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
Artie Powell, Director
Brenda Salter, Utility Technical Consultant Supervisor
Casey J. Coleman, Utility Technical Consultant

Date: August 21, 2020

Re: **Docket No. 20-054-01,** 2021 USF Recommendation for Union Telephone Company**.**

Recommendation (No Action Required)

The Public Service Commission of Utah ("PSC" or "Commission") does not need to adjust the annual Utah Universal Service Fund ("UUSF") payable to Union Telephone Company ("Union" or "Company"). The Company did not receive UUSF support for 2020 and this level of support is accurate for 2021.

Issue

The Division of Public Utilities ("DPU") has reviewed the annual report of Union submitted on April 30, 2020. Pursuant to PSC rule R746-8-401(a) and (b), the DPU has calculated the annual UUSF eligibility to be $0.00 annually.

Background

PSC rule R746-8-401 requires the DPU to recommend to the PSC adjustments to the monthly UUSF distribution for each provider based on 1) the Federal Communications Commission ("FCC") rate of return set forth in R746-401-(3)(a) and the provider's financial information from its last annual report filed with the Commission. This memo presents the DPU's recommendation for adjustment to the UUSF distribution of Union.

Discussion

In calculating the UUSF eligibility for Union, the DPU utilized 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 a 10% ROR for the period January to June, 2021, and a 9.75% from July to December 2021. The average rate is 9.875%.
2) Depreciation – Union does not utilize single asset straight-line depreciation. Depreciation expense may be affected by current rule changes.
3) Increased Federal USF: Union received a substantial increase in federal interstate universal service fund revenue in 2017. This materially impacted Union's draw on the UUSF.
4) Deferred Regulatory Liability – Because of the change in federal tax rate and using accelerated depreciation in prior years, Union has a deferred regulatory liability. The total liability incurred by Union is $151,999.79. The Commission should consider what action may be appropriate concerning Union's rates and the amortization of this liability.

Confidential Exhibit 1.1 accompanying this recommendation shows only the DPU's method in calculating Union's annual UUSF subsidy, which is $0.00.

Conclusion

The DPU recommends the Commission keep the UUSF distribution for Union Telephone to $0.00 annually.

Cc: Chris Reno, Union Telephone Company