UTAH DEPARTMENT
OF COMMERCE
Division of Public Utilities

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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
Casey J. Coleman, Utility Technical Consultant

Date: September 1, 2022

Re: **Docket No. 22-2419-01,** Review of 2021 Annual Report of Direct Communications Cedar Valley and Recommendations for Utah Universal Service Fund assistance for Calendar year 2023.

PRELIMINARY RECOMMENDATION

The Division of Public Utilities ("Division" or "DPU") recommends the Public Service Commission of Utah ("PSC" or "Commission") adjust the annual Utah Universal Service Fund ("UUSF") payable to Direct Communications Cedar Valley ("DCCV" or "Company") to $3,094,626 annually, or $257,885.50 monthly effective January 1, 2023. For the 2022 calendar year DCCV received $1,605,074 annually, or $133,756.17 monthly. The current recommendation represents a UUSF increase of $1,489,552 annually or $124,129.33 monthly.

ISSUE

The Division has reviewed the annual report of DCCV submitted on April 15, 2022. Pursuant to PSC rule R746-8-401(6)(a) and (b) and R746-8-401(7), the DPU has calculated the annual UUSF eligibility for 2022 to be $3,183,186. However, the Company has a Deferred Regulatory

Liability of $88,560 for 2023. This liability should be deducted from its UUSF distributions. Therefore the 2023 distribution should be $3,094,626 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-(7)(b) 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 DCCV.

DISCUSSION

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

1) Rate of Return –The DPU used a 9.75% rate, which is the rate-of-return prescribed by the FCC for DCCV.
2) Depreciation – DCCV utilizes an accelerated depreciation method rather than single asset straight-line depreciation. Depreciation expense may be affected by proposed depreciation rule changes in the future for companies using accelerated asset depreciation.
3) A review of the 2021 annual report calculated a UUSF increase of $1,489,552 annually. This increase is a reflection of DCCV seeing a decline in Network Access Revenues.
4) Deferred Regulatory Liability – DCCV used accelerated depreciation in 2018. Because of the change in federal tax rate and using accelerated depreciation in prior years, DCCV Communication has a Deferred Regulatory Liability that should be returned to the UUSF. DCCV calculated an amortization for the Excess Deferred Income Tax. Using the Company's calculations, the Division recommends lowering the UUSF distribution an additional $88,560 annually until the Deferred Regulatory Liability has been fully amortized. This decrease offsets some of the increase noted in item 3.

CONCLUSION

The DPU recommends adjusting the UUSF distribution for DCCV Communications to $3,094,626 annually, or $257,885.50 monthly.

cc: Kip Wilson, President, Direct Communications Cedar Valley
R. Michael Parish, Direct Communications Cedar Valley