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| BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH | |
| Investigation into Management of the Utah Universal Service Fund Contribution Method | UTAH RURAL TELECOM ASSOCIATION'S COMMENTS DOCKET NO. 18-999-15 |

The Utah Rural Telecom Association (“URTA”), on behalf of itself and URTA members, All West Communications, Inc., Bear Lake Communications, Inc., Beehive Telephone Company, Carbon/Emery Telcom, Inc., Central Utah Telephone, Inc., Direct Communications Cedar Valley, LLC, Emery Telephone, Gunnison Telephone Company, Hanksville Telcom, Inc., Manti Telephone Company, Skyline Telecom, South Central Utah Telephone Association, Inc. UBTA-UBET Communications, Inc. dba Strata Networks, and Union Telephone Company (“Members” or “URTA Members”) hereby files these Comments to address the Division of Public Utilities’ (“Division”) Comments filed January 11, 2019 (“Comments”) recommending that the contribution surcharge for the Utah Universal Public Telecommunications Services Support Fund (“UUSF”) be increased from \$.36 per access line/connection per month to \$.60 per access line/connection per month.

URTA COMMENTS

The Division’s analysis of the UUSF surcharge, including the contributions expected to be received in the UUSF and the distributions expected to be paid out of the UUSF, and has

concluded that the UUSF will experience a shortfall in the coming months. Based on the Legislative target set forth in SB 4 (2018), to not increase the UUSF surcharge more than once every three years, the Division has recommended that the UUSF contribution surcharge be set at \$.60 per access line/connection per month effective May 1, 2019.

In reaching this recommendation the Division looked at the High Cost Support, the Relay Utah Fund (Hearing impaired fund), State Lifeline expense, and one-time UUSF distributions as distributions from the UUSF. With regard to contributions, the Division assumed the number of connections/access lines would remain constant at 3,084,787 over the next three years. While URTA does not have access to the relevant data, URTA believes it would be reasonable to review the growth in access lines/connections and factor some growth into the equation. However, by not factoring growth in the number of contributors into the calculation, the Division's calculation safeguards against another surcharge increase in the next three years.

1. Relay Utah Fund.

With regard to the Relay Utah Fund, URTA and its members do not have any data to allow them to review and/or verify the costs associated with the Relay Utah Fund. The Division states that over the past 17 months, the annual expenses for the Relay Utah Fund has been \$655,476. The Division states that an annual budget of \$1,000,000 (increase of 53%) "is more prudent due [to] certain accrued liabilities that exist in the fund."¹ URTA is not privy to what the "certain accrued liabilities that exist in the fund" are. While URTA has no reason to dispute the estimate, if the Division were to provide additional support for this substantial increase, the record would be more complete.

¹ Division Comments, p. 3.

2. Lifeline Expense.

With regard to the Lifeline expense, the Division cites the Universal Service Administrative Company (“USAC”) for the estimate that 32,000 Utah citizens are enrolled in lifeline programs at this time. The Division used the 32,000 figure and multiplied it by \$3.50 to calculate the additional cost to the UUSF of \$1,344,000. The Division has assumed that all of the lifeline customers in the State of Utah, would receive this benefit. However, to date, not all of the wireless ETC’s have applied for the state Lifeline support. Thus, it is likely that it will take some time to ramp up to the full estimate of \$1,344,000. To the extent the increase in the UUSF surcharge is designed to provide the requisite funds for at least three years, it is reasonable and in the public interest to base the surcharge on the full potential impact of wireless lifeline users on the UUSF.

3. One Time Distributions.

The Division has assumed that one time distributions will have an annual impact of \$1,500,000 on the UUSF. This is based on the working group’s recommendation that the one-time distributions be limited to \$1,500,000 per year. While URTA agrees that one-time distributions should be limited to \$1,500,000 per year, given the fact that rules for one-time distributions have not been proposed or adopted, URTA believes it is unlikely that one-time distributions will have an effect on the UUSF in 2019.

4. High Cost Support.

In calculating the High Cost impact on the overall UUSF, the Division began with the 2017 operations which form the basis for the UUSF distributions to be paid to the rural rate of return companies in 2019. Specifically, the Division took the current amount of High Cost

UUSF distributions (effective January 1, 2019), reduced those by the excess deferred income tax amounts that will flow back to the UUSF, and then accounted for the corporate income tax reductions that will result from the Tax Act Reform effective January 1, 2018. Based on this analysis, the Division estimated the High Cost Support would reduce from \$19,011,157 per year to \$17,248,150 per year.

URTA appreciates the fact that the Division's recommendation for the UUSF contribution surcharge is based on current information and estimates of future changes. While URTA does not dispute the Division's assumptions with regard to High Cost Support, URTA cannot independently verify the reductions to the UUSF of \$1,813,326 per year in 2020 and 2021 based on the Tax Act of 2017. Additionally, URTA would note that pursuant to Senate Bill 130, and the Commission R746-8-401(3)(a), the rate of return that each carrier is entitled to receive will be reduced by a quarter of a percent per year in 2019, 2020, and 2021 until it reaches the rate of 9.75%. It does not appear that this reduction has been factored into the estimate.

CONCLUSION

The Commission is statutorily authorized to set the UUSF surcharge by Utah Code §54-8b-15(8). The legislative target of not modifying the surcharge more than once every three years may ultimately be a good goal, but in the short term as the Commission implements the various mandates from SB 130 (2017), codified in Utah Code §54-8b-15, more frequent adjustments to the fund may be required—this is expected and reasonable. While URTA believes more frequent review of the surcharge should be considered to allow for changing circumstances, increasing the surcharge to \$0.60 per access line/connection should result in a stable fund while meeting the legislative preference for no more than one surcharge increase every three years.

DATED this 6th day of February, 2019.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of URTA's Comments, Docket 18-999-15 was served the 6th of February, 2018 as follows:

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