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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

Chris Parker, Director
Artie Powell, Manager
Brenda Salter, Utility Technical Consultant Supervisor
Shauna Benvegnu-Springer, Utility Technical Consultant
Bhavana Venjimuri, Utility Analyst

Date: September 1, 2022

Re: **Docket No. 22-051-01**, Review of 2021 Annual Report for Beehive Telephone and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2023.

Recommendation (Approve)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (PSC) increase the annual Utah Universal Service Fund (UUSF) payable to Beehive Telephone Company (Company) to \$1,865,082 annually, or \$155,423.50 monthly amount, effective January 1, 2023.

Issue

The Division has reviewed the annual report of Beehive Telephone Company (Company) submitted on April 15, 2022, including updates and revisions provided by the Company. Under PSC rule R746-8-401, the Division has calculated the 2023 annual UUSF eligibility to be \$1,865,082 annually. This is an increase of \$1,096,010 in yearly UUSF.

Division of Public Utilities

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Background

PSC rule R746-8-401 requires the Division to recommend adjustments to the monthly UUSF distribution for each provider based on the FCC rate of return outlined in R746-8-401-(7)(b) and the provider's financial information from its last annual report filed with the Commission. This memo presents the Division's recommended adjustments to Beehive Telephone Company's UUSF distribution, effective January 1, 2023.

Discussion

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

- 1) Rate of Return – the FCC prescribed Rate of Return (ROR) is 9.75%. Per Utah Rule R746-8-401(7)(b), the rate-of-return regulated provider's state rate-of-return shall be equal to the weighted average cost of capital rate-of-return prescribed by the FCC for rate-of-return regulated carriers for the year in which the UUSF distribution is made. The Division used the FCC prescribed Rate of Return of 9.75%.
- 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.
- 4) Excess Accumulated Deferred Income Tax – Beehive has advised that it does not have EDIT to report or return.
- 5) Wholesale Broadband – Beehive reported that it is an ACAM provider and currently not offering CBOL.
- 6) Excludable Expenses – Beehive Telephone Company's annual report included costs that should be excluded; the Division adjusted these expenses. The Division made an adjustment of \$217,795 for a building that is not currently in use.
- 7) Beehive reported a new land purchase of 7.25 acres and a new bore rig purchase. It also has new fiber-to-the-home (FTTH) construction and the laying of new fiber for all the customers. Beehive also retired significant plant facilities.

- 8) Reconciliation: The reconciliation of UUSF funding from \$769,072 to \$1,865,082 for the year 2023 with a \$1,096,010 difference is because:
- a. Network Access Revenue loss of \$709,328.00;
 - b. Expenses from a new plant addition of \$243,832.00;
 - c. Depreciation included;
 - d. Tax included;
 - e. ROR included, etc.

Conclusion

Based on the 2021 annual report review, including revisions and updates provided by Beehive Telephone Company, and the factors discussed above, the Division recommends the 2023 UUSF distribution for Beehive Telephone Company in the amount of \$1,865,082 annually, or \$155,423.50 monthly.

cc: Cameron Francis, Beehive Telephone Company (Cameron.francis@beehive.net)
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