



State of Utah

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Public Service Commission

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Commissioner

October 14, 2021

Senator David P. Hinkins, Chair
Representative Carl R. Albrecht, Chair
Members of the Public Utilities, Energy, and Technology Interim Committee

Re: Report from Public Service Commission of Utah (PSC) under Utah Code Ann. § 54-8b-15(16)

Senators and Representatives,

Under Utah Code Ann. § 54-8b-15(16), the PSC is required to report each year to the Public Utilities, Energy, and Technology Interim Committee on four items:

1. The contribution method for the Universal Public Telecommunications Service Support Fund, typically referred to as the Utah Universal Service Fund (UUSF).
2. The amount of distributions from and contributions to the UUSF during the last fiscal year.
3. The availability of services for which Utah law allows UUSF funds to be used.
4. The effectiveness and efficiency of the UUSF.

UUSF Background

The UUSF is a program under which the PSC distributes funds from mandatory contributions (“surcharges”) collected from customers and paid into the UUSF by Utah telephone providers. The statutory purpose of the UUSF is to provide a mechanism for a qualifying carrier of last resort to obtain specific, predictable, and sufficient funds to deploy and manage networks capable of providing end-user services including access lines, connections, or wholesale broadband internet access service. The Legislature has charged the PSC with establishing the UUSF contribution method, which must be both nondiscriminatory and competitively neutral.

UUSF Contribution Method

S.B. 130 (GS 2017)¹ required the PSC to develop a UUSF contribution method (which at the time was 1.65% of billed intrastate retail rates) that is a function of a provider's annual intrastate revenue, number of access lines or connections in Utah, or some combination of those two methods. In compliance with S.B. 130, the PSC established a surcharge of \$0.36 per month for each access line or connection, effective January 1, 2018.

Due to an increase in the total amount of UUSF disbursements, the PSC raised the surcharge amount to \$0.60, effective May 1, 2019. As the fund balance began to grow faster than projected, the PSC lowered the surcharge amount to \$0.54, effective July 8, 2020. The PSC lowered the surcharge again on July 1, 2021, to \$0.36.² Additionally, beginning on January 1, 2021 pursuant to S.B. 225 (GS 2020),³ sellers of prepaid wireless telecommunications service collect and remit to the UUSF 1.2% of the sales price per transaction in lieu of the per-line surcharge.

UUSF Determination Process

Under Utah Code Ann. § 54-8b-15(4)(a)(ii) rate-of-return regulated carriers of last resort qualify for disbursements from the UUSF if their reasonable costs to provide public telecommunications service and wholesale broadband Internet access service exceed revenue from certain designated sources. Each April these carriers file annual reports accounting for those costs and revenues. The Division of Public Utilities (DPU) audits those reports and may also audit additional records of the carrier. The DPU makes annual recommendations for UUSF distributions after auditing each carrier's reasonable costs and revenues. If a carrier disagrees with the DPU's recommendation, it may contest the issue in a PSC adjudicatory process.

UUSF Distributions and Contributions for the Fiscal Year Ended June 30, 2021

For FY 2021, total contributions to the UUSF were \$23,268,309 and total distributions from the UUSF were \$17,936,755.

Further breakdowns on distributions are listed below.

¹ Universal Service Fund Amendments, Senator David P. Hinkins

² This surcharge change occurred one day after the end of the fiscal year that is the subject of this report.

³ Prepaid Wireless Telecommunications Service Amendments, Senator Curtis S. Bramble

Total FY 2021 UUSF distributions to Utah rural incumbent local exchange carriers

All West Communications, Inc.	\$842,427
Beehive Telephone Company, Inc.	\$712,825
Carbon/Emery Telcom, Inc.	\$1,537,300
Central Utah Telephone, Inc.	\$214,788
Direct Communications Cedar Valley, LLC	\$3,089,044
Emery Telephone	\$1,305,421
Gunnison Telephone Company	\$315,227
Hanksville Telcom, Inc.	\$52,083
Manti Telephone Company	\$909,878
South Central Utah Telephone Association, Inc.	\$5,340,620
STRATA Networks (UBTA-UBET Communications, Inc.)	\$2,034,929
Total:	\$16,354,542

Total FY 2021 UUSF Lifeline (Utah Telephone Assistance Program) distributions

All West Communications, Inc.	\$270
Beehive Telephone Company, Inc.	\$221
Carbon/Emery Telcom, Inc.	\$4,081
Central Utah Telephone, Inc.	\$756
Citizens Telecommunications Company of Utah d/b/a/ Frontier Communications of Utah	\$2,692
Direct Communications Cedar Valley, LLC	\$837
Emery Telephone	\$1,204
Global Connection Inc. of America d/b/a Stand Up Wireless	\$4,732
Gunnison Telephone Company	\$445
i-Wireless, LLC	\$9,842
Manti Telephone Company	\$1,967
Navajo Communications Company, Inc. d/b/a Frontier Navajo Communications Company	\$84
Q Link Wireless, LLC	\$407,575
Qwest Corporation d/b/a CenturyLink QC	\$41,654
Sage Telecom Communications, LLC d/b/a TruConnect	\$60,603
Skyline Telecom	\$378
South Central Utah Telephone Association, Inc.	\$1,824
STRATA Networks (UBTA-UBET Communications, Inc.)	\$5,229
Telrite Corporation d/b/a Life Wireless	\$5,530
TracFone Wireless, Inc.	\$153,360
Virgin Mobile USA, L.P./Assurance Wireless USA, L.P.	\$68,215
Total:	\$771,499

- FY 2021 Relay Utah program expenses: \$809,243.
- FY 2021 UUSF Online Remittance Maintenance and Fees: \$1,471.

Availability of Services Receiving UUSF Funds

Wireline Telephone Service

In the past, the Federal Communications Commission (FCC) published annual reports of wireline telephone service availability in each state. The report was based on the total number of occupied housing units with access to wireline telephone service.

The last such report issued by the FCC was in September 2010, listing data from years 2001 through 2008. Utah's availability of wireline telephone service had increased from 97.4 percent of occupied housing units in 2001 to 99.3 percent of occupied housing units in 2008. For the 2008 data, Utah had the highest percentage of all 50 states (while the state with the lowest percentage was 95.7 percent). The PSC is unaware of a source with more recent data for wireline service availability.

Broadband Internet Service

In January 2021, the FCC released the 2021 version of its Broadband Deployment Report. This report evaluates whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion. The full report is available at the following link: <https://docs.fcc.gov/public/attachments/FCC-21-18A1.pdf>

Highlights of the report's findings for Utah include:

- 95.7% (94.8% last year) of Utah's population with access to Fixed 25 Mbps/3Mbps (advertised maximum download speed/advertised maximum upload speed);
- 99.9% (99.9% last year) of Utah's population with access to Mobile LTE 5 Mbps/1 Mbps;
- 99.9% (98.8% last year) of Utah's population with access to Mobile LTE 10 Mbps/3 Mbps;
- 53.6% (49.2% last year) of Utah's population living on Tribal Lands with access to Fixed 25 Mbps/3Mbps; and
- 98.5% (98% last year) of Utah's population living on Tribal Lands with access to Mobile LTE 5 Mbps/1 Mbps.

Additionally, data in a different format is maintained by the Utah Broadband Center within the Governor's Office of Economic Opportunity (Go Utah). That office maintains maps and reports related to broadband availability in Utah at the following website:

<https://business.utah.gov/broadband/>

Effectiveness and Efficiency of the UUSF

Administrative Rules

Stakeholders have asked the PSC to implement administrative rules to codify the process for annual reviews of UUSF distributions, to set a standard revenue for both wholesale consumer broadband only loops (CBOL) and broadband loops combined with voice service, and to create a Lifeline subsidy from the UUSF for reduced rate CBOL service to qualifying low-income customers. Stakeholders have reached a consensus on these rules, and they will be published in the Utah State Bulletin during the fourth quarter of calendar year 2021.

Stakeholders also have expressed interest in administrative rule modifications to address UUSF distributions to carriers of last resort with overlapping service exchanges, a situation that arose from a PSC decision during 2021. The PSC process is ongoing to identify all potential areas of consensus and to make the necessary decisions if consensus remains elusive on any issues. This process should result in a rule publication during calendar year 2022.

Future UUSF Distributions

Total collections and distributions related to the UUSF have been increasing in recent years, but both decreased in FY 2021, partially due to decreasing federal rates of return⁴ that continue to decrease annual UUSF distributions to Utah rural incumbent local exchange carriers. Potential future one-time distributions to carriers of last resort whose rate of return is not regulated by the PSC could increase UUSF distributions, but the PSC has not received any requests for one-time distributions in recent years.

Legislative Issues

During the 2020 General Session S.B. 225, Prepaid Wireless Telecommunications Service Amendments, was enacted. Under this legislation, beginning on January 1, 2021, the surcharge for prepaid wireless services was statutorily set at 1.2% of the sales price per transaction in lieu of the per-line surcharge. The UUSF contributions in this report reflect those payments during the second half of FY 2021.

We hope this information is helpful. Please reach out to us with any questions or concerns about our administration of the UUSF.

Respectfully submitted,

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

⁴ These are set by the FCC and are one input into calculating Utah's UUSF distributions.