

The parties' Stipulation was filed with the Commission on May 24, 2010.

The administrative law judge of the Commission held a duly-noticed hearing on June 1, 2010. Kira Slawson represented the Company. Darren Woolsey and Brock Johansen testified for the Company. Michael Ginsberg, assistant attorney general, represented the Division. Paul Hicken testified for the Division.

Mr. Hicken stated that he led the audit for the Division, of the Company's books, records and operations of the Company pertaining to its interstate and intrastate operations. In determining whether the Company merited its proposed increase in its state USF support of \$991,696, he stated the Division used total company results to calculate eligibility. The Company did not want to increase its rates and charges to its customers, and instead desired to garner additional revenue from the state USF.

The Division propounded ten sets of data requests to the Company and the Company responded to those requests. The Division also conducted two site visits to the Company to review accounting records and discuss the Company's operations.

Following the gathering of information, the Division, together with the Office of Consumer Services (OCS), participated in settlement conferences on February 23, 2010 and March 9, 2010, and reached the Stipulation filed with the Commission. Some of the main points of the Stipulation are:

- An increase in the annual intrastate revenue requirement for the Company of \$881,024.00;

- The Company will impute revenues of \$93,024, which amount could have been realized with the rate increase to the affordable rate base. Therefore, the balance of the revenue requirement funded from the state USF is \$788,000.
- The Company may increase its Base Affordable Rates to \$16.50 for residential lines and \$26.00 for business lines (these rates were previously approved by the Commission), within the next six months upon filing new tariff sheets with the required information;
- The revenue requirement and state USF distribution are based on a rate of return on equity of 12.24% using the Company's actual capital structure;
- There was initially some dispute among the parties regarding the use of 2008 as a test year. After reviewing the reasons for the discrepancy between the 2008 and 2009 expenses, the Division concurred with 2008 as a test year;
- The Division agreed to consider verifiable reduced expenses for the Company during the first quarter of 2010, due to the acquisition of Precis and make adjustments and annualize those expenses over the next three quarters of 2010. The Company agrees not to file for a rate increase in 2010 unless extraordinary circumstances necessitate the filing.

The details of the stipulation are contained in Exhibit A below. The Division's witness stated that the Division found the Stipulation to be just and reasonable and in the public interest. No one objected to the entry of the Stipulation as the Order of this Commission.

The Commission finds that the terms of the Stipulation are just and reasonable, having been a product of negotiations between the parties. The terms of the Stipulation will allow the Company to receive the needed rate increase, which is required to ensure the Company

may continue to provide safe, reliable, adequate, and reasonably priced telecommunications and other related services to its customers. Therefore, the following is the Order of the Commission:

ORDER

1. The Stipulation of the parties is approved;
2. The terms of the Stipulation shall be the order of this Commission, and its terms are incorporated into this Order as if set forth here;

Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of Sections 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 24th day of June, 2010.

/s/ Ruben H. Arredondo
Administrative Law Judge

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Approved and confirmed this 24th day of June, 2010, as the Report and Order of
the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#67285

EXHIBIT A

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of Carbon/Emery Telcom, Inc.'s
Application for an Increase in USF
Eligibility**

STIPULATION

Docket No. 09-2302-01

STIPULATION

Pursuant to Utah Code Annotated § 54-7-1, Carbon/Emery Telcom, Inc. (the "Applicant") and the Division of Public Utilities ("Division") (collectively, the "Parties"), stipulate and move the Public Service Commission of Utah ("Commission"), as follows:

1. Applicant filed its Application for Increase of Rates and Charges and USF Eligibility on September 22, 2009 (the "Application"), pursuant to Utah Code Annotated §§ 54-7-12 and 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure.
2. The Division conducted an audit of the books and records of the Applicant pertaining to the Applicant's interstate and intrastate operations, and submitted Data Requests to the Applicant, which the Applicant answered. Following the audit, the Division and the OCS submitted their recommendations and the Parties participated in a settlement conference that concluded in the agreement described herein.
3. The Parties agree to an increase in the annual intrastate revenue requirement for the Applicant of \$881,024.00.
4. The Applicant's Rates for basic local residential and business rates are currently \$15.49 per month and \$25.49 per month, respectively. The Parties agree that the Commission has previously approved Base Affordable Rates, pursuant to Utah Code Section 54-8b-15 and R746-360, of \$16.50 for residential lines, and \$26.00 for business lines. The Parties further agree that the Applicant may, in its discretion, at any time during the six-month period following the approval of this Stipulation by the Commission, increase its current rates to the Base Affordable Rates, upon the filing of new tariff sheet(s) setting forth the

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new rate and notification to the Commission and all potentially affected access line subscribers in accordance with Utah Code Section 54-7-12(8),. The DPU agrees not to oppose the increase in the residential and business services described above, and to conduct any review requested by the Commission in a timely manner. An increase in Applicant's rates to the Affordable Base Rate would result in a \$93,024 annual increase in revenue. The Parties agree to impute \$93,024.00 in revenue to the Applicant for purposes of determining USF eligibility.

5. Of the \$881,024.00 increase in the annual intrastate revenue requirement described in paragraph 3 above, \$93,024.00 would either be generated by the implementation of the rate increases described in paragraph 4 above, or if the Applicant determines not to raise its rates, shall be imputed to Applicant.
6. The balance of the increase in the annual intrastate revenue requirement for the Applicants shall be funded by the intrastate USF in the amount of \$788,000.00 in addition to the current \$250,714.00 in intrastate USF currently being received by the Applicant, for a total annual USF distribution to Applicant of \$1,038,714.00.
7. The parties agree for purposes of this Stipulation only that the revenue requirement and State USF distribution be based on a Rate of Return on equity of 12.24% based on the actual capital structure of the Company for the year ending December 2008.
8. The Parties agree that the increase in the revenue requirement, the Base Affordable Rate increase or imputation, and USF eligibility set forth herein are in the public interest of the subscribers of the Applicants and are just and reasonable and should be approved by the Commission.
9. The Parties agree that, if the DPU reviews the Applicant's annual report for 2010 for compliance with USF funding requirements, the Division will recognize verifiable reduced expenses during the 1st quarter of 2010 due to the acquisition of the Precis network, and will make adjustments to annualize those expense categories based on 2nd – 4th quarter results of operations.
10. The parties agree that the Company will not file for an increase in USF distribution based on 2010 results of operation unless extraordinary events occur that materially affect the Company's financial health.
11. The Parties recommend to the Commission that the increase in the authorized USF distribution described in paragraph 5 be effective upon Commission's order authorizing such.

12. The Parties agree that this Stipulation represents a resolution among them of the matters in this proceeding included within this Stipulation. As such, all discussions or conduct relating to this Stipulation are privileged and confidential.
13. In the event the Commission or a court rejects all or any portion of this Stipulation as resolving the issues included within this Stipulation, or imposes additional conditions with respect to such issues, each Party reserves the right to withdraw from this Stipulation. In such case, no Party to this Stipulation shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission order, to file any testimony it chooses, to cross-examine witnesses, and in general to put on such case as it deems appropriate. If this Stipulation does not become effective according to its terms, it shall be null and void unless otherwise agreed to by the Parties.
14. Except to the extent expressly stated in this Stipulation, nothing in this Stipulation shall be (1) cited or construed as precedent or as indicative of the Parties' positions on a resolved issue, or (2) asserted or deemed to mean that a Party agreed with or adopted another Party's legal or factual assertions in this or any other proceeding, including those before the Commission, the state courts of Utah or of any other state, the federal courts of the United States of America, or the Federal Communications Commission. The limitation in this paragraph shall not apply to any proceeding to enforce the terms of this Stipulation or any Commission order adopting this Stipulation.
15. The Parties acknowledge that this Stipulation is the product of negotiations and compromise and shall not be construed against any Party on the basis that it was the drafter of any or all portions of this Stipulation. This Stipulation constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations shall be relied upon by the Parties. By entering into the Stipulation, the Parties intend that the Commission exercise only that authority contained in applicable laws.
16. Each Party shall take all actions necessary and appropriate to enable it to carry out this Stipulation, including, providing witnesses and argument in support of the approval by the Commission of the Stipulation. With respect to the Division and Office any explanation and support of this Stipulation will be made consistent with their statutory responsibilities.
17. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

18. The Parties recommend that the Commission adopt this Stipulation in its entirety. No Party shall appeal any portion of this Stipulation and no Party shall oppose the adoption of this Stipulation pursuant to any appeal filed by any person not a party to the Stipulation. The Applicant and the Division shall make witnesses available to provide testimony in support of this Stipulation, including testimony to explain the basis of their support for this Stipulation. In the event other parties introduce witnesses opposing approval of the Stipulation, the Parties agree to cooperate, to the extent consistent with the statutory responsibilities of the Division and Office, in cross-examination and in providing testimony as necessary to rebut the testimony of opposing witnesses.
19. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.
20. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.