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 26, 2020

Re: **Docket No. 20-2180-01,** 2021 UUSF Recommendation for All West Communications.

Preliminary Recommendation

The Public Service Commission of Utah ("PSC") should adjust the annual Utah USF ("UUSF") payable to All West Communications ("All West") to $542,778 annually, or $45,231.50 monthly effective January 1, 2021.

Issue

The Division of Public Utilities ("DPU") has reviewed the annual report of All West submitted on April 15, 2020. Pursuant to PSC rule R746-8-401(a) and (b), the DPU has calculated the annual UUSF eligibility for 2021 to be $756,493. However, the company has a Deferred Regulatory Liability of $213,715 for 2021. This liability should be deducted from its UUSF distributions. Therefore the 2021 annual distribution should be $542,778, 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 the 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 recommendation for adjustment to the UUSF distribution of All West.

Discussion

In calculating the UUSF eligibility for All West, the Division utilized the following:

1) Rate of Return – Because the FCC prescribed Rate of Return ("ROR") changes on July 1, 2020, 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 – All West utilizes a group asset depreciation method rather than single asset straight line depreciation. Depreciation expense may be affected by current rule changes for companies using group asset depreciation
3) A review of the 2019 annual report calculated a UUSF decrease of $862,272 annually. This decrease is a reflection of All West receiving Alternative Connect America Funds from the federal government which increased the total revenues for All West.
4) Deferred Regulatory Liability – All West used accelerated depreciation in 2018. Because of the change in federal tax rate and using accelerated depreciation in prior years, All West Communication has a Deferred Regulatory Liability that should be returned to the UUSF. All West calculated a seven year amortization for the Excess Deferred Income Tax. Using the company's calculations, the Division recommends lowering the distribution from UUSF an additional $213,715 annually until the Deferred Regulatory Liability has been fully amortized. This decrease is in addition to the decrease noted in item 3. This will be the third year of reducing the UUSF for the Deferred Regulatory Liability.

Conclusion

The DPU recommends adjusting the UUSF distribution for All West Communications to $542,778 annually, or $45,231.50 monthly.

Cc: Jenny Prescott, Vice-President Finance & HR