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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	Revised Redacted Settlement Stipulation and Establishment of Balancing Account Docket No. 08-046-01
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Pursuant to Utah Code Ann. § 54-7-1 and R746-100-10.F.5, the Utah Division of Public Utilities (Division) and Manti Telephone Company (“Manti”) (collectively, “Parties”) hereby request that the Public Service Commission of Utah (“Commission”) enter an order approving this Settlement Stipulation (“Stipulation”)

Background and Procedural History

1. On April 25, 2008 Manti filed a request for rate relief and for an increase in its USF eligibility. Manti also proposed changes in its basic rates, proposing to increase its residential rate from \$13.50 to \$14.50, and its single line business rate from \$23.00 to \$24.00. Manti also proposed to change a variety of other rates including EAS rates and access rates.

2. Manti proposed that its revenue requirement and USF distribution be based on a 2007 test year with certain known and measurable changes.

3. The Division submitted data requests to Manti and conducted several on-site audits of Manti. As a result of these audits, the Division believed that the accounting records of Manti did not reflect an accurate rate base calculation as of December 31, 2007, and would not project an accurate result of operations for the period ending December 31, 2007.

4. As a result of these accounting issues, the Division and Manti entered into a stipulation (“2008 Stipulation”), **Attachment 1**, hereto whereby, among other things, subject to Commission approval, the Parties agreed that: (1) Manti was awarded \$908,763 in additional interim USF (“2008 USF Revenues”), based upon Manti’s loan covenants’ interest coverage ratio and its 2008 semi-annual financial statements, pending resolution of the rate case; (2) any additional interim USF distribution requested by Manti or ordered by the Commission would be prospective only; (3) if 2008 USF exceeded Manti’s revenue requirement as determined by the Commission, such excess would be reimbursed to the State USF fund, with interest; (4) that prior to the Division completing its review of Manti’s revenue requirement, Manti and the Division would work to determine Manti’s rate base for the year ending December 2008; (5) Manti and the Division agreed to determine Manti’s rate base, for the year ending December 2008 and file the same by December 31, 2008; (6) Manti and the Division further agreed to develop a process leading to the correction of any other accounting issues that may be required by the Uniform System of Accounts, 47 CFR Part 32, as adopted by the Commission in Rule R746-340-2-D, or other generally accepted accounting principles; (7) quarterly reports of such changes were required, along with other accounting filings for a specific period, (8) a Division audit was scheduled; and (9) a 2009 test year would be an appropriate test year to for

determining Manti's revenue requirement and non-interim USF distribution if Manti's books and records were appropriately recorded.

5. The 2008 Stipulation was filed with the Commission on December 11, 2008 and was approved on February 2, 2009. The Division also sent a letter to Manti on December 24, 2008 specifying the accounting changes that it considered to be necessary in order to complete a rate case for Manti.

6. In April 2010, Manti and Division entered into a stipulation (April 2010 Stipulation), **Attachment 2** hereto, stipulating among other things that: (1) Manti's rate base as of December 31, 2008 was **CONFIDENTIAL ***** CONFIDENTIAL**; (2) an attachment to the April 2010 Stipulation was to be used for purposes of the 2008 Stipulation's paragraph 15, which required revised schedules and accounting exhibits, among other things, to be filed with the Commission; and (3) the attachment was to be used to file Manti's 2009 Annual Report as well as to amend the 2008 Annual Report.

7. In accordance with its terms, the April 2010 Stipulation was filed with the Commission, but such terms did not require Commission approval prior to implementation of the April 2010 Stipulation, and no such approval has been sought.

8. After the filing of the April 2010 Stipulation, Manti and the Division continued to try to resolve accounting and other issues.

9. After additional data requests from the Division to Manti and audit reviews, on August 9, 2010, Manti filed an Amended Application for Rate Increase and USF Eligibility ("Amended Application") that sought to increase rate for its R1 Service to \$16.50 and to \$26.00 for B1 Service and seeking \$2,097,304 in total annual USF payments.

10. Subsequently, the Division conducted another on-site inspection and audit review and thereafter determined that Manti's books and records were not appropriately recorded. On

November 4, 2010, the Division filed its report with the Commission detailing areas where it found Manti's accounting to be deficient.

11. After the filing of the report, as a result of settlement discussions between Manti and the Division, the Parties agreed to enter into a stipulation and submit the same to the Commission for approval, for purposes of settlement and for this case only, regarding on-going interim USF support, rate increases, specific accounting procedures to be implement by Manti, and procedures to be used to establish the test year for this rate case.

STIPULATION
Specific Terms and Conditions

12. As set forth in Confidential **Attachment 5**, the Parties agree that Manti will be entitled to receive total USF relief of \$786,857.00 per year of which \$299,129 is previously awarded USF and \$487,728 shall be interim USF ("2010 USF Revenues"), superseding and replacing the 2008 USF Revenues, beginning on the first day of the month after this Stipulation is approved by the Commission (the "Effective Date"). The Parties desire to track the 2010 USF Revenues so that they may be compared to the USF revenues Manti is awarded at the conclusion of this Docket's rate case ("Final USF Revenues"). Beginning on the Effective Date the 2010 USF Revenues will be recorded in the 2010 USF Revenue Balancing Account established by the Commission in the order approving this Stipulation. In the event that the Final USF Revenues established by the rate case differ from the 2010 USF Revenues, the difference between the 2010 USF Revenues and the Final USF Revenues will be debited or credited to Manti, as the case may be, along with interest at the rate currently applicable to funds deposited in the State Treasury. Any credit or debit to Manti resulting from final true-up of 2010 USF Revenue shall be added to or balanced against any debits that may have accrued as a result of the repayment provisions contained in the 2008 Stipulation. Payments (either by Manti to the USF or to Manti from the

USF) of the total will be made in twelve equal amounts beginning one month after the final Commission order in this rate and continuing monthly for one year until the balance is retired.

13. Manti may raise its rates for R1 Service up to \$16.50 (or a lesser amount as determined in Manti's sole discretion) and its rates for B1 Service up to \$26.00 (or a lesser amount as determined in Manti's sole discretion) at any time after the Effective Date upon notice required by Utah Code Ann. §54-7-12(8)(a)(ii). Manti will file revised tariff pages reflecting this change.

14. Manti shall implement changes to its accounting procedures and practices so as to comply with the requirements listed in **Attachment 4**. These changes are to be implemented as soon as practicable. Upon implementation, Manti will notify the Division that it has completed the required changes and within 15 days Division staff will conduct an on-site verification. The Division will notify Manti and the Commission as to whether the design of Manti's accounting systems appear to meet the requirements of Attachment 4 within ten days of the on-site verification. If the Division finds that the design does not comply with the requirements, it shall provide a specific list of deficiencies for Manti to address. Once Manti believes that it has resolved any issues identified by the Division, it may implement any additional changes and once again notify the Division, at which time the verification and notification provisions listed above in this paragraph will once again come into effect.

15. After the Division has provided notice that the design changes to Manti's accounting systems have met the requirements of this Stipulation, the parties agree that a test period for the system should take place to ensure that the accounting systems operate as intended and as required by the Stipulation. This test period shall be the first full calendar month of operation of a system that the Division has verified as complying with the requirements of this stipulation. After the completion of this month, Manti prepare a verified financial statement that

will reflect the implementation of the procedures and practices necessary to comply with Attachment 4, and shall notify the Division of the completion of this statement. As soon as practicable after receiving notification, the Division shall undertake a site visit to Manti in which the Division will assess the performance of the accounting procedures and practices as reflected in the financial statement. Within 14 days of the completion of this site visit, the Division will notify Manti and the Commission as to whether it finds that the system's performance has met the requirements of this Stipulation. If the Division finds that the system's performance has not met these requirements it shall provide a specific list of deficiencies for Manti to address. Once all problems identified by the Division have been addressed, Manti will again complete a financial statement for the first complete month after implementing such additional changes, at which time the verification and notification provisions listed above in this paragraph will once again come into effect.

16. The Parties agree that Manti shall file a revised rate case application reflecting a test year comprising six months of historical normalized and annualized. This test year will begin on the first day of the first calendar month for which the Division has found that both the design and performance of Manti's accounting systems are in compliance with this Stipulation. At the completion of the six months of historical operation, Manti may make a new rate case filing reflecting the six historical months, normalized and annualized adjusted for known and measurable changes. Manti will make its amended filing in compliance with R746-700-40. A scheduling conference will be requested immediately after Manti's Amended filing. The Division will make its recommendation to the Commission as quickly as possible. The intention of the Parties is that this rate case filing should be the basis for determining permanent (non-interim) USF relief for Manti and for establishing any refunds by or payments to Manti as a result of the reconciliation of USF payments as described in Paragraph 12 of this Stipulation

17. The Parties agree that Manti's 2009 Plant in Service Balances shall be as set forth in Confidential **Attachment 3**, attached hereto. The Parties will work together to determine Manti's 2010 year-end plant in services balances within 90 days after receipt of the necessary financial reports.. If agreement is not reached, Manti may make its amended filing using its own valuation for plant in service end 2010 and the Division may make adjustments in its rate case filings as appropriate.

18. The Parties agree that this Stipulation should be filed with the Commission upon execution, agree to request a hearing on this Stipulation, and agree to request that the Commission approve this Stipulation.

19. The Division and Manti will each make a witness available to support this Stipulation; as to the Division, "support" means consistent with its statutory duties and responsibilities.

20. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission involving any matter contained in this Stipulation, each Party will use its best efforts to support the terms and conditions of the Stipulation. As applied to the Division, the phrase "use its best efforts" means that it shall do so in a manner consistent with its statutory authority and responsibility. No Party shall take a position in any judicial review that is in opposition to this Stipulation.

21. Except with regard to the obligations of the Parties under the three immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of

this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

22. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

Relief Requested

23. Based on the foregoing, the Parties request that the Commission schedule a hearing on this Stipulation and, thereafter, enter an order approving the terms and conditions set forth in this Stipulation and establishing the balancing account as discussed in this Stipulation.

Respectfully submitted this _____ day of March, 2011.

Patricia Schmid
Attorney for the Division of Public Utilities

BLACKBURN & STOLL L.C.

Stanley K. Stoll
Kira M Slawson

CERTIFICATE OF SERVICE

I hereby certify that a copy of the **Revised Redacted Stipulation** was transmitted electronically (email) on this the _____ day of March, 2011 to the following:

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CONFIDENTIAL ATTACHMENT 1
Subject to Protective Order in 08-046-01

CONFIDENTIAL ATTACHMENT 2
Subject to Protective Order in 08-046-01

CONFIDENTIAL ATTACHMENT 3
Subject to Protective Order in 08-046-01

CONFIDENTIAL ATTACHMENT 4
Subject to Protective Order in 08-046-01

CONFIDENTIAL ATTACHMENT 5
Subject to Protective Order in 08-046-01