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

DIRECT TESTIMONY
OF
SHAUNA BENVEGNU-SPRINGER
STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF PUBLIC UTILITIES

SEPTEMBER 25, 2015

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS**
3 **ADDRESS FOR THE RECORD.**

4 A. My name is Shauna Benvegna-Springer. I am employed by the
5 Department of Commerce, Division of Public Utilities (“Division” or
6 “DPU”) for the State of Utah. My business address is Heber M. Wells
7 Building, 4th Floor, 160 East 300 South, Salt Lake City, UT 84114

8 **Q. BRIEFLY OUTLINE YOUR EMPLOYMENT BACKGROUND.**

9 A. I have been employed by the State of Utah for over 38 years in a
10 number of capacities and departments. Prior to working for the
11 Division, I served as the Deputy Director of Finance for the
12 Utah Department of Corrections, the Director of Finance for the
13 Utah Olympic Public Safety Command during the 2002 Salt
14 Lake Olympic Winter Games and as a utility regulator for the Utah
15 Department of Commerce, Division of Public Utilities for the past
16 eight years.

17 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

18 A. I attended Westminster College of Salt Lake and graduated
19 with a Bachelor of Science Degree with a double major in Accounting
20 and Management.

21 I continue my education by owning and participating in a tax,
22 business management and accounting services proprietorship for
23 individuals and small businesses. I am a member of the Association of
24 Government Accountants and the Association of Certified Fraud
25 Examiners. I am certificated as a Certified Government Financial
26 Manager (CGFM).

27 **Q. PLEASE DESCRIBE YOUR POSITION AND DUTIES WITH**
28 **THE DIVISION OF PUBLIC UTILITIES (“DIVISION”)?**

29 A. I am a Utility Analyst for the Division. Among other duties, I
30 perform assignments as an auditor and analyst on issues concerning
31 the terms, conditions and prices of utility service; study industry and
32 utility trends and issues; and review regulatory form, compliance and
33 practices relating to public utilities. I examine public utility financial
34 data for determination of rates; review applications for rate increases
35 and Utah Universal Service Support (UUSF); conduct research;
36 examine, analyze, organize, document and establish regulatory
37 positions on a variety of regulatory matters; review operations reports
38 and ensure compliance with laws and regulations; assist in
39 analysis of testimony and rate case preparation; and
40 participate in settlement conferences. I investigate and audit water,
41 telephone and energy companies. My extensive knowledge of
42 accounting, auditing and financial reporting allows me to prepare
43 reliable and justifiable reports and exhibits, fair and compliant
44 recommendations, along with testifying as an expert witness before
45 the Public Service Commission of Utah.

46 **Q. FOR WHICH PARTY WILL YOU BE OFFERING TESTIMONY**
47 **IN THIS DOCKET?**

48 A. I will be offering testimony on behalf of the Division.

49 **Q. WHAT AREAS IN THE APPLICATION WERE YOU ASSIGNED**
50 **AS PART OF THE EXAMINATION AND WHAT OTHER WORK**
51 **DID YOU DO RELATING TO UBET-UBTA'S (STRATA) FILING?**

52 A. I was assigned to directly review company expenses to include
53 payroll, plant, customer service, general and administrative, and
54 corporate expenses; allocation of direct, indirect and overhead
55 expenses between regulated and non-regulated affiliated transactions;
56 and rate case expenses. I specifically reviewed the general ledger
57 accounts, trail balance, and related source documents for salaries and
58 benefits, general support expenses, customer services, executive
59 expenses, accounting expenses, legal expenses, consulting expenses,
60 other general and administration expenses, taxes and other fees. I
61 also reviewed the application, direct testimonies and exhibits,
62 responses to all data requests submitted by the DPU and the Office of
63 Consumer Services (Office) in this docket, and noted if the response
64 impacted the revenue requirement in this UUSF case. I reviewed
65 external auditor's reports in conjunction with my areas of assignment.
66 I reviewed Strata electronic accounting system and accounting reports
67 directly related to the assigned areas of my review. I reviewed Strata's
68 previously filed UUSF case testimony, filings, and stipulations with
69 the Commission.

70 I submitted data requests in conjunction with my review and
71 analysis. I assisted other audit team members, reviewed
72 issues, and suggested areas where adjustments or corrections may be
73 warranted.

74 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE**
75 **COMMISSION?**

76 A. Yes. I have testified before the Commission as an expert
77 witness in Docket Nos. 07-35-35, 07-2025-01, 08-010-01, 08-2199-01,
78 08-2438-01, 08-35-35, 09-010-T01, 09-019-01, 09-2404-01, 09-2404-02,
79 09-2419-01, 09-2511-01, 10-2423-01, 10-2423-02, 10-2508-01, 10-2533-
80 01, 11-2195-01, 11-2508-T01 and now this docket 15-053-01.

81 SUMMARY OF TESTIMONY

82 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

83 A. The purpose of my testimony is to present adjustments to
84 various company adjusted account balances and company known and
85 measurable adjustments as presented by Strata in its confidential
86 application. They are requesting an increase of [REDACTED] to their
87 current UUSF support of [REDACTED] annually.

88 My testimony will focus on twelve (12) specific adjustments to the
89 application submitted by Strata, totaling [REDACTED]. The
90 adjustments are to be applied as discussed to the company's adjusted
91 operation expenses as listed below:

92 First, my testimony discusses the company's known and measurable
93 adjustment of a [REDACTED] increase across the board to salary, wages,
94 overtime and related benefit expenses based on the same for the 2014
95 test year and why the adjustment DPU 3.1 removes it.

96 Second, my testimony will discuss the adjustment DPU 3.2 for payroll
97 expenses based on the 1st quarter of 2015 calendar year.

98 Third, my testimony will discuss the adjustment DPU 3.3 for a thank
99 you bonus paid in 2014.

100 Fourth, my testimony will discuss the adjustment DPU 3.4 for one-
101 time unusual expenses such as the cost to remove pay phones in the
102 test year.

103 Fifth, my testimony discusses the adjustment DPU 3.5 for penalty
104 expenses in the test year.

105 Sixth, my testimony discusses the adjustment DPU 3.6 for
106 transactions that were expensed instead of capitalized in the test year.

107 Seventh, my testimony discusses the adjustment DPU 3.7 for
108 transactions that were directly charged 100% to the telephone
109 company instead of sharing the costs with the various affiliates of the
110 company.

111 Eighth, my testimony discusses the adjustment DPU 3.8 to remove
112 non-regulated expenses charged to the basic local telephone costs in
113 2014.

114 Ninth, my testimony discusses the adjustment DPU 3.9 to remove
115 special charges from the basic local telephone costs in the test year.

116 Tenth, my testimony discusses the adjustment DPU 3.10 to add
117 regulatory costs to the basic local telephone costs in the test year.

118 Eleventh, my testimony discusses the adjustment DPU 3.11 to remove
119 the estimated rate case expenses from the costs of basic local telephone
120 service to compute the revenue requirement.

121 Finally, I will explain the adjustment DPU 3.12 to reclassify the
122 company's known and measurable adjustment for depreciation
123 expense in the test year.

124 Exhibit DPU 3.1 illustrates a summary of the adjustments and the
125 financial impact to the company's adjusted book balances for 2014 as a
126 result of the proposed adjustments.

127 **PAYROLL ADJUSTMENTS (DPU 3.1 & 3.2)**

128 **Q. PLEASE EXPLAIN YOUR FIRST AND SECOND ADJUSTMENT**
129 **AS SET FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

130 A. The Division recommends removing the company's known and
131 measurable adjustment to various payroll expense accounts. This
132 adjustment totals [REDACTED].

133 The company's adjusted plant specific operations in the amount of
134 [REDACTED], other plant nonspecific operations for [REDACTED], customer
135 operations for [REDACTED], and corporate operations for [REDACTED] as
136 shown on Strata's Exhibit 2.4 of the company's application.

137 On December 22, 2014 the company provided employee salary and
138 wage expense increases of [REDACTED] on average to [REDACTED] out of [REDACTED] employees.
139 On Strata's Exhibit 2.4(d) Labor Expenses, the company illustrates the
140 calculation by multiplying [REDACTED] to the total 2014 actual labor expenses.
141 The labor expenses include labor, payroll miscellaneous, payroll taxes,
142 paid time off, paid time off accrued, vehicle spread, employer provided
143 benefits, holiday expense, overtime, thank you bonus, and various
144 other "allocations-on-book" expenses.

145 In analyzing the general ledger payroll records for January, February
146 and March of 2015, the appropriate salary and wage increases
147 provided in 2014 are included. In projecting the payroll costs for the
148 remaining year of 2015, the first quarter costs were multiplied by four
149 quarters. The analysis indicates an adjustment of [REDACTED] for plant
150 operations, [REDACTED] for plant non specific operations, [REDACTED] for
151 customer service operations and [REDACTED] for corporate operations are
152 required to maintain the current level of operation.

153 The company did not provide any additional known and measurable
154 adjustments to payroll expenses or information. The adjustment DPU
155 3.2 adds a total of [REDACTED] instead of the company's proposed
156 [REDACTED] amount. This is a more reasonable and just approach
157 because the [REDACTED] is projected as a function of those expenses that are
158 wage or salary driven instead of applying it across the board to costs
159 like health insurance, life insurance or the like that are at a flat rate.

160 The DPU recommends the Commission remove the company's known
161 and measurable adjustment for payroll expenses of [REDACTED] and
162 replace it with the adjustment DPU 3.2 of [REDACTED] instead. See
163 Exhibit 3.2 for the calculation.

164 **THANK YOU BONUS PAY (DPU 3.3)**

165 **Q. PLEASE EXPLAIN YOUR THIRD ADJUSTMENT AS SET**
166 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

167 A. The Division recommends making a known and measurable
168 adjustment DPU 3.3 for a thank you bonus payment in the amount of
169 [REDACTED] to reduce the costs of basic local telephone service. The
170 thank you bonus payment was a one-time payment payable to
171 employees and authorized by the company board of directors, one time.
172 Because the thank you bonus cost has not been authorized as an
173 ongoing cost for 2015 and for each year beyond, and, it is not
174 recognized as a normal cost of providing basic telephone service it must
175 be eliminated.

176 The DPU recommends the Commission subtract [REDACTED] from the
177 company's adjusted book balances for the test year.

178 **ONE-TIME UNUSUAL EXPENSES (DPU 3.4)**

179 **Q. PLEASE EXPLAIN YOUR FOURTH ADJUSTMENT AS SET**
180 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

181 A. The Division recommends the adjustment DPU 3.4 to remove
182 the amount of [REDACTED] under Plant Operations for unusual expenses
183 that are one-time types of expenses experienced in the 2014 test year.
184 DPU Exhibit 3.4 lists the specific transactions for water damage,
185 repair of a skylight, expensive repairs to a bucket truck [WD1] and
186 costs to remove pay phones no longer in use.

187 [REDACTED] for extensive repairs to the bucket
188 truck. The company has [REDACTED] in its inventory. Major
189 repairs to keep the bucket truck operational are not considered
190 routine maintenance nor are they capitalized because they do not
191 extend the life of the asset.

192 [REDACTED]
193 [REDACTED] The repairs were
194 to keep the building operational. The repairs are not considered
195 routine maintenance nor do they extend the life of the building.

196 An unusual storm did damage [REDACTED]
197 [REDACTED]

198 Again, these types of costs are not considered routine maintenance or
199 reoccurring activities that happen every year. Thus, they are not
200 representative of conditions the company can expect to continue.

201 The Company removed [REDACTED] pay phones at a cost of [REDACTED] in 2014. The
202 pay phones have become obsolete due to the lack of use. This is not a
203 reoccurring cost, but a one-time expense. The Company has [REDACTED] pay
204 phones left in service that are being used.

205 The Division recommends the Commission subtract [REDACTED] from
206 Plant Operations expenses for the unusual one-time expenses in the
207 test year. Refer to Exhibit 3.4 for the specific transactions.

208 **PENALTY EXPENSE (DPU 3.5)**

209 **Q. PLEASE EXPLAIN YOUR FIFTH ADJUSTMENT AS SET**
210 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

211 A. The Division recommends an adjustment DPU 3.5 in the
212 amount of [REDACTED] to decrease the company's basic local telephone costs
213 for penalty payments. The company paid [REDACTED] late fees or penalties on
214 invoices in the 2014 test year. Late fees or penalties are not basic local
215 telephone costs and are not prudent costs that the UUSF should
216 support. See Exhibit 3.5 for the list of late fees and penalties.

217

218 The Division recommends the Commission subtract [REDACTED] from the
219 company's adjusted book balances in the test year.

220 **EXPENSED COSTS VS. CAPITALIZED COSTS (DPU 3.6)**

221 **Q. PLEASE EXPLAIN YOUR SIXTH ADJUSTMENT AS SET**
222 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

223 A. The Division recommends the adjustment DPU 3.6 in the
224 amount [REDACTED] for transactions that were recorded as operating
225 expenses rather than capitalized with the associated asset on the
226 continuing property records. Generally accepted accounting principles
227 instruct that equipment with a useful life longer than a year or having
228 a large cost (the Company uses \$2,000 or greater) must be capitalized.
229 Items that are attached to the asset or are required to use the asset are
230 to be capitalized with the asset. Transactions that add value to an
231 asset or extend the life of the asset are to be capitalized.

232 My adjustments in this section reflect items that should be capitalized
233 because of the reason listed below:

234 [REDACTED]
235 [REDACTED]
236 [REDACTED]
237 [REDACTED]
238 [REDACTED]
239 [REDACTED]
240 [REDACTED]
241 [REDACTED]
242 [REDACTED]

243 It is the Division understanding that the transactions referenced in
244 DPU Exhibit 3.6 these conditions. The Division recommends the
245 Commission subtract [REDACTED] from Plant Specific Operations expense
246 and add it to rate base. Refer to DPU Exhibit 3.6 for a list of specific
247 transactions.

248 DIRECT EXPENSES VS. SHARED EXPENSES (DPU 3.7)

249 Q. PLEASE EXPLAIN YOUR SEVENTH ADJUSTMENT AS SET
250 FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?

251 A. Strata owns and operates affiliate businesses that provide
252 wireless phone service, cable TV, and a broadband network service
253 with fiber to the home in many locations. It is Strata's policy that
254 customers must purchase a land line [WD2][DM3][DM4] voice package in
255 order to receive a broadband/internet connection. DPU Exhibit 3.8 |
256 [WD5] provides a list of common transactions that were directly
257 charged 100% and not shared with the affiliate organizations.

258 They included [REDACTED]
259 [REDACTED]
260 [REDACTED]
261 [REDACTED] [REDACTED]

262 for these common costs charged 100% to the telephone company's
263 expenses. Adjustment DPU 3.7 subtracts [REDACTED] to [REDACTED] of
264 the total that should have been allocated to the affiliates per the
265 percentage documented in the company's Cost Allocation Manual.

266 The Division recommends the Commission adopt the adjustment DPU
267 3.7 in the amount of [REDACTED] subtract the amount from company's
268 adjusted book balances for the test year.

269 **NON-REGULATED EXPENSES (DPU 3.8)**

270 **Q. PLEASE EXPLAIN YOUR EIGHTH ADJUSTMENT AS SET**
271 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**
272

273 A. [REDACTED]
274 [REDACTED] These costs should have been
275 directly charged or shared between the non-regulated affiliates only.
276 The expenses are not required to provide basic local telephone [REDACTED]
277 [REDACTED]
278 [REDACTED]
279 [REDACTED]
280 [REDACTED]
281 [REDACTED]

282 The Division recommends the adjustment DPU 3.8 in the amount of
283 [REDACTED] that subtracts non-regulated expenses that are not required
284 to provide the basic local telephone costs from the telephone operating
285 expenses. Refer to Exhibit DPU 3.8[WD6] for the list of transactions
286 representing non-regulated activity either [REDACTED]
287 [REDACTED] to basic local telephone operating costs.

288 The Division recommends the Commission subtract [REDACTED] from the
289 telephone company's adjusted operating expense book balances for
290 2014.

291 **SPECIAL CHARGE EXPENSE (DPU 3.9)**

292 **Q. PLEASE EXPLAIN YOUR NINTH ADJUSTMENT AS SET**
293 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

294 A. The Division recommends the adjustment DPU 3.9 in the
295 amount of [REDACTED]
296 [REDACTED]
297 [REDACTED]
298 [REDACTED]
299 [REDACTED]
300 [REDACTED] The company
301 should have recorded the expenses to account 7370, Special Charges,
302 instead of throughout the telephone organization's operating accounts.
303 The Special Charges account 7370 is considered a "below the line"
304 expense account and currently has [REDACTED] recorded for like expenses
305 for 2014. It is not prudent, just or reasonable to have the UUSF
306 support these type of costs because they are not required for basic local
307 telephone service.

308 The Division recommends the Commission subtract [REDACTED] from
309 basic telephone operation costs in the test year. Refer to Exhibit DPU
310 3.9[WD7] for the list of transactions in the amount of [REDACTED] 5 that
311 equals the recommended adjustment to operating expenses in
312 2014.

313

314 **REGULATORY FEE EXPENSE (DPU 3.10)**

315 **Q. PLEASE EXPLAIN YOUR TENTH ADJUSTMENT AS SET**
316 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

317 A. The Division recommends the adjustment DPU 3.10, a positive
318 adjustment in the amount of [REDACTED] be added to Other Operating
319 Taxes and increases the basic local telephone costs. This adjustment is
320 for the regulatory fees from account 7240, which were not included in
321 the telephone company's operating costs. Regulatory fees are a prudent
322 cost of the basic local telephone operating expenses. This was an
323 oversight when the company prepared the telephone operating costs
324 schedule, Strata Exhibit 2.1.

325 The Division recommends the Commission add [REDACTED] as a known
326 and measurable adjustment to the company's adjusted book balances
327 under Other Taxes in the test year.

328 **RATE CASE EXPENSE (DPU 3.11)**

329 **Q. PLEASE EXPLAIN YOUR ELEVENTH ADJUSTMENT AS SET**
330 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

331 A. The Division recommends the adjustment DPU 3.11 in the
332 amount of [REDACTED] to remove Strata's known and measurable
333 adjustment under Depreciation on Strata Exhibit 2.4 for estimated
334 rate case expenses. The DPU recommends that actual out of pocket
335 rate case expenses for [REDACTED] be submitted to the Commission
336 for review and acceptance of a one-time distribution from the UUSF.

337 The company has not asked for an increase in UUSF since 2005 in
338 Docket 05-053-01. The Division's adjustment ensures rate case
339 expenses are not over recovered should the company not return for

340 another UUSF increase for 10 years. This method protects the UUSF
341 from ongoing unwarranted distributions. The one-time UUSF
342 distribution will reimburse the company so it has the funds necessary
343 to pay the rate case expenses in the time period they are expensed, and
344 assist the company with its cash flow needs to avoid additional
345 financing costs.

346 The Division recommends the Commission subtract [REDACTED] from the
347 company's adjusted book balances and approve a one-time distribution
348 based on actual [REDACTED] invoices when docket is completed.

349 **DEPRECIATION EXPENSE (DPU 3.12)**

350 **Q. PLEASE EXPLAIN YOUR TWELTH ADJUSTMENT AS SET**
351 **FORTH IN DPU EXHIBIT 3.1 DIR-REV REQ?**

352 A. The Division recommends the adjustment DPU 3.12 in the
353 amount of [REDACTED] to move depreciation costs from Corporate
354 Operations to Depreciation on Strata's Exhibit 2.1.

355 The company included a [WD8] known and measurable depreciation
356 adjustment for closed work orders in 2015 that should capitalize
357 infrastructure. The respective costs were added to rate base,
358 accumulated depreciation and depreciation expense. Strata's
359 Exhibit 2.1 added the known and measurable adjustment of
360 [REDACTED] to Corporation Operations instead of Depreciation.
361 The DPU's adjustment subtracts [REDACTED] from Corporate
362 Operations and adds [REDACTED] to Depreciation. The net effect is
363 zero but shows the category costs appropriately.

364 The Division recommends the Commission subtract [REDACTED] from the
365 company's Corporate Operations and add [REDACTED] to Depreciation with
366 regard to the company's adjusted book balances for 2014.

367 **CONCLUSION**

368 **Q. WHAT IS YOUR RECOMMENDATION FOR THIS PETITION?**

369 A. The Division recommends that the Commission subtract
370 [REDACTED], the net amount of the DPU's adjustments presented in my
371 testimony, from the company's adjusted test year book balances as
372 expressed in DPU Exhibit 3.1, lines 3-14.

373 **Q. WHAT IS THE IMPACT OF THE DIVISION'S ADJUSTMENTS**
374 **TO THE COMPANY?**

375 A. The Division recommends that the Commission subtract
376 [REDACTED], the net amount of the DPU's adjustments presented in
377 Mr. Paul Hickens testimony, DPU 2.0, from the company's adjusted
378 test year book balances, expressed in DPU Exhibit 3.1, lines 15-16.

379 The DPU's total net adjustments equal [REDACTED] which the Division
380 recommends the Commission subtract from the company's operating
381 adjusted book balances for the test year as shown on DPU Exhibit 3.1,
382 line 19. The adjusted book balance for operations expenses is
383 [REDACTED] after all DPU adjustments are applied, as referenced on
384 DPU Exhibit 3.1, line 17.

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

386 A. Yes, it does.
387