

In the Matter of the Petition of Manti Telecom for USF Increase, Docket No 08-046-01

Email exchange regarding accounting issues

September 30, 2010

No responses or replies were sent from ALJ Arredondo

## Ruben Arredondo - Manti Accounting issues

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**From:** William Duncan  
**To:** Arredondo, Ruben; Powlick, Phil; rhendershot@gvnw.com; Schmid, Patric...  
**Date:** 9/30/2010 10:58 AM  
**Subject:** Manti Accounting issues  
**CC:** Hicken, Paul; Oman, Erle  
**Attachments:** AccountingSystemConcernsMantiTelephone2007-2.DOC

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The document I sent previously concerning the accounting issues at Manti was a preliminary version. Other items were added later. The attached final version was presented to Manti at a settlement conference on Oct 23, 2008.

Bill

Bill Duncan  
Manager, Telecommunication and Water  
Utah Division of Public Utilities  
801-530-6948  
Fax 801-530-6512  
[wduncan@utah.gov](mailto:wduncan@utah.gov)

②

**Ruben Arredondo - RE: Manti Accounting issues**

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**From:** "Kira Slawson" <KiraM@blackburn-stoll.com>  
**To:** "William Duncan" <wduncan@utah.gov>, <rhendershot@gvnw.com>, "Phil Powli...  
**Date:** 9/30/2010 11:51 AM  
**Subject:** RE: Manti Accounting issues  
**CC:** "Erle Oman" <eoman@utah.gov>, "Paul Hicken" <phicken@utah.gov>, "Stan St...  
**Attachments:** Paul Cox Letter -AccountingIssues 12.24.08.doc

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Bill,

As you indicate, the list you provided was discussed between the DPU and Manti at the Settlement Conference in October of 2008. Subsequent to that Settlement Conference, Manti and the Division entered into a Stipulation pursuant to which Manti and the Division agreed that changes in Manti's accounting procedures were needed in order to complete a review of Manti's revenue requirement. Manti and the Division agreed in good faith to determine depreciation rates for the underground conduit and underground cable and to establish a rate base for Manti as of December 31, 2008. Manti and the Division agreed to develop a process leading to the correction of any other accounting issues, and Manti agreed to file quarterly reports with the Commission detailing changes made in accounting processes.

After execution of the Stipulation, Manti received a letter from the DPU on December 24, 2008 which referenced the progress reports and indicated the open issues related to Manti's accounting procedures. A copy of that letter is attached, and it is the issues in that letter that Manti reported on in reports filed with the DPU in 2009.

I think it would be helpful for Manti and the Division to have a call to discuss these matters prior to Manti filing a report on Monday. Would you be available for a call this afternoon, Thursday at 1:30 p.m.? We can use Manti's Bridge line at 435/835-0010 with a Code of 12345#.

Please let me know if that will work for you.

Kira M. Slawson  
Blackburn & Stoll, LC  
257 East 200 South, Suite 800  
Salt Lake City, UT 84111-2048  
Phone: (801) 578-3578  
Fax: (801) 578-3579

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**From:** William Duncan [mailto:wduncan@utah.gov]  
**Sent:** Thursday, September 30, 2010 10:59 AM  
**To:** Kira Slawson; rhendershot@gvnw.com; Phil Powlick; Patricia Schmid; Ruben Arredondo  
**Cc:** Erle Oman; Paul Hicken  
**Subject:** Manti Accounting issues

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State of Utah  
Department of Commerce  
Division of Public Utilities

FRANCINE GIANI  
*Executive Director*

THAD LEVAR  
*Deputy Director*

PHILIP J. POWLICK  
*Director, Division of Public Utilities*

JON HUNTSMAN Jr.  
*Governor*

GARY HERBERT  
*Lieutenant Governor*

December 24, 2008

PAUL COX, PRESIDENT  
MANTI TELEPHONE COMPANY  
40 W UNION STREET  
MANTI, UT 84642-1356

Dear Mr. Cox:

The Public Service Commission has scheduled a stipulation hearing on December 29, 2008 to discuss the details of interim USF subsidies to Manti Telephone Company (MTC). As you know, there are a number of accounting issues that were presented to MTC during the settlement conference on Oct 25<sup>th</sup> and we assume you and your accountants have reviewed and discussed these issues. The agreement for interim USF subsidies stipulates that there will be quarterly progress reports from MTC on how the company is resolving these issues. The first quarterly report is due to be filed on December 31, 2008 The issues previously mentioned are listed as follows:

1. The purchase of the Ephraim exchange including the acquisition adjustment for plant, depreciation and amortization was not recorded correctly.
2. Manti has not followed USOA Part 32 for proper classification of income, expense, and plant asset accounts.
  - a. Plant accounts should be reviewed and adjusted for expenses and expense accounts should be reviewed and adjusted for plant. For example, labor was capitalized when it should have been expensed.
  - b. No work order tracking procedure in place. We want to see a job code or project code on time sheets and invoices to track materials and labor per project.
  - c. Payroll timesheets are inadequate for tracking labor allocations. Timesheets should be modified to show projects, activities and other categories. Employees should be trained to indicate under which categories there labor hours should be assigned. (*resolution in process*)
3. Depreciation for some plant accounts has been calculated using incorrect rates.

4. A detailed adjusted plant balance is not currently available. We would like to have a corrected plant balance for year ended 12/31/2007 as soon as possible and complete a review of 2008 as soon as practical upon completion on 2008 financial results.

We would expect that in your first quarterly report, for you to outline your responses to these issues and to provide a review of what steps have been taken to address these issues, and a timetable for implementation of future actions. We would propose a meeting shortly after receiving your first quarterly report to discuss differences between the DPU and MTC if any, and necessary steps to address these accounting issues.

Sincerely,

Bill Duncan  
Manager, Telecom and Water  
Division of Public Utilities

CC: Stan Stoll  
Ray Hendershot

③

**Ruben Arredondo - RE: Manti Accounting issues**

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**From:** William Duncan  
**To:** Arredondo, Ruben; Powlick, Phil; rhendershot@gvnw.com; Schmid, Patric...  
**Date:** 9/30/2010 1:09 PM  
**Subject:** RE: Manti Accounting issues  
**CC:** Hicken, Paul; Manti Tel Billing, Contact (Kari Stevens); Oman, Erle; ...

---

Kira,  
Trish moved some things around so we can meet at 1:30  
Bill

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[wduncan@utah.gov](mailto:wduncan@utah.gov)

>>> "Kira Slawson" <KiraM@blackburn-stoll.com> 9/30/2010 11:50 AM >>>

Bill ,

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After execution of the Stipulation, Manti received a letter from the DPU on December 24, 2008 which referenced the progress reports and indicated the open issues related to Manti's accounting procedures. A copy of that letter is attached, and it is the issues in that letter that Manti reported on in reports filed with the DPU in 2009.


I think it would be helpful for Manti and the Division to have a call to discuss these matters prior to Manti filing a report on Monday. Would you be available for a call this afternoon, Thursday at 1:30 p.m.? We can use Manti's Bridge line at 435/835-0010 with a Code of 12345#.

Please let me know if that will work for you.

Kira M. Slawson

Blackburn & Stoll, LC  
257 East 200 South, Suite 800  
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**Sent:** Thursday, September 30, 2010 10:59 AM  
**To:** Kira Slawson; rhendershot@gvnw.com; Phil Powlick; Patricia Schmid; Ruben Arredondo  
**Cc:** Erle Oman; Paul Hicken  
**Subject:** Manti Accounting issues

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**To:** "William Duncan" <WDuncan@utah.gov>, <rhendershot@gvnw.com>, "Phil Powli...  
**Date:** 9/30/2010 1:11 PM  
**Subject:** RE: Manti Accounting issues  
**CC:** "Stan Stoll" <sstoll@blackburn-stoll.com>, "Contact (Kari Stevens) Manti..."

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Great Bill. I don't think we were intending that Judge Arredondo be on that call, were you?

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**Sent:** Thursday, September 30, 2010 1:10 PM  
**To:** Kira Slawson; rhendershot@gvnw.com; Phil Powlick; Patricia Schmid; Ruben Arredondo  
**Cc:** Stan Stoll; Contact (Kari Stevens) Manti Tel Billing; Erle Oman; Paul Hicken  
**Subject:** RE: Manti Accounting issues

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>>> "Kira Slawson" <[KiraM@blackburn-stoll.com](mailto:KiraM@blackburn-stoll.com)> 9/30/2010 11:50 AM >>>

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## Ruben Arredondo - Manti Accounting issues

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**From:** William Duncan  
**To:** Arredondo, Ruben  
**Date:** 9/30/2010 2:41 PM  
**Subject:** Manti Accounting issues  
**CC:** Schmid, Patricia; Slawson, Kira

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Judge Arredondo,

Previously the Division has sent out two documents that were presented to Manti detailing their accounting issues. We also sent a letter to Manti dated Dec 24, 2008 that summarized and condensed issues that had been presented to Manti in earlier discussions. I believe you received a copy of this letter from Kira Slawson earlier today. The Division believes that the items outlined in this letter are the most appropriate for Manti's response that is due on Monday, Oct 4th.

Bill Duncan  
Manager, Telecommunication and Water  
Utah Division of Public Utilities  
801-530-6948  
Fax 801-530-6512  
[wduncan@utah.gov](mailto:wduncan@utah.gov)