



State of Utah

Department of Commerce Division of Public Utilities

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Recommendation

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Brenda Salter, Utility Technical Consultant Supervisor

Paul Hicken, Technical Consultant

Mark Long, Utility Analyst

Joanna Matyjasik, Utility Analyst

Date: May 27, 2020

Re: **Docket No. 20-046-01**, 2021 UUSF Recommendation for Manti Telephone Company.

Recommendation (Approval)

The Utah Division of Public Utilities (Division or DPU) recommends the Public Service Commission of Utah (Commission or PSC) adjust the annual Utah Universal Service Fund (UUSF) amount payable to Manti Telephone Company to \$962,449 annually, or \$80,204.08 monthly, effective January 1, 2021.

Issue

The Division has reviewed the annual report of Manti Telephone Company received on April 15, 2020. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF eligibility to be \$1,033,365 annually. However, the company has a liability of Excess Deferred Income Tax. The amortized amount for 2020 is \$70,916 which must be deducted from the 2021 allotment. Therefore the 2021 annual distribution would be \$962,449.

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 Commission. This memo details why the DPU recommends a change to the UUSF distribution for Manti Telephone Company.

Discussion

In calculating the UUSF eligibility for Manti Telephone Company, the Division noted the following:

- 1) Rate of Return – Because the FCC prescribed Rate of Return (ROR) changes on July 1, 2021, the DPU used an average of the 10.00% ROR that would be applicable from January to June 2021, and the 9.75% applicable from July to December 2021. The average rate is 9.875%.
- 2) State and Federal Income Tax – The DPU 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 – Manti Telephone Company utilizes single asset straight-line depreciation rather than group asset depreciation. Depreciation expense will be unaffected by proposed depreciation rule changes for companies using single asset depreciation.
- 4) Federal USF Excluded Costs – Manti Telephone is an average schedule company and is not subject to federal USF excluded costs.
- 5) UUSF Eligibility – Based on Manti Telephone Company's 2019 Annual Report, the DPU has calculated the annual UUSF requirement beginning with Calendar Year 2021 to be \$1,033,365.
- 6) Accumulated Deferred Income Tax – Manti used most of its deferred tax credits in 2017 to take advantage of the higher rates. In 2019, there were no reported deferred tax credits.
- 7) The Division notes that for 2019, Manti did not report any federal USF assistance other than Lifeline support in the amount of \$8,051.

Conclusion

The DPU recommends adjusting the 2021 Utah USF distribution for Manti Telephone to \$962,449 annually or \$80,204.08 monthly.

Cc: Tami Hansen, CFO – Manti Telephone Company, Inc.