

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

IN THE MATTER OF THE)	DOCKET NO. 05-2302-01
APPLICATION FOR INCREASE OF)	
RATES AND CHARGES AND USE)	DPU Exhibit No. 4.0R
ELIGIBILITY FOR CARBON/EMERY)	
TELCOM, INC.)	

REBUTTAL TESTIMONY

OF

PAUL M. ANDERSON

**DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

December 14, 2005

TABLE OF CONTENTS

<u>Subject</u>	<u>Page Number</u>
I. IDENTIFICATION OF WITNESS	3
II. PURPOSE OF TESTIMONY	3
III LOCAL TRANSPORT AND END OFFICE SWITCHING RATE	
DISCUSSION	4

1
2
3
4
5
6
7
8
9
10
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12
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I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH THE DIVISION OF PUBLIC UTILITIES.

A. My name is Paul M. Anderson. My business address is Heber M. Wells Building, 160 East 300 South, 4th Floor, Salt Lake City, Utah. I am employed as a Utility Analyst for the State of Utah in the Division of Public Utilities. I am testifying on behalf of the Division of Public Utilities (DPU).

Q. ARE YOU THE SAME PAUL ANDERSON WHO PREVIOUSLY PROVIDED DIRECT TESTIMONY FOR THE DPU FOR THIS DOCKET?

A. Yes. My qualifications are summarized in DPU Exhibit 4.1 of that testimony.

II. PURPOSE OF TESTIMONY

Q. PLEASE STATE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

A. The purpose of my testimony is to rebut the CCS Direct Testimony of Thomas Regan in the section on Rate Design, (Page 20-21), recommending that Emery/Carbon’s revenue requirement should just be recovered from raising the one party residence and business basic rates close to the Utah affordable rate level.

23 My testimony also reinforces the Division's belief that the revenue requirement
24 for Carbon/Emery after adjustments and basic rate increases for residence and
25 business of \$1 each can be completely achieved by raising the carrier access rates
26 for local transport and end office switching to the Company requested levels.

27

28 **III LOCAL TRANSPORT AND END OFFICE SWITCHING RATE**

29 **DISCUSSION**

30

31 **Q. WHY DOES THE DIVISION RECOMMEND THE LOCAL TRANSPORT**
32 **AND END OFFICE SWITCHING RATES BE SET AT COMPANY**
33 **REQUESTED LEVELS?**

34 **A.** The DPU continues to support access rate increases since the existing local
35 transport composite rate submitted by the Company is substantially lower as
36 compared to its parent company, Emery Telcom and the average for other Utah
37 rural telephone company access rates. Likewise, the end office switching rate is
38 lower than average. The DPU believes that before recommending an increase in
39 basic service rates, costs for other revenue generating services should be
40 recovered by setting appropriate rate levels that are in line with possible
41 competitive offerings. The DPU believes that bringing access rates more in line
42 with Utah rural averages should not affect competitive customer demand for these
43 services

44

45 **Q. WHY DOES THE DIVISION BELIEVE THAT THE LOCAL ACCESS**
46 **RATES SHOULD BE RAISED TO HELP MEET THE COMPANY'S**
47 **REVENUE REQUIREMENT RATHER THAN RAISING THE**
48 **RECURRING RESIDENCE AND BUSINESS ONE-PARTY SERVICE**
49 **RATES TO THE EXISTING OR RECOMMENDED UTAH**
50 **AFFORDABLE RATE LEVEL?**

51 A. Adopting access rates as proposed by the Company, until the recommended cost
52 study is performed, moves the applicant's access rates closer to Utah's rural
53 average access rate and is not only likely to be cost justified, but it is more
54 appealing than raising customer basic rates to the Utah affordable level. The DPU
55 suggests that basic rates should be raised to the affordable level gradually to avoid
56 "rate shock." Casey J. Coleman discusses the graduated approach to increasing
57 basic rates to the affordable rate level in his Direct Testimony (Page 6 Of 12, lines
58 110-112). The Committee did not provide cost studies, documents, etc. to support
59 their position to raise basic rates close to the Utah affordable level in their
60 response to the DPU's first set of data requests.

61
62 Carbon/Emery's proposed access rates may be more in line with the "actual costs"
63 of providing the service. The DPU believes the costs of providing local access
64 and transport services to carriers should be reflected in the access rates and should
65 not be subsidized by basic rate payers and, therefore, recommends the cost model
66 approach to setting access rates.

67

68 The DPU believes that implementing the Company proposed access rates will not
69 cause the company to lose access customers since these rates compare favorably
70 with competitors and industry rates.

71

72 **Q. WHAT WILL A COST STUDY OR COST MODEL APPROACH**
73 **ACCOMPLISH IN THE DEVELOPMENT OF A NEW CARRIER**
74 **ACCESS RATE STRUCTURE?**

75 A. As explained in my Direct Testimony, a cost study using the HAI 5.2a cost model
76 as amended by the Commission will develop both transport and local switching
77 access rates based either on minutes of use (MOU), or purchase of flat rated end
78 office switch ports. The rates developed using this cost model will be derived
79 from input received from Emery/Carbon and will reflect actual costs to provide
80 the service. The DPU continues to recommend that the Commission order this
81 cost study to develop access rates that will result in a more “cost based” outcome
82 rather than accept the Committee’s recommendation of not raising access rates,
83 but having all revenue requirements covered by basic service rate increases.

84

85 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

86 A. Yes it does. Thank you.