State of Utah

Department of Commerce
Division of Public Utilities

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Memorandum: UUSF Disbursement Summary

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Gary Smith, Utility Analyst

Date: October 2, 2019

Re: UUSF Annual Review – Summary of Recommended Distributions, Docket No. 19-999-03

Recommendation (2020 Total Distributions)

The Utah Division of Public Utilities (Division) recommends distributions from the Utah Universal Service Fund (UUSF) for High Cost Loop Support to all providers in 2020 totaling $16,556,567 annual. The Division also recommends a reduction to UUSF distributions for companies with Excess Deferred Income Tax (EDIT) by the annual normalization amount these companies have provided. The Division recommends that 2020 UUSF distributions be reduced by $398,791 for the repayment of EDIT as outlined in the attached summary Exhibit 1. The Division does not recommend repayment to the fund of EDIT from companies receiving no payments from the fund.

Issue

This memorandum provides the Commission with a summary of the Division's recommended Utah Universal Service Fund (UUSF) High Cost Loop Support distributions commencing January 1, 2020. These recommended UUSF distributions are discussed in greater detail in contemporaneously filed dockets. The UUSF is authorized to make distributions for High Cost Loop Support, the Relay Utah Program (monthly), Lifeline Support (Biannual), and One-Time Distributions (as requested and approved). The Division's recommendations include a total of $16,157,776 in annual distributions, a reduction of $2,853,381 from the current calendar year's distributions. Based on the current contribution level of $0.60 monthly and current connections of more than 3.4 million, the annual contributions to the fund will total more than $24 million. Given a reduction in the level of High Cost Loop Support, the Commission may wish to consider a reduction in the per line charge. The appropriate amount of the charge depends, of course, on many other factors. Other factors to consider include the desired level of reserves, the expected cost of other programs and one-time distributions, and the desire for stability in the rate charged.

Background

Pursuant to PSC rule R746-8-401(4)(a)(b), the Division of Public Utilities (Division) has filed separate dockets with the Commission recommending the amount of UUSF distributions for each qualifying rate-of-return regulated telecommunications provider to occur commencing January 1, 2020. Exhibit 1 to this memorandum summarizes these recommended UUSF annual distribution amounts for each provider and provides a comparison to distributions ordered to occur in 2019.

The Division notes not all parties agree on whether to use a prospective or retrospective measure for determining disbursements. Because the statute is not clear, the Division has used a retrospective measure for calculating the disbursements.

Discussion

In 2018, the Division calculated and recommended UUSF disbursements using a prospective or future (i.e., 2019) measure, akin to a test period in a routine general rate case. Some providers and URTA advocated that UUSF payments should be based on a "true-up" of a prior period (i.e., 2017). The Division accepts that the use of such a retrospective measure, or historical test period, in determining future annual UUSF distributions may be allowed by the statute or rule. Employing a historical test period for the task at hand makes a UUSF case appear more like a balancing account than a general rate case. The statute is not clear that either is the correct approach. Using a retrospective measure is likely to provide more predictable support and better match reviews by the Federal Communications Commission. Under such an approach, the Commission retains the ability to make prudence adjustments based on a review of actual expenditures.

Conclusion

If the Commission orders the changes in UUSF recommended by the Division, the calculated annual UUSF disbursements to all providers commencing January 1, 2020 would total $16,157,776. This amount includes a reduction for the repayment of EDIT.