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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: Public Service Commission
From: The Office of Consumer Services
Michele Beck
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Date: February 22, 2012
Subject: Docket 12-046-T01

Manti Telephone Company submits for approval a revised Lifeline tariff to reflect the current trends in the industry.

Background

On February 3, 2012 Manti Telephone Company (Manti) filed its application for Utah Public Service Commission (Commission) approval of its 2nd revised tariff sheet No. 23.1. The filing is a request to alter Manti's lifeline tariff. Manti's filing proposes to have its lifeline customers pay nothing out of pocket for lifeline service. The Commission sent its Action Request to the Division of Public Utilities (Division) which is due back to the Commission by February 23, 2012.

Discussion

The Office believes this proposed tariff change is Manti's competitive response to the Lifeline only Eligible Telecommunications Carrier (ETC) status of some wireless prepaid providers within the state. There is however, a major differentiating factor between the wireless ETC's and Manti's proposal. Manti proposes to have the State Universal Service Fund (USF) make up the revenue shortfall that it will experience as a result of the implementation of this new tariff, whereas the wireless Lifeline providers receive their funding from the Federal USF. There is currently no state USF subsidy of the prepaid wireless lifeline only providers.

The Office is concerned that the resultant order of this relatively simple tariff filing could have unintended consequences on the State USF. Manti and many other telephone

companies in the State are rate of return regulated. This necessitates, that the remaining telephone customers of the state make the Rural Local Exchange Carrier (RLEC), in this case Manti, financially whole. This means that Utah customers will pay extra to Manti to help it keep its lifeline customers on its system. It is questionable whether or not this is the objective and proper use of the state USF.

There are many other complicated issues associated with this filing including:

- The impact on the state USF if this tariff is approved.
- The impact on the state USF if similar requests are made by the other RLECs.
- The impact of Manti losing its current lifeline customers to another carrier if the tariff is not approved.
- The appropriateness of Manti's specific service offering. (e.g. number of free minutes and per minute charge for additional minutes)
- The impact of this Lifeline offering on competition
- The interplay between the effect on State USF and the effect on Federal USF of the different Lifeline offerings.
- For each minute over Manti's 700 maximum, it proposes a \$.10 per minute charge whereby a customer could unwittingly amass a large bill.

The office supports the Division's recommendation for a technical conference to give the Company an opportunity to explain and provide further clarification of its filing. However, given the wide ranging implications of Manti's proposal, the Commission must allow for full stakeholder input on these issues. This requires rounds of testimony and a hearing, similar to the review process that was used to evaluate the Lifeline offerings in the recent wireless ETC cases. The Office requests that the Commission also schedule a scheduling conference at which dates for testimony and hearing can be set.

Recommendation

The Office recommends that the Commission schedule a Technical Conference as requested by the Division. The Office also recommends that the Commission notice a Scheduling Conference to be held at the end of the Technical Conference to establish a timeline for testimony and hearing on this matter.