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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Shauna Benvegnu-Springer, Utility Technical Consultant
Tamra Dayley, Utility Analyst

Date: September 1, 2023

Re: **Docket No. 23-051-01**, Review of 2022 Annual Report of Beehive Telephone Company and Recommendations for Utah Universal Service Fund assistance for Calendar year 2024.

Preliminary Recommendation

The Division of Public Utilities (“Division” or “DPU”) recommends the Public Service Commission of Utah (“PSC” or “Commission”) adjust the annual Utah Universal Service Fund (“UUSF”) payable to Beehive Telephone Company Inc. (“BTC” or “Company”) to \$2,398,770 annually, or \$199,897.50 monthly effective January 1, 2024. For the 2023 calendar year BTC received \$1,865,082 annually, or \$155,424 monthly. The current recommendation represents a UUSF increase of 29% or \$533,688 annually or \$44,474 monthly.

Issue

The Division has reviewed the revised post-audit annual report of BTC submitted on June 2, 2023. Pursuant to PSC rule R746-8-401(6)(a) and (b) and R746-8-401(7), the DPU has calculated the annual UUSF eligibility for 2024 to be \$2,398,770.

Division of Public Utilities

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Background

PSC rule R746-8-401 requires the DPU to recommend to the PSC adjustments to the monthly UUSF distribution for each provider based on the FCC rate of return set forth in R746-401-(7)(b) and the provider's financial information from its last annual report filed with the Commission. This memo presents the DPU's recommendation for adjustment to the UUSF distribution of BTC.

Discussion

In calculating the UUSF eligibility for BTC, the Division utilized the following:

- 1) Rate of Return –The DPU used a 9.75% rate, which is the rate-of-return prescribed by the FCC.
- 2) Depreciation – BTC utilizes single asset straight-line depreciation. Depreciation expense averaged 5% of the asset's book values for 2022.
- 3) Excess Accumulated Deferred Income Tax (EDIT) – Beehive reported that it does not have EDIT.
- 4) Wholesale Broadband – Beehive reported that it is an ACAM (Alternative connect America Cost) model provider and currently not offering CBOL (Consumer Broadband Only Loop on a Common Carrier Basis).
- 5) Excludable Expenses – Beehive Telephone Company's annual report included costs of \$62,768.20 that were adjusted and excluded from the UUSF revenue requirement. These costs include membership dues, a variety of company sponsorships, and employee events and recognitions.
- 6) Beehive reported continued build out of new fiber-to-the-home (FTTH) construction and upgraded fiber for all the customers.

Conclusion

The DPU recommends adjusting the UUSF distribution for BTC to \$2,398,770 annually, or \$199,897.50 monthly effective January 1, 2024.

cc: Cameron Francis, Beehive Telephone Company
Charles Pritchett, Beehive Telephone Company
Larry Mason, Beehive Telephone Company