbon/Emery DW 9e	Cost Allocation Manual - Engineering
Confidential Exhibit Carbon/Emery DW 9f	Cost Allocation Manual - Billing and Collection
Confidential Exhibit Carbon/Emery DW 9g	Cost Allocation Manual - HR Allocation
Confidential Exhibit Carbon/Emery DW 9h	Cost Allocation Manual - Regulated Allocator
Confidential Exhibit Carbon/Emery DW 9i	Cost Allocation Manual - CSR Allocator
Confidential Exhibit Carbon/Emery DW10	2013 Audited Financial Statements (34 pages)
Confidential Exhibit Carbon/Emery DW10a	2013 Audit Journal Entries
Confidential Exhibit Carbon/Emery DW10b	Year 2013 Audit Exit Memo (7 pages)
Confidential Exhibit Carbon/Emery DW 11	Personnel Chart / Line of Authority
Confidential Exhibit Carbon/Emery DW 12	Corporate Structure
Confidential Exhibit Carbon/Emery DW 13	Bad Debt Expense and Subsequent Collections
Confidential Exhibit Carbon/Emery DW 14	Tax Adjustment