



State of Utah

Department of Commerce  
Division of Public Utilities

MARGARET W. BUSSE  
*Executive Director*

CHRIS PARKER  
*Director, Division of Public Utilities*

SPENCER J. COX  
*Governor*

DEIDRE HENDERSON  
*Lieutenant Governor*

## Action Request Response

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Shauna Benvegna-Springer, Utility Technical Consultant

Gary Smith, Utility Technical Consultant

Bhavana Venjimuri, Utility Analyst

**Date:** October 1, 2021

**Re:** **Docket No. 21-043-01**, Review of 2020 Annual Report for Gunnison Telephone Company and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

### 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 Gunnison Telephone Company to \$333,822 annually, or \$27,818.50 monthly, effective January 1, 2022. This recommendation is a decrease of 24.2762 % or \$107,020 annually, from \$440,842 issued annually on January 1, 2021

### Issue

The Division has reviewed the annual report of Gunnison telephone Company received on February 23, 2021. The Commission requested the Division on February 23, 2021 to review the

2020 Annual report for compliance and recommendations. Pursuant to PSC rule R746-8-401(4) the Division has reviewed the annual report and the report complies with the Commissions for reporting. The Division calculated the amount of UUSF eligibility to be \$333,822 annually.

## **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 Gunnison Telephone Company.

## **Discussion**

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

- 1) Rate of Return –The FCC prescribed Rate of Return (ROR) effective on July 1, 2021 is 9.75%. This is the ROR the DPU used for the revenue requirement calculation in this model.
- 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 USF calculation. The tax rates do not affect Gunnison Telephone Company because it operates as a non-taxable entity.
- 3) Depreciation – The Company utilizes single asset straight line depreciation rather than group asset depreciation. Depreciation expense will be unaffected by current rule changes for companies using group asset depreciation.
- 4) Accumulated Deferred Income Tax – Gunnison Telephone Company is a taxable entity and they do not have any ADIT on their operations.
- 5) Wholesale Broadband – Gunnison Telephone Company provided broadband access to their affiliate based on the NECA tariff rate.
- 6) Consumer Broadband – The Division made an adjustment for imputed Broad band revenue for Gunnison Telephone Company CBOL Consumer.
- 7) Payments for 2021 were \$440,842 annually and this year it decreased to \$333,822 annually. This recommendation is a decrease of 24.2762 % or \$107,020 annually, from \$440,842 issued annually on January 1, 2021.

## **Conclusion**

The DPU recommends adjusting the 2022 Utah USF distribution for Gunnison telephone Company to \$333,822 annually, or \$27,818.50 monthly, effective January 1, 2022.

cc: Natalie Gleave, Gunnison Telephone Company  
Pat Thorne, Thorne & Associates, CPA's