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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

Shauna Benvegna-Springer, Utility Technical Consultant

Gary Smith, Utility Technical Consultant

Bhavana Venjimuri, Utility Analyst

Date: September 25, 2020

Re: **Docket No. 20-2201-01**, Bear Lake Communications – 2019 Annual Report.

Recommendation (No Action)

The Utah Public Service Commission (Commission or PSC) is currently not paying Utah Universal Service Fund (UUSF) assistance to Bear Lake Communications (Bear Lake or Company). Based on the Company's 2019 Annual Report the Company does not qualify for UUSF payments in the 2021 calendar year.

Issue

The Division of Public Utilities (Division or DPU) has reviewed the annual report of the Company submitted on April 15, 2020. Pursuant to the Commission rule R746-8-401(4), the Division has calculated that the Company does not qualify for UUSF monthly distribution payments.

Background

Commission rule R746-8-401 requires the Division to recommend to the Commission adjustments to the monthly UUSF distribution for each provider based on 1) the FCC rate of return set forth in R746-8-401-(3)(a) and 2) the providers financial information from its last annual report filed with the Commission. This memo presents the Division's recommendation of UUSF distribution for the Company.

Discussion

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

- 1) Rate of Return – Because the FCC prescribed Rate of Return (ROR) changes on July 1, 2021, the Division 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 Division used the current federal tax rate of 21% and a Utah tax rate of 4.95% to estimate 2021 income taxes included in the USF calculation.
- 3) Depreciation – The Company utilizes group asset depreciation rather than single asset straight line depreciation. Depreciation expense may be affected by proposed rule changes for companies using group asset depreciation.

Conclusion

Based on the review of the 2019 Annual Reports submitted by the Company and the factors discussed above, the Company is not eligible to receive UUSF distribution for 2021. The Division recommends no change to the Company's UUSF distribution.

cc: Ross Cox, Bear Lake Communications (rcox@centracom.com)
Michele Beck, Office of Consumer Services
Justin Jetter, Assistant Attorney General