

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Manti Telephone)	Docket No. 08-046-01
Company's Second Amended)	DPU Exhibit 5.0 SR-REV REQ
Application for USF Eligibility)	(REDACTED)
)	
)	
)	

PREFILED SURREBUTTAL TESTIMONY

OF

SHAUNA BENVEGNU-SPRINGER

**STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF PUBLIC UTILITIES**

NOVEMBER 9, 2012

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1 **I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

3 **A.** My name is Shauna Benvegna-Springer. My business address is 160 East
4 300 South, Salt Lake City, Utah 84114.

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR OFFICIAL**
6 **TITLE?**

7 **A.** I am employed by the State of Utah, Department of Commerce, in the
8 Division of Public Utilities. My official title is Utility Analyst.

9 **Q. ARE YOU THE SAME SHAUNA BENVEGNA-SPRINGER WHO**
10 **PREVIOUSLY FILED DIRECT TESTIMONY AND REBUTTAL**
11 **TESTIMONY IN THIS PROCEEDING?**

12 **A.** Yes, I am. I have provided Direct Testimony and Rebuttal Testimony on
13 behalf of the Division of Public Utilities (“Division”) in this docket.

14 **II. SUMMARY**

15 **Q. ARE YOU STILL TESTYING ON BEHALF OF THE DIVISION?**

16 A. Yes, I am.

17 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

18 A. I am responding to the rebuttal testimony of Manti Telephone Company's
19 (MTC) witnesses, Raymond A. Hendershot, and Dallas Cox regarding the
20 rate case expenses.

21 **III. REBUTTAL TESTIMONY OF RAYMOND A. HENDERSHOT**

22 **Q. IN HIS REBUTTAL TESTIMONY, RAYMOND A. HENDERSHOT, CRITICIZES**
23 **THE PROPOSED ADJUSTMENTS YOU MADE TO NORMALIZE THE COSTS**
24 **OF THE RATE CASE IN PREFILED TESTIMONY. IS THERE ANY MERIT TO**
25 **ANY OF THESE CRITICISMS?**

26 A. No, his comments are without merit.

27 **Q. DO YOU HAVE ANY GENERAL COMMENTS CONCERNING THE**
28 **ADJUSTMENTS MADE TO THE RATE CASE EXPENSES?**

29 A. I stand by the analysis and recommendations I made on behalf of the
30 Division in my pre-filed direct testimony. My analysis is consistent with
31 other rate case expenses for similar telephone companies. They are

32 consistent, as well with the analysis presented by the Office of Consumers
33 Services' witness, Mr. Bion Ostrander. They are reasonable and justified

34 **Q. IN HIS REBUTTAL TESTIMONY, MR. HENDERSHOT STATES THERE ARE**
35 **SEVERAL ITEMS THAT DROVE UP THE RATE CASE EXPENSES. DO YOU**
36 **AGREE WITH HIS ASSERTIONS?**

37 **A.** No. MTC's operating expenses have been driven by MTC's failure to keep
38 adequate records and failure to provide the evidence upon which the DPU
39 could evaluate the claimed need for additional Utah Universal Service Fund
40 (UUSF). The primary argument made by Mr. Hendershot is that the
41 Division and the Office ignored the stipulated test year, requested
42 unwarranted data requests and filings, and, required more accounting than
43 necessary. The true difficulty in doing so was getting reliable information
44 from MTC. My testimony will explain why these statements are without
45 merit and basis.

46 **Q. DID THE DIVISION IGNORE THE STIPULATED TEST YEAR?**

47 **A.** No. The Division began with the starting point of the 6 months (July 2011
48 through December 2011) annualized test period amounts as filed by MTC's
49 Second Amended Application. The Division made some reversing
50 adjustments to MTC's adjustments, and recommend normalizing, and
51 "known and measureable" adjustments to the test year.

52 **Q. DID THE DIVISION REQUEST MORE DATA REQUESTS THAN**
53 **NECESSARY?**

54 **A.** No. The Division has requested similar data requests for each rate filing that
55 has been filed. MTC filed 4 applications (an original application plus three
56 revised/amended applications for UUSF) and 4 stipulations. Many of the
57 data requests were to ascertain whether the proper accounting information
58 was available to make the necessary calculations for rate base in determining
59 if the request for an annual increase in its Utah Universal Service Fund
60 (UUSF) of [REDACTED] was reasonable and justified. Some questions
61 had to be asked again in a different way because of the incomplete response
62 received. With each filing MTC submitted under this docket, due diligence
63 was performed through data requests, on-site reviews, audits (informal and
64 formal), other research, and investigation to gather facts and information to
65 make appropriate adjustments and recommendations. Because MTC has
66 filed four applications and three stipulations under this docket, they have
67 essentially filed four rate cases and the appropriate questions and
68 discovery must be performed for each. The Division submitted 20 data
69 requests totaling 154 questions prior to MTC's Notice of Intent to File letter
70 which was filed with the Commission on February 28, 2012. The OCS did not
71 issue a data request in this docket until March 14, 2012.

72 **Q, WERE ALL THE DATA REQUESTS ANSWERED?**

73 **A.** No. There were a number of data requests that were not answered by MTC.
74 As such the Division was not able to make an exact calculation for an
75 adjustment and was required to use other methods. Refer to Exhibit 5.8.

76 **Q. WERE THERE DUPLICATE DATA REQUESTS AND IF SO, WHY?**

77 **A.** Yes, There were some data requests that were duplicative of the OCS or of
78 previous data requests that the Division has previously asked. A good
79 example was the legal invoices. OCS asked for the information and the
80 information received was redacted. As a result the DPU could not adequately
81 review the invoices. This required an additional data request. The DPU
82 asked for the same information unredacted and it was provided later, as
83 indicated on Exhibit 5.8.

84
85 **Q. DID THE DIVISION REQUIRE MORE ACCOUNTING**
86 **REQUIREMENTS THAN NECESSARY?**

87 **A.** No. In order to evaluate a request for additional money from the UUSF, the
88 Division must have sufficient confidence in a company's data to ascertain the
89 amount to which the company is entitled. Upon preliminary reviews of
90 information and an on-site audit by the Division on August 4-8, 2008, it was
91 discovered that MTC:

- 92 1) [REDACTED]
- 93 [REDACTED]

- 94 2) [REDACTED]
- 95 [REDACTED]
- 96 3) [REDACTED]
- 97 [REDACTED]
- 98 4) [REDACTED]
- 99 [REDACTED]
- 100 5) [REDACTED]
- 101 6) [REDACTED]
- 102 7) [REDACTED]
- 103 [REDACTED]
- 104 8) [REDACTED]

105 Two through seven above are accounting requirements and practices of
106 GAAP (general accepted accounting principles) that other small rural
107 telephone companies, and similar small businesses perform in the course of
108 business to operate properly and to be compliant with state and federal laws.
109 One and eight above are regulatory practices adopted by the Commission
110 under federal rules. This presented a significant barrier to evaluating
111 expense accounts which rely on these types of records. The Division observed
112 that work orders were not in place until 2011. During the audits, the
113 Division has still found open work orders where monthly capitalization and
114 expensing of time and materials are not recorded to the assets. This causes a

136 was determined and agreed by MTC that test year 2007, 2008, 2009 and 2010
137 did not meet minimum levels of compliance to determine UUSF eligibility.
138 These costs are not rate case expenses, but operating expenses outside the
139 test year, just as if MTC was facing a compliance audit or IRS audit. They
140 should not be considered rate case expenses.

141

142 **VI. REBUTTAL TESTIMONY OF DALLAS COX**

143

144 **Q. THE TESTIMONY OF DALLAS COX STATES THAT MTC'S**
145 **ACCOUNTING PRACTICES WERE THE SAME OR VERY SIMILAR**
146 **TO THE PRACTICES AND PROCEDURES FOR PRIOR RATES**
147 **CASES IN 1999 AND 2003. CAN THE DIVISION PROVIDE SOME**
148 **FACTS AS TO WHY THE DIVISION IS REQUIRING DIFFERENT**
149 **SCRUTINY IN THIS DOCKET?**

150 **Q.** The Division cannot provide an opinion as to why deficiencies in the
151 accounting records were not observed during the 1999 rate increase case, or
152 in the 2003 UUSF eligibility case. The Division can state what information is
153 in the files. MTC filed an application for UUSF eligibility and a
154 stipulation of the same on July 1, 2003. The Division conducted an informal
155 audit prior to the application being filed. An audit report was not in the
156 Division files. Due to the large amount of UUSF being requested,

157 \$3,392.983.00 the Division began reviewing what the differences were from
158 the prior 2003 rate case for UUSF. The differences lead to the
159 observations that were discussed in previous parts of this testimony.

160 **Q. WHEN DID MTC BEGIN RECEIVING UUSF RELIEF FROM THE**
161 **PUBLIC SERVICE COMMISSION?**

162 **A.** MTC began receiving [REDACTED] annually, effective July 1, 2003, after the
163 Commission issued its Report and Order in Docket 03-046-01 on September
164 3, 2003.

165 **VI. CONCLUSION**

166 **Q. WHAT IS THE DIVISION'S RECOMMENDATION FOR THIS PETITION?**

167 **A.** The Division recommends that the Commission recognize and accept
168 February 28, 2012 as the beginning date for applicable rate case expenses
169 and accept the recommendation to adjust rate case expenses as stated in my
170 direct testimony.

171 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

172 **A.** Yes, it does.