

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application  
for the Increase of Rates and Docket No. 08-046-01  
Charges by Manti Telephone Company

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HEARING PROCEEDINGS  
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TAKEN AT: Public Service Commission  
Hearing Room 451  
160 East 300 South  
Salt Lake City, Utah

DATE: Monday, June 3, 2013

TIME: 9:00 a.m.

REPORTED BY: Scott M. Knight, RPR

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A P P E A R A N C E S

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1 PROCEEDINGS

2 HEARING OFFICER: We're on the record.

3 Good morning, everyone. I'm Melanie Reif,  
4 administrative law judge for the Public Service Commission.  
5 And this morning is the hearing noticed in Docket 08-046-01  
6 entitled In the Matter of the Application for the Increase  
7 of Rates and Charges by Manti Telephone Company.

8 This matter was initially scheduled pursuant to  
9 the scheduling order for hearing this morning. And I wish  
10 to note that the Public Service Commission did receive a  
11 stipulation approximately midday on the 31st.

12 Ms. Slawson, this concerns your application. Am I  
13 correct understanding that you wish to have a stipulation  
14 heard this morning?

15 MS. SLAWSON: We do, your Honor.

16 THE HEARING OFFICER: Okay. Thank you. Let's  
17 start by taking appearances, please.

18 MS. SLAWSON: Kira Slawson, from Blackburn &  
19 Stoll, on behalf of Manti Telephone Company. To my right we  
20 have Dallas Cox, the general manager of Manti Telephone  
21 Company; and Tami Hansen, in-house accountant at Manti  
22 Telephone Company.

23 MR. JETTER: Justin Jetter representing the  
24 Division of Public Utilities. And I have two witnesses  
25 today: Paul Hicken and Bob Davis.

1 MR. PROCTOR: Paul Proctor on behalf of the Office  
2 of Consumer Services. Ms. Beck will be answering questions  
3 and providing comments for the Office.

4 THE HEARING OFFICER: Thank you all.

5 Ms. Slawson, I'll let you lead the discussion on  
6 the stipulation.

7 MS. SLAWSON: Thank you, your Honor. On--as the  
8 parties are aware, on January 28, 2013, Manti Telephone  
9 Company filed a motion for reconsideration, review, and  
10 rehearing of the Commission's December 28, 2012, hearing.  
11 Manti in that motion requested that the Commission's order  
12 be stayed with regard to the payback obligation of Manti  
13 Telephone Company. The Commission granted limited review to  
14 determine whether the 12--12-month payback period provided  
15 for in the March 10th, 2011, stipulation is in the public  
16 interest in light of the size of the Utah Universal Service  
17 Fund repayment amount.

18 In that order, the Public Service Commission asked  
19 Manti to meet with the Office of Consumer Services and the  
20 Division of Public Utilities to discuss alternatives to the  
21 12-month payback period and to file testimony on Manti  
22 Telephone Company's ability to repay the--the USF  
23 obligation. Manti Telephone Company filed four sets of  
24 testimony. Dallas Cox--  
25 (Microphone volume increases)

1 MS. SLAWSON: There it is.

2 THE HEARING OFFICER: Very good.

3 MS. SLAWSON: Something stuck in there.

4 Dallas Cox, Angela Morris, Brad Adams, and Tami  
5 Hansen all filed testimony on behalf of Manti Telephone  
6 Company.

7 The Commission's order also requested or required  
8 that Manti Telephone Company provide and develop a  
9 compliance plan pursuant to which Manti would be--become  
10 compliant with GAAP and all other relevant legal, financial,  
11 accounting and regulatory standards. And the Commission's  
12 order encouraged Manti to work closely with the Division and  
13 the Office of Consumer Services to determine the adequacy of  
14 the compliance plan and Manti's progress in bringing its  
15 records into compliance--and its practices into compliance.

16 Manti has worked very closely with the Division of  
17 Public Utilities and the Office of Consumer Services, taking  
18 its mandate very seriously from the Public Service  
19 Commission, had several meetings and conference calls. As I  
20 indicated, Manti has filed testimony. We've responded to  
21 three sets of data requests. The Public--the Division of  
22 Public Utilities conducted an on-site review that--whereby  
23 the auditors and representatives of the Division of Public  
24 Utilities met with Manti and its in-house accounting people  
25 and its consultants to go over the progress of the

1 compliance plan and the financial records and practices and  
2 procedures at Manti.

3 The testimony filed on behalf of Manti Telephone  
4 Company by Dallas Cox and Tami Hansen indicates that Manti  
5 does not currently have the financial wherewithal or ability  
6 to repay the amounts pursuant to the March 10th, 2011,  
7 stipulation. Manti has worked with the Division and the  
8 Office of Consumer Services, and the parties have agreed  
9 that it is in the public interest to defer Manti's payback  
10 obligation until the conclusion of Manti's next application  
11 for rate increase or application for increase in USF  
12 distribution. Manti plans to file that as soon as possible,  
13 but before December 31st of 2013. Frankly, it would  
14 probably be by the end of the summer, but we've agreed that  
15 it would be before December 13th--December 31st, 2013.

16 As you indicated, on Friday, May 31st, the parties  
17 filed a stipulation asking the Commission to defer payback  
18 until the conclusion of Manti's next application for  
19 increase in USF distribution or January 1st, 2016, as an  
20 outside date.

21 Utah Code Annotated Section 54-7-1 authorizes the  
22 Commission to approve informal resolution by agreements of  
23 the parties so long as the agreement is just and reasonable.

24 I would proffer that Manti believes that the stipulation is  
25 just and reasonable and should be approved by the

1 Commission.

2 We were not planning on swearing the witnesses in  
3 and having them available for testimony, but we certainly  
4 can if any of the parties have questions.

5 THE HEARING OFFICER: Thank you, Ms. Slawson.  
6 Any questions for Ms. Slawson?

7 MR. JETTER: I have none.

8 MR. PROCTOR: No, thank you.

9 THE HEARING OFFICER: Ms. Slawson, I have just a  
10 few clarifying questions, please. Starting on page 1 of the  
11 stipulation, in paragraph 1, Manti Telephone Company is  
12 referred to as Manti, but elsewhere I believe it's the  
13 parties' intention to refer to Manti Telephone Company also  
14 as MTC. Is that correct?

15 MS. SLAWSON: Yes.

16 THE HEARING OFFICER: Okay. So would--would you  
17 please make a motion or something that the Commission can  
18 take note of that would clarify that throughout the entire  
19 document, because that does appear in numerous places,  
20 including the specific terms and conditions of the  
21 stipulation.

22 MS. SLAWSON: Yes. At this point, we would--I can  
23 make a motion or I can proffer that it was our intent under  
24 the stipulation that all references to MTC be references to  
25 Manti Telephone Company and all references to Manti would be

1 to Manti Telephone Company. Any reference to MTCC would be  
2 to Manti Telecommunications Company, Inc.

3 THE HEARING OFFICER: Thank you very much for that  
4 clarification.

5 Is there any objection to the clarification that's  
6 been provided?

7 MR. JETTER: No.

8 The Division would also just add on the record  
9 that that accurately reflects the Division's understanding  
10 of the agreement as well.

11 THE HEARING OFFICER: Thank you, Mr. Jetter.

12 MR. PROCTOR: Yes, that's true.

13 THE HEARING OFFICER: Thank you, Mr. Proctor.

14 And one bit of clarification regarding the  
15 clarification that's been provided regarding MTCC: Is it  
16 correct that MTCC is Manti's--or which has also been  
17 referred to as MTC's affiliate?

18 MS. SLAWSON: Well, "affiliate" has a lot of legal  
19 connotations. I will tell you that MTCC has common owners  
20 with Manti Telephone Company and is the--is what is commonly  
21 referred to in the industry as non-regulated affiliate. If  
22 we're--if we're making a distinction for legal purposes, I  
23 guess I'd need to know which definition we were going under,  
24 but they do have common owners.

25 THE HEARING OFFICER: I think what I was getting

1 at was the non-regulated affiliate, which--so based on that,  
2 is that the same understanding with respect to the Division  
3 and the Office?

4 MR. JETTER: Yes.

5 MR. PROCTOR: Yeah.

6 THE HEARING OFFICER: Thank you. Okay.

7 Ms. Slawson, trying to figure out . . .

8 On page 3 of the stipulation, in paragraph 8, it  
9 states, "The Division believes, other than the offset of  
10 monthly UUSF payments, it is in the public interest to defer  
11 Manti's payback obligation until the conclusion of Manti's  
12 next application for increase in USF distribution or January  
13 1st, 2016, whichever first occurs." I believe that's also  
14 supported by the testimony of Robert Davis. His testimony  
15 on lines 92 to 95 seem to reflect a similar proposition.

16 However, when I look at the actual terms of the  
17 stipulation, in paragraph 1 it states that the parties  
18 request the Commission to stay Manti's payback obligation to  
19 the UUSF, other than the offset of monthly UUSF payments,  
20 until the conclusion of Manti's next application for an  
21 increase in USF distribution application--in parens, in  
22 quotes--or January 1st, 2016.

23 Was there an oversight in this paragraph to not  
24 include the language "whichever first occurs" or "whichever  
25 comes first," as indicated in paragraph 18, as in--which

1 would seem to be consistent with Mr. Davis's testimony?

2 MS. SLAWSON: Yes, your Honor, that's bad  
3 drafting. We--the parties' intention, at least Manti's  
4 understanding of the parties' intention, is we intend to  
5 have this--the payback obligation addressed in the  
6 application--the next application that is filed. We  
7 anticipate filing that before December 31st of 2013. And we  
8 would anticipate, if that deadline is met, that the  
9 application would be long over before January 1st, 2016.  
10 If--we added the January 1st, 2016, as an outside date so  
11 that this wouldn't hang out there if the rate case lingered  
12 on and on.

13 So yes, that's poor drafting. We intended--  
14 paragraph 1, Manti intended that to say that the parties  
15 request the Commission to stay Manti's payback obligation to  
16 the UUSF, other than the offset of monthly UUSF payments,  
17 until the conclusion of Manti's next application for  
18 increase in USF distribution, parens, quote, application  
19 close quote, close parentheses, comma, or until January 1st,  
20 2016, whichever shall first occur.

21 THE HEARING OFFICER: And is that the correct  
22 understanding of the Division?

23 MR. JETTER: Yes, your Honor.

24 THE HEARING OFFICER: And--

25 MR. PROCTOR: Yes.

1 THE HEARING OFFICER: --the Office? Thank you.  
2 In that same paragraph, with respect to the second  
3 sentence that states, "Manti has indicated its intention to  
4 file an application by December 31st, 2013, or as soon  
5 thereafter as practicable," is there perhaps some  
6 clarification that may be missing there? And my question  
7 is--is based on the proffer this morning that it is the  
8 intent of the Company to file no later than December 31st,  
9 2013, and possibly earlier, but--it just seemed to me that  
10 this was a lot more flexible than what was stated in your  
11 opening statement.

12 MS. SLAWSON: I would agree that that's more  
13 flexible. And we can certainly change that to be December  
14 31st, 2013, as a hard date. I think the parties had put  
15 that in there just, you know, for timing purposes during the  
16 holidays. But I have no problem with Manti filing their  
17 rate case on or before December 31st, 2013, as a hard  
18 deadline.

19 THE HEARING OFFICER: Given that you may file it  
20 by the end of the summer, would you be willing to suggest  
21 that that sentence be revised in such a way that perhaps it  
22 read "Manti has indicated an intention to file an  
23 application no later than December 31st, 2013"?

24 MS. SLAWSON: That would be fine.

25 THE HEARING OFFICER: And is that acceptable to

1 the other parties?

2 MR. JETTER: That's acceptable to the Division.

3 MR. PROCTOR: Yes.

4 THE HEARING OFFICER: Mr. Proctor--thank you.

5 Ms. Slawson, do you--do you know if you and the  
6 parties have determined whether the interest rate is  
7 anticipated to continue to accrue through 2016?

8 MS. SLAWSON: We have not discussed that.

9 THE HEARING OFFICER: Mr. Jetter, do you wish to  
10 respond to that?

11 MR. JETTER: You know, I don't know that we've  
12 addressed that specifically in this stipulation. It was the  
13 intention of the Division, I think, that it would accrue at  
14 the current rate, which is very low, as you may know. But I  
15 don't know that we have a--an answer for you.

16 THE HEARING OFFICER: Does the Office have a  
17 position on that issue?

18 MR. PROCTOR: No.

19 THE HEARING OFFICER: Okay. Ms. Slawson, do you  
20 have any objection to what Mr. Jetter has proposed?

21 MS. SLAWSON: We don't have any objection to the  
22 interest accruing. One of--one of the issues--and we've  
23 discussed this broadly but not specifically--and, of course,  
24 we're not addressing it in the stipulation, no. One of the  
25 issues we discussed is, Manti--if it's determined that Manti

1 was entitled to additional UUSF payments and they can show  
2 that they were entitled to those payments throughout the  
3 course of the last several years, we would be looking to  
4 have the amount of the repayment modified, and then the  
5 interest rate could obviously accrue to that--that amount.  
6 That would be our position, but beyond the scope of this  
7 stipulation.

8 THE HEARING OFFICER: I completely agree. And so  
9 for purposes of this stipulation, would it be your position  
10 that you would be willing to accept the term that the  
11 Division intended to include, which is that the--that the  
12 interest rate continue to accrue through 2016 at the current  
13 rate?

14 MS. SLAWSON: Yes.

15 THE HEARING OFFICER: Okay. And is there any  
16 objection to that by any of the parties?

17 Okay. Thank you.

18 So the stipulation as the Commission will read it  
19 will include a clarifying statement to that effect.

20 With respect to the January 1st, 2016, deadline,  
21 Ms. Slawson, can you give me any background as to how that  
22 date came about?

23 MS. SLAWSON: The Division suggested that date as  
24 an outside date.

25 THE HEARING OFFICER: And assuming we--we do an

1 application, a rate application, on or before December 31st,  
2 2013, applying the 240-day deadline for a decision, which  
3 would bring the case to conclusion on or about August 28th,  
4 2014, is there a particular reason why we would need to  
5 extend out to 2016?

6 MS. SLAWSON: I just indicated in the event that  
7 the rate--the application did not get completed within the  
8 240 days. As you know from the previous rate case  
9 application, the parties stipulated to longer periods of  
10 time, or to waive the 240-day deadline. While I don't  
11 foresee that happening in the next application, if--the 2016  
12 deadline was an outside date developed or suggested by the  
13 Division to address that contingency. But beyond that, I--  
14 they suggested an outside date and we agreed that that date  
15 was fine.

16 THE HEARING OFFICER: Okay. Assume the following,  
17 please: The 240 deadline is a jurisdictional deadline. And  
18 I don't anticipate that that will be extended, so assuming  
19 that that is not flexible, is there any reason why the 2016  
20 date cannot be shortened?

21 MS. SLAWSON: If you assume that the 240-day  
22 deadline is not going to be lengthened or waived or modified  
23 in any way, then there probably is no reason that you can't  
24 take out the 2016 deadline. But in this case and in other  
25 cases, the 240-day deadline has been waived, and so we just

1 wanted to prepare for that contingency.

2           So I--while I don't disagree with you that if  
3 we're not going to waive the 240-day deadline, there's no  
4 reason to have the 2016 date, but if you're not going  
5 240-day deadline, there's no reason that the--the 2016 date  
6 doesn't matter, then. I mean, so you can have it in there  
7 for the--in the off chance that for some reason there is an  
8 extension of the 240-day deadline. It's just that--there  
9 have been instances in the past, not only in Manti but in  
10 other cases, where the 240-day deadline has been waived,  
11 so . . .

12           THE HEARING OFFICER: Ms. Slawson, thank you for  
13 that clarification. And I--I'm aware of what you're  
14 referring to.

15           Assume that the deadline is not waivable and it is  
16 in fact statutory and it is a hard deadline. Is there an  
17 alternative deadline to the January 1st, 2016, date that you  
18 believe would be more appropriate under the circumstances,  
19 assuming that the application for a rate increase is filed  
20 no later than the end of this year? And I note that that  
21 would be, right now, a year and a half between the date that  
22 that matter would be finalized and the date that you're  
23 proposing to have the USF distribution matter resolved.

24           MS. SLAWSON: If I could have a moment to confer  
25 with my client.

1 THE HEARING OFFICER: Absolutely. Would you like  
2 to take a recess, Ms. Slawson?

3 MS. SLAWSON: No.

4 THE HEARING OFFICER: Okay. We'll be off the  
5 record for a moment.

6 (A discussion was held off the record.)

7 THE HEARING OFFICER: We'll be in recess.

8 (Recess taken, 9:23-9:35 a.m.)

9 THE HEARING OFFICER: Back on the record.

10 MS. SLAWSON: We've met and conferred. Manti has  
11 agreed that it will file its application for increase in USF  
12 distribution by December 31st, 2013; therefore, no outside  
13 date is needed in this stipulation.

14 THE HEARING OFFICER: Could you repeat that date  
15 again, please, Ms. Slawson?

16 MS. SLAWSON: December 31st, 2013.

17 THE HEARING OFFICER: So you intend to file your  
18 rate case and your request for additional US--UUSF on the  
19 same date?

20 MS. SLAWSON: Well, we don't actually intend to  
21 file a rate case, because they're already charging the  
22 affordable base rate, but--so whatever you want to call it,  
23 the application for increase in USF distribution or general  
24 rate case, it will be filed by December 31st, 2013. We  
25 anticipate only one filing. And we will be calling it

1 In the Matter of the Increase in USF Eligibility for Manti  
2 Telephone Company.

3 THE HEARING OFFICER: Is that agreeable with the  
4 parties?

5 MR. JETTER: Yes.

6 MR. PROCTOR: Yes, that's acceptable.

7 THE HEARING OFFICER: Thank you.

8 Ms. Slawson, that concludes the questions that I  
9 have for you this morning. I wanted to propose an option to  
10 you if--if it's--would be cleaner for all of the parties,  
11 given what we've discussed, the various minor and major  
12 changes that have been made to the stipulation. Do you wish  
13 to file an amended stipulation based on the clarification  
14 that's been made this morning?

15 MS. SLAWSON: We certainly can do that. We would  
16 probably--if we could avoid another hearing by--if we could  
17 have this hearing, file an amended application--or amended  
18 stipulation, and not have to come back to another hearing--  
19 we're just trying to be sensitive to the legal fees that  
20 Manti's incurring--then we would have no problem refiling.  
21 But if refiling the stipulation means we have to come back  
22 in for a second hearing, we would prefer to just deal with  
23 it here.

24 THE HEARING OFFICER: Okay. Do you--excuse me.  
25 Do the other parties have a position on that issue?

1 MR. JETTER: I think it would be okay with the  
2 Division to file another one. I think we would also prefer  
3 to speak to the general terms today if we can without an  
4 additional hearing, but we're flexible any way.

5 THE HEARING OFFICER: Okay. Mr. Proctor?

6 MR. PROCTOR: That's acceptable.

7 THE HEARING OFFICER: To file a clarifying--

8 MR. PROCTOR: File without a hearing, yeah. I  
9 don't believe the Office has any comments at this point  
10 anyway, so that's fine.

11 THE HEARING OFFICER: So--so the Commission will  
12 anticipate an amended stipulation and--based on what's been  
13 discussed today. Is that--

14 MR. JETTER: Sure.

15 MS. SLAWSON: Sure.

16 THE HEARING OFFICER: Okay. Again, Ms. Slawson,  
17 thank you very much.

18 Mr. Jetter?

19 MR. JETTER: Thank you. The Division would like  
20 to provide brief statements from two witnesses. We'll start  
21 with Paul Hicken.

22 THE HEARING OFFICER: Thank you.

23 Mr. Hicken, are you prepared to testify this  
24 morning?

25 MR. HICKEN: Yes.

1 THE HEARING OFFICER: And would you please raise  
2 your right hand?

3 MR. HICKEN: Yes.

4 HEARING OFFICER: Do you swear the testimony  
5 you're about to give is the truth?

6 MR. HICKEN: Yes.

7 THE HEARING OFFICER: Please be seated.

8 Proceed, Mr. Jetter.

9 PAUL HICKEN,  
10 called as a witness for and on behalf of the Division of  
11 Public Utilities, being first duly sworn, was examined and  
12 testified as follows:

13 EXAMINATION

14 BY-MR.JETTER:

15 Q Mr. Hicken, would you state your name and  
16 occupation for the record?

17 A My name is Paul Hicken--my name is Paul Hicken,  
18 and I work as a utility analyst for the Division.

19 Q Thank you. And have you prepared a brief  
20 statement?

21 A Yes, I have.

22 Q Would you please go ahead and give that?

23 A One of the directives for the Division was to  
24 report on the adequacy of the Company's progress in bringing  
25 its records and accounting practices into compliance with

1 GAAP and all other relevant legal, financial, accounting,  
2 and regulatory standards. The Division has spent the past  
3 several months reviewing data and documentation of the  
4 Company's accounting and financial records. Specifically,  
5 the Division reviewed the most recent versions of the  
6 general ledger, continuous property record, cost allocation  
7 manuals, lease agreements with affiliates, timekeeping and  
8 work orders, and several other issues of concern. In  
9 addition, the Division made a site visit to discuss further  
10 allocation procedures, tariff rates for non-regulated  
11 services, affiliate transactions, retirement and proper  
12 recording of assets, and the other previously mentioned  
13 issues. The review was by no means a complete and  
14 comprehensive audit; rather, it was an oversight review of  
15 the Company's compliance plan and their progress with  
16 putting the plan into action.

17 The Company has addressed many of the issues  
18 individually and stated what changes it plans to make in  
19 order to correct these issues. Some changes have already  
20 been implemented and are under way. For example, the  
21 Company hired a new accountant with a CPA designation and  
22 some prior accounting experience. The Division believes  
23 this is very good progress toward meeting the accounting  
24 standards with regulatory compliance. In addition, the  
25 Company has hired a new consultant, one that has worked with

1 other average schedule companies of similar size and  
2 operations, and appears to be willing to make necessary  
3 changes to allocations and affiliate transactions that are  
4 fair and reasonable.

5 Another positive change the company made was to  
6 discontinue the previous \$5 broadband tariff, which the  
7 Division felt did not adequately recover costs of providing  
8 the service. It is currently billing a comprehensive rate  
9 that mirrors the NECA tariff for broadband services and is  
10 accepted industrywide as a reasonable rate for provision of  
11 broadband services. There have also been some changes to  
12 the CPR detail to issue asset identification numbers,  
13 salvage values, if applicable, and more detail to the  
14 retired or active status of individual assets.

15 Some other issues needing change are work orders  
16 in progress, and it will take some time for modifications to  
17 become fully implemented. For example, the Company  
18 described some modifications to the CAM and the development  
19 of a master service agreement which will list the details of  
20 all allocations with affiliate transactions. These two  
21 documents are still being developed and the DPU has not seen  
22 a final product but is encouraged by the discussion of these  
23 changes. The Company also described what it is doing with  
24 timekeeping and work orders--work order systems to  
25 adequately allocate materials, supplies, and labor to the

1 appropriate accounts, but it will take several--but it will  
2 need--it will take a complete accounting period before the  
3 effectiveness can be reviewed. This is also the case with  
4 several other expense spread accounts and retirement of  
5 redundant copper as the fiber overlay goes into service.

6 Overall, the Division believes the Company is  
7 making reasonable progress towards compliance with  
8 accounting and legal and regulatory issues. The Division  
9 will continue to monitor the progress until such time as a  
10 new filing for the UUSF assistance is received and a  
11 comprehensive audit can be effected.

12 Q Thank you. And have you reviewed the stipulation?

13 A Yes.

14 Q And do you believe that approval by the Commission  
15 of the stipulation regarding the stay of USF payback would  
16 be a just, reasonable, and prudent choice at this time?

17 A Yes.

18 Q Would that be in the public interest?

19 A Yes, it would.

20 MR. JETTER: Thank you. I have no further  
21 questions.

22 THE HEARING OFFICER: Thank you for your  
23 testimony, Mr. Hicken.

24 Are there any questions? Ms. Slawson?

25 MS. SLAWSON: I'm sorry. I do have just one

1 question.

2 EXAMINATION

3 BY-MS.SLAWSON:

4 Q I think--maybe I misheard you, but I think in your  
5 statement you said a complete accounting period would be  
6 required for something?

7 A Yes, I did say that.

8 Q What did you mean by that?

9 A Well, an accounting period can be whatever we  
10 determine it to be, whether 12 months, 6 months. Sometimes  
11 one month is an accounting period, but we would need to see  
12 probably at least several months of accounting.

13 MS. SLAWSON: Okay. Thank you. I just needed  
14 that clarification.

15 I have no other questions.

16 THE HEARING OFFICER: Mr. Proctor, any questions?

17 MR. PROCTOR: No, the Office has no questions.

18 However, I misspoke, and Ms. Beck does have a statement--

19 MS. BECK: When they're done.

20 MR. PROCTOR: --when they're finished.

21 THE HEARING OFFICER: Thank you. Thank you.

22 EXAMINATION

23 BY-THE HEARING OFFICER:

24 Q Mr. Hicken, just a couple of questions, please.

25 In your testimony that was filed with the Commission on--the

1 pages aren't marked, so I'll just refer to the line  
2 numbers--on line number 43, one of the concerns that you  
3 raise that the Division and the company are trying to  
4 resolve are--relate to concerns that other affiliate  
5 transactions were not at arm's length. When you refer to  
6 affiliate transactions, are you referring to the  
7 transactions between Manti Telephone, also referred to as  
8 Manti and MTC, and what's been referred to today as its  
9 non-regulated affiliate MTCC?

10 A Yes.

11 Q And have you been able to resolve that issue, or  
12 is it your intent that the information that you're able to  
13 glean through this investigation and the filing that will be  
14 made that will help determine that?

15 A Yes. It's not resolved yet, but we've had  
16 discussions with--with Manti and their consultant, and  
17 they've promised us a master service agreement that will  
18 detail all transactions between Manti Telephone Company and  
19 the non-regulated affiliate companies.

20 Q And is that a change in position from the earlier  
21 hearing?

22 A Yes.

23 Q Okay. So when you refer to the list of affiliated  
24 transactions, that's what you were referring to?

25 A That's correct.

1 THE HEARING OFFICER: Okay. Thank you very much.  
2 Ms. Slawson, did you have any follow-up questions?

3 MS. SLAWSON: Just had one clarification.

4 FURTHER EXAMINATION

5 BY-MS.SLAWSON:

6 Q Is it your understanding that the master services  
7 agreement would be applicable to any of Manti's  
8 non-regulated affiliates or any other third parties as well?

9 A I believe that's what we discuss. I believe  
10 that's correct.

11 MS. SLAWSON: No other questions.

12 FURTHER EXAMINATION

13 BY-THE HEARING OFFICER:

14 Q Mr. Hicken, would you explain what you mean by  
15 "other third parties"?

16 A If another company, non--a company that's not part  
17 of Manti Telephone or not part of the ownership--for  
18 example, another CLEC--came into town and wanted to purchase  
19 broadband services, they would be offering those services at  
20 the same tariff rate as the Manti-affiliated companies, and  
21 that would be spelled out in the master services agreement.

22 Q Okay. And I'm assuming you're referring to the  
23 NECA tariff?

24 A Yes, that's correct.

25 THE HEARING OFFICER: Okay. Thank you very much.

1 Any--any questions, Mr. Proctor? Okay. Thank  
2 you.

3 Mr. Proctor, you're--would you like to call your  
4 witness?

5 MR. JETTER: We had a second witness, if you'd  
6 like.

7 THE HEARING OFFICER: Oh, terribly sorry. Yes, I  
8 would like. Thank you.

9 MR. JETTER: The Division would also like to call  
10 its second witness, and our other auditor in this case, Bob  
11 Davis.

12 THE HEARING OFFICER: Mr. Davis, are you prepared  
13 to testify today?

14 MR. DAVIS: I am.

15 HEARING OFFICER: Would you please raise your  
16 right hand? And do you swear the testimony you're about to  
17 give is the truth?

18 MR. DAVIS: Yes.

19 THE HEARING OFFICER: You may be seated.  
20 Mr. Jetter, you may proceed.

21 MR. JETTER: Thank you.

22 ROBERT A. DAVIS,  
23 called as a witness for and on behalf of the Division of  
24 Public Utilities, being first duly sworn, was examined and  
25 testified as follows:

1 EXAMINATION

2 BY-MR.JETTER:

3 Q Mr. Davis, would you state your name and  
4 occupation for the record?

5 A Robert A. Davis. I've also been referred to as  
6 Bob Davis in this hearing today. One and the same. I'm a  
7 utility analyst for the Division.

8 Q Thank you. Have you prepared a brief statement  
9 today?

10 A I have.

11 Q Would you please go ahead?

12 A Under the order granting limited review dated  
13 February 15th, 2013, the Public Service Commission directed  
14 the Division to report on the adequacy of the Company's  
15 progress in bringing its records and accounting practices  
16 into compliance. Additionally, the order set a scheduling  
17 conference between the parties to set a hearing date for the  
18 review of the 12-month repayment schedule of the interim  
19 Utah Universal Service Fund which was found to be in excess  
20 of the Company's allowed distribution.

21 My testimony addresses and summarizes specific  
22 issues and conditions pertaining to Manti's ability to repay  
23 the Utah Universal Service Fund within the stipulated  
24 12-month period. Two methods are used to determine Manti's  
25 ability and required time to repay the fund. The first is a

1 top-down method using current financials and known  
2 adjustments. The second is a bottom-up forecast based on  
3 common size analysis from historical audited financials.

4 Based on this analysis, the Division recommends  
5 deferral of the bulk of Manti's repayment of received  
6 interim Utah Universal Service funds while Manti  
7 incorporates its compliance plan and other operating  
8 procedures changes until January 1st, 2016, or the  
9 conclusion of Manti's next application for Utah Universal  
10 Service Fund support, whichever occurs first. In either  
11 case, the compliance plan and operating procedures need to  
12 be incorporated before a reasonable repayment schedule or  
13 support can be determined. Manti's ongoing monthly support  
14 payment should continue to be held to offset the repayment  
15 obligation and cover interest. This deferral will give the  
16 Division and Manti better visibility in the development of a  
17 reasonable Utah Universal Service Fund repayment plan to  
18 begin at the relevant later date.

19 The Division suggests that Manti's full revenue  
20 stream potential and regulated operating expenses be  
21 considered in the determination of the repayment plan.

22 Q And Mr. Davis, have you reviewed the stipulation  
23 regarding the stay of USF payback--

24 A Yes, I have.

25 Q --submitted?

1           And you believe that staying the USF payback till  
2 the completion of a rate case filed by--excuse me--  
3 completion of an application for an increase in Utah  
4 Universal Service funds filed by Manti by December 31st of  
5 2013 would be just, reasonable, and in the public interest?

6           A    I do.

7           MR. JETTER: Thank you. I have no further  
8 questions.

9           THE HEARING OFFICER: Thank you, Mr. Jetter.  
10 Any questions?

11          MS. SLAWSON: No questions.

12          THE HEARING OFFICER: Mr. Proctor--

13          MR. PROCTOR: No questions.

14          THE HEARING OFFICER: --any questions?

15          Mr. Proctor, you may call your witness.

16          MR. PROCTOR: Ms. Beck, from the Office, has a  
17 statement to provide.

18          THE HEARING OFFICER: And Ms. Beck, would you like  
19 to--I assume you'd like to make that--

20          MS. BECK: Yes, please.

21          THE HEARING OFFICER: --under oath? Would you  
22 raise your right hand? And do you swear the testimony  
23 you're about to give is the truth?

24          MS. BECK: Yes.

25          THE HEARING OFFICER: Thank you. You may proceed.

## 1 TESTIMONY OF MICHELE BECK

2 THE WITNESS: For the record, my name is Michele  
3 Beck. I'm the director of the Office of Consumer Services,  
4 and I'm here just to speak in support of the stipulation.

5 As you know, the Office represents residential and small  
6 commercial customers. And in cases like this, we represent  
7 both the payees into the Utah USF as well as the recipients.  
8 So we like to review all of these kinds of applications--in  
9 this case, a stipulation--from the perspective of both--of  
10 both sides, both payees and the recipients.

11 And we did review all of the elements of the case,  
12 the Division's testimony. And although we are not as  
13 involved as the Division is in working directly with the  
14 company, we have--we get involved in periodic meetings,  
15 being brought up to date as to the progress, and we intend  
16 to be actively involved again when the next application is  
17 filed.

18 Based on our review, and considering the  
19 perspective of the customers that we represent, we do  
20 believe that the potential benefits to the customers of  
21 Manti from this stipulation outweigh any concerns that we  
22 might have about payback to the fund from the perspective of  
23 other customers. And so for that reason, we think that the  
24 stipulation is--will result in just and reasonable rates and  
25 is in the public interest, and we urge that the Commission

1 approve it.

2 THE HEARING OFFICER: Thank you, Ms. Beck.

3 Are there any questions for Ms. Beck?

4 MS. SLAWSON: No questions.

5 MR. JETTER: No.

6 THE HEARING OFFICER: Mr. Jetter?

7 EXAMINATION

8 BY-THE HEARING OFFICER:

9 Q Ms. Beck, just one follow-up question, please.

10 And I think in part your statement addressed this, but just  
11 to be absolutely certain: Is it the Office's position that  
12 the stipulation is just and reasonable and in the public  
13 interest?

14 A I believe I said those exact words.

15 THE HEARING OFFICER: Okay. Thank you very much  
16 for that clarification.

17 Is there anything further before the Commission  
18 today?

19 Ms. Slawson?

20 MS. SLAWSON: One thing: I don't know if we need  
21 to--we have testimony filed, and I just--if we need to move  
22 to make that part of the record.

23 THE HEARING OFFICER: You may to so. Thank you.

24 MS. SLAWSON: Oh. So moved. I would move to have  
25 the testimony of Dallas Cox, Tami Hansen, Angela Morris, and

1 Brad Anthony Adams part of the record.

2 THE HEARING OFFICER: Any objection?

3 MR. JETTER: No objection.

4 MR. PROCTOR: None.

5 THE HEARING OFFICER: Your motion is granted,  
6 Ms. Slawson.

7 MR. JETTER: I think the Division would also like  
8 to move to add the testimony of Paul Hicken and Bob Davis  
9 into the record as well.

10 THE HEARING OFFICER: Any objection to the  
11 entrance of that testimony?

12 MS. SLAWSON: None.

13 MR. PROCTOR: No.

14 THE HEARING OFFICER: So approved. Thank you.  
15 Any other issues?

16 MS. SLAWSON: None from the company.

17 THE HEARING OFFICER: Okay. Do you have an  
18 expectation as to when you may be filing your amended  
19 stipulation, Ms. Slawson?

20 MS. SLAWSON: We could do it today.

21 THE HEARING OFFICER: Okay. And I think that that  
22 would be helpful, under the circumstances, given all the  
23 different things that we went through. So we'll look  
24 forward to seeing that.

25 We thank you for coming today. And decision will

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be forthcoming based on your amended filing.

MS. SLAWSON: Thank you.

THE HEARING OFFICER: Have a nice day.

(Proceedings concluded at 9:56 a.m.)

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CERTIFICATE

State of Utah            )  
                                  : ss.  
County of Salt Lake    )

THIS IS TO CERTIFY that the foregoing proceedings were taken before me, SCOTT M. KNIGHT, a Registered Professional Reporter and Notary Public in and for the State of Utah, residing at South Jordan, Utah;

That said proceedings were reported by me in Stenotype and thereafter caused by me to be transcribed into typewriting and that a full, true, and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages.

I further certify that I am not of kin or otherwise associated with any of the parties to said proceedings, and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Salt Lake City, Utah, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Scott M. Knight, RPR  
Utah License No. 110171-7801

