

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In The Matter of UBTA – UBET)	Docket No. 15-053-01
Communications, Inc.'s)	Direct Testimony of
(dba STRATA Networks) Application)	Michele Beck
for Utah Universal Service Fund)	For the Office of
Support)	Consumer Services
)	

September 25, 2015

1 **I. INTRODUCTION**

2

3 **Q. WHAT IS YOUR NAME, YOUR OCCUPATION AND YOUR BUSINESS**
4 **ADDRESS?**

5 A. My name is Michele Beck. I am the director of the Office of Consumer Services
6 (“Office”). My business address is 160 E. 300 S., Salt Lake City, Utah 84111.

7

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

9 A. I will introduce the Office’s case and expert witnesses. I will also address the
10 Office’s policy related to Utah Universal Service Fund (UUSF) cases.

11

12 **II. OVERVIEW OF CASE**

13 **Q. PLEASE IDENTIFY THE EXPERT WITNESSES HIRED BY THE OFFICE FOR**
14 **THIS PROCEEDING.**

15 A. The Office retained Mr. Bion Ostrander, President of Ostrander Consulting and
16 Mr. David Brevitz of Brevitz Consulting Services as telecom consultants. Mr.
17 Ostrander will address UBTA – UBET Communications, Inc.’s (dba STRATA
18 Networks) (“Strata” or “Company”) revenue requirement issues and propose
19 adjustments pertaining to... Mr. David Brevitz’s direct testimony will address
20 Strata’s proposed rate of return and provide further support for one of the
21 adjustments in Mr. Ostrander’s testimony.

22

23 **Q. PLEASE SUMMARIZE THE OFFICE'S RECOMMENDATION FOR THIS**
24 **PROCEEDING.**

25 A. The analysis and evaluation done by the Office show that Strata has not justified
26 its request for additional UUSF disbursements. To the contrary, the Office is
27 taking the position that Strata has overstated its needs. Our analysis shows that
28 when Strata's revenue requirement is properly calculated, it is over-earning by
29 \$411,483. Thus, the Office is recommending that the Commission deny Strata's
30 request for additional UUSF and reduce their current disbursements from
31 \$1,116,396 to \$704,913 (per year.) The details of the specific adjustments
32 supporting this recommendation are contained in Mr. Ostrander's and Mr.
33 Brevitz's direct testimonies.

34

35 **III. POLICY ISSUES**

36 **Q. WHAT GENERAL VIEW DOES THE OFFICE TAKE IN UUSF CASES?**

37 A. The Office's statutory duty is to take positions advantageous to residential and
38 small commercial customers. In UUSF cases, the Office considers the interests
39 both of the customers of the rural telecoms who have made the request for
40 UUSF as well as the customers who support the fund through the UUSF
41 surcharge. The Office supports the concept of universal service, but also
42 supports appropriate oversight and evaluation of the use of the UUSF.

43 **Q. DO UUSF PROCEEDINGS WARRANT RIGOROUS ANALYSIS AND**
44 **OVERSIGHT?**

45 **A.** Yes. A telecommunications company (“telco” or “telecom”) should be required to
46 meet a rigorous standard in a UUSF proceeding because it is seeking “public”
47 funds from a UUSF that is funded by a significant number of citizens from all over
48 Utah who get little direct or measurable benefit from the telco or its related
49 services because they are served by other communication companies.¹ A further
50 concern is that in some cases these consumers are being asked to fund service
51 and capacity which they themselves cannot receive, i.e., fiber to the home
52 (“FTTH”). Utah citizens that are contributing to the UUSF (but receiving little
53 direct benefit from the rural telcos receiving UUSF funding) deserve the benefit of
54 a rigorous review of the telcos that are seeking public UUSF funds.

55 **Q. DO YOU HAVE ADDITIONAL CONCERNS ABOUT THE PROCESS**
56 **FOLLOWED IN THIS CASE?**

57 **A.** Yes. As noted in Mr. Ostrander’s testimony (see Ostrander Direct lines 176 -
58 216), the Office had difficulty obtaining adequate supporting information to
59 conduct a comprehensive review of this case. We now have on record (in
60 Dockets 15-2302-01 and 15-053-01) that Strata, the Division of Public Utilities
61 (Division) and the Office do not view requests for UUSF to fall under the
62 definition of general rate cases. Early in this case, the Division issued a memo
63 that discussed a modified review of the case and to what extent the filing met the
64 requirements of r746-700-1 and r746-700-40. However, these rules establish
65 filing requirements for general rate cases, not requests for UUSF that do not
66 propose changes to rates. Nonetheless, in order for the Commission to ensure

¹ Other communication companies may mean other telco, cable, broadband/internet, and other entities.

67 that UUSF disbursements are in the public interest, adequate information must
68 be required by the requesting company to clearly show the underlying financial
69 information, allocation methods, etc. to support the request being made. Absent
70 this showing, the public interest will not be maintained.

71 **Q. WHAT DOES THE OFFICE RECOMMEND TO IMPROVE THE PROCESS OF**
72 **REVIEWING UUSF REQUESTS?**

73 A. First, the companies making UUSF requests should be required to follow the
74 standard filing requirements of the Commission. For example, r746-700-1(E)(1)
75 requires that “[I]f a document, spreadsheet, schedule, etc. has internal formulas
76 or other types of inter-cell relationships, the electronic media version shall be
77 provided with such formulas or cell relationships intact.” The Office routinely has
78 to request these required items through discovery, which delays receipt by the
79 allowed response time. Second, now that we have apparent consensus that
80 UUSF requests are not governed by the statutes or rules applicable for general
81 rate cases, the Office recommends that the Commission consider promulgating
82 rules for a complete filing to cover this specific type of request.

83 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

84 A. Yes it does.