

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

In the Matter of the Second Amended)
Application for Increase of Rates And) DOCKET NO. 08-046-01
Charges and Increase in USF Eligibility for)
Manti Telephone Company)

REDACTED
SUR-REBUTTAL TESTIMONY

OF

DALLAS COX

ON BEHALF OF

MANTI TELEPHONE COMPANY

1 Q. **Please state your name, occupation and business address.**

2 A. Dallas Cox. I am the Assistant General Manager, Manti Telephone Company (“MTC”).

3 MTC’s business address is 40 West Union Street, Manti UT 84642.

4

5 Q. **Are you filing sur-rebuttal testimony on behalf of Manti Telephone Company?**

6 A. Yes.

7

8 Q. **What is the purpose of your sur-rebuttal testimony?**

9 A. First, I will address the DPU and OCS adjustments regarding regulated and non-regulated
10 allocations. Then, I will address the issue of shared employees between the regulated and
11 non-regulated companies. Finally, I will address Manti’s use of UUSF funds for wage
12 increases.

13

14 Q. **Can you please describe MTC and MTCC?**

15 A. MTC is a Utah corporation and is the regulated telephone company that provides
16 regulated telephone service to customers located in the communities of Manti, Ephraim,
17 and Sterling, Utah. MTC is owned by my father, me and my siblings. My father, my
18 mother, and I are employees of MTC. MTCC is a separate Utah corporation and is a non-
19 regulated company that is owned by Dallas Cox, Natalie Adamson, Connie Cox, and
20 Gavin Cox. It provides broadband, long distance, cable television and wireless services
21 to customers located in Sanpete County, Utah. With one exception, which I discuss
22 below, MTCC has its own management, its own employees, its own payroll, equipment,
23 and accountant. It is operated as a separate and distinct company from MTC.

24

25 **Q. Does MTC have any common or shared employees with MTCC?**

26 A. MTC and MTCC share one employee. Gary Hughes provides IT services to MTC and
27 MTCC. Other than Mr. Hughes, MTC and MTCC do not have any shared or common
28 employees.

29

30 **Q. Does MTC provide any services or facilities to MTCC?**

31 A. Yes. MTCC pays MTC the tariffed rate for use of MTC's telephone facilities over which
32 MTCC provides broadband and cable services. MTCC also pays MTC a tariffed rate for
33 Billing and Collection services that MTC provides on behalf of MTCC.

34

35 **Q. What are the rates that MTCC pays for these services?**

36 A. As discussed previously, MTCC pays MTC the tariffed rate of \$5.00 per customer per
37 month for use of its fiber facilities. MTCC pays MTC \$0.06 per line item on customer
38 bills for Billing and Collection services. This amounts to approximately \$1,500 per
39 month, but can vary from month to month.

40

41 **Q. Have you reviewed the rebuttal testimony of the OCS and the DPU?**

42 A. Yes.

43

44 **Q. The OCS and the DPU state that they do not believe that the tariffed rate that MTC**
45 **charges MTCC, \$5.00 per customer per month is adequate. What is your response?**

46 A. This is the rate contained in MTC's tariff for providing this service. It is the rate that
47 MTC is required by law to charge any other company who desired to use MTC facilities
48 for the purpose. The tariff was filed by MTC with the State and the tariff prices were
49 approved by the State. MTC is not at liberty to charge more for these services.

50

51 **Q. Is the \$5.00 per customer per month adequate to cover the costs associated with**
52 **providing the service?**

53 A. Yes. As indicated in previous testimony, MTC's copper facilities and plant were
54 deteriorating and needed to be replaced. The sheathing was wearing off the copper
55 exposing the wire. Without replacement of this plant, MTC would be unable to continue
56 providing quality telephone service to its customers. In reviewing plant construction
57 options, MTC recognized that replacing the copper facilities with fiber facilities was less
58 expensive than replacing the copper facilities with copper facilities. Additionally,
59 installation of fiber facilities has become standard in the industry. So MTC decided to
60 replace its copper telephone facilities with fiber to improve the quality and save money.
61 This plant upgrade was necessary so that MTC could continue to provide quality
62 telephone service to its customers. So MTC invested approximately \$4,000,000 in plant
63 upgrades to replace its copper facilities. The cost to replace the copper facilities with
64 fiber is the same regardless of whether the fiber is used exclusively for telephone service,
65 or whether it is ultimately put to some other non-regulated use. Therefore, the answer to
66 your question is yes. The \$5.00 tariff rate per customer per month adequately covers the
67 costs associated with providing the non-regulated services.

68

69 **Q. Does the rate paid for Billing and Collection Services cover the costs associated with**
70 **providing the billing and collection services?**

71 A Yes. Again, this is the rate contained in MTC's tariff for providing this service. It is the
72 rate that MTC is required by law to charge any other company, such as an IXC carrier,
73 who desires to use MTC's billing and collection services. The tariff was filed with the
74 State and the rates were approved by the State. MTC is not at liberty to charge more for
75 these services. Additionally, the tariffed rate covers the incremental costs associated with
76 MTC's provision of billing and collection services for MTCC, or any other third party
77 company.

78

79 **Q. In Mr. Ostrander's Rebuttal Testimony he suggests that MTC has not provided the**
80 **amount of payroll that is paid to common officers and employees of MTC and**
81 **MTCC, and that MTC has not properly allocated related payroll costs between**
82 **MTC and MTCC. Can you please address this?**

83 A. As indicated previously, MTC pays its employees for the duties they perform for MTC.
84 MTCC likewise pays its separate employees for the duties they perform for MTCC. The
85 only common employee shared between MTC and MTCC is Gary Hughes. He receives
86 wages from both MTC and MTCC. He is the only employee who is paid by both MTC
87 and MTCC. As previously indicated, Mr. Hughes works full-time is paid for 5 hours per
88 day by MTC and for 3 hours per day by MTCC. MTC does not pay any MTCC
89 employees. Similarly, MTCC does not pay any MTC employees. The companies are
90 separate and distinct with their own employees.

91

92 **Q. In Mr. Ostrander’s Rebuttal Testimony he suggests that MTC should not receive**
93 **any UUSF for adjusting payroll to market medial levels because there are no**
94 **assurances Manti will use it for these purposes. What assurances can you provide**
95 **that if UUSF funds are allowed for adjusting payroll expenses, MTC will use the**
96 **funds for such purposes?**

97 A. If MTC is awarded UUSF funds for payroll adjustments, MTC will use the funds for such
98 purposes, and would agree to provide payroll records to demonstrate its compliance in
99 this regard.

100

101 **Q. Are there any other issues you would like to address in your sur-rebuttal testimony?**

102 A. Yes. I am troubled that the DPU and the OCS have, since the filing of the Second
103 Amended Application in this case in 2012, expressed concerns with the fiber build out
104 project. These concerns were not raised before Manti expended considerable resources in
105 replacing its copper plant. On the contrary, neither the DPU nor the OCS raised any
106 concerns regarding the construction project until the project had nearly been completed
107 despite the fact that this rate case has been ongoing since 2008. Additionally, MTC is a
108 relatively small telephone corporation that provides regulated telephone service to the
109 residents of its communities. It also provides employment opportunities for members of
110 the communities. Prior to the initial filing of this rate case in 2008, the accounting
111 procedures used by MTC have been the same for the past several years, including periods
112 reviewed by the DPU and OCS in previous rate case proceedings. MTC has received 42
113 separate sets of data requests in this matter; has had three site visits; and has been
114 required to expend hundreds of thousands of dollars in the prosecution of this rate case.

115 MTC simply cannot continue to provide telephone service without receiving UUSF
116 support. I know there has been considerable discussion in this case about allocations
117 between the regulated and non-regulated companies. However, even if the non-regulated
118 company were to cease its operations tomorrow, MTC would need the FTTH fiber project
119 to serve its telephone customers with quality telephone service. Thus, MTC's costs
120 would remain the same, but its revenues would be reduced by approximately \$8600 per
121 month.

122

123 **Q. Has MTC performed an analysis of its financial situation?**

124 A. Yes. As provided in response to OCS DR 12, MTC accountants and consultants have
125 determined that MTC needs approximately ***BEGIN CONFIDENTIAL *** END**
126 **CONFIDENTIAL*** in annual Utah USF distributions ***BEGIN CONFIDENTIAL *****
127 **END CONFIDENTIAL***. See Confidential Exhibit MTC-DC Exhibit 1SR, attached
128 hereto.

129

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

131 A. Yes.