

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Increase of rates and :
Charges and USF Eligibility by Carbon/ :
Emery Telecom, Inc. : Docket No. 05-2302-01
: :
: :
: :

DIRECT TESTIMONY

OF

WILLIAM DUNKEL

ON BEHALF OF THE UTAH COMMITTEE OF CONSUMER SERVICES

NOVEMBER, 2005

REDACTED VERSION

Proprietary information has been redacted from this document.

The redacted areas are bracketed by: * *****

1 Executive Summary

2 Direct Testimony of William Dunkel

3 **Docket No. 05-2302-01 (Carbon/Emery)**

4
5
6 1. The Company filing includes over *** of claimed intrastate annual
7 depreciation expense for accounts that are already fully depreciated. Once an
8 investment is fully depreciated, no further depreciation expense on that fully
9 depreciated investment is appropriate. The Company proposals to include
10 continuing depreciation expense for accounts that are already fully depreciated
11 should be rejected. The four fully depreciated accounts for which the Company is
12 claiming depreciation expense are listed on Schedule WD-1. The results of this
13 recommendation are shown on the CCS Summary Schedule which is RM-1,
14 attached to the testimony of Ms. McCullar.
15

16 2. The FCC Rules require that the depreciation expense be placed into the
17 Depreciation Reserve. However the Company filing shows the expected
18 depreciation expense to be \$2.6 million for year 2005, but shows the expected
19 addition to the Depreciation Reserve to be less than \$0.4 million in 2005.
20 Approximately \$2 million is missing from the Depreciation Reserve in the
21 Company filing.
22

23 I recommend the filing be corrected so that the additions to the Depreciation
24 Reserve in year 2005 are equal to the depreciation expense in the year 2005. To do
25 otherwise would violate the required treatment of depreciation expense.
26

27 The implementation of this recommendation is included on the CCS Summary
28 Schedule, which is RM-1 attached to the testimony of Ms. McCullar.
29

30 3. The Corporate Operations expense included in the Company filing contains
31 charges that are unusually high. The annual adjusted Corporate Operations expense
32 that Carbon/Emery is using in its filing is *** the actual 2002 and
33 2003 annual Corporate Operations expenses. The Corporate Operations expense
34 proposed by the Company includes the full amount of the rate case consultant fee. I
35 propose the rate case consultant fee be amortized over 5 years.
36 The Legal expense included in the Company proposal is *** the
37 actual 2003 or 2002 legal expense. The test year External Relations and Accounting
38 expenses proposed by the Company are at least *** than they were
39 in 2002 or 2003. I recommend these unusually high expenses in year 2004 be
40 amortized over 5 years. To be conservative, I used the **highest** of the 2003 or 2002

1 actual expenses as the base figure. I recommend a five-year amortization period for
2 the abnormally high Legal, Accounting and External Relations expenses that
3 exceed that base figure. The results of this recommendation are shown on Schedule
4 WD-3.

5
6 4. Regarding the Company proposed expense adjustments:

7 (a) The Company had proposed an added GPS expense. Carbon/Emery has now
8 withdrawn that proposal in Carbon Emery's response to CCS Data Request 3.4.1.

9 (b) The Company test year expense included the full cost of blacktopping the
10 business office parking lot and the Yard. It also included the full cost of new gates
11 at the Yard. I propose these costs be amortized over 15 years.

12 (c) The Company proposed an increase for "fiber maintenance" expense and an
13 expense increase for "other maintenance projects." However, in response to CCS's
14 discovery requests, the Company was not able to provide reasonable support for
15 these alleged increases in expenses. I recommend these two Company proposed
16 adjustments not be accepted.

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18 The impact of all of the above recommendations is included on the CCS Summary
19 Schedule, which is RM-1 attached to the testimony of Ms. McCullar.
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INTRODUCTION AND STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is William Dunkel. My business address is 8625 Farmington Cemetery Road, Pleasant Plains, Illinois 62677.

Q. What is your present occupation?

A. I am the principal of William Dunkel and Associates, which was established in 1980. Since that time, I have provided consulting services in telephone regulatory proceedings throughout the country. I have participated in over 140 state regulatory telephone proceedings before over one-half of the state commissions in the United States. I specialize in the following areas: cost analysis; rate design; jurisdictional separations; and depreciation.

Q. Have you prepared an appendix that describes your qualifications?

A. Yes. My qualifications are shown on Appendix A.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Utah Committee of Consumer Services (CCS).

Q. Have you previously participated in telecommunications proceedings in Utah?

1 A. Yes. Recently, I participated on behalf of the CCS in Docket No. 05-053-01, which
2 was UBTA-UBET's USF Application proceeding. I have participated on behalf of
3 the CCS in many of Qwest's (previously U.S. West Communications or Mountain
4 Bell Telephone Company) proceedings in Utah. I testified on behalf of the CCS in
5 Qwest's petition proceedings for Pricing Flexibility in Utah (Docket No. 03-049-49
6 (residential services), Docket Nos. 01-2383-01 (residential services) and 02-049-82
7 (business services)). In addition, I was involved in six different Qwest (or its
8 predecessor) general rate cases, Docket Numbers: 84-049-01; 88-049-07; 90-049-
9 06/90-049-03; 92-049-07; 95-049-05; 97-049-08. I was also involved in the Qwest
10 800 Services case, Docket No. 90-049-05.

11

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

13 A. The purpose of my testimony is to respond to certain issues in the Carbon/Emery
14 (or the "Company") Application for Increase in Rates and Charges and USF
15 Eligibility and issues in the related Company testimony, exhibits, and data
16 responses. I will primarily address depreciation/amortization issues.

17

18 I assigned certain depreciation issues to another consultant, Roxie McCullar. She
19 will address those issues in her testimony. I have specifically reviewed Ms.
20 McCullar's analysis of the depreciation issues she addresses, and I support her
21 recommendations. Ms. McCullar will also address the separation factors and will
22 present the summary Schedule RM-1 that incorporating all of the CCS witnesses'
23 recommendations.

24

1 Thomas Regan will address the cost of capital and the rate design issues associated
2 with the case.

3
4 **CARBON/EMERY IS DEPRECIATING A FULLY DEPRECIATED ACCOUNT-**
5 **SUBSCRIBER CIRCUIT EQUIPMENT**

6
7 **Q. What is one major problem with the Carbon/Emery filing?**

8 A. A major problem is Carbon/Emery includes continuing depreciation expense for
9 four accounts that are already fully depreciated. It is not acceptable to claim
10 additional depreciation expense on accounts that are already fully depreciated.

11
12 First I will address the Subscriber Circuit Equipment account. The Subscriber
13 Circuit Equipment account was fully depreciated by the end of 2004. For this
14 account, Company Exhibit S-6, page 1 shows the Plant in Service at 12/31/ 2004
15 was \$5,407,077, and the Depreciation Reserve at 12/31/ 2004 was the same
16 number: \$5,407,077. This account was fully depreciated by the end of 2004.

17
18 In addition, the Company filing does not project any “Post 2004” additions to this
19 account.¹ Since this account is fully depreciated, the proper depreciation expense to
20 be included in this case for this account is \$0.

21
22 **Q. What depreciation expense is Carbon/Emery proposing for this account?**

¹ Company Exhibit S-6, page 1, column (E).

1 A. Carbon/Emery’s filing proposes *** ****² of depreciation expense for this
2 account, in spite of the fact the account is fully depreciated. This is improper for a
3 fully depreciated account.
4

5 **Q. Where did the Company filing include this *** *** expense?**

6 A. The Company included the *** *** depreciation expense for this account
7 in the \$2,674,025 “Depreciation and Amortization” expense shown on line 14,
8 Column (M) of Company Exhibit S-9. The separated intrastate portion of this
9 number was included in Company Exhibit S-1.
10

11 **Q. Can you show how the Company filing includes *** *** of**
12 **depreciation expense for this fully depreciated account?**

13 A. Yes. The table below shows a breakdown of the “Depreciation and Amortization”
14 expense the Company included on line 14 of Exhibit S-9 of its filing:
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² See Schedule WD-1. This figure is before separations (this is the Carbon/Emery “Total Company”).
After separations the Company included*** *** intrastate (60.50% intrastate).

Breakdown of Depreciation Expense Included in the Company Filing
(in Exhibit S-9)

Accounts:	Total Company 2004 Income Statement (Col. (D))	Plant Adjustments (Col.(F))	Adjustment For Excess Depreciation (Col. (G))	Proposed Depreciation Rate Increase (Col. (H))	Total Company Revenue Requirement (Col. (M))
Microwave Transmission Eq.	***	\$27,496	\$0	\$0	***
Digital Elec.Switching		\$4,952	\$0	\$0	
Subscriber Circuit Eq.		\$2,250	\$0	\$33,745	
Aerial Cable		-\$3,990	\$0	\$0	
All Other Accounts	***	\$117,340	\$63,401	\$124,697	*** ³
Total Depreciation and Amortization Expense In Company Filing (Exh.S-9, L.14)	\$2,304,134	\$148,048	\$63,401	\$158,442	\$2,674,025

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2

This table, including sources, is also attached as Schedule WD-1.

3

4

As shown above, in the Subscriber Circuit Equipment account the major problem

5

with the Company filed depreciation expense for this fully depreciated account is

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the *** expense they included the “2004 income statement” column.

7

The Company did book depreciation expense to this account in 2004. However, by

8

the end of 2004 this account was fully depreciated. By the end of 2004, the

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Depreciation Reserve equaled the Plant in Service for this account, as shown on

³ The figures in columns F, G, and H are public numbers. Columns D and M contain proprietary figures. These are unseparated figures. In the Company filing, intrastate is 62.77% of the “Plant Adjustment” column, and 60.50 % of the other columns.

1 Company Exhibit S-6, columns C and G. There should be no further depreciation
2 expense for this fully depreciated investment.

3
4 While there was depreciation expense in this account in 2004, one of the “known
5 and measurable” adjustments to the 2004 data should reflect the fact that this
6 investment is now fully depreciated. As stated in the Company filing: “The test
7 period proposed by Carbon/Emery in the Application is 2004 with Known and
8 Measurable Adjustments.”⁴ The Company used Known and Measurable
9 Adjustments through the end of 2005. For example, the Company stated: “This
10 change also allows the application to reflect the planned plant in service and reserve
11 balances as of January 1, 2006.”⁵ The Subscriber Circuit Equipment account was
12 fully depreciated by the end of 2004. This is well within the period in which Known
13 and Measurable Adjustments are to be included in this case.

14
15 **Q. On Schedule WD-1 you have shown that the filing Company includes**
16 ***** for this account in the “2004 income statement” column. Can**
17 **you demonstrate that *** for the Subscriber Circuit Equipment**
18 **account was included in the \$2,304,134 Total 2004 depreciation expense used**
19 **on Exhibit S-9 of the Company filing?**

20 A. Yes. Attached as WD-2 is the data from the Company response to DPU Request
21 1.9d. This is the source data for the \$2,304,134 total 2004 depreciation expense
22 used in column D of Company Exhibit S-9. To help track the key numbers, I have

⁴ Page 1, Paragraph 1, Carbon/Emery “Supplement to Application for Rate Increase and USF Eligibility” dated September 1, 2005.

⁵ Page 2, Paragraph Iiii, Carbon/Emery “Supplement to Application for Rate Increase and USF Eligibility” dated September 1, 2005.

1 circled the key numbers and added notations in italics. On page 2 of this Schedule
2 you can see the depreciation expense for the Subscriber Circuit Equipment account
3 was *** in 2004. Tracking this number down the Depreciation
4 Expense column, you can see that this number is included in the \$2,304,134 total
5 2004 depreciation expense used on line 14 of Company Exhibit S-9. The separated
6 version of this number ($\$2,304,134 \times 0.6050 = \$1,394,001$) is used on line 14 of
7 Company Exhibit S-1.

8
9 No Company adjustment removes this *** (or the separated version of
10 it) from the final depreciation expense which the Company proposes in this filing.⁶

11
12 The depreciation expense that the Company is using in this filing improperly
13 includes *** of depreciation expense for this
14 fully depreciated account.

15
16 **Q. What is the appropriated depreciation treatment for a fully depreciated**
17 **account?**

18 A. There should be no depreciation expense for a fully depreciated account. This
19 recommendation results in removing *** from
20 the Company claimed depreciation expense for the Subscriber Circuit Equipment
21 account.

22

⁶ Column M of Exhibit S-9 and the separated version on Column M of Exhibit S-1.

1 One common way to accomplish the proper treatment of a fully depreciated account
2 is to set the depreciation rate to zero for a fully depreciated account. For example, in
3 a Qwest case now before the Arizona Commission, I testified on depreciation on
4 behalf of the Staff of the Arizona Corporation Commission. In that case Qwest
5 proposed a zero depreciation rate for the accounts that were fully depreciated.⁷

6
7 Another accepted treatment of a fully depreciated account is to establish a
8 depreciation rate that will apply only to **new** additions, but would not apply to the
9 existing, fully depreciated balance.⁸ For example, I am currently addressing
10 depreciation in an OTZ Telephone Cooperative case in Alaska in which OTZ
11 proposed this treatment for the fully depreciated accounts.⁹

12
13 For this case, I recommend the second treatment discussed above. The fully
14 depreciated investments would not have any future deprecation expense, which is
15 the proper treatment for the fully depreciated investments. However if in the future
16 the Company made new investments in this account, those new investments would
17 start depreciating, which is the proper treatment for any new investments.

18

⁷ Direct Testimony Exhibits of Kerry Dennis Wu on Behalf of Qwest Corporation, May 20, 2004. Docket No. T-01051B-03-0454, Docket No. T-00000D-00-0672.

⁸ The existing fully depreciated investment is effectively treated as a subaccount, with a depreciation rate of zero for that subaccount.

⁹ Page 4 of "Introduction" to the "OTZ Telephone Cooperative Depreciation Study for the Year Ended December 31, 2002." Docket No. U-03-085.

1 For the fully depreciated accounts¹⁰, the depreciation rates recommended in the
2 testimony of Ms. McCullar are the rates that would apply to new additions.

3
4 **Q. Referring to WD-1 , you have discussed the “ 2004 income statement” amount**
5 **for Subscriber Circuit Equipment that the Company included in its filing.**
6 **What about the other claimed depreciation expenses of \$2,250 and \$33,745 that**
7 **the Company included for this account?**

8 A. These are also incorrect. The investment in this account is fully depreciated, and the
9 Company filing does not include any “Post 2004” additions to this account. No
10 additional depreciation expense is appropriate on a fully depreciated balance.

11
12 These other depreciation expense claims in this account result primarily from other
13 minor problems in the Company filing, such as formula errors and/or double
14 counting the 2004 additions, as is discussed in the testimony of Ms. McCullar.¹¹

15
16 **OTHER FULLY DEPRECIATED INVESTMENTS**

17
18 **Q. You have demonstrated that the Company filing claims depreciation expense**
19 **for the fully depreciated Subscriber Circuit Equipment account. Does the**

¹⁰ The fully depreciated accounts are Subscriber Circuit Equipment, Microwave Transmission Eq.(Radio Systems), Aerial Cable, and Digital Switching Eq.

¹¹ On Exhibit S-6, Page 1, Column C, the Company lists the Plant Balances as of the end of 2004. Since these are end-of-year 2004 balances, they already include all of the 2004 additions. However in column D, the Company adds some 2004 additions to this end-of-year 2004 figure. This is a double counting, as discussed in the testimony of Ms. McCullar. Also the Company filing contains some formula errors, as discussed in the testimony of Ms. McCullar.

1 **Company filing claim depreciation expense for any other fully depreciated**
2 **accounts?**

3 A. Yes. In addition to the Subscriber Circuit Equipment account, the Company filing
4 also improperly claims depreciation expense on the Aerial Cable, Microwave
5 Transmission (Radio Systems), and Digital Electronic Switching fully depreciated
6 accounts, as I will now discuss.

7
8 **Q. Please discuss the Aerial Cable account.**

9 A. Looking at Schedule WD-2, you can see that there was*** *** of
10 depreciation expense in the *** *** of 2004 in the Aerial Cable
11 account. After that the depreciation expense each month is zero, because the
12 account was then fully depreciated. The total for the year is *** ***, as
13 can be seen on page 2 of that Schedule. Tracking this number down the
14 Depreciation Expense column, you can see that this amount is included in the
15 \$2,304,134 total 2004 depreciation expense used on line 14 of Company Exhibit S-
16 9. The separated version of this number ($\$2,304,134 \times 0.6050 = \$1,394,001$) is used
17 on line 14 of Company Exhibit S-1. No Company adjustment removes this from
18 their claimed depreciation expense. The Company filing includes this
19 *** *** of depreciation expense for this account, in spite of the fact it is
20 fully depreciated.

21
22 Schedule WD-2 also shows that by *** *** 2004 this account was fully
23 depreciated, and there is no depreciation expense booked after that. This is a fully
24 depreciated account. Columns C and G of Company Exhibit S-6 confirm this

1 account was fully depreciated at the end of 2004.¹² Although the Company has
2 stopped booking depreciation expense in this account, it is still claiming
3 depreciation expense for this account in its filing.
4

5 As previously discussed, the test period proposed by Carbon/Emery is 2004 with
6 Known and Measurable Adjustments through the end of 2005. The Aerial Cable
7 account became fully depreciated *** *** This is well within the
8 period in which Known and Measurable Adjustments are to be included in this case.
9

10 It is improper to claim additional depreciation expense on fully depreciated
11 investments. I recommend that the Company proposal to include ***

12 *** of depreciation expense for the fully depreciated 2004
13 investments in the Aerial Cable account be rejected.¹³
14

15 **Q. Please discuss the Microwave Transmission (Radio Systems) account.**

16 A. Looking at Schedule WD-2, you can see that there was depreciation expense in the
17 *** *** of 2004 in the Microwave Transmission account. However by
18 *** *** 2004 this account was fully depreciated, and there is no
19 depreciation expense booked after that. However, the Company filing includes
20 *** *** of depreciation expense for the fully depreciated 2004 investments,
21 as can be seen by tracking this figure down the depreciation expense column on
22 page 2 of Schedule WD-2.

¹² The Depreciation Reserve equals the Plant in Service.

¹³ The Company filing does not include any "Post 2004" additions in this account, as shown on column E of Company Exhibit S-6.

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As previously discussed the test period proposed by Carbon/Emery is 2004 with Known and Measurable Adjustments through the end of 2005. The Microwave Transmission account became fully depreciated *** This is well within the period in which Known and Measurable Adjustments are to be included in this case.

It is improper to claim additional depreciation expense on fully depreciated investments. I recommend that the Company proposal to include *** of depreciation expense for the fully depreciated 2004 investments in the Microwave Transmission account be rejected.

Q. Exhibit S-5.2 of the Company filing projects that \$219,965 of new additions will be added to this Microwave Transmission account in 2005 or early 2006 (“Post 2004” additions). Do you object to a depreciation expense for the “Post 2004” additions?

A. No, assuming the Company actually makes these investments. The “Post 2004” additions would not be fully depreciated, and therefore should be depreciated. At the Company proposed 12.50% depreciation rate, that would be an annual depreciation expense of \$27,496 (intrastate is 60.50% of this), as shown on Company Exhibit S-5.2.

The above calculation is based on the “Post 2004” addition amount contained in the Company filing. I reserve the right to adjust this calculation in the event that the

1 DPU, or other party, presents a reasonable adjustment to the “Post 2004” addition
2 amount.

3
4 **Q. Please discuss the Digital Electronic Switching account.**

5 A. As shown in Columns C and G of Company Exhibit S-6, the Digital Electronic
6 Switching account was almost fully depreciated at the end of 2004 (the investment
7 was \$4,889,315 minus the reserve of \$4,492,927). This investment became fully
8 depreciated in the fall of 2005.¹⁴ The Company filing acknowledges the Digital
9 Electronic Switching account is “fully depreciated”¹⁵

10
11 As previously discussed, the test period proposed by Carbon/Emery is 2004 with
12 Known and Measurable Adjustments through the end of 2005. The existing
13 investment in Digital Electronic Switching is a fully depreciated investment within
14 the period in which Known and Measurable Adjustments are to be included in this
15 case.

16
17 It is improper to claim additional depreciation expense on fully depreciated
18 investments. However, the Company filing includes *** of
19 depreciation expense for the investment that was in this account in 2004, as can be
20 seen on page 2 of Schedule WD-2. I recommend that the Company proposal to
21 include *** of annual depreciation expense for

¹⁴ This is at the 12.50% depreciation rate currently used. The Company has proposed to use an 8.33% depreciation rate instead of the 12.50% currently used (Company Exhibit S-7). This investment would be fully depreciated in late 2005, even at the 8.33% rate.

¹⁵ Notes to Exhibit S-1, paragraph (c). This is part of the Carbon/Emery September 1, 2005 filing.

1 the fully depreciated investments in the Digital Electronic Switching account be
2 rejected.

3
4 **Q. Exhibit S-5.2 of the Company filing projects that \$80,000 of new additions will**
5 **be added to this account in 2005 or early 2006 (“Post 2004” additions). Do you**
6 **object to a depreciation expense for the “Post 2004” additions?**

7 A. No, assuming the Company actually makes these investments. The “Post 2004”
8 additions would not be fully depreciated, and therefore should be depreciated.
9 On Company Exhibit S-5.2 the Company applies an 8.33% depreciation rate to this
10 \$80,000 of “Post 2004” investment and proposes a resulting annual depreciation
11 expense of \$6,664 (intrastate is 60.50% of this). Ms. McCullar has accepted the
12 8.33% depreciation rate for this account, and assuming the Company actually
13 makes the expected “Post 2004” investments, including this depreciation expense in
14 the revenue requirement is acceptable.

15
16 The above calculation is based on the “Post 2004” addition amount contained in the
17 Company filing. I reserve the right to adjust this calculation in the event that the
18 DPU, or other party, presents a reasonable adjustment to the “Post 2004” additions
19 amount.

20
21 **Q. Can you summarize the above issue?**

22 A. Yes. In several accounts the Company filing includes additional depreciation
23 expense for investments that are already fully depreciated. This is improper. There
24 should be no additional depreciation expense for fully depreciated investments.

1
2 **DEPRECIATION RESERVE-THE MISSING \$2 MILLION**
3

4 **Q. On page 8, line 15 of his testimony, Mr. Meredith says**

5 **“This change allows the application to reflect the planned plant in service and**
6 **reserve balances as of January 1, 2006.”**
7

8 **Does the Company application reasonably reflect the expected Reserve**
9 **balance as of January 1, 2006?**

10 **A. No. The Company application greatly understates the expected Reserve balance as**
11 **of January 1, 2006,¹⁶ as I will demonstrate next.**

12
13 To demonstrate a correct calculation, shown below is the actual change in Net
14 Telephone Plant from 2003 to 2004 using actual data from Schedule S-8 of the
15 Company filing:

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	Carbon/Emery (Total Company)		
	2003	2004	Difference
	(\$Millions)	(\$Millions)	(\$Millions)
Plant in Service	\$34.8	\$35.1	+0.3
Depreciation Reserve	<u>23.6</u>	<u>25.7</u>	<u>+2.1</u>
Difference: Plant Less Reserve	11.2	9.4	-1.8
Other	<u>1.1</u>	<u>1.0</u>	<u>-0.1</u>
Net Plant	\$12.3	\$10.4	\$-1.9

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¹⁶ This is the expected Reserve balance at the Company proposed depreciation expense. In this discussion I refer to the depreciation expense as proposed by the Company. I show the Company proposed Depreciation Reserve increase is inconsistent with the Company proposed depreciation expense. This does not imply that I support the Company proposed depreciation expense.

1 As the above shows, the Carbon/Emery Depreciation Reserve actually increased
2 about \$2 million in one year.

3
4 **Q. What money is added to the Depreciation Reserve?**

5 A. The depreciation expense is placed into the Depreciation Reserve. The FCC Rules
6 state:

7 32.2000(g)(2)(iii) Charges for currently accruing depreciation shall be
8 made monthly to the appropriate depreciation accounts, and the
9 corresponding credits shall be made to the appropriate depreciation
10 reserve accounts.¹⁷

11
12 The Company filing projects \$2,674,025 of depreciation expense in 2005.¹⁸ This
13 would mean that \$2,674,025 should be added to the Depreciation Reserve in year
14 2005.

15
16 **Q. What is the major problem with the Depreciation Reserve in the Company
17 filing?**

18 A. Exhibit S-9 of the Company filing projects over \$2.6 million of depreciation
19 expense in 2005¹⁹, which means that over \$2.6 million would be added to the
20 Depreciation Reserve in 2005. However, the Company filing shows less than \$0.4
21 million added to the Depreciation Reserve in 2005.²⁰

¹⁷ 32.2000(g)(2)(iii) of 47 CFR.

¹⁸ Company Exhibit S-9, line 14, column M.***

¹⁹ Company Exhibit S-1, line 14.

²⁰ Company Exhibit S-9, Line 38: \$148,048+\$63,401+\$158,442=\$369,891. In addition, there is a typographical error on Company Exhibit S-9. That Exhibit shows the Depreciation Reserve figure on row 38, column (F) as positive. It should be negative. On the intrastate version of this Exhibit (Exhibit S-1), the

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Thus, \$2.2 million that should be in the Depreciation Reserve at the end of 2005 is missing from the Company filing.

Q. The above figures are before separations (they are “Total Company” Carbon/Emery figures). What are the intrastate separated figures for this same Depreciation Reserve issue?

A. Exhibit S-1 of the Company filing projects \$1,617,785 of separated intrastate depreciation expense in 2005²¹, which means that over \$1.6 million should be added to the intrastate Depreciation Reserve in 2005. However the Company filing shows less than \$0.3 million added to the intrastate Depreciation Reserve in 2005.²²

Therefore, over \$1.3 million that should be in the intrastate Depreciation Reserve at the end of 2005 is missing from the Company filing.

Q. What do you recommend on this Depreciation Reserve issue?

A. The filing has to be corrected so that the additions to the Depreciation Reserve in year 2005 are equal to the depreciation expense in the year 2005. To do otherwise would violate the required treatment of depreciation expense.

The above figures are based on the depreciation expense as proposed by the Company. After corrections are made, the depreciation expense proposed by the

Company did properly show the intrastate portion of this number as negative. The reason these Depreciation Reserve numbers are properly negative on these Exhibits is because the Depreciation Reserve is a deduction when calculating net rate base.

²¹ Company Exhibit S-1, line 14, Column M.
²² Company Exhibit S-1, Line 38: $\$92,928 + \$38,358 + \$99,454 = \$230,740$.

1 CCS is lower than the depreciation expense proposed by Carbon/Emery. The final
2 calculation of the year 2005 additions to the Depreciation Reserve can only be
3 made after the appropriate depreciation expense is determined. Once the
4 depreciation expense is determined, the additions to the Depreciation Reserve in
5 year 2005 should be set equal to the depreciation expense for that year 2005.²³ We
6 have done this on Schedule RM-1, attached to the testimony of Ms. McCullar.

8 CORPORATE OPERATIONS EXPENSE

9
10 **Q. Is the annual Corporate Operations expense the Company is using in its filing**
11 **unusually high as compared to actual Carbon/Emery Corporate Operations**
12 **expenses for other years?**

13
14 **A.** Yes. The annual Corporate Operations expense claimed by the Company in this
15 case is unusually high. Shown below is the actual Corporate Operations expense of
16 Carbon/Emery for the years 2002 and 2003, compared to the adjusted 2004 annual
17 Corporate Operations expense the Company is claiming in this filing:

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²³ The Company filing does not project any retirements in 2005, so the impact of retirements in 2005 is not an issue. However even if retirements do occur in 2005, a retirement does not change the net rate base. When a retirement occurs, the retired plant investment is removed from the Plant in Service figure, and the same amount is removed from the Depreciation Reserve. Since the Plant in Service is an addition to Net Rate base, and the Depreciation Reserve is a deduction from Net Rate Base, removing the same amount from both has no effect on the Net plant. (There can be a change (generally small) in net rate base at retirement if there is a net salvage of the retirement, but the Carbon/Emery depreciation calculations show no net salvage).

1

: Carbon/Emery

2002 Actual	2003 Actual	2004, Including Company Adjustments
----------------	----------------	--

: Corporate Operation
Expense

2

3

4

As shown above, the annual adjusted Corporate Operations expense²⁴ that

5

Carbon/Emery is using in its filing is *** *** the actual 2002

6

and 2003 annual Corporate Operations expenses.

7

8

Q. What is one reason for the high annual Corporate Operations expense used in

9

the Company filing?

²⁴ Source for the figures in the above tables is attachment “DR1.9c Expenses 2002-2004”, provided by Carbon/Emery in Response to DPU Request 1.9c. These figures are before separations (these are “Total Company” Carbon/Emery figures).

1 A. The Company included the full amount of the rate case consultant fee as a cost to
2 be recovered in just one year. The consultant rate case cost is \$160,000 in the
3 Company filing, \$100,528 of which was separated to the intrastate jurisdiction.²⁵
4 The Company filing does not amortize this cost over several years. Instead it seeks
5 to recover the full rate case consultant cost in one year.²⁶

6

7 **Q. How often does Carbon/Emery have a major rate case?**

8 A. A major rate case does not occur every year. Carbon/Emery started on April 5,
9 2001, and the current case is its first general rate case.²⁷

10

11 To get a longer view of major cases, the case that set the current Emery Telcom
12 (Carbon/Emery's parent company) depreciation rates was a case in *** **28

13

14 **Q. What is your recommendation on the consultant rate case fee issue?**

15 A. The consultant rate case fee should be amortized over several years. I
16 recommend a five-year amortization period for this consultant rate case expense. If
17 there are no other adjustments to the consultant rate case expense²⁹, this
18 amortization results in an annual consultant rate case expense of \$ 32,000, as
19 shown on Schedule WD-3.

20

²⁵ "Notes to Exhibit S-1", page 2, paragraph (e) in the Carbon/Emery September 1, 2005 filing. This source also shows the Company separated 62.83% of this cost to the intrastate jurisdiction.

²⁶ Carbon/Emery response to Request CCS 4.1.1.

²⁷ Carbon/Emery response to Requests CCS 1.6 and 4.1.2.

²⁸ *** From Company response to Request CCS 3.11.1.

²⁹ At the time this testimony is being written, I have not seen the DPU testimony. I reserve the right to support appropriate adjustments proposed by the DPU or other parties.

1 The Company separated 62.83% of the consultant rate case expense to the intrastate
2 jurisdiction.³⁰ However, since the consultant rate case fee only pertains to an
3 intrastate case, no portion of these costs should be separated to the interstate
4 jurisdiction, and 100% should be placed in the intrastate jurisdiction (“direct
5 assigned”). This is discussed in more detail in the testimony of Ms. McCullar.

6

7 **Q. What is another item that contributes to the higher Corporate Operations**
8 **expense that is in the Company filing?**

9 A. The Legal expense was unusually high in 2004. Shown below is the Legal expense
10 of Carbon/Emery for the years 2002-2004:

11 ***

Carbon/Emery

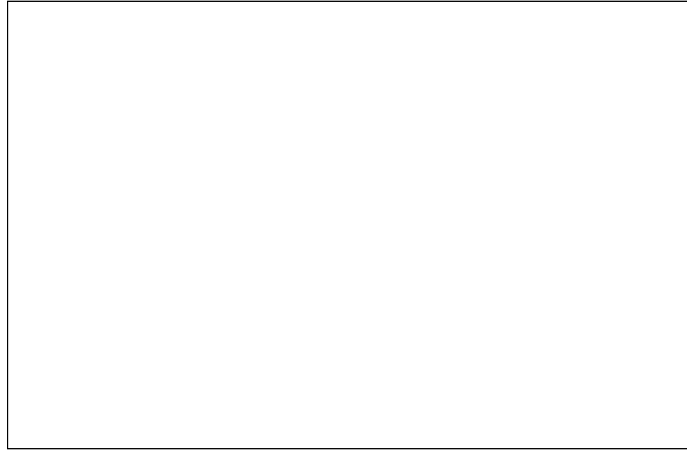
2002 2003 2004

Legal Expense
(Account 6725)

12

13

³⁰ “Notes to Exhibit S-1”, page 2, paragraph (e) in the Carbon/Emery September 1, 2005 filing.



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***³¹

It is clear from the above information that 2004 was a year in which the Carbon/Emery Legal expense was unusually high. In 2004 the Legal expense was over *** as much as it was in 2002, and over *** what it was in 2003.³²

Q. What do you recommend?

A. I recommend the unusually high Legal expense in year 2004 be amortized over several years. In fairness to the customers state-wide that support the state USF, the payments that Carbon/Emery receives each year from the state USF should not be based on a year of abnormally high Legal expense. To be conservative, I used the **highest** of the 2003 or 2002 actual Legal expenses as the base figure.³³ I

³¹ Source for these figures is attachment “DR1.9c Expenses 2002-2004”, provided by Carbon/Emery in Response to DPU Request 1.9. These figures are before separations (these are “Total Company” Carbon/Emery figures).
³² Carbon/Emery was started with the acquired exchanges effective April 5, 2001 (Company response to CCS Request 1.6).
³³As shown on Schedule WD-3, since the Legal expense was higher in 2002 than in 2003, I used the 2002 Legal expense of ***

1 recommend a five-year amortization period for the abnormally high Legal expenses
2 that exceed that base. If there are no other adjustments to the Legal expense³⁴, this
3 amortization results in an annual Legal expense of ***

4 ***as shown on Schedule WD-3.

5
6 Even after this correction to the Carbon/Emery proposal, this corrected Legal
7 expense of *** is much higher than the actual 2002 or 2003 Legal
8 expense, as can be seen on the above table.³⁵

9
10 **Q. What other Corporate Operations expenses are unusually high in the test year**
11 **expense?**

12 A. The “External Relations” and Accounting³⁶ expenses are high in 2004.
13 External Relations includes maintaining relations with government, regulators,
14 other companies, and the general public.³⁷ Shown below are the External Relations
15 and Accounting³⁸ expenses of Carbon/Emery for the years 2002-2004:

16
17
18
19
20 ***

³⁴ At the time this testimony is being written, I have not seen the DPU testimony. I reserve the right to support appropriate adjustments proposed by the DPU or other parties.

³⁵ The Carbon/Emery Legal expense was *** in 2003 (Total Company)(Response to DPU 1.9c).

³⁶ Account 6721, which includes both “Accounting and Finance” and “Accounting-Cost”.

³⁷ Part 32.6722 of the FCC Rules prior to 11/05/01. Effective that date, account 6722 was merged into account 6720 in the FCC rules. However Carbon/Emery still maintains 6722 as a separate account.

³⁸ Account 6721, which includes both “Accounting and Finance” and “Accounting-Cost”.

1 Accounting expense is still a significant increase over the 2003 or 2002 actual
2 Accounting expense levels.⁴¹

3
4 If there are no other adjustments to these expenses⁴², this amortization results in an
5 annual External Relations expense of *** *** as shown
6 on Schedule WD-3. Even after this correction to the Carbon/Emery proposal, this
7 External Relations expense is still a significant increase over the 2003 or 2002
8 actual External Relations expense.⁴³

9
10 **Q. How does the adjusted 2004 Corporate Operations expense you recommend**
11 **compare to the actual 2003 Corporate Operations expenses?**

12 A. Even after the adjustments I recommend, the adjusted 2004 intrastate Corporate
13 Operations expense of *** *** still exceeds the actual 2003
14 Carbon/Emery intrastate Corporate Operations expense by ***. This is an
15 increase of *** ***, as shown on Schedule WD-4.⁴⁴

⁴¹ The Carbon/Emery Accounting expense was *** *** in 2003, before separations.(Company response to Request DPU1.9c).

⁴² At the time this testimony is being written, I have not seen the DPU testimony. I reserve the right to support appropriate adjustments proposed by the DPU or other parties.

⁴³ The Carbon/Emery External Relations expense was *** *** in 2003, before separations.(Company response to Request DPU1.9c).

⁴⁴ The actual separated intrastate Carbon/Emery Corporate Operation expense in 2003 was *** ** as shown on page 20 of the Carbon/Emery Annual Report to the Commission.

1 **PLANT ADDITIONS**

2
3 **Q. On its Exhibit S-5.2, Carbon/Emery presents several investment projects**
4 **which it says are “Projects To Be started in 2005 & Completed in 2005 or**
5 **Early 2006.” Do you or any witness from your firm address these investments?**

6 A. No. From its discovery, it is clear that the DPU is evaluating these post-2004
7 investments. We have not duplicated these DPU efforts. For now our Summary
8 Schedule includes these “Post 2004” investment figures at the same level as in the
9 Company filing. After the DPU files testimony, I reserve the right to review, and as
10 appropriate, support recommendations contained in the DPU testimony (or
11 testimony of any other party).

12
13 **CARBON/EMERY’S PROPOSED EXPENSE ADJUSTMENTS**

14
15 **GPS CHARGES**

16
17 **Q. Plant Expense Adjustment #1 on Exhibit S-5.3 of the Company’s filing states**
18 **“GPS Charges for Vehicles at \$8,000 per month.” Has the Company now**
19 **withdrawn this plant expense adjustment?**

20 A. Yes. In response to CCS Data Request 3.4.1, Carbon Emery indicated that it has
21 withdrawn this plant expense adjustment.

1 **NEW BLACKTOP AND GATES**

2

3 **Q. Plant Expense Adjustment #2 on Exhibit S-5.3 of the Company’s filing states**
4 **“Black Top Price Business Office”. Plant Expense Adjustment #3 states**
5 **“Black Top Price Yard.” Plant Expense Adjustment #4 on Exhibit S-5.3 of the**
6 **Company’s filing indicates the gate will be replaced along with paving the**
7 **Price Yard. (“New Gates for Price yard”). Is there a problem with these**
8 **proposed Plant Expense Adjustments?**

9 A. Yes. As Carbon/Emery indicated in its responses to CCS Data Requests 3.5.1,
10 3.6.1, and 3.7.1, Carbon Emery included the **entire amount** of the costs of
11 blacktopping the Price Business Office and blacktopping and gates at the Price
12 Yard in these Plant Expense Adjustments. Carbon/Emery has included the entire
13 amount of these costs in its test year expenses. This is not reasonable. Blacktop has
14 a life that is much longer than one year. In fact, Carbon Emery indicates that it has
15 never previously blacktopped either of these locations.⁴⁵ Therefore, it is not
16 reasonable to include the entire costs of these projects as a normal annual expense
17 of the Company.

18

19 **Q. What is a reasonable estimate for the useful life of a new blacktop surface?**

20 A. Publicly available information indicates that 15 to 20 years is a reasonable
21 estimated useful life of a new blacktop surface.⁴⁶ It would be much more

⁴⁵ Carbon Emery’s response to CCS Data Requests 3.5.2 and 3.6.2.

⁴⁶ For example, C&R Asphalt Company (www.asphaltanimals.com/FAQs.htm, visited on October 14, 2005) indicates that 20 years is a good average for the useful life of an asphalt parking lot; Dentco Exterior Services Management Company (www.dentco.com/apr2003.asp, visited on October 14, 2005) indicates that the average life span of asphalt is about 15 years.

1 reasonable to amortize the costs of blacktopping these areas over the estimated
2 useful life of the blacktop surfaces.

3
4 **Q. What estimated useful life do you recommend for purposes of amortizing the**
5 **costs of Carbon/Emery’s proposed blacktop/gate projects?**

6 A. To be conservative, I recommend that these costs be amortized over an estimated
7 useful life of 15 years. This results in an annual intrastate expense that is \$71,702
8 less than the blacktop/gate expense in the Company filing.⁴⁷

9
10 **FIBER MAINTENANCE PROJECTS**

11
12 **Q. Item #6 on Exhibit S-5.3 is a Plant Expense Adjustment for “Fiber**
13 **Maintenance Projects”, in which the Company proposes an expense**
14 **adjustment of \$125,035 be added to its test year intrastate costs. Are there any**
15 **problems with the Company’s proposed expense adjustment for these “Fiber**
16 **Maintenance Projects”?**

17 A. Yes. In discovery when we asked the Company to provide support for the claim of
18 expanded “fiber maintenance” expenses, it could not provide reasonable support for
19 it.

20
21 Specifically, Carbon/Emery was asked in discovery to provide a complete detailed
22 description of the “Fiber Maintenance Projects” referred to in the Company’s

⁴⁷ This is included in Schedule RM-1.4 attached to Ms. McCullar’s testimony.

1 expense adjustment. My request, and Carbon/Emery's response are provided

2 below:

3 **CCS Data Request 3.8.1**

4 Request:

5 With reference to Exhibit S-5.3, line 6 description states "Fiber Maintenance
6 Projects". Please provide a complete detailed description of the fiber maintenance
7 projects planned.

8
9 Response:

10
11 The following are lists of jobs and their description:

12
13 13-018 Place cable Railroad Ave. (includes cut-over)
14 13-056 Place cable 600 S. Nick Lane (new building)
15 03-002 Place cable and drop 257 W. Whitmore (replaces aerial)
16 08-001 Place x-box Spring Canyon Rd. (heats up 300 pair)
17 08-002 Replace bad section 102 W.-106 W.300 N. (50pair)
18 08-003 Relocate Pedestal 58 Racey Street
19 08-004 Cut 400 pair into pedestal 4068 N. HWY. 6
20 08-015 Place aerial cable Canyon Street
21 08-015 Cut over Canyon Street aerial cable
22 13-001 Place 100-24 490 East ridge Dr. (replaces defective)
23 13-005 Replace drop 501 N. Carbonville Rd.
24 13-008 Replace pedestals 457 S. 300 W.
25 13-015 Place Cable and Drop 1655 S. 2350 E.
26 13-072 Place x-box 514 Cottonwood Dr.
27 13-072 Cut in x-box 514 Cottonwood Dr.
28 13-019 Place 900-24 100 E. 400 S. (includes cut, replaces def.)
29 13-070 Place cable and drops Robertson Lane
30 13-061 Replace drop 1440 E. 8900 S.
31 13-098 3000 South (fiber cabinet)

32 The list that was allegedly the expanded "fiber maintenance" projects was really
33 just list of various projects, most of which appear to have little or nothing to do
34 with "fiber maintenance". For example, reference is made to "900-24" cable. In
35 standard telecommunications terminology that is a 900 pair, 24 gauge **copper** cable
36 ("24 gauge" is a term that applies to copper cable). Reference to "100-24", "300
37 pair", "400 pair", and "50 pair" are all terms that generally indicate **copper** cables.

1 The list contains numerous references to the installation of cables, drops, pedestals
2 and x-boxes. Installing cables, drops, pedestals and cross-connect (x-box) boxes are
3 normal activities (frequently involving copper cables) that do not demonstrate an
4 expanded “fiber maintenance” expense.

5
6 **Q. Are there other problems with Carbon/Emery’s proposed “fiber
7 maintenance” Plant Expense Adjustment?**

8 A. Yes. Carbon/Emery has not provided any evidence that these activities are over
9 and above the normal activities. During the normal course of business,
10 Carbon/Emery would be required to place cables, place drops, and place cross-
11 connect boxes. Carbon/Emery has provided no evidence that these activities “to be
12 started and completed in 2005” are significantly higher than its similar test year
13 activities. Therefore, Carbon/Emery has provided no valid justification for adding
14 these items to its test year data.

15
16 **Q. Is there any evidence that Carbon/Emery’s fiber maintenance expenses have
17 been increasing?**

18 A. *** *** The fiber maintenance expenses are recorded in expense account 6423,
19 Buried Cable Expense, and it is possible some could be in account 6421, Aerial
20 Cable Expense. As shown below, Carbon/Emery’s expenses in these accounts

21 *** ***

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Carbon/Emery Cable & Wire Facilities Expenses

	<u>2002</u>	<u>2003</u>	<u>2004</u>
6421 Aerial Cable Expense			
6423 Buried Cable Expense			
Total Cable & Wire Facilities Expense ⁴⁸			

Q. What is your recommendation on the claimed additional fiber maintenance expense?

A. The company has not provided evidence reasonably supporting an increase in fiber maintenance expense, and therefore this Company proposed adjustment of \$125,035 intrastate should not be made.⁴⁹

OTHER MAINTENANCE PROJECTS

Q. Item #7 on Exhibit S-5.3 is a Plant Expense Adjustment for “Other Maintenance Projects”, in which the Company proposes an expense adjustment of \$22,065 be added to its test year intrastate costs. Are there any problems with the Company’s proposed expense adjustment for these “Other Maintenance Projects”?

A. Yes. In discovery, I asked Carbon/Emery to provide a detailed description of these other maintenance projects. However, in response to that discovery, Carbon/Emery

⁴⁸ Carbon/Emery’s response to DPU Data Request 1.9(c).
⁴⁹ This is included in Schedule RM-1.4 attached to Ms. McCullar’s testimony.

1 did not provide any description of these projects. My data request, and
2 Carbon/Emery's response is provided below:

3
4 **CCS Data Request 3.9.1**

5
6 Please provide a complete detailed description of the other maintenance
7 projects planned.

8
9 **Carbon/Emery's Response:**

10
11 Given the status of the existing plant in service, Carbon/Emery expects to
12 have an additional \$30,000 in miscellaneous maintenance projects.

13
14 **Q. What do you recommend with respect to Carbon/Emery's proposed "Other
15 Maintenance Projects"?**

16 A. Carbon/Emery has not provided any evidence that these projects are over and above
17 Carbon/Emery's normal expenses. I therefore recommend this Company proposed
18 adjustment of \$22,065 intrastate should not be made.⁵⁰

19
20 **CONCLUSION**

21
22 **Q. Please summarize your recommendations.**

23 A. Yes. For the reasons set forth in this testimony my recommendations are:

24
25 1. The Company filing includes over *** of claimed intrastate annual
26 depreciation expense for accounts that are already fully depreciated. Once an
27 investment is fully depreciated, no further depreciation expense on that fully
28 depreciated investment is appropriate. The Company proposals to include
29 continuing depreciation expense for accounts that are already fully depreciated

⁵⁰ This is included in Schedule RM-1.4 attached to Ms. McCullar's testimony.

1 should be rejected. The four fully depreciated accounts for which the Company is
2 claiming depreciation expense are listed on Schedule WD-1. The specific figures
3 and results of this recommendation are shown on the CCS Summary Schedule that
4 is RM-1, attached to the testimony of Ms. McCullar.

5
6 2. The FCC Rules require that the depreciation expense be placed into the
7 Depreciation Reserve. However the Company filing shows the expected
8 depreciation expense to be \$2.6 million for 2005, but the expected addition to the
9 Depreciation Reserve in 2005 is less than \$0.4 million. Approximately \$2 million
10 is missing from the Depreciation Reserve in the Company filing.

11
12 I recommend the filing be corrected so that the additions to the Depreciation
13 Reserve in year 2005 are equal to the depreciation expense in the year 2005. To do
14 otherwise would violate the required treatment of depreciation expense.

15
16 The implementation of this recommendation is included on the CCS Summary
17 Schedule, which is RM-1 attached to the testimony of Ms. McCullar.

18
19 3. The Corporate Operations expense included in the Company filing contains
20 charges that are unusually high. The annual adjusted Corporate Operations expense
21 that Carbon/Emery is using in its filing is *** *** the actual
22 2002 and 2003 annual Corporate Operations expenses. The Corporate Operations
23 expense proposed by the Company includes the full amount of the rate case
24 consultant fee. I propose the rate case consultant fee be amortized over 5 years.

1 The Legal expense included in the Company proposal is *** the
2 actual 2003 or 2002 legal expense. The test year External Relations and Accounting
3 expenses proposed by the Company are at least *** than they were
4 in 2002 or 2003. I recommend these unusually high expenses in year 2004 be
5 amortized over 5 years. To be conservative, I used the **highest** of the 2003 or 2002
6 actual expenses as the base figure. I recommend a five-year amortization period for
7 the abnormally high Legal, Accounting and External Relations expenses that
8 exceed that base. The results of this recommendation are shown on Schedule
9 WD-3.

10
11 4. I make recommendations pertaining to some of the expense adjustments
12 proposed by the Company as follows:

13 (a) The Company had proposed an added GPS expense. Carbon/Emery has now
14 withdrawn that proposal in its response to CCS Data Request 3.4.1.

15 (b) The Company test year expense included the full cost of blacktopping the
16 business office parking lot and the Yard. It also included the full cost of new gates
17 at the Yard. I propose these costs be amortized over 15 years.

18 (c) The Company proposed an increase for “fiber maintenance” expense and an
19 expense increase for “other maintenance projects.” However, in response to CCS’s
20 discovery requests, the Company was not able to provide reasonable support for
21 these alleged increases in expenses. I recommend these two Company proposed
22 adjustments not be accepted.
23

1 The impact of the above recommendations is included on the CCS Summary
2 Schedule, which is RM-1 attached to the testimony of Ms. McCullar.

3

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

5 A. Yes. However, I reserve the right to support appropriate recommended adjustments
6 proposed by the DPU (or other parties, if any) in its direct testimony.

7

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1 **William Dunkel, Consultant**
2 8625 Farmington Cemetery Road
3 Pleasant Plains, Illinois 62677
4
5

6 Qualifications
7

8 The Consultant is a consulting engineer specializing in telecommunication regulatory
9 proceedings. He has participated in over 200 state regulatory proceedings as listed on the
10 attached Relevant Work Experience.
11

12 The Consultant has provided cost analysis, rate design, jurisdictional separations,
13 depreciation, expert testimony and other related services to state agencies throughout the
14 country in numerous telecommunication state proceedings. The Consultant has also
15 provided depreciation testimony to state agencies throughout the country in electric
16 utility and natural gas proceedings.
17

18 The Consultant made a presentation pertaining to Video Dial Tone at the NASUCA 1993
19 Mid-Year Meeting held in St. Louis.
20

21 In addition, the Consultant also made a presentation to the NARUC Subcommittee on
22 Economics and Finance at the NARUC Summer Meetings held in July, 1992. That
23 presentation was entitled "The Reason the Industry Wants to Eliminate Cost Based
24 Regulation--Telecommunications is a Declining Cost Industry."
25

26 The Consultant provides services almost exclusively to public agencies, including the
27 Public Utilities Commission, the Public Counsel, or the State Department of
28 Administration in various states.
29

30 William Dunkel currently provides, or in the past has provided, services in
31 telecommunications proceedings to the following clients:
32

33 The Public Utility Commission or the Staffs in the States of:
34

35 Arkansas	Mississippi
36 Arizona	Missouri
37 Delaware	New Mexico
38 Georgia	Utah
39 Guam	Virginia
40 Illinois	Washington
41 Maryland	U.S. Virgin Islands
42 Kansas	
43	

1 The Office of the Public Advocate, or its equivalent, in the States of:

2
3 Colorado Maryland
4 District of Columbia Missouri
5 Georgia New Jersey
6 Hawaii New Mexico
7 Illinois Ohio
8 Indiana Pennsylvania
9 Iowa Utah
10 Maine Washington

11
12 The Department of Administration in the States of:

13
14 Illinois South Dakota
15 Minnesota Wisconsin
16
17

18 In April, 1974, the Consultant was employed by the Illinois Commerce Commission in
19 the Electric Section as a Utility Engineer. In November of 1975, he transferred to the
20 Telephone Section of the Illinois Commerce Commission and from that time until July,
21 1980, he participated in essentially all telephone rate cases and other telephone rate
22 matters that were set for hearing in the State of Illinois. During that period, he testified as
23 an expert witness in numerous rate design cases and tariff filings in the areas of rate
24 design, cost studies and separations. During the period 1975-1980, he was the
25 Separations and Settlements expert for the Staff of the Illinois Commerce Commission.
26

27 From July, 1977 until July, 1980, he was a Staff member of the FCC-State Joint Board on
28 Separations, concerning the "Impact of Customer Provision of Terminal Equipment on
29 Jurisdictional Separations" in FCC Docket No. 20981 on behalf of the Illinois Commerce
30 Commission. The FCC-State Joint Board is the national board which specifies the rules
31 for separations in the telephone industry.
32

33 The Consultant has taken the AT&T separations school which is normally provided to the
34 AT&T personnel.
35

36 The Consultant has taken the General Telephone separations school which is normally
37 provided for training of the General Telephone Company personnel in separations.
38

39 The Consultant has completed an advanced depreciation program entitles "Forecasting
40 Life and Salvage" offered by Depreciation Programs, Inc.
41

42 Mr. Dunkel is a member of the Society of Depreciation Professionals.
43

44 Since July, 1980 he has been regularly employed as an independent consultant in
45 telephone rate proceedings across the nation.
46

1 He has testified before the Illinois House of Representatives Subcommittee on
2 Communications, as well as participating in numerous other schools and conferences
3 pertaining to the utility industry.
4

5 Prior to employment at the Illinois Commerce Commission, the Consultant was a design
6 engineer for Sangamo Electric Company designing electric watt-hour meters used in the
7 electric utility industry. The Consultant was granted patent No. 3822400 for a solid state
8 meter pulse initiator.
9

10 The Consultant graduated from the University of Illinois in February, 1970 with a
11 Bachelor's of Science Degree in Engineering Physics with emphasis on economics and
12 other business-related subjects. The Consultant has taken several post-graduate courses
13 since graduation.
14

1		
2	<u>DELAWARE</u>	
3	- Diamond State Telephone Company	
4	General Rate Case	PSC Docket No. 82-32
5	General Rate Case	PSC Docket No. 84-33
6	Report on Small Centrex	PSC Docket No. 85-32T
7	General Rate Case	PSC Docket No. 86-20
8	Centrex Cost Proceeding	PSC Docket No. 86-34
9		
10	<u>DISTRICT OF COLUMBIA</u>	
11	- C&P Telephone Company of D.C.	
12	Depreciation issues	Formal Case No. 926
13		
14	<u>FCC</u>	
15	- Review of jurisdictional separations	FCC Docket No. 96-45
16	- Developing a Unified Intercarrier	
17	Compensation Regime	CC Docket No. 01-92
18		
19	<u>FLORIDA</u>	
20	- BellSouth, GTE, and Sprint	
21	Fair and reasonable rates	Undocketed Special Project
22		
23	<u>GEORGIA</u>	
24	- Southern Bell Telephone & Telegraph Co.	
25	General Rate Proceeding	Docket No. 3231-U
26	General Rate Proceeding	Docket No. 3465-U
27	General Rate Proceeding	Docket No. 3286-U
28	General Rate Proceeding	Docket No. 3393-U
29		
30	<u>HAWAII</u>	
31	- GTE Hawaiian Telephone Company	
32	Depreciation/separations issues	Docket No. 94-0298
33	Resale case	Docket No. 7702
34		
35	<u>ILLINOIS</u>	
36		
37	- Commonwealth Edison Company	
38	General Rate Proceeding	Docket No. 80-0546
39	General Rate Proceeding	Docket No. 82-0026
40	Section 50	Docket No. 59008
41	Section 55	Docket No. 59064
42	Section 50	Docket No. 59314
43	Section 55	Docket No. 59704
44	- Central Illinois Public Service	
45	Section 55	Docket No. 58953
46	Section 55	Docket No. 58999
47	Section 55	Docket No. 59000

1	Exchange of Facilities (Illinois Power)	Docket No. 59497
2	General Rate Increase	Docket No. 59784
3	Section 55	Docket No. 59677
4	- South Beloit	
5	General Rate Case	Docket No. 59078
6	- Illinois Power	
7	Section 55	Docket No. 59281
8	Interconnection	Docket No. 59435
9	- Verizon North Inc. and Verizon South Inc.	Docket No. 02-0560
10	DSL Waiver Petition Proceeding	
11	- Geneseo Telephone Company	
12	EAS case	Docket No. 99-0412
13	- Central Telephone Company	
14	(Staunton merger)	Docket No. 78-0595
15	- General Telephone & Electronics Co.	
16	Usage sensitive service case	Docket Nos. 98-0200/98-0537
17	General rate case (on behalf of CUB)	Docket No. 93-0301
18	(Usage sensitive rates)	Docket No. 79-0141
19	(Data Service)	Docket No. 79-0310
20	(Certificate)	Docket No. 79-0499
21	(Certificate)	Docket No. 79-0500
22	- General Telephone Co.	Docket No. 80-0389
23	- SBC	
24	Imputation Requirement	Docket No. 04-0461
25	Implement UNE Law	Docket No. 03-0323
26	UNE Rate Case	Docket No. 02-0864
27	Alternative Regulation Review	Docket No. 98-0252
28	- Ameritech (Illinois Bell Telephone Company)	
29	Area code split case	Docket No. 94-0315
30	General Rate Case	Docket No. 83-0005
31	(Centrex filing)	Docket No. 84-0111
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32	Request for supplemental KUSF	Docket No. 00-RRLT-518-KSF
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34	Audit and General rate proceeding	Docket No. 01-SNKT-544-AUD
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36	Audit and General rate proceeding	Docket No. 01-PNRT-929-AUD
37	- Craw-Kan Telephone Cooperative, Inc.	
38	Audit and General rate proceeding	Docket No. 01-CRKT-713-AUD
39	- Sunflower Telephone Company, Inc.	
40	Audit and General rate proceeding	Docket No. 01-SFLT-879-AUD
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42	Audit and General rate proceeding	Docket No. 01-BSST-878-AUD
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44	Audit and General rate proceeding	Docket No. 02-HOMT-209-AUD
45	- Wilson Telephone Company, Inc.	
46	Audit and General rate proceeding	Docket No. 02-WLST-210-AUD
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20		<u>MARYLAND</u>	
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24		Cost Allocation Issues Case	Case No. 8462
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35		Centrex/Centron proceeding	Docket No. P-421/91-EM-1002
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39			MPUC No. P-421/M-84-25
40			MPUC No. P-421/M-84-26
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15	General rate proceeding	TR-80-256
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21	Depreciation proceeding	TR-93-181
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27	<u>NEW JERSEY</u>	
28	- New Jersey Bell Telephone Company	
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30	General rate proceeding	BPU No. 815-458
31		OAL No. 3073-81
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33		OAL No. PUC10506-82
34	General rate case	BPU No. 848-856
35		OAL No. PUC06250-84
36	Division of regulated	BPU No. TO87050398
37	from competitive services	OAL No. PUC 08557-87
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40	<u>NEW MEXICO</u>	
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42	E-911 proceeding	Docket No. 92-79-TC
43	General rate proceeding	Docket No. 92-227-TC
44	General rate/depreciation proceeding	Case No. 3008
45	Subsidy Case	Case No. 3325
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1	Subsidy Case	Case No. 3300
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11	General rate proceeding	Docket No. 81-383-TP-AIR
12	- United Telephone Company	
13	General rate proceeding	Docket No. 81-627-TP-AIR
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15	<u>OKLAHOMA</u>	
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19	<u>PENNSYLVANIA</u>	
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21	Interconnection proceeding	Docket No. A-310125F002
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33	Local Calling Area Case	Docket No. C-902815
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36	GTE for Approval of Agreement	A-311350F0002, A-310222F0002,
37	and Plan of Merger	A-310291F0003
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44	<u>TENNESSEE</u>	
45	(on behalf of Time Warner Communications)	
46	- BellSouth Telephone Company	
47	Avoidable costs case	Docket No. 96-00067

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- U.S. West Communications (Mountain Bell Telephone Company)
 - General rate case Docket No. 84-049-01
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- Virgin Islands Telephone Company
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- General Telephone Company of the South
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- US West Communications, Inc.
 - Interconnection case Docket No. UT-960369
 - General rate case Docket No. UT-950200
- All Companies-
Analyzed the local calling
areas in the State

WISCONSIN

- Wisconsin Bell Telephone Company
 - Private line rate proceeding Docket No. 6720-TR-21
 - General rate proceeding Docket No. 6720-TR-34

