

**In the Matter of UBTA-UBET
Communications Inc.'s (dba Strata
Networks) Application for Utah Universal
Service Fund (UUSF) Support**

)
) **Docket No. 15-053-01**
) **DPU Exhibit 3.0 SR-REV REQ**
)
) **(REDACTED)**
)
)

SUR-REBUTTAL TESTIMONY

OF

Shauna Benvegna-Springer

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

November 17, 2015

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I. INTRODUCTION

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

4 **A.** My name is Shauna Benvegna-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 service¹", 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 corporation..²" 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

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

² Ibid (7)

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.**

55 A. Some of the Division's adjustments were modified after meeting with the Company and
56 discussing the various issues. I summarized the modified adjustments in Exhibit 3.1S.
57 After those discussions, the following amounts are the recommended adjustments (which
58 supersede those contained my direct testimony) to be applied to the operating expenses
59 and rate base with exception of DPU 3.5 and DPU 3.6 as explained below:

60 [REDACTED]
61 [REDACTED]
62 [REDACTED]
63 [REDACTED]
64 [REDACTED]
65 [REDACTED]
66 [REDACTED]
67 [REDACTED]
68 [REDACTED]
69 [REDACTED]
70 [REDACTED]
71 [REDACTED]
72 [REDACTED]

73
74 [REDACTED]
75 [REDACTED] The

76 percentage relates to Strata's reported intrastate operating expense and tax rate as

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 statute. 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 **A.** 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 [REDACTED] and subtracting [REDACTED], from operating expenses.

92 **Q. PLEASE EXPLAIN ANY CHANGES TO DPU 3.3 – THANK YOU PAYMENTS.**

93 **A.** 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 [REDACTED] are not a promised payment to
97 employees, they have been used for many years with the [REDACTED]"

98 [REDACTED].” He goes on to say, “[REDACTED]
99 [REDACTED]”. During the review at the company site, Mr. Searle made a presentation to
100 all the auditors and consultants present, where he stated that the “[REDACTED]
101 [REDACTED] [REDACTED].” 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 [REDACTED] 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 [REDACTED] be subtracted from the operating
114 expenses.

115 **Q. PLEASE EXPLAIN THE MODIFICATIONS TO NORMALIZING ONE-TIME**
116 **UNUSUAL EXPENSES (DPU 3.4)**

117 **A.** The Company noted that 100% of the identified one-time unusual expenses were
118 included in the Division’s adjustments for those items coded and charged to an

119 XXXX.099 account. The Division recognizes now that [REDACTED] of the amount coded
120 and charged to an XXXX.099 account should have been included in the adjustments. A
121 calculation and [REDACTED] charged to non-regulated expense is included
122 in the modified adjustments for DPU 3.4, 3.5, 3.6, 3.8 and 3.9. The expenses for [REDACTED]
123 [REDACTED] as allowed expenses based on
124 the discussion with the Company. The [REDACTED] [REDACTED]
125 [REDACTED] from DPU 3.6 and added to DPU 3.4a. An estimated amount for [REDACTED] annual
126 depreciation expense over five years was included for [REDACTED] as a known and [REDACTED] measurable
127 expense to reflect items added to rate base instead of expenses. The [REDACTED] remaining modified
128 adjustment of DPU 3.4a [REDACTED], which represents the one- time costs of [REDACTED]
129 [REDACTED] and [REDACTED]
130 [REDACTED] for depreciation expense of the [REDACTED]. The Division also
131 recognizes that \$5,045 must be added to rate base as [REDACTED] adjustment DPU 3.4b.

132 **Q. PLEASE EXPLAIN MODIFICATIONS TO PENALTY FEES - DPU 3.5.**

133 **A.** The Division recognizes that an adjustment for the [REDACTED] charged to non-regulation
134 expenses was not included. The amount of [REDACTED] was subtracted from the [REDACTED] to
135 modify the adjustment amount to [REDACTED].

136 **Q. PLEASE EXPLAIN MODIFICATIONS TO EXPENSED VS DEPRECIATED**
137 **OR AMORTIZED - DPU 3.6a.**

138 A. The Division modifies adjustment DPU 3.6a to a [REDACTED] because:
139 1) an adjustment of [REDACTED] was overlooked;
140 2) the [REDACTED] and moved to
141 DPU adjustment 3.4a;
142 3) the amount of \$11,566 for the warranty is removed because it covered one year,
143 not multiple years; and
144 4) the depreciation or amortization expense of [REDACTED]
145 [REDACTED] the
146 appropriate life of the expense. This change represented major maintenance
147 expenses not completed each year but performed once for several years.

148 **Q. PLEASE EXPLAIN MODIFICATIONS TO DIRECT EXPENSES VS SHARED**
149 **EXPENSES - DPU ADJUSTMENT 3.7.**

150 A. The Division made the following modifications to DPU 3.7 [REDACTED]
151 [REDACTED] from the operating costs:
152 1) [REDACTED] and moved the
153 expense to adjustment DPU 3.8 for proper reclassification of the

154 expenses type, because they should have been included in the non-regulatory
155 costs adjustment;

156 2) [REDACTED],
157 because the Company had corrected the duplicate charge in the general ledger
158 detail;

159 3) [REDACTED], because after
160 discussion with the Company it was determined to be a cost to the
161 telecommunication service; and

162 4) [REDACTED]s because
163 they are recovered through the NECA tariff.

164 **Q. PLEASE EXPLAIN THE MODIFICATIONS TO NON-REGULATED**
165 **EXPENSES DPU ADJUSTMENT 3.8.**

166 **A.** The Division modified [REDACTED]
167 [REDACTED] from the operating expenses by the following:

168 1) [REDACTED]
169 because they are a [REDACTED] of the telecommunication service;

- 170 2) [REDACTED] of the amount charged to
171 XXXX.099 for non-regulated portion of expenses that were overlooked;
- 172 3) [REDACTED], 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) [REDACTED] from the adjustment for access to [REDACTED],
177 which is a cost of the telecommunications service.

178 **Q. PLEASE EXPLAIN MODIFICATIONS TO THE SPECIAL CHARGES**
179 **ADJUSTMENT DPU 3.9.**

180 **A.** The Division reduced the **adjustment** [REDACTED]
181 [REDACTED] by the following changes:

- 182 1) [REDACTED]
183 the Company had charged to non-regulated subsidiaries;
- 184 2) [REDACTED]
185 [REDACTED] the company explained were a common industry cost for the
186 telecommunications service;

187 3) [REDACTED]

188 [REDACTED] by employees when serving the public; and

189 4) [REDACTED]

190 **VI. CONCLUSION**

191 **Q. WERE THERE ANY ADDITIONAL MODIFICATIONS OR CHANGES TO**
192 **THE DIVISION'S ADJUSTMENTS?**

193 **A.** No, there are no further changes.

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

195 **A.** 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.