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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Applications of E Fiber Moab, LLC)	
and E Fiber San Juan, LLC for Certificates)	
of Public Convenience and Necessity)	Docket No. 20-2618-01
to Provide Facilities-Based Local)	
Exchange Service and Be Designated as Carriers)	
Of Last Resort in Certain Rural Exchanges)	

DIRECT TESTIMONY

OF

DARREN WOOLSEY

ON BEHALF OF APPLICANTS

June 24, 2020

1 **DIRECT TESTIMONY OF DARREN WOOLSEY**

2 **Q. What is your name?**

3 A. My name is Darren Woolsey.
4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Emery Telephone (“Emery”) as its Chief Financial Officer (“CFO”). I
7 also serve as the CFO of the subsidiaries of Emery, including E Fiber Moab, LLC (“E
8 Fiber Moab”) and E Fiber San Juan, LLC (“E Fiber San Juan”). E Fiber Moab and E
9 Fiber San Juan are collectively referred to as the Applicants.
10

11 **Q. Briefly describe your educational background and work experience.**

12 A. I received a Master of Accountancy Degree from Southern Utah University in 1992, and
13 subsequently earned the following certifications: Certified Public Accountant (CPA),
14 Certified Financial Manager (CFM) and Certified Managerial Accountant (CMA). I
15 worked in Public Accounting as an auditor for KPMG for four years beginning in 1992
16 and in private industry as an Accounting/Finance manager since that time until the
17 present. I have been employed as the CFO of Emery Telephone since 2006 where I am
18 responsible for the management of the accounting, finance, and compliance functions and
19 employees.
20

21 **Q. On whose behalf are you presenting testimony?**

22 A. I am presenting testimony on behalf of the Applicants.

23 **Q. Are you familiar with the Applications filed by Applicants in this docket?**

24 A. Yes. I have reviewed the Applications for a Certificate of Public Convenience and
25 Necessity (“CPCN”) and Designation as Carrier of Last Resort filed by the Applicants in
26 this matter (the “Applications”).

27

28 **Q. What is the purpose of your testimony?**

29 A. The purpose of my testimony is to support the Applications and to show that designation
30 of the Applicants as carriers of last resort who would be eligible for UUSF support, if
31 demonstrated by the Applicants’ annual reports to be filed with the PSC, is in the public
32 interest. To do this, I will provide a more detailed explanation, including tab data, of the
33 Confidential Five Year Proforma Income Statement, Cash Flow and Balance Sheet
34 Financial Statements provided with the Applications (“Proforma Financial Statements”).
35 I am attaching the Confidential Excel Workbook that includes the Proforma Financial
36 Statements, and workpapers that form the basis for the Proforma Financial Statements, to
37 this testimony as Confidential Exhibit 1 – Proforma Five Year Projections and Financial
38 Statements (hereinafter referred to as the “Proforma”).

39

40 **Q. Was the Proforma attached as Confidential Exhibit 1 prepared by you or prepared**
41 **under your supervision?**

42 A. Yes.

43

44 **Q. Why have you identified the Exhibit 1 as confidential?**

45 A. The Proforma, as prepared, contains proprietary financial information related to the
46 Applicants and their proposed operations, and other Emery affiliates, which constitute
47 trade secrets or are otherwise of such a highly sensitive or proprietary nature that public
48 disclosure would be inappropriate and detrimental to the Applicants and other Emery
49 affiliates.

50

51 **Q. Before we dive into the details of the Proforma, can you describe the purpose of the**
52 **Proforma?**

53 A. Yes. Under the PSC Rules, applicants for a CPCN are required to provide a five-year
54 projection of expected operations including proforma income statements, proforma cash
55 flow statements, and when applicable, a technical description of the types of technology
56 to be deployed in Utah. The Proforma was prepared to project the financial data
57 associated with the construction, deployment, and operation of fiber facilities within the
58 Moab, Thompson, LaSal, Monticello, Blanding, Bluff and Mexican Hat local exchanges
59 located in Grand and San Juan counties, Utah (the “Local Exchanges”). The Proforma
60 formed the basis for the analysis Emery engaged in to determine if a business case could
61 be made for constructing and deploying fiber facilities in the Local Exchanges.

62

63 **Q. Please provide a summary of the Proforma?**

64 A. Generally, the Proforma demonstrates that deployment of fiber facilities in the Local
65 Exchanges would not be possible without support from the Utah Public
66 Telecommunications Service Support Fund (“UUSF”). We reach this conclusion after

67 accounting for the addition of \$7,235,289 in federal grant funds received by Emery
68 Telecommunications & Video, Inc. (“ET&V”) through the Community Connect and
69 ReConnect Grant programs managed by the United States Department of Agriculture,
70 Rural Utilities Service (the “Federal Grants”). These funds are designed to provide
71 broadband in unserved areas of Grand and San Juan Counties, Utah, and Dolores County,
72 Colorado. To the extent these grant funds relate to the proposed service area
73 encompassed by the CPCN application, the UUSF support necessary to serve the Local
74 Exchanges is dramatically reduced.

75

76 **Q. Can you walk us through the Proforma?**

77 A. Yes. At the outset, I would like to state that these are projections which have been made
78 for the purpose of the Applications. We have endeavored to project an accurate
79 estimation of costs and revenues associated with building and maintaining a fiber
80 network in the Local Exchanges, and we believe the Proforma demonstrates that this fiber
81 network can be completed with fewer UUSF dollars because of the Federal Grant Funds
82 already received by Emery than if another third party or Frontier were to deploy a fiber
83 network in the same Local Exchanges. But it is important to remember this is a
84 projection only. Of course, any actual UUSF support will be based on the actual costs
85 and revenues realized as this fiber construction project is completed.

86

87 **Q. Let’s look at the first Tab of the Proforma, entitled Summary Financials. Can you**
88 **walk us through the information contained there?**

89 A. Yes. This tab contains the projected income statement, balance sheet and cash flow as it
90 was submitted under the original CPCN filing. There are grouped columns (column D to
91 AA) which contain further breakouts of the data including E Fiber San Juan, and E Fiber
92 Moab data separated by year.

93

94 **Q. What is shown on Tab 2, entitled FS Data?**

95 A. Tab 2 is where the majority of the financial calculations and underlying support for the
96 summary financial statements is included. Tab 2 includes the calculation of UUSF,
97 summarizes the projected changes to existing operations, and shows the anticipated fiber
98 to the home (“FTTH”) investment of the Applicants and the applicable Federal Grant
99 funds received.. Tab 2 also evidences the transfer of existing income generating
100 broadband and phone customers with associated net investment to the Applicants.

101

102 **Q. What is shown on Tab 3, entitled ReAllocators?**

103 A. Tab 3 was used to identify historical costs that have been subject to allocation using our
104 Cost Allocation Manual and projecting the changes anticipated in these costs and
105 allocations with the addition of the Applicants. The data from Tab 3 is then used for the
106 five-year allocation projections.

107

108 **Q. What is shown on Tab 4, Grants?**

109 A. Tab 4 is a summary of the five awarded Federal Grants. The Federal Grants are
110 separated to show the portion of costs and funding related to the Local Exchanges.

111

112 **Q. What is shown on Tab 5, entitled HFC Overbuild?**

113 A. Tab 5 contains cost estimates of the hybrid fiber coax plant overbuild shown in the
114 Proforma. The estimates are based upon historical costs incurred on similar overbuild
115 projects in Carbon and Emery Counties.

116

117 **Q. What is shown on Tab 6, entitled 19 Trial Balance?**

118 A. The Proforma statements use 2019 actual results as a basis for the forward-looking
119 projection of existing entities and cost estimates of the Applicants. Tab 6 as well as
120 Tab, 7 entitled 19 Pivots are the 2019 trial balances and summary data of the various
121 Emery Telcom entities.

122

123 **Q. What is shown on Tab 8, entitled Reg Cost 2019?**

124 A. Tab 8 summarizes the income statement data from Emery Telcom and Carbon/Emery
125 Telcom (existing regulated entities of similar size to the Applicants). The cost data is
126 shown on a per phone customer basis. These average costs were used to project and
127 determine the reasonableness of cost projections for the Applicants.

128

129 **Q. What is shown on Tab 9, entitled SJ Specials?**

130 A. Tab 9 identifies existing Special Access Revenue to be transferred to E Fiber San Juan.

131

132 **Q. What is shown on Tab 10, entitled SJ Assets?**

133 A. Tab 10 identifies the net book value of assets to be transferred from existing Emery
134 entities to E Fiber San Juan.

135

136 **Q. What is shown on Tab 11, entitled Grand Specials?**

137 A. Tab 11 identifies existing Special Access Revenue to be transferred to E Fiber Moab.

138

139 **Q. What is shown on Tab 12, entitled Grand Assets?**

140 A. Tab 12 identifies the net book value of assets from existing Emery entities to be
141 transferred to E-Fiber Moab.

142

143 **Q. What is shown on Tab 13, entitled EUB 1-2020?**

144 A. The end user billing tab contains existing billed revenue for customers in Blanding and
145 Monticello. The data was used to estimate revenue projections for customers in E Fiber
146 San Juan.

147

148 **Q. What is shown on Tab 14, entitled Incumbent NXX count?**

149 A. To determine a reasonable projection of potential phone customers in Grand and San
150 Juan, I summarized phone lines by exchange as published in the 2018-2019 Frontier
151 Communications phone book on Tab 14. This data as well as business and residential
152 location counts, take rates in our current ILEC areas, and consideration of competition by
153 Frontier, and River Canyon Wireless, were used to project land line growth over the
154 Proforma period.

155 **Q. What is shown on Tab 15, entitled Notes?**

156 A. Tab 15 contains some general calculation assumptions used throughout the spreadsheet.

157

158 **Q. What assumption were made in the Proforma statements regarding customers?**

159 A. I projected that over the five year period that all [REDACTED] customers served by Emery's
160 existing fiber and coax plant in the serving area as of 12/31/2019 would be migrated to
161 the Applicants. Fiber customers would move immediately and cable customers are
162 projected to move as associated fiber builds are completed and coaxial plant is retired. In
163 addition to the existing customers, the Proforma projects the addition of 1,547 phone and
164 1,484 broadband customers. New customers are projected conservatively low and will
165 increase if the 2020 federal grants applications are awarded.

166

167 **Q. What Capital investments are projected in the Proforma statements?**

168 A. I projected gross plant additions over the Proforma period of \$ [REDACTED] less aid to
169 construction of \$5,407,466 (grant) and accumulated depreciation on existing assets
170 transferred to the applicant entities of \$ [REDACTED]. This results in net rate base fixed
171 assets of \$ [REDACTED], as identified on row 18 of Tab 2-FS Data, consisting of the
172 following:

173 NBV transfer of existing affiliate assets \$ [REDACTED] (row 10)

174 Community Connect Grant (less Aid to Cons) \$ [REDACTED] (row 11-12)

175 New FTTH builds and drops \$ [REDACTED] (row 13)

176 HFC Overbuild \$ [REDACTED] (row 15)

177 New drops from HFC overbuild \$ [REDACTED] (row 16)

178 Existing assets are shown in the Proforma as transferred at net book value consistent with
179 FCC Part 32 affiliate transaction rules. The Community Connect Grant assets are shown
180 net of the USDA grant matching amount of \$ [REDACTED].

181

182 **Q. Are you confident in your UUSF projections for the Applicants?**

183 A. Yes. UUSF projections are the result of the application of a rate of return on rate base
184 (capital investment), compared to the adequacy of projected revenue less expenses to
185 provide for the targeted rate of return. My projection includes a reasonable capital
186 investment based upon our company's experience in similar FTTH builds in Carbon and
187 Emery County. The Rate base also properly accounts for the transfer of existing income
188 producing assets at Net Book Value and properly accounts for historical and future Aid to
189 Construction. Costs and revenues are projected using existing customer data and are
190 comparable to levels experienced in the existing regulated operations of Emery. Having
191 said that, these are projections and estimates only. Any UUSF support would be based
192 on the actual costs and revenues realized in this project.

193

194 **Q. The Applicants are wholly owned subsidiaries of Emery, ultimately. What effect, if**
195 **any, would the Applicants' receipt of UUSF support have on the existing UUSF**
196 **support currently being received by Emery's other regulated entities (Emery**
197 **Telephone, Carbon/Emery Telcom, Inc. and Hanksville Telcom, Inc. ("Affiliated**
198 **Regulated Companies")**

199 A. Yes. The five-year Proforma projects a \$1.9M reduction of current UUSF distributions
200 to the Affiliated Regulated Companies. The reduction was calculated by measuring the
201 impact of the Applicants on the various cost drivers that are used in Emery's Cost
202 Allocation Manual. The addition of the Applicants generally have an "economies of
203 scale" effect by diluting fixed costs over more customers, employee hours, equipment,
204 plant, etc. The projected total UUSF required for this FTTH plan in Grand and San Juan
205 Counties is less than \$3M per year which is comparable to the current UUSF required to
206 support FTTH in Carbon & Emery Counties (2019-\$3,007,355; 2020-\$2,805,556). The
207 total UUSF projected for the five-year Proforma is \$14.9M net of the existing UUSF
208 reductions for the Affiliated Regulated Companies projected at \$1.9M. Of course, the
209 UUSF projection amount for the Applicants would be further reduced if the 2020 federal
210 grant applications are approved or if additional subscribers are competitively acquired
211 from the incumbent Frontier based upon a true FTTH offering. Again, it is important to
212 remember that these are projections. Any actual UUSF support will be based on actual
213 costs and revenues realized in the Project.

214

215 **Q. Does the Proforma include any analysis of the receipt of additional federal grant**
216 **funds which were applied for in 2020?**

217 A. No. Because the 2020 applications for federal grant funds are still pending, I have not
218 included any analysis of the effect the receipt of those funds would have on the
219 Applicants' Proforma projections. However, if Emery were to be awarded grant funds
220 pursuant to their 2020 applications, the \$8,265,911 in additional federal grant funding

221 would be used to construct and deploy fiber facilities in portions of the Local Exchanges,
222 thereby reducing the need for UUSF support and increasing the number of subscribers
223 served within the initial five-year Proforma period. Additionally, any federal grant funds
224 used to build fiber facilities in the Local Exchanges would be treated as aid to
225 construction and would not be included in the rate base of the Applicants.

226

227 **Q. Based on your financial analysis do you believe granting the Applicants’**
228 **Applications is in the public interest?**

229 A. Yes. Approving the Applications will allow the deployment of advanced fiber optic
230 facilities in the Local Exchanges necessary to provide advanced telecommunications
231 services to all residents and businesses in the Local Exchanges. Our facilities will
232 provide carrier grade voice over internet protocol service and high-speed (Gig) wholesale
233 broadband internet access with latency suitable for real time applications. As shown in
234 the Proforma, as the build out of the fiber facilities in the Local Exchanges is completed,
235 Applicants anticipate qualifying for UUSF support. I believe that UUSF support to the
236 Applicants to construct, install, and operate the fiber facilities necessary to bring
237 advanced telecommunications services, including voice and high-speed broadband to the
238 Local Exchanges is in the public interest. Additionally, by leveraging the Federal Grant
239 funds that Emery has received, the impact to the UUSF to bring fiber service to the Local
240 Exchanges is reduced. If another provider were to try to serve the local exchanges with
241 fiber, the cost to the UUSF would be greatly increased.

242

243 I believe the UUSF support projected is reasonable and necessary to construct the
244 fiber network, and I believe a fiber network is necessary to properly connect the
245 communities in the Local Exchanges. Therefore, I believe it is in the public interest to
246 grant the Applications and designate the Applicants as the carriers of last resort eligible to
247 receive UUSF support in the Local Exchanges.

248

249 **Q. Does that conclude your direct testimony?**

250 **A. Yes.**

CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of June, 2020, I served a true and correct copy of the Direct Testimony of Darren Woolsey in Docket 20-2618-01 via e-mail transmission to following persons at the e-mail addresses listed below:

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