

-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)

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. **Please state your educational background.**

6 A. I have a Bachelor of Science in Electrical Engineering from Utah State University.

7

8 Q. **How long have you been employed by MTC?**

9 A. I have been employed by MTC since May of 2001, approximately 11 years.

10

11 Q. **What is the purpose of your testimony?**

12 A. The purpose of my testimony is to address various inaccuracies and errors in the Direct

13 Testimony offered by the Office of Consumer Services’ witnesses, and the Division of

14 Public Utilities witnesses.

15

16 Q. **Why are you qualified to offer testimony in this case?**

17 A. I have been employed by MTC since 2001 and have been involved in the prosecution of

18 this rate case since 2008. I have reviewed the Second Amended Application of MTC. I

19 have reviewed many of the 30+ sets of data requests, and have reviewed the testimony

20 filed in this case. I am also familiar with the day to day operations of MTC in my

21 capacity as Assistant General Manager.

22

23 **Rebuttal to Paul Hicken Testimony:**

24 **Q. Paul Hicken, in his testimony beginning on line 126 testifies that MTC has not**
25 **followed its cost allocation manual, and offers as a specific example legal fees for**
26 **non-regulated services. Can you address this conclusion?**

27 A. Any regulated or non-regulated services and expenses related to MTC should be handled
28 through MTC. If MTC receives a bill that includes non-regulated expenses relating to
29 MTCC, then MTCC should be charged for the amount. MTC should not be covering any
30 expenses related to MTCC.

31
32 **Q. Line 140, Paul Hicken indicates that Billing and Collections for regulated and non-**
33 **regulated services are conducted as a single operation by MTC employees and from**
34 **the MTC facility. Please address why this is acceptable, and what, if anything MTC**
35 **gets paid by MTCC for these services.**

36 A. MTCC has a billing and collections agreement with MTC. MTCC is billed at the tariff
37 rate for this Billing and Collection service. Any work that is done outside of the billing
38 and collections agreement and tariff is invoiced to MTCC at the tariffed service rate.

39

40 **Q. Please describe any issues you have with regard to Mr. Hicken's testimony**
41 **regarding salvage value?**

42 A. I will use the following examples to respond to salvage:

43 We have a 600 pair buried feeder cable that cannot be removed from service until
44 every customer has been moved away. The labor cost to retrieve and salvage the cable is
45 substantially more than the salvage value.

46 We have service vehicles that are used long past the 5 year depreciation period
47 because we were trying to build up a fleet of vehicles for our employees and the vehicles
48 represented a greater value to the company than the trade in value. As a result, when we
49 do start to replace vehicles the salvage value is the value of the scrap steel. We
50 have decommissioned equipment that we have been unable to sell. We are not allowed to
51 landfill electronics waste by federal mandate, and the cost to recycle is 25 cents per
52 pound. It would cost us more to get rid of it, than to let it sit.

53 We have multiple cables lashed to the same messenger or support system. If the
54 cable closest to the messenger is the unused cable, we would have to unlash all cables,
55 and then relash the used cables back to the messenger. We are then able to get roughly 5
56 cents per pound for our salvaged cable. Our cost to retrieve and retire the unused cable is
57 greater than the salvage value.

58

59 **Q. Beginning on Line 226, Mr. Hicken describes issues with MTC's labor and time-**
60 **keeping procedures. Can you describe the procedure MTC used prior to 2010 to**
61 **track capitalized labor costs?**

62 A. It is my understanding that prior to 2010 we had in place a percentage based formula of
63 regulated to non-regulated. We also did not have a work order system in place, because
64 as an average schedule company we were not required to track work orders under a
65 certain dollar amount. The majority of our projects fall under this dollar amount.

66

67 **Q. Was MTC asked to adopt a new procedure? Please describe the procedure**
68 **implemented and explain if MTC followed the new procedure?**

69 A. Yes, we are now tracking time using actual values, not percentage based at the request of
70 the Division of Public Utilities. We also have implemented a work order procedure and
71 we allocate time to the work orders for ease of tracking costs and recording for
72 accounting.

73

74

75 **Q. Do you have any concerns with the DPU's adjustment for labor costs as described in**
76 **Lines 226-242 of Mr. Hicken's testimony?**

77 A. I believe it is appropriate for us to use the real values that are now being tracked, and
78 recorded for any labor costs, and allocations.

79

80 **Q: The DPU states that the copper system is redundant and should be taken out of rate**
81 **base. Is this accurate?**

82 A. No. The copper is still being used on a daily basis to provide basic telephone service to
83 MTC customers. Also, all of the special access services are copper based and are
84 expected to remain so until we have a suitable replacement.

85

86 **Q: Can you please explain the equipment that MTC leases from MTCC?**

87 A. Manti Telephone Company leases a backhoe and a bucket truck, and a small trencher
88 from MTCC.

89

90 **Q: Why does MTC lease this equipment from MTCC?**

91 A. Manti Telephone Co. needed additional equipment to continue to build and meet
92 customer needs, and was unable to purchase this equipment. MTCC had the equipment
93 available, and it was not in use, so the equipment was made available for lease to MTC.

94

95 **Q. The DPU indicated that they observed a backhoe with a flat tire which appeared to**
96 **have not been used for quite some time, and a bucket truck in need of repairs. Are**
97 **you aware of this equipment?**

98 A. During our tour of the warehouses we did see a backhoe with what appeared to be a flat
99 tire. This equipment is being used continually in an outdoor environment, and sometimes
100 flats can occur. The backhoe was repaired within days of the visit, and was back out in
101 the field being utilized. The bucket truck we are leasing and was in use up until recently.
102 We believe that there is an anti-freeze leak into the engine block. We are currently
103 looking for options and cost for repairs.

104

105 **Q. Can you explain whether this is the equipment being leased by MTC from MTCC?**

106 A. I'm not sure which backhoe was in the warehouse at the time, but it was in for repairs,
107 and is currently back in use. MTCC owns the bucket truck in question, and MTC is
108 responsible for the repairs.

109

110 **Q. The DPU adjusted the equipment lease expense because there were no invoices from**
111 **MTCC to MTC to document if the leased equipment was actually used. Please**
112 **address this.**

113 A. Manti Telephone has access to and uses the equipment on a daily basis, and is billed on a
114 monthly basis from MTCC. The equipment was identified in the CAM and the lease
115 amount is specified.

116

117 **Q. The DPU indicated in its testimony that it found invoices during fieldwork showing**
118 **that MTC paid invoices to the Utah Tax Commission for registration, tax and**
119 **licensing of 20 vehicles. The DPU is concerned because only 10 of those vehicles are**
120 **in the MTC CPRs. Did MTC pay for the licensing of vehicles owned by MTCC?**
121 **Were the vehicles owned by MTC or MTCC?**

122 A. Although I am not personally aware of this situation, I do know that MTC has numerous
123 vehicles and equipment trailers. Manti Telephone is responsible for those vehicles that it
124 owns and leases. MTCC pays its own taxes, registration, and insurance.

125

126 **Q. As a result of the above, on line 327 of Paul Hicken's testimony the DPU adjusted**
127 **the vehicle expense for MTC. Was this appropriate under the circumstances? Why**
128 **not?**

129 A. No, I don't believe that MTC ultimately paid for the registration of any vehicles it does
130 not own or lease, so I don't feel this is an appropriate adjustment.

131

132 **Q. Beginning on line 332 of Paul Hicken's testimony, he discusses the warehouse space**
133 **leased from P&C Rental. The DPU concludes that the rental rate is too high. Please**
134 **address this.**

135 A. The DPU indicates that the warehouse space rental rate is too high based on comparables
136 the DPU claimed to have found in Utah county because the nearest comparable
137 warehouse space was located in Utah county. Unfortunately, as the DPU discovered,
138 warehouse space, particularly large areas of warehouse space, are not readily available in
139 Sanpete County. The rate for the warehouse space was determined by square footage
140 occupied in the building, and the usefulness of the space, and is a reasonable rate for
141 warehouse space in our area. It certainly would not be feasible for MTC to have its
142 warehouse space in Utah county.

143

144 **Q. Beginning on line 361 of Paul Hicken’s testimony, the DPU disallowed the monthly**
145 **rental fee paid by MTC to MTCC because the DPU claims that MTC is the actual**
146 **owner of the property. Please address this. Who is the owner of the property?**

147 A. Manti Telephone Co. does own the property in question, and MTCC has issued a check to
148 reimburse Manti Telephone for the billing error.

149

150 **Rebuttal to Shauna Benvegna-Springer Testimony:**

151 **Q. Beginning on line 226, Ms. Springer indicates that the unusually high expense and**
152 **time expended on this docket would not be incurred but for a lack of regular**
153 **accounting practices. Have MTC’s accounting practices been reviewed by the**
154 **Division of Public Utilities on previous occasions?**

155 A. MTC has been involved in two rate cases over the course of the past 13 years. There was
156 a rate case in 1999 and another rate case in 2003. In each instance, the accounting
157 practices of MTC were the same, or very similar to the practices and procedures initially

158 in place at the time this rate case was filed in 2008. At no time did the DPU analysts, or
159 the OCS analysts question the accounting practices and procedures of MTC in the
160 previous rate cases. Additionally, as the Public Service Commission is well aware, MTC
161 is an average schedule company. Furthermore, never, in the history of MTC, or in any of
162 MTC's previous rate cases, has the DPU, the OCS, or the PSC required MTC to provide
163 the detailed cost information that has been requested in the 39 sets of data requests in this
164 case. It would be unjust for the Public Service Commission to require the accounting
165 detail that cost based companies provide from an average schedule company.

166

167 **Q. Were MTC's accounting practices rejected at that time?**

168 A. No. Neither of the previous MTC rate cases rejected MTC's accounting practices.

169

170 **Q. What, in your opinion, has been the cause of the high rate case expenses in this case?**

171 A. Since the beginning of this rate case we have had to modify our accounting practices,
172 redo our general ledger, and add inventory and work order processes. This has cost us a
173 lot of time and resources to implement and has never previously been required by the
174 Public Service Commission or the Division staff. Additionally, we have had to respond
175 to numerous (30+) sets of data requests in this matter.

176

177 **Rebuttal to Bob Davis:**

178

179 **Q. MTC has requested that its vertical services, such as call waiting, caller ID, and 3**
180 **way calling be included in its base rate. Why do you think it is important to include**
181 **those features in your base rate?**

182 A. Wireless providers are MTC's chief competitor. Wireless providers include all vertical
183 services (and long distance) in their calling plans. In order for MTC to offer a
184 competitive product, it must provide those services at no additional costs to the
185 customers. If MTC continues to charge its customers for the vertical services, it risks
186 losing the customer (and all associated revenue) to a wireless competitor. Although there
187 is an initial source of revenue that MTC will no longer be receiving, combining the
188 vertical services into the rate, enables MTC to retain the customer, and thus retain the
189 revenue associated with residential and or business service.

190

191 **Q. On line 236 of Mr. Davis' testimony, he states that one half of the property tax**
192 **expense for the Sterling office building should be attributed to MTCC. Who owns**
193 **the Sterling building?**

194 A. Manti Telephone Company owns the building.

195

196 **Q. Does MTCC pay rent for the space it has in the Sterling building?**

197 A. Yes, MTCC pays a reasonable rent each month.

198

199 **Q. How much?**

200 A. \$200.00 per month.

201

202 **Rebuttal Testimony to Jill Carter:**

203

204 **Q. Are you an employee of MTC? What is your position?**

205 A. As indicated above I am employed by MTC as the Assistant General Manager.

206

207 **Q. Are you an employee of MTCC?**

208 A. I am not an employee of MTCC. I am the President of MTCC.

209

210 **Q. Beginning on line 206 of Ms. Carter’s testimony, she states that MTC’s proposed**
211 **pay for years with the company/seniority does not follow compensation standards.**
212 **Specifically, Ms. Carter suggests that it assumes that “years with the company”**
213 **means “in the same job.” In your experience as the Assistant General Manager of**
214 **MTC, does “years with the company” mean the same thing as “in the same job?” If**
215 **so, please describe why?**

216 A. MTC is a small company that has 18 employees. Outside of its management, MTC has
217 the following positions in its company:

218 General Manager

219 Assistant General Manager/Plant Engineer

220 Executive Secretary/HR Coordinator

221 Information Systems/Network Manager

222 Outside Plant/Central Office Manager

223 Construction Supervisor

224 Marketing Manager

225 Accountant
226 Senior Multi-Function Office Worker/CSR
227 Multi-Function Office Worker/CSR
228 Installation/Repair Tech
229 Construction/Utility Workers

230 MTC has very little room for advancement in each position. In fact, if an employee is
231 hired as a customer service rep, utility/construction work, or repair technician, it is highly
232 unlikely that such an employee will advance in MTC. Rather, many of the employees we
233 hire are mostly unqualified when we hire them for entry level positions. They receive on
234 the job training and we hope to retain them for years to come. The only way to retain
235 employees in such a situation is to increase their wages based on seniority and years with
236 the company. Unlike Ms. Carter's assertion, in MTC, "years with the company" does
237 most often mean "in the same job."

238
239 **Q. Do employees at MTC, as a general rule, start at lower positions in the company and**
240 **work their way up the "career ladder" as suggested by Ms. Carter on line 211 of her**
241 **testimony? Why or why not?**

242 A. As stated above, MTC does not generally have a career ladder. A repair tech will not be
243 promoted to accountant typically. Rather he or she will merely remain a repair tech.
244 Hopefully, after several years with the company his wages will increase so that he is a
245 higher paid repair tech, but his position is not likely to change. In order to retain and
246 attract experienced help, MTC needs to offer salary/wage packages that are based on
247 experience and increase based on years with the company.

248

249 **Rebuttal to Testimony of Bion C. Ostrander:**

250

251 **Q. Does MTCC have audited financial statements? Why not?**

252 A. MTCC does not have audited financial statements, nor is it required by regulation or
253 lender to have audited financial statements. In fact, it is not economically feasible for
254 MTCC to have its financial statements audited without any regulatory or lending
255 requirement to do so.

256

257 **Q. With regard to the testimony of Mr. Ostrander regarding MTC's production of the**
258 **invoices of Blackburn & Stoll that begins on line 839, do you have any concerns with**
259 **his testimony?**

260 A. MTC provided the non-redacted legal statement from Blackburn & Stoll on September 7,
261 2012, subject only to the requirement that the Office of Consumer Services acknowledge
262 in writing that MTC was not waiving the attorney client privilege. The OCS did not
263 provide such assurance. On October 9, 2012, MTC's attorney sent an email to Eric Orton
264 at the OCS indicating that the statements were available upon receipt of the written
265 confirmation regarding attorney client privilege. On October 10, 2012, the Office of
266 Consumer Services provided written confirmation and the invoices were provided. This
267 was prior to Mr. Ostrander's testimony.

268

269 **Q. On line 1076 of the Ostrander testimony, Mr. Ostrander indicates that the DPU**
270 **wage consultant did not specifically recommend a wage increase for MTC**

271 **employees. Please explain, why, after reviewing Ms. Carter's report, MTC**
272 **determined that a wage increase was required for MTC employees?**

273 A. The Wage Consultant, Jill Carter, determined that a number of MTC's employee wages
274 were below market value. This information, coupled with the fact that MTC employees
275 have not had a wage increase in 2 years, led MTC to conclude that in order to retain
276 and/or attract qualified workers, MTC needed to begin to bring its wages up to market
277 levels.

278

279 **Q. Mr. Ostrander on Line 1122 queries why you do not work for free for MTC, but you**
280 **do for MTCC. Please address.**

281 A. Manti Telephone Co. is my place of employment, and provides for my living expenses.
282 MTCC is owned by myself and others, but provides employment for others – not me.
283 The things that I do for MTCC are done on my own time and I do it to further the growth
284 of the business, not for compensation.

285

286 **Q. On lines 1166 through 1180, Mr. Ostrander makes several assumptions regarding**
287 **your employment. Please address any concerns you have with those assumptions.**

288 A. I am a full time employ of Manti Telephone Company, and I'm compensated based on the
289 work that I do for Manti Telephone Co. I work at minimum 40 hrs per week for Manti
290 Telephone Co. MTCC has its own employees which are compensated for their time and
291 work. The amount of time I donate to MTCC is up to me, and is on a small enough scale
292 that I choose to do it.

293

294 **Rebuttal of Brevitz Testimony:**

295 **Q. Beginning on line 439 of Mr. Brevitz testimony he claims that MTC's copper plant**
296 **is obsolete. Is that accurate? Please describe.**

297 A. As discussed above, the MTC copper plant is not obsolete. However, we do have old
298 cable that the insulation is coming off the conductor and the cable is completely depreciated.
299 This cable was in service in 2008 when we started this rate case. It was recognized at that time
300 that something needed to be done in order to maintain quality service. Our options were to over-
301 build in copper or look at a newer technology. We found that fiber was a less expensive solution
302 than copper so we chose to rebuild in fiber.

303

304 **Q. On Lines 523 through 535 of Mr. Brevitz' testimony he identifies several assets**
305 **which he claims are used to provide non-regulated services, including some assets no**
306 **longer in use. Do you agree with his assessment?**

307 A. The list of equipment identified by Mr. Brevitz is used for the following:

308 YWEC equipment is used to provide a tariffed ethernet circuit for the Utah
309 Education Network. This is a regulated service, and the equipment should be regulated
310 as well.

311 Next Level Equipment is used to provide regulated POTS services as a line
312 concentrator, and can also supports a DSL overlay.

313 Video Telecom New Inside Plant: This was a purchased ATM switch through
314 VideoTele for OC-3 through OC-12 circuits. This was used for regulated circuits prior to
315 purchase and install of our Force10 CS1500 equipment. The ATM switch is still used

316 today to provide POTS services to our Next Level equipment. As the Next Level
317 equipment is phased out so will the ATM switch.

318 MTCC was able to purchase network monitoring equipment for Manti Telephone
319 Company at a highly discounted rate, and passed the equipment and cost onto Manti
320 Telephone Company. The equipment is being used by Manti Telephone Company to
321 monitor and provide QOS over our IP network for SIP trunking, local SIP calling, and
322 Utah Education Network circuits. Not non-regulated. There was no markup on the
323 equipment from MTCC.

324 VideoTele Riverstone Radar: This equipment was purchased through Videotele
325 and consists of a multi-protocol switch router. This was purchased to provide links
326 between the ATM network and the IP networks. The Riverstone is still in use today and
327 is used to provide links with SIP providers, and to interface with our VoIP CALEA
328 equipment.

329 The Tut systems equipment is no longer in service, but was used originally to
330 provide a distance learning circuit for Snow College to the local schools. We have now
331 moved to Gig circuits, and Snow college runs their own services over the links.

332

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

334 **A. Yes.**