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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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| <b>In the Matter of the Emery Telephone's</b> | : | <b>Docket No. 15-2302-01</b> |
| <b>Application for an Increase in Utah</b>    | : | <b>DPU Exhibit 1.0 SR</b>    |
| <b>Universal Service Fund Support</b>         | : | <b>(REDACTED)</b>            |
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**SUR-REBUTTAL TESTIMONY**

**OF**

**William Duncan**  
**STATE OF UTAH**  
**DIVISION OF PUBLIC UTILITIES**

**September 18, 2015**

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**I. INTRODUCTION**

**Q: Please state your name for the record.**

**A:** My name is William Duncan.

**Q: Are you the same William Duncan that filed direct and rebuttal testimony in this docket?**

**A:** Yes.

**II. PURPOSE AND SCOPE OF TESTIMONY**

**Q: What is the purpose of your sur-rebuttal testimony in this proceeding?**

**A:** My testimony will first respond to certain adjustments proposed by Darren Woolsey in his rebuttal testimony dated September 4, 2015. Second, my testimony will outline the issues where the DPU still disagrees with Carbon-Emery and finally it will revise the DPU recommendation for changes in Carbon-Emery UUSF eligibility.

**Q: Please summarize the adjustments that the Division wishes to address.**

**A:** In his rebuttal testimony, lines 72 -91, Mr. Woolsey proposes four adjustments to Carbon/Emery's initial filing. The DPU accepts and adopts three of these adjustments, and accepts one other adjustment with a slight modification. Additionally, the DPU agrees with Mr. Woolsey's assessment of the appropriate rate of return for the interstate jurisdiction in calculating total rate of return, found in lines 1119-1131 of his rebuttal testimony.

22 **Q. Please describe any exhibits included with your sur-rebuttal testimony.**

23 **A.** I have revised exhibits 1.1 and 1.2 from my direct testimony to reflect the changes. These  
24 exhibits are attached as exhibits 1.1SR and 1.2SR.

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26 **Q. Please identify the three adjustments of Mr. Woolsey that the DPU accepts.**

27 **A.** The three adjustment are:

28 1. Land line loss. In its initial filing, Carbon/Emery Telcom estimated decreased revenue  
29 from land line loss of [REDACTED]. In his rebuttal testimony, lines 76 – 78, Mr. Woolsey  
30 revises that estimate to a loss of [REDACTED], a change of [REDACTED]. The DPU has reviewed  
31 this adjustment and believes it is reasonable.

32 2. DSL revenue requirement. On lines 82-88 of his rebuttal testimony, Mr. Woolsey  
33 describes an adjustment of [REDACTED] that is the result of the 2014 Interstate cost study.  
34 The DPU agrees with this adjustment.

35 3. On lines 89 – 91 of his rebuttal testimony, Mr. Woolsey describes an adjustment of  
36 [REDACTED] that is a reduction in rate base. The DPU agrees with this adjustment and has  
37 included it in its UUSF calculations and is seen in column E, line 9 of DPU exhibit  
38 1.2SR.

39 **Q. Please describe the adjustment of Mr. Woolsey's that the DPU believes should be  
40 modified.**

41 **A.** On lines 80-82 of his rebuttal testimony, Mr. Woolsey describes an increase in revenue of  
42 [REDACTED] that is the result of migration of customers that currently receive internet service  
43 from Carbon-Emery's cable TV affiliate that will transition to receiving internet service

44 through the regulated fiber to the home (FTTH) network. A more detailed explanation  
45 and analysis of this adjustment is found on lines 998 – 1029 of his rebuttal testimony. In  
46 this analysis, Mr. Woolsey uses a rate of return of [REDACTED] to determine the UUSF impact  
47 of [REDACTED]/month/customer. The DPU can agree with the methodology used, however when  
48 the DPU rate of return of [REDACTED] is used in the calculation, the impact is  
49 [REDACTED]/month/customer. This equates to additional annual revenue of [REDACTED] that is  
50 imputed to Carbon.

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52 **Q. Please summarize the changes to revenue proposed by the DPU.**

53 **A.** The table below summarizes the revenue adjustments proposed by the DPU and  
54 compares them to the adjustments proposed by Carbon:

| Revenue Source              | Carbon Rebuttal | DPU Sur-rebuttal |
|-----------------------------|-----------------|------------------|
| Land Line Loss              | [REDACTED]      | [REDACTED]       |
| DSL Revenue Requirement     | [REDACTED]      | [REDACTED]       |
| Cable TV Customer Migration | [REDACTED]      | [REDACTED]       |
| Total Revenue Adjustment    | [REDACTED]      | [REDACTED]       |

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56 The Carbon revenue adjustment is shown on C1 of DPU exhibit 1.1 SR. The DPU  
57 revenue adjustment is shown on H1 of DPU exhibit 1.1 SR.

58 **Q. Please describe the DPU's change in rate of return.**

59 **A.** On lines 1107 – 1131, Mr. Woolsey questions the DPU calculation of overall rate of  
60 return that was based on some erroneous information received from NECA. The DPU has

61 contacted NECA and resolved the difference. The DPU has corrected the error and will  
62 use an overall ROR of 9.85% in calculating UUSF eligibility. Casey Coleman will  
63 discuss this change in his testimony.

64 **Q. Please identify the areas where the DPU is not in agreement with Carbon-Emery.**

65 **A.** There are two issues that the DPU and Carbon are not in agreement. Those differences  
66 are listed below:

- 67 1. Rate of Return on intrastate investment. The Carbon-Emery application used an  
68 intrastate ROR of [REDACTED]. The DPU's position is an intrastate ROR of [REDACTED].  
69 This will be addressed more fully in the DPU testimony filed by Casey Coleman.
- 70 2. Depreciation. The appropriate calculation of depreciation expense will be  
71 presented by DPU witness Joseph Hellewell.

72 **Q. Based on the adjustments accepted by the DPU, what is the DPU's recommendation**  
73 **for UUSF?**

74 **A.** The DPU recommends a reduction in Carbon's UUSF of \$14,458 annually. Carbon-  
75 Emery currently receives UUSF of \$1,038,714 annually. This change would reduce  
76 Carbon-Emery's annual distribution to \$1,024,256. The table below summarizes the DPU  
77 position compared to the Carbon rebuttal position in Mr. Woolsey's testimony:

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|  | Carbon Rebuttal | DPU Sur-rebuttal | Difference |
|--|-----------------|------------------|------------|
| Rate Base  | ██████████      | ██████████       | ██████████ |
| Rate of Return (rounded)   | ██████          | ██████           |            |
| Required Return  | ██████████      | ██████████       | ██████████ |
| Operating Expenses   | ██████████      | ██████████       | ██████████ |
| Taxes  | ██████████      | ██████████       | ██████████ |
| Revenue Requirement<br>Return + expenses + taxes                             | ██████████      | ██████████       | ██████████ |
| Revenue from operations –<br>includes current USF and<br>revenue adjustments | ██████████      | ██████████       | ██████████ |
| Revenue deficiency/excess  | ██████████      | ██████████       |            |

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

86 **A:** Yes.