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State of Utah
Department of Commerce
Division of Public Utilities

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Recommendation

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Paul Hicken, Technical Consultant

Mark Long, Utility Analyst

Date: October 1, 2019

Re: **2020 UUSF Recommendation for Navajo Communications Company Inc. of Utah. Docket No. 19-050-01.**

Recommendation (No Action Required)

The Public Service Commission of Utah (PSC) is currently not paying any Utah Universal Service Fund (UUSF) assistance to Navajo Communications Company Inc. of Utah (Navajo). Based on its 2018 Annual Report, Navajo does not qualify for UUSF payments in the 2020 calendar year.

Issue

The Division of Public Utilities (DPU) has reviewed the annual report of Navajo received on April 10, 2019. Pursuant to PSC rule R746-8-401(4) the DPU has determined that no adjustments are necessary to the UUSF eligibility for Navajo.

Background

PSC rule R746-8-401 requires the DPU to make annual recommendations to the PSC for adjustments to the monthly UUSF distribution to each provider based on an established FCC rate of return and the provider's financial information from its last Annual Report filed with the PSC. This memo details why the DPU recommends no change to the UUSF distribution for Navajo.

Discussion

In calculating the UUSF eligibility for Navajo, the Division utilized the following:

- 1) Depreciation – Navajo utilizes group asset depreciation. PSC rule R746-8-401 is currently being revised to establish a method for periodically revising depreciation rates when a company chooses to use group asset depreciation. Changes to this rule may impact Navajo's depreciation expense and subsequent UUSF funding in future periods.
- 2) Accumulated Deferred Income Tax (ADIT) – Navajo reported accumulated deferred income tax for 2018. The average ADIT balance was nearly \$408 thousand. This is a significant deduction from Navajo's rate base and may affect future UUSF distributions. The PSC has not determined how to address this issue for companies with no UUSF support.
- 3) Accumulated Depreciation – Navajo reported nearly \$4.5 million of accumulated depreciation. Since over 98 percent of Navajo's assets are fully depreciated, there is very little rate base left as a basis for return on investment.

Conclusion

The DPU recommends no change to the Utah USF distribution for Navajo Communications Company Inc. of Utah.

Cc: Jessica Matushek, Director of Accounting, Navajo Communications Company Inc. of Utah