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**THE FOLLOWING CONTAINS INFORMATION WHICH IS CONFIDENTIAL
SUBJECT TO PROTECTIVE ORDER IN DOCKET NO. 15-042-01**

—
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

—
IN THE MATTER OF EMERY
TELEPHONE'S APPLICATION FOR
AN INCREASE IN UTAH UNVERSAL
SERVICE FUND SUPPORT

APPLICATION FOR INCREASE IN
UTAH UNIVERSAL SERVICE FUND
SUPPORT

DOCKET NO. 15-042-01

Emery Telephone ("Emery") hereby files this Application for an Increase in Utah Universal Service Fund ("UUSF") Support with the Public Service Commission of Utah (the "Commission") pursuant to Utah Code Annotated Sections 54-8b-15 and Utah Administrative Code R746-360 and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Anno. Sections 54-4-1, 54-8b-15, and Utah Administrative Code R746-360.
2. Pursuant to R746-360-6.A.1 of the Commission Rules, "to qualify to receive USF support funds, a telecommunications corporation shall be designated an 'eligible telecommunications carrier,' pursuant to 47 U.S.C. Section 214(e), and shall be in compliance with Commission orders and rules. Each telecommunications corporation receiving support shall

use that support only to provide basic telecommunications service and any other services or purposes approved by the Commission.”

3. R746-360-6.A.2(b) provides that “Rate-of-return Incumbent telephone corporations shall complete a Commission review of their revenue requirement and public telecommunications services’ rate structure prior to any change in their USF distribution which differs from prior USF distribution, beginning with the USF distribution for December, 1999.”

4. R746-360-6.B provides that “to be eligible, a telecommunications corporation may not charge retail rates in excess of the Commission determined Affordable Base Rates for basic telecommunications service or vary from the terms and conditions determined by the Commission for other telecommunications services for which it receives Universal Service Fund support.”

5. Emery is a Utah/IRC501(c)(12) cooperative qualified to transact business within the State of Utah. Emery operates as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Emery by the Commission. Emery has been designated an “eligible telecommunications carrier” pursuant to 47 U.S.C. Section 214(e), and is in compliance with Commission Orders and rules.

6. This Application seeks an increase in UUSF support for Emery, and is accompanied by supporting information and schedules in accordance with Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission’s Rules of Practice and Procedure to support Emery’s Application for an Increase in UUSF Support. Attachment 1 to this Application lists the supporting information which can be found in the pre-filed written direct testimony and exhibits of the following witnesses:

- **Brock Johansen**, Chief Executive Officer of Emery Telephone, will provide an overview of the operations of Emery including discussion of the current revenue requirement and shortfall of Emery.
- **Darren Woolsey**, Chief Financial Officer of Emery Telephone will present Emery's overall revenue requirement based on the operations during the test year, adjusted for known and measurable changes. Mr. Woolsey will describe in detail the sources of data and will present certain normalizing adjustments and known and measurable changes related to revenue, operations expense, depreciation and amortization, rate base, and taxes.

7. Calendar year 2014 constitutes a reasonable test year for the purpose of determining the appropriate amount of additional support from Utah's Universal Service Fund. Emery's revenue requirement calculation includes known and measurable test year adjustments.

8. Emery's present tariff charges, adjusted for known and measurable changes, do not provide sufficient revenues to cover Emery's 2014 test year costs adjusted for known and measurable changes thereto. At December 31, 2014, after imputation of an increase in basic service rates from Emery's current rates to the Commission approved affordable base rates of \$16.50 and \$26.00, Emery is still experiencing an annual revenue requirement deficiency of \$739,293 (see Confidential Exhibit Emery DW 1) against Emery's adjusted 2014 test year costs when considering plant construction, known and measurable changes thereto, and including an overall rate of return of 10.50% based on a theoretical capital structure of 65% equity and 35% debt (calculated on a basis of a state return on equity of 12.13% and a return on debt of 5.636%) (see Testimony of Darren Woolsey, Confidential Exhibits Emery-DW 1- 13).

9. Emery's current rate for basic residential service (R-1) is \$15.00 per month and for basic business service (B-1) is \$24.50 per month. As indicated above, and set forth in detail in the Testimony of Brock Johansen and Darren Woolsey filed herewith, included in this filing is a known and measurable revenue adjustment for the shortfall of revenue at Emery's existing rates as compared to the Commission approved base affordable rates of \$16.50 and \$26.00 for R-1 and B-1 respectively (see Testimony of Darren Woolsey and Confidential Exhibit Emery-DW 7b). As a Cooperative, Emery's Board of Directors have a fiduciary responsibility to their member owners, as well as the company, with the goal of preserving the ability of Emery to provide exceptional telecommunication services at reasonable and affordable rates. With this responsibility, Emery reserves the right to establish end user rates in conjunction with the filing with the understanding that the increase in the amount of UUSF will be adjusted accordingly to account for the difference between actual rates and the State established base affordable rate.

10. By this Application, Emery seeks to have its revenue shortfall made up by additional UUSF support in the annual amount of \$739,293. This additional UUSF distribution is essential to permit Emery to continue to provide telecommunications services at just and reasonable rates and to recover its reasonable costs of service and a reasonable rate of return on the value of its property devoted to public use.

11. Emery also seeks a one-time lump-sum distribution to Emery from the UUSF in the amount of the reasonable costs incurred by Emery associated with this Application.

12. Emery requests that the Commission, in accordance with Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure, approve an additional annual USF distribution of \$739,293, plus a one-time lump-sum payment from the

UUSF to Emery to cover its costs associated with this Application, as being just and reasonable, and in the public interest.

WHEREFORE, Emery respectfully submits this Application for Utah Universal Service Fund support.

DATED this 27th day of March, 2015.

BLACKBURN & STOLL, L.C.

By _____
Kira M. Slawson
Attorney for Emery Telephone

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Emery Telephone Application for an Increase in Universal Service Fund Support, Docket No. 15-042-01 was sent to the following individuals by mailing a copy thereof via first-class mail, postage prepaid, this 27th day of March, 2015:

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ATTACHMENT 1
EMERY TELEPHONE
APPLICATION FOR UUSF SUPPORT
Index

Testimony of Brock Johansen

Confidential Exhibit Emery BJ1 Collection Policy and Bad Debt Write Off Policy
Confidential Exhibit Emery BJ2 Penalties and Fines

Testimony of Darren Woolsey

Confidential Exhibit Emery DW 1 USF Calculation Worksheet
Confidential Exhibit Emery DW 2 Rate Base Calculation
Confidential Exhibit Emery DW 3 Cost of Capital / Rate of Return Calculations
Confidential Exhibit Emery DW 4 Trial Balances - 2013 and 2014 (4 pages)
Confidential Exhibit Emery DW 5 Cash Working Capital Calculation
Confidential Exhibit Emery DW 6 Summary of Apportionment Ratios by Account - 2013
Confidential Exhibit Emery DW 7 Known and Measurable Adjustment Summary
Confidential Exhibit Emery DW 7a Landline Loss
Confidential Exhibit Emery DW 7b Local Service Rate Imputation to Base Affordable Rate
Confidential Exhibit Emery DW 7c Shared Asset Allocation
Confidential Exhibit Emery DW 8 Emery Telcom Cost Study-Part 36
Confidential Exhibit Emery DW 8a 2013 Cost Study - Combined Regulated Entities
Confidential Exhibit Emery DW 9 Cost Allocation Manual - Accounting and General
Confidential Exhibit Emery DW 9a Cost Allocation Manual - CABS Allocator
Confidential Exhibit Emery DW 9b Cost Allocation Manual - Business Solutions
Confidential Exhibit Emery DW 9c Cost Allocation Manual - Outside Plant and Dispatch
Confidential Exhibit Emery DW 9d Cost Allocation Manual - Inside Plant
Confidential Exhibit Emery DW 9e Cost Allocation Manual - Engineering
Confidential Exhibit Emery DW 9f Cost Allocation Manual - Billing and Collection
Confidential Exhibit Emery DW 9g Cost Allocation Manual – HR Allocation
Confidential Exhibit Emery DW10 2013 Audited Financial Statements (34 pages)
Confidential Exhibit Emery DW10a 2013 Audit Journal Entries
Confidential Exhibit Emery DW10b Year 2013 Audit Exit Memo (7 pages)
Confidential Exhibit Emery DW 11 Personnel Chart / Line of Authority
Confidential Exhibit Emery DW 12 Corporate Structure
Confidential Exhibit Emery DW 13 Bad Debt Expense and Subsequent Collections