



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT

Governor

SPENCER J. COX
Lieutenant Governor

Memorandum

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager
Shauna Benvegnu-Springer, Utility Technical Consultant
Gary Smith, Utility Analyst
Date: October 2, 2019
Subject: **2020 UUSF Preliminary Recommendation - Beehive Telephone Company,
Docket No. 19-051-01**

Recommendation (Approve)

The Division of Public Utilities (Division) recommends the Public Service Commission of Utah (PSC) decrease the 2020 annual Utah Universal Service Fund (UUSF) payable to Beehive Telephone Company (Company) to \$1,023,104 annually, or \$85,258.67 monthly amount, effective January 1, 2020.

Issue

The Division has reviewed the annual report of Beehive Telephone Company (Company) submitted on April 15, 2019 including updates and revisions provided by the Company. Pursuant to PSC rule R746-8-401(a) and (b), the Division has calculated the annual UUSF eligibility to be \$1,023,104 annually. This is a decrease of \$813,559 in annual UUSF.

Background

PSC rule R746-8-401 requires the Division 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-(3)(a) and the provider's financial information from its last annual report filed with the Commission.

This memo presents the Division recommendation for adjustment to the UUSF distribution to Beehive Telephone Company.

Discussion

In calculating the UUSF eligibility for Beehive Telephone Company, the Division utilized the following:

- 1) Rate of Return – Because the FCC prescribed Rate of Return (ROR) changes on July 1, 2020, the Division used an average of the 10.25% ROR that would be applicable from January to June, 2020, and the 10.00% applicable from July to December 2020. The average rate is 10.125%.
- 2) State and Federal Income Tax – The Division used a federal tax rate of 21% and a Utah tax rate of 4.95% to estimate future income taxes included in the UUSF calculation.
- 3) Depreciation – Beehive Telephone Company utilizes single asset straight line depreciation. Depreciation expense will not be affected by current rule changes for companies using group asset depreciation.
- 4) Excludable Expenses – Beehive Telephone Company’s annual report included costs that should be excluded, the Division adjusted for these expenses. A staff cost savings adjustment was made due to significant turnover in management staff. The Division also made an adjustment for a building that is not currently used.

Conclusion

Based on the review of the 2018 annual report, including revisions and updates provided by Beehive Telephone Company, and the factors discussed above, the Division recommends reducing the UUSF distribution for Beehive Telephone Company to \$1,023,104 annually, or \$85,258.67 monthly.

cc: Cameron Francis, Beehive Telephone Company (Cameron.francis@beehive.net)
Charles Pritchett, Beehive Telephone Company (Charles.Pritchett@beehive.net)
Larry Mason, Beehive Telephone Company (Larry.Mason@beehive.net)
Michele Beck, Office of Consumer Services
Justin Jetter, Assistant Attorney General