BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

_

In the Matter of UBTA-UBET) Docket No. 15-053-01
Communications Inc.'s (dba Strata) DPU Exhibit 3.0 SR-REV REQ
Networks) Application for Utah Universal)
Service Fund (UUSF) Support) (REDACTED)
)
)

SUR-REBUTTAL TESTIMONY

OF

Shauna Benvegnu-Springer

STATE OF UTAH DEPARTMENT OF COMMERCE DIVISION OF PUBLIC UTILITIES

November 17, 2015

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE AND SCOPE OF TESTIMONY	1
III.	TOTAL COMPANY ALLOWABLE COSTS	2
IV.	MODIFIED ADJUSTMENT SUMMARY (EXHIBIT 3.1S)	3
v.	MODIFIED ADJUSTMENT EXPLANATIONS	5
VI.	CONCLUSION	1

1		I. INTRODUCTION
2	Q.	PLEASE STATE YOUR NAME, EMPLOYER AND ADDRESS FOR THE
3		RECORD.
4	A.	My name is Shauna Benvegnu-Springer. I am employed by the Department of
5		Commerce, Division of Public Utilities ("Division") for the State of Utah. My business
6		address is Heber M. Wells Building, 4th Floor, at 160 East 300 South, Salt Lake City,
7		UT 84114-6751.
8	Q.	HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS MATTER?
9	A.	Yes, I prepared and filed direct testimony regarding adjustments to the application filed
10		by UBTA-UBET Communications, Inc.'s dba Strata Networks (Strata) in this matter
11		September 25, 2015.
12		II. PURPOSE AND SCOPE OF TESTIMONY
13	Q.	WHAT IS THE PURPOSE OF YOUR SUR-REBUTTAL TESTIMONY?
14	A.	To address rebuttal made by Karl Searle in his testimony dated November 3, 2015 in this
15		matter.
16	Q.	PLEASE IDENTIFY THE SCOPE OF YOUR SUR-REBUTTAL TESTIMONY.

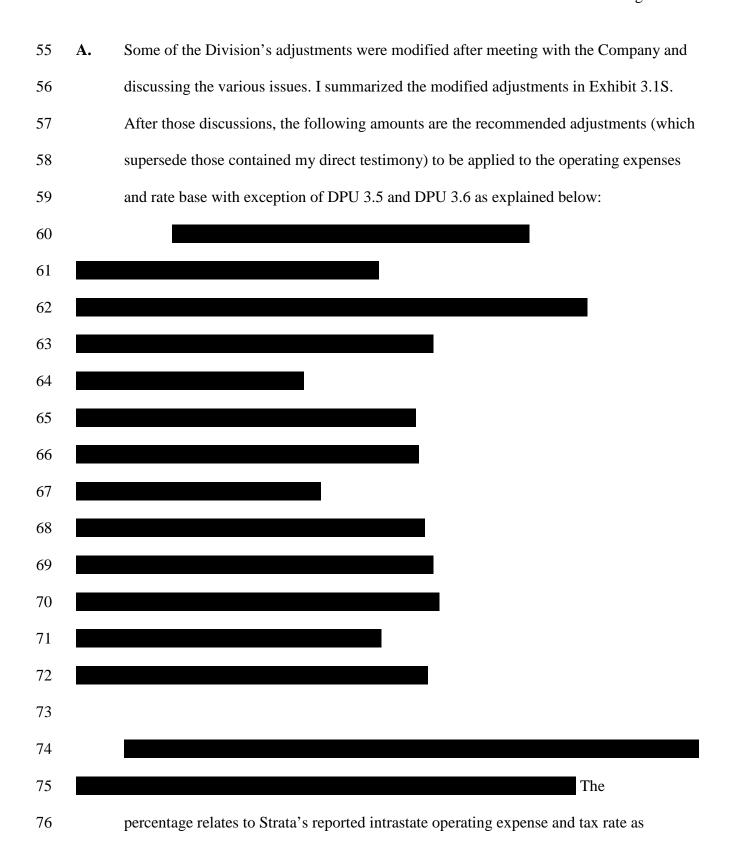
17	A .	My sur-rebuttal testimony addresses the concerns the company has regarding eight
18		adjustments the Division proposed to the company's application for Utah Universal
19		Service Fund relief in my direct testimony. I provide explanations to the adjustments as
20		modified by the company and the Division. I explain why the Division's proposed
21		adjustments are just, reasonable and in the public interest. I recommend that the Public
22		Service Commission of Utah (Commission) accept the Division's proposed modified
23		adjustments.
24		III. TOTAL COMPANY ALLOWABLE COSTS
25	Q.	PLEASE EXPLAIN THE TOTAL COMPANY ALLOWABLE COSTS.
26		The Utah Code and the Commission rules regarding the UUSF state the UUSF "shall be
27		designed to promote equitable cost recovery of basic telephone service 1 , and, "to the
28		extent not funded by a federal universal service fund or other federal jurisdictional
29		revenue, the fund shall be used to defray the costs, as determined by the commission, of
30		any qualifying telecommunications corporation2" Strata's filed application for funds
31		from the UUSF reported total telephone company revenues, total company rate bases,
32		total company assets, total company liabilities and total telephone company expenses
33		along with "total" known and measurable adjustments for providing public
34		telecommunication services. Strata's Exhibit 2.1 reported amounts consistent with its

² Ibid (7)

¹ Utah Code Title 54 Public Utilities, Chapter 8b Public Telecommunications Law, Section 15 Universal Public Telecommunications Service Support Fund, (6)(a).

35	2014 Audited Financial Statements and the amounts were not separated between
36	interstate and intrastate revenues or expenses. The 2014 Strata general ledger detail the
37	Division received from Strata included total telephone company revenues, assets,
38	liabilities and expenses. The Division's current practice is to use total company revenue
39	and expenses for purposes of calculating UUSF, which the Division believes, is
40	consistent with R746-360-8. For purposes of calculating UUSF support, the
41	Division and Commission are not bound by the protocols of the federal universal fund.
42	In Mr. Searle's rebuttal testimony, page 21, line 452 through line 457 he states he
43	disagrees with many of the Division's adjustments and that the Division cannot
44	recommend an expense adjustment greater than the intrastate portion. The Division
45	disagrees with his statement and believes that use of total company embedded costs as
46	described in R746-360-8 is consistent with the statutory requirements of UC 54-8b-15(7).
47	The Division recommends the Commission disregard any portion of the Company's
48	adjustment or testimony identified using only an intrastate portion of the expense. The
49	relevant questions in UUSF cases are what the company's total revenue requirement is
50	and how much of the revenue requirement is unrecovered from other sources. Answering
51	this question does not require or permit segregating interstate and intrastate portions

52 IV. MODIFIED ADJUSTMENT SUMMARY (EXHIBIT 3.1S)
53 Q. HAS THE DIVISION'S ADJUSTMENTS BEEN MODIFIED SINCE YOUR
54 DIRECT TESTIMONY? IF SO, PLEASE EXPLAIN.

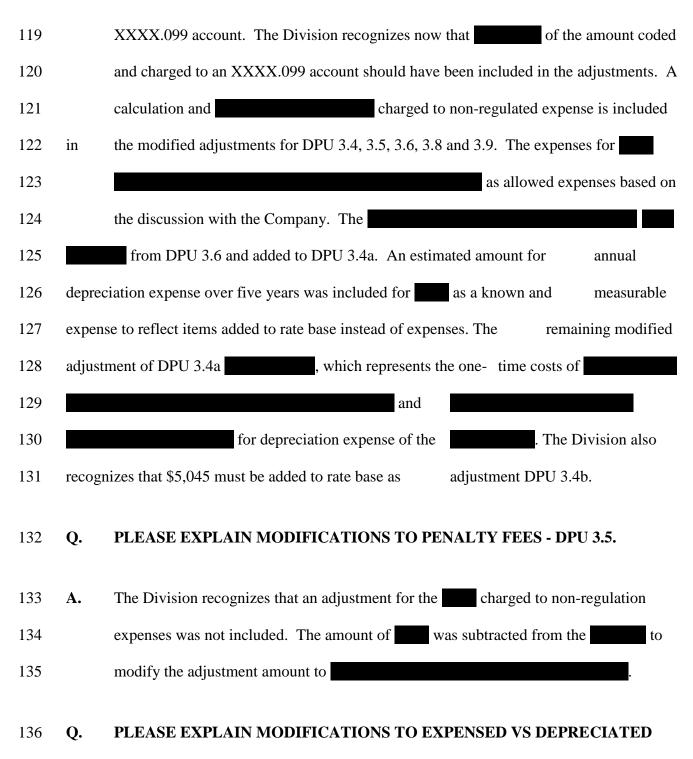


77		submitted in Strata's Exhibit Part 36 Federal Revenue Requirement Summary for
78		calendar year 2013, as used by the federal universal service fund and their reporting of
79		interstate activities. The Division disagrees with applying an intrastate cost percentage to
80		the adjustment amounts as discussed previously. It will lead to incorrect results under the
81		state statue. The Division recommends the Commission apply the modified adjustments
82		as presented above.
83		V. MODIFIED ADJUSTMENT EXPLANATIONS
84	Q.	PLEASE EXPLAIN DPU 3.1 AND DPU 3.2. – SALARY & WAGES
85	А.	In Mr. Searle's testimony dated November 3, 2015, page 21, line 462, the question asked
86		is if the company accepts DPU adjustments 3.1 and 3.2. On page 21, line 463 he accepts
87		DPU adjustment 3.2, but does not address DPU adjustment 3.1. Both known and
88		measurable adjustments that must be applied together as presented in my direct testimony
89		to properly state the salary and wages going forward. One without the other results in
90		over or under stating salary and wages. Therefore, the Division recommends adding
91		and subtracting and , from operating expenses.
92	Q.	PLEASE EXPLAIN ANY CHANGES TO DPU 3.3 – THANK YOU PAYMENTS.
93	А.	Regarding adjustment DPU 3.3, the Company agreed to provide documentation/policy
94		and procedure with authorization from the Board of Directors adopting the "incentive
95		plan" for the Division's review. In Mr. Searle's rebuttal testimony, page 21, lines 465
96		through 469; he states, "While are not a promised payment to
97		employees, they have been used for many years with the

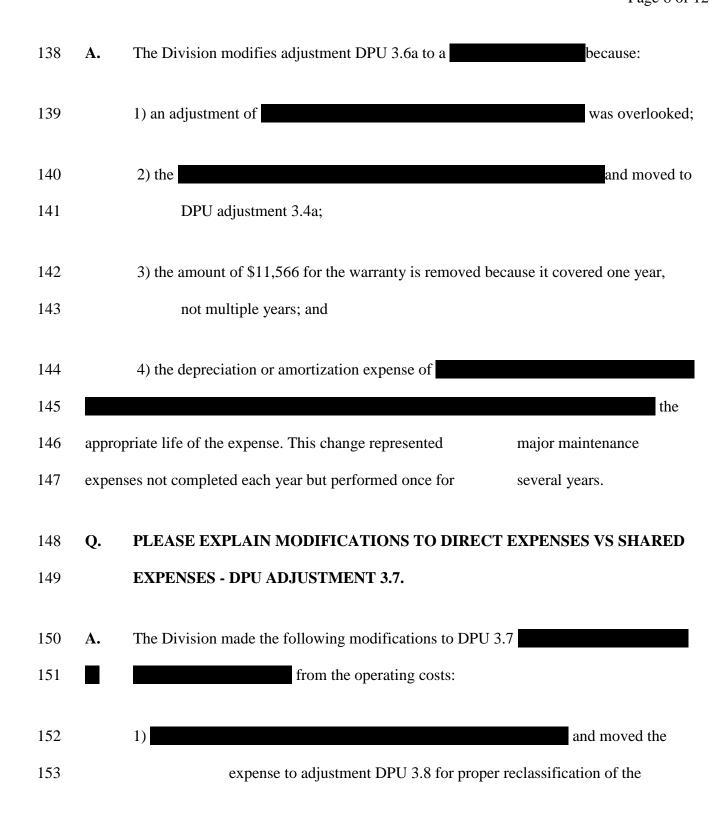
98		." He goes on to say, "
99		". During the review at the company site, Mr. Searle made a presentation to
100	all the	e auditors and consultants present, where he stated that the "
101		." The statements in his rebuttal testimony and in the presentation on
102	site	indicate they are not known and measurable transactions and are conditional. The
103		Division needs to understand the conditions of the incentive plan to determine the
104		forward going nature of the expense. The perception of the expense can be viewed as a
105		gift of from the ratepayer or taxpayer funds and not as an annual on going required cost
106		to provide basic telecommunication service.
107		However, the Division looks at all aspects of employee compensation in total. From the
108		analysis the DPU completed of total salaries and wages paid by Strata, it appears that
109		inclusion of this amount would not push Strata's total compensation outside of normal
110		industry compensation ranges. Documentation such as Board of Director minutes
111		authorizing the expense and conditions of the
112		payments has not yet been provided. Until the documentation is provided and reviewed,
113		the Division recommends the adjustment of be subtracted from the operating
114		expenses.
115	Q.	PLEASE EXPLAIN THE MODIFICATIONS TO NORMALIZING ONE-TIME

- 116 UNUSUAL EXPENSES (DPU 3.4)
- A. The Company noted that 100% of the identified one-time unusual expenses were
 included in the Division's adjustments for those items coded and charged to an

Docket No. 15-053-01 Sur-rebuttal Testimony of Shauna Benvegnu-Springer November 17, 2015 Page 7 of 12



137 OR AMORTIZED - DPU 3.6a.



154	expens	es type,	because the	hey should have been included in the non-regulatory
155	costs a	djustment;		
156		2)		,
157	becaus	e	the Company had	d corrected the duplicate charge in the general ledger
158	detail;			
159		3)		, because after
160		dise	cussion with the Comp	pany it was determined to be a cost to the
161		tele	communication servic	ce; and
162		4)		s because
163		the	y are recovered throug	gh the NECA tariff.
164	Q.	PLEASE 1	EXPLAIN THE MOI	DIFICATIONS TO NON-REGULATED
165		EXPENSE	ES DPU ADJUSTME	ENT 3.8.
166	А.	The Divisi	on modified	
167			from the operating exp	penses by the following:
168		1)		
169	because	e	they are a	of the telecommunication service;

170		2) of the amount charged to
171		XXXX.099 for non-regulated portion of expenses that were overlooked;
172		3) , previously included in adjustment DPU 3.7
173		adjustment and moved to this adjustment for proper reclassification of the
174		expense type, because the expense is a non-regulatory expense that should be
175		subtracted from the operation expenses,
176		4) from the adjustment for access to
177		which is a cost of the telecommunications service.
178	Q.	PLEASE EXPLAIN MODIFICATIONS TO THE SPECIAL CHARGES
179		ADJUSTMENT DPU 3.9.
180	А.	The Division reduced the adjustment
181		by the following changes:
182		1)
183		the Company had charged to non-regulated subsidiaries;
184		2)
185		the company explained were a common industry cost for the
186		telecommunications service;

Docket No. 15-053-01 Sur-rebuttal Testimony of Shauna Benvegnu-Springer November 17, 2015 Page 11 of 12

187		3)
188		by employees when serving the public; and
189		4)
190		VI. CONCLUSION
191	Q.	WERE THERE ANY ADDITIONAL MODIFICATIONS OR CHANGES TO
192		THE DIVISION'S ADJUSTMENTS?
193	А.	No, there are no further changes.
194	Q.	WHAT IS THE DIVISION'S RECOMMENDATION FOR THIS PETITION?
195	А.	The Division recommends that the Commission recognize and accept the fourteen
196		adjustments as modified to the test year and summarized on DPU Exhibit 3.1S, and
197		supersedes DPU Exhibit 3.1. In addition, DPU Exhibits 3.4S, 3.5S, 3.6S, 3.7S, 3.8S and
198		3.9S illustrate the changes to the adjustments and supersedes DPU Exhibits 3.4, 3.5, 3.6,
199		3.7, 3.8, and 3.9.
200	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?

201 A. Yes, this concludes my testimony.