



## State of 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

Artie Powell, Director

Brenda Salter, Utility Technical Consultant Supervisor

Shauna Benvegna-Springer, Utility Technical Consultant

Gary Smith, Utility Technical Consultant

Bhavana Venjimuri, Utility Analyst

**Date:** September 15, 2020

**Re:** **Docket No. 20-051-01**, Beehive Telephone Company – 2019 Annual Report.

### Recommendation (Approval)

The Division of Public Utilities (Division) recommends the Utah Public Service Commission of Utah (PSC) decrease the 2021 annual Utah Universal Service Fund (UUSF) amount payable to Beehive Telephone Company (Beehive or Company) to \$402,545.00 annually, or \$33,545.42 monthly, effective January 1, 2021.

### Issue

The Division has reviewed the Company's annual report submitted on May 15, 2020 including updates and revisions provided by the Company. Pursuant to PSC rule R746-8-401(1)(a) and (b), the Division has calculated the 2021 UUSF eligibility to be \$402,545 annually. This is a decrease of \$622,992.00 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's recommendation for an adjustment to the UUSF distribution for the Company.

## **Discussion**

In calculating the UUSF eligibility for the 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 10.00% ROR that would be applicable from January to June, 2021, and the 9.75% applicable from July to December 2021. The average rate is 9.875%.
- 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 – The 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. The Division also made an adjustment for a building that is not currently used.

## **Conclusion**

Based on the review of the 2019 annual report, including revisions and updates provided by the Company, and the factors discussed above, the Division recommends reducing the UUSF distribution for Beehive Telephone Company to \$402,545.00 annually, or \$33,545.42 monthly.

The Division reviewed the adjustments and calculations with the Company and the Company agreed.

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