

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF CARBON/EMERY)
TELCOM'S APPLICATION FOR AN) Docket No. 15-2302-01
INCREASE IN UTAH UNIVERSAL)
SERVICE FUND SUPPORT)
)
Applicant)

DIRECT TESTIMONY

OF

BROCK JOHANSEN

ON BEHALF OF CARBON/EMERY TELCOM, INC.

March 27, 2015

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1 **DIRECT TESTIMONY OF BROCK JOHANSEN**

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

3 A. Brock Johansen. I am the Chief Executive Officer of Carbon/Emery Telcom, Inc.
4 (“Carbon/Emery”). Carbon/Emery’s business address is 455 East Highway 29,
5 Orangeville, Utah 84537.

6
7 **Q. Please state your educational background and professional background.**

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

11
12 **Q. Are you authorized to provide testimony in this case on behalf of Carbon/Emery?**

13 A. Yes.

14
15 **Q. Please describe Carbon/Emery.**

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

21
22 **Q. What is the purpose of your testimony in this matter?**

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

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

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

39
40 **Q. Are you familiar with Carbon/Emery’s Application for UUSF Distributions in this**
41 **Docket?**

42 A. Yes. As indicated above, Carbon/Emery’s Application is based on a 2014 test year plus
43 known and measurable changes. These changes are identified in the Testimony of Darren
44 Woolsey and Confidential Exhibits Carbon/Emery DW 1-14 filed with the Application.

45

46 **Q. Can you summarize Carbon/Emery's Application?**

47 A. Yes. As set forth in detail below, Carbon/Emery is currently experiencing a revenue
48 deficiency of \$563,262. Carbon/Emery is proposing that the revenue deficiency be
49 recovered through additional UUSF support. This will enable Carbon/Emery to continue
50 providing affordable service to its customers, and to engage in construction of capital
51 projects, while earning a reasonable rate of return as permitted by Utah Code.

52

53 **Q. What are Carbon/Emery's current rates for basic residential (R1) and basic
54 business (B1) service?**

55 A. Carbon/Emery's current rate for basic residential service (R-1) is \$16.50 per month and
56 for basic business service (B-1) is \$26.00 per month, which is the current affordable base
57 rate as determined by the Commission.

58

59 **Q. Is Carbon/Emery seeking a rate increase in this proceeding?**

60 A. No. Carbon/Emery's rates are at the affordable base rate set by the Commission.

61

62 **Q. What test period is Carbon/Emery proposing in its Application?**

63 A. As indicated above, Carbon/Emery is proposing an historical test period of 2014, adjusted
64 for known and measurable changes. Darren Woolsey discusses the Application and
65 adjustments in detail in his testimony and confidential exhibits.

66

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

68 A. Yes. I have reviewed the Testimony of Darren Woolsey and the Confidential Exhibits
69 attached to his testimony.
70

71 **Q. Do the Confidential Exhibits accurately represent the financial and operational**
72 **situation at Carbon/Emery?**

73 A. Yes. The testimony of Darren Woolsey and the Confidential Exhibits presented with his
74 testimony accurately reflect the financial and operational situation at Carbon/Emery, and
75 support the additional UUSF distribution sought by Carbon/Emery in its Application.
76

77 **Q. Has Carbon/Emery implemented any significant changes in accounting policies or**
78 **procedures for the 12 month period prior to the test period?**

79 A. No. Carbon/Emery has not implemented any significant changes in accounting policies
80 or procedures that would be referenced or noted in the financial statements or auditors'
81 notes.
82

83 **Q. Has Carbon/Emery included audited financial statements for 2014 with its**
84 **Application?**

85 A. No. Emery's audited financial statements for 2014 are not yet available. We anticipate
86 having the audited financial statements shortly and will supplement the testimony of
87 Darren Woolsey with the 2014 Audited Financial Statements and management letters. We
88 have attached audited financial statements and management letters for 2013, which are

89 attached to the Testimony of Darren Woolsey at Confidential Exhibits Carbon/Emery DW
90 10, 10a, and 10b.

91

92 **Q. Has Carbon/Emery conducted any internal audits during 2014 or 2015?**

93 A. No.

94

95 **Q. Has Carbon/Emery had any corporate restructuring or changes in its affiliate
96 relationships since its previous general rate case?**

97 A. No. Carbon/Emery has not had any corporate restructurings or changes in existing
98 affiliate relationships since the prior general rate case in 2009. A copy of the
99 Carbon/Emery Telephone Personnel Chart/Line of Authority is attached to the Testimony
100 of Darren Woolsey at Confidential Exhibit Carbon/Emery DW 11, and a copy of the
101 Corporate Structure Chart is attached to the Testimony of Darren Woolsey at Confidential
102 Exhibit Carbon/Emery DW 12.

103

104 **Q. Can you describe Carbon/Emery's collection policies and write off policies for bad
105 debt.**

106 A. Carbon/Emery uses the direct write off method to account for uncollectible receivables.
107 This process is described in Confidential Exhibit Carbon/Emery BJ 1.

108

109 **Q. Has Carbon/Emery had any penalties or fines assessed to the company during the
110 test period and 2 years prior to the test year?**

111 A. There were two immaterial penalties in the 2014 test period, and two immaterial penalties
112 assessed in the two years prior to the test period. They are identified in Confidential
113 Exhibit Emery BJ 2.

114

115 **Q. Did you calculate any test period tax adjustments in Carbon/Emery's Application?**

116 A. Yes. The test period tax adjustments are discussed in detail in the Testimony of Darren
117 Woolsey and Confidential Exhibit Carbon/Emery DW 14.

118

119 **Q. Has Carbon/Emery received any ruling requests, IRS responses, and any**
120 **correspondence with the IRS since the last general rate case?**

121 A. No. Carbon/Emery has made no ruling requests or received responses from the IRS since
122 the last general rate case in 2009. Correspondence with the IRS has been limited to the
123 periodic filing of payroll and non-profit informational tax forms, with associated
124 extensions and communications as operationally necessary.

125

126 **Q. Do you believe that an increase in the annual UUSF support in the amount of**
127 **\$563,262 to Carbon/Emery is just and reasonable and in the public interest?**

128 A. Yes. The increase in the distribution from the UUSF is essential to permit Carbon/Emery
129 to continue to provide telecommunications services at just and reasonable rates and to
130 recover its reasonable costs of service and a reasonable rate of return on the value of its
131 property devoted to public use.

132

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

134 **A. Yes.**