

Stanley K. Stoll (A3960)  
BLACKBURN & STOLL, L.C.  
Attorneys for Carbon/Emery Telcom, Inc.  
257 East 200 South, Suite 800  
Salt Lake City, Utah 84111  
Telephone: (801) 521-7900

---

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

---

IN THE MATTER OF THE INCREASE OF RATES AND CHARGES AND USF ELIGIBILITY BY  
CARBON/EMERY TELCOM, INC.

APPLICATION FOR RATE INCREASE AND USF ELIGIBILITY

DOCKET NO. 05-2302-01

---

Carbon/Emery Telcom, Inc. ("Carbon/Emery") hereby files this Application of Rate Increase and USF Eligibility with the Public Service Commission of Utah (the "Commission") and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Anno. § 54-4-1 and 54-7-12(2) with respect to Carbon/Emery's Application for Rate Increase and Utah Code Anno. §§ 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure with respect to Carbon/Emery's Application for USF Eligibility.

2. Carbon/Emery is a Utah corporation qualified to transact business and operate as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Carbon/Emery by the Commission.

3. This Application is accompanied by the necessary information and schedules in accordance with Utah Code Annotated Section 54-7-12(2) to support a determination by the Commission that the proposed rate increase is just and reasonable.

4. This Application is accompanied by the necessary information and scheduled in accordance with Utah Code Anno. §§ 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure to support

Carbon/Emery's Application for USF Eligibility.

5. Calendar year 2004 constitutes a reasonable test year pursuant to Utah Code Annotated Section 54-4-4(3) for the purpose of setting rates and determining the appropriate amount of support from Utah's USF. Carbon/Emery's revenue requirement calculation includes known and measurable test year adjustments consistent with Utah Code Annotated §54-4-4(3). See, Attachment 1, Discussion and Justification, for a detailed discussion of, and justification for, Carbon/Emery's test year.

6. Carbon/Emery's Application is supported by the following attached exhibits and schedules:

See Exhibit 1, Revenue Requirement Calculation (Intrastate) and Notes to Exhibit 1; Exhibit 2, Summary of Intrastate Regulated Revenues; Exhibit 2.1 Local Services Rate Development; Exhibit 2.2 Switched Access Rate Development; Exhibit 2.3 Revenue Requirement Summary Total Intrastate Access; Exhibit 3 Capital Structure Analysis; Exhibit 4, Income Tax Calculation (Intrastate Only), Exhibit 5, Plant Adjustment for Known and Measurable Changes; Exhibit 6, Depreciation Adjustment, Exhibit 7, Overstated Depreciation Expense; Exhibit 8, Jurisdictional Apportionment of Investment and Expenses; Exhibit 9, Revenue Requirement Calculation (Total Company) and Notes to Exhibit 9; Exhibit 10, Summary of Total Company Regulated Revenue Sources; Exhibit 11, Analysis of 2004 Interstate Access Revenue; Exhibit 12, Income Tax Calculation (Total Company).

7. Carbon/Emery's intrastate test year revenues fell short of intrastate revenue requirement, producing a revenue requirement deficiency of \$2,235,441 (See Exhibit 2) and a total company revenue requirement shortfall of \$2,315,192 (See Exhibit 10).

8. The following rate increase is necessary, fair and reasonable:

(a) Residential local exchange rates for increased by \$1.57, from \$11.93 to Commission's previously established Base Affordable Rate of \$13.50 per month for residential customers in the Carbon/Emery exchanges.

(b) Business local exchange rates for increased by \$3.63, from \$19.37 to the Commission's previously established Base Affordable Rate of \$23.00 per month for business customers of the Carbon/Emery exchanges.

(d) Various miscellaneous local rate elements are increased or decreased as outlined in the attached exhibits.

- (e)The local switching rate (access) is decreased from \$0.010800 to \$0.00980 in the Carbon/Emery exchanges.
- (f)The local transport charge (access) is increased from \$0.001061 to \$0.01670 in the Carbon/Emery exchanges.
- (g)The Carrier Common Line originating and terminating charges should be eliminated.
- (h)Certain other recurring and nonrecurring charges are increased as described in Exhibit 2.1.

9. The increase in basic local residence and business rates to \$13.50 and \$23.00 respectively is consistent with the Commission's previously established Base Affordable Rate pursuant to Utah Code Anno. §§ 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure and are consistent with those being charged by, or that will be proposed for, other rural incumbent local exchange carriers in Utah. Carbon/Emery services customers only in areas considered rural in Utah.

10. The rate changes will increase local revenues annually by \$299,341 and increase intrastate switched access revenues by \$351,580. See Exhibit 2.

11. Based on Carbon/Emery's 2004 Test Year and taking into consideration the implementation of the rate increases and decreases identified above, an annual intrastate USF distribution of \$1,584,519 is required for Carbon/Emery to recover its cost of service and a reasonable return on the value of its property devoted to public use. See Exhibit 2.

12. This will be Carbon/Emery's first rate increase since it acquired the Price, Helper and East Carbon exchanges from Qwest Corporation in April 2001 and is in accordance with the Order of the Commission approving the sale and transfer of the Price, Helper and East Carbon exchanges. The proposed increase in rates is necessitated by increased costs in the telephone industry generally, regulatory requirements and improvements in telephone plant.

13. Exhibit 6 contains Proposed Depreciation Rates and Proposed Depreciation Lives. The Proposed Depreciation Rates and Proposed Depreciation Lives contained therein constitute an alteration to the Existing Depreciation Rates and Existing Depreciation Lives.

14. Carbon/Emery requests that the Commission, pursuant to Utah Code Anno. § 54-7-12.1, approve the alterations to the prior depreciation rates and depreciation lives reflected in Exhibit 6.

15. This Application for USF Eligibility is accompanied by the necessary information and schedules to support the approval by the Commission of an annual intrastate USF distribution of \$1,584,519.

16. Carbon/Emery requests that the Commission, in accordance with Utah Code Anno. §§ 54-7-12 approve the rate increases described in this Application and the supporting documentation.

17. Carbon/Emery further requests that the Commission, in accordance with Utah Code Anno. 54-8b-15 and R746-306 of the Commission's Rules of Practice and Procedure, approve an annual intrastate USF distribution of \$1,584,519 to Carbon/Emery.

WHEREFORE, Carbon/Emery Telcom, Inc. respectfully submits this Application for Proposed Rate Increase and USF Eligibility.

DATED this 17th day of June, 2005.

BLACKBURN & STOLL, L.C.

By \_\_\_\_\_  
Stanley K. Stoll  
Attorneys for Carbon/Emery Telcom, Inc.

#### CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Application for Rate Increase, Docket No. 05-2302-01 was sent to the following individuals by mailing a copy thereof via first-class mail, postage prepaid, this 17th day of June, 2005:

Michael Ginsberg  
Assistant Attorney General  
Division of Public Utilities

Paul Proctor  
Assistant Attorney General  
Committee of Consumer Services

\_\_\_\_\_  
Stanley K. Stoll