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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE INCREASE OF
RATES AND CHARGES AND INCREASE
IN USF ELIGIBILITY FOR MANTI
TELEPHONE COMPANY

APPLICATION FOR RATE INCREASE
AND INCREASE IN USF ELIGIBILITY

DOCKET NO. 08-046-01

Manti Telephone Company ("Manti Telephone") hereby files this Application of Rate Increase and USF Eligibility with the Public Service Commission of Utah (the "Commission") pursuant to Utah Code Anno. Sections 54-7-12(7), 54-8b-11 and 54-8b-15, and R746-360 of the Commission's Rules of Practice and Procedure and represents the following:

1. The Commission is vested with jurisdiction over this matter by Utah Code Anno. Sections 54-4-1 and 54-7-12(2) with respect to Manti Telephone's Application for Rate Increase and Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure with respect to Manti Telephone's Application for USF Eligibility.

2. Manti Telephone is a Utah corporation qualified to transact business and operate as a local exchange carrier providing telecommunications services within the State of Utah under authority issued to Manti Telephone by the Commission.

3. This Application is accompanied by the necessary information and schedules in accordance with Utah Code Anno. Section 54-7-12(2) to support a determination by the Commission that the proposed rate increase is just and reasonable.

4. This Application is accompanied by the necessary information and scheduled in accordance with Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure to support Manti Telephone's Application for USF Eligibility.

5. Calendar year 2007 constitutes a reasonable test year pursuant to Utah Code Anno. Section 54-4-4(3) for the purpose of setting rates and determining the appropriate amount of support from Utah's USF. Manti Telephone's revenue requirement calculation includes known and measurable test year adjustments consistent with Utah Code Anno. Section 54-4-4(3).

6. Manti Telephone's Application is supported by the following attached Exhibits:

**The Exhibits are CONFIDENTIAL -- SUBJECT TO PROTECTIVE ORDER
IN DOCKET NO. 08-046-01 and may be viewed only by those having executed
and delivered to the Commission the Exhibit A attached to the Protective Order.**

Exhibit 1, State Revenue Requirement Calculation and Notes to Exhibit 1; Exhibit 2, Depreciation Rates.

7. Manti Telephone's present tariff charges and State USF do not provide sufficient revenues to cover the Manti Telephone's 2007 test year costs, including capital costs and depreciation expense. At January 1, 2008, Manti Telephone's current rate structure resulted in an annual revenue requirement deficiency of \$3,392,983.00 against Manti Telephone's 2007 test year costs when considering plant construction, known and measurable additions thereto, and including a rate of return 10.365%.

8. Manti Telephone's current rate for basic residential service (R-1) is \$13.50 per month and for basic business service (B-1) is \$23.00 per month. Manti Telephone proposes to increase its R-1 and B-1 rates to \$14.50 and \$24.00, respectively, to cover a portion of the revenue requirement shortfall. The increase in the R-1 and B-1 rates will result in an additional \$_____ in revenue.

9. Manti further proposes to include in the R-1 and B-1 rates, vertical calling features such as caller ID, voice mail and other custom calling features which have become the norm in the telecommunications industry and are generally offered as part of any basic telecommunications plan offered by competitive services providers such as VoIP and cellular/mobile carriers. While such vertical calling features have traditionally not been included with the Commission's treatment of Basic Telecommunications Services for purposes of State USF, the Commission has authority to do so pursuant to Utah Code Anno. Section 54-8b-15(1)(a) and R746-360-2(C) of the Commission's Rules of Practice and Procedure. Such treatment would be consistent with customer expectations that vertical calling features should be included within their basic telephone rate plan in today's competitive telecommunications market. The current revenue shortfall which is attributable to the vertical calling features will be \$_____ (see, Exhibit 1, Note (f)), which will be made up, in part, from the increase in local rates described in paragraph 8 above.

10. The current EAS rate charged to Manti Telephone's subscribers is \$4.16 per month for Sanpete County-wide EAS pursuant to the Commission's Order in Docket No. 05-046-01, issued September 19, 2006. The prior charge for the Ephraim/Manti EAS was \$2.16 per month. Manti Telephone proposes that the current EAS between Ephraim and Manti be restructured so that all calls within and between the Ephraim and Manti exchanges would be local calls. The treatment of such calls as local calls is facilitated by the fact that the Manti switch acts as a host switch for the Ephraim

exchange. As such, facilities now designated as EAS circuits will be reclassified as local circuits without any change in functionality. As a result of the elimination of the Manti/Ephraim portion of the Sanpete County EAS, Manti Telephone proposes to reduce the EAS charge by the \$2.16 per month previously established for that route. The Sanpete County EAS charge would then be \$2.00 per month for Manti Telephone's subscribers. The revenue shortfall due to the elimination of the charges attributable to the Manti-Ephraim portion of the Sanpete County EAS will be \$_____ (see, Exhibit 1, Note f), which will be made up, in part, from the increase in local rates described in paragraph 8 above.

11. Following the implementation of the Sanpete County EAS in 2006, the zone charge of \$1.00 per month for subscribers in the Sterling Exchange to call to the Manti exchange without a toll charge was maintained in spite of the fact that EAS charge was intended to include all county-wide calls. As a result, Manti Telephone further proposes that the zone charge for the Sterling Exchange now be eliminated. The revenue shortfall attributable to the elimination of the zone charge for the Sterling Exchange will be \$_____ (see, Exhibit 1, Note f), which will be made up, in part, from the increase in local rates described in paragraph 8 above.

12. Additionally, Manti Telephone's special access rates have not been re-balanced since, at least, the 1980s. As a result, Manti Telephone's current special rates are not consistent with the other ILECs in the State of Utah and are not competitive within the telecommunications industry generally. Accordingly, Manti Telephone proposes to rebalance its special access rates. The resulting re-balancing of special access rates results in a reduction in revenue of \$_____, which will be made up, in part, from the increase in local rates described in paragraph 8 above.

13. The residual revenue shortfall will be made up by an additional State USF distribution in the annual amount of \$3,392,983. The rate changes and increased distributions from the USF are essential to permit Manti Telephone to provide telecommunications services comparable to those offered by competitors at just and reasonable rates and to recover its costs of service and a reasonable return on the value of its property devoted to public use.

14. The following rate increases are necessary, fair and reasonable:

(a) Residential local exchange rates for increased by \$1.00, from \$13.50 to \$13.50 per month for residential customers in the Manti Telephone exchanges.

(b) Business local exchange rates for increased by \$1.00, from \$23.00 to \$24.00 per month for business customers of the Manti Telephone exchanges.

(c) Various special access rates are increased or decreased as outlined in the attached exhibits.

15. The increase in basic local residence and business rates to \$14.50 and \$24.00 respectively is consistent with the Commission's previously established Base Affordable Rates for non-cooperative local exchange providers pursuant to Utah Code Anno. Section 54-8b-15 and R746-360 of the Commission's Rules of Practice and Procedure and are consistent with those being charged by other rural incumbent local exchange carriers in Utah. Manti Telephone services customers only in areas considered rural in Utah.

16. The rate changes will increase local revenues annually by \$_____ and decrease intrastate special access and access revenues by \$_____.

17. Based on Manti Telephone's 2007 Test Year and taking into consideration the implementation of the rate increases and decreases identified above, an annual intrastate USF

distribution of \$3,392,983 is required for Manti Telephone to recover its cost of service and a reasonable return on the value of its property devoted to public use.

18. This will be Manti Telephone's first rate increase since July 2003. The proposed increase in rates is necessitated by increased costs in the telephone industry generally, regulatory requirements and improvements in telephone plant.

19. Exhibit 3 contains Proposed Depreciation Rates and Proposed Depreciation Lives.

20. Manti Telephone requests that the Commission, pursuant to Utah Code Anno. Section 54-7-12.1, approve the depreciation schedules reflected in Exhibit 2.

21. This Application for USF Eligibility is accompanied by the necessary information and schedules to support the approval by the Commission of an annual intrastate USF distribution of \$3,392,983.

22. Manti Telephone requests that the Commission, in accordance with Utah Code Anno. §§ 54-7-12 approve the rate increases described in this Application and the supporting documentation.

23. Manti Telephone further requests that the Commission, in accordance with Utah Code Anno. 54-8b-15 and R746-306 of the Commission's Rules of Practice and Procedure, approve an annual intrastate USF distribution of \$3,392,983 to Manti Telephone.

WHEREFORE, Manti Company respectfully submits this Application for Proposed Rate Increase and Increase in USF Eligibility.

DATED this 25th day of April, 2008.

BLACKBURN & STOLL, L.C.

By _____
Stanley K. Stoll
Kira M. Slawson
Attorneys for Manti Telephone Company

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the Application for Rate Increase, Docket No. 08-046-01 was sent to the following individuals by mailing a copy thereof via first-class mail, postage prepaid, this 25th day of April, 2008:

Michael Ginsberg
Assistant Attorney General
Division of Public Utilities

Paul Proctor
Assistant Attorney General
Committee of Consumer Services

Stanley K. Stoll