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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Gary Smith, Utility Technical Consultant
Annette Orton, Utility Analyst

Date: September 2, 2025

Re: **Docket No.25-041-01**, Review of 2024 Annual Report for Citizens Telecommunications Company of Utah d/b/a Frontier Communications of Utah, and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2026.

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 Citizens Telecommunications Company of Utah d/b/a Frontier Communications of Utah ("Frontier," "Citizens" or "Company") to \$0.00 annually, or \$0.00 monthly, effective January 1, 2026. This is a decrease of \$3,022,487 from the Commission approved 2025 annual distribution total.

Issue

Utah Rule R746-8-401 requires the Division to provide the Commission with annual recommendations for monthly UUSF distribution to each eligible rate of return provider based on the established FCC rate of return and the provider's financial information filed in its last annual report to the Commission. On April 14, 2025, the Commission issued an Action Request, for the Division to review the Company's annual filing and make



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recommendations by September 2, 2025. In response to the Commission's requests, the Division's provides herein, and attached, its comprehensive review of the Company's 2024 operations and recommended changes to the UUSF distribution to Frontier.

Background

After an approved extension, the Company filed its annual report of operations with the Commission on April 24, 2025. The Division reviewed the Company's report, submitted data requests, and discussed the Company's finances and operations with Company representatives. Pursuant to Utah Rule R746-8-401(4), the Division calculated the amount of UUSF eligibility to be \$0.00 annually. This is a decrease of \$3,022,487 from the amount previously approved by the Commission. The primary reasons for the recommended decrease to \$0 in UUSF support was that the Company's network access revenue increased in 2024 and their operating costs decreased. The Company's network access revenue includes customer revenues and UUSF support approved in 2023.

Discussion

In calculating the UUSF eligibility for Frontier, the Division noted the following (details included in DPU CONFIDENTIAL EXHIBITS 1 and 2):

- 1) The Division notes that in 2024 Frontier received only Lifeline reimbursements in federal support. Frontier's federal support that ended in 2021 was from the CAF II program. The Company reported Utah Lifeline reimbursements averaging approximately [REDACTED] annually.
- 2) Due principally to the loss of federal program support in 2022, the Company was approved for UUSF support for the first time in 2023. The Company did not report any efforts to obtain additional support since the end of CAF II program funding.
- 3) Frontier's total operating revenues for 2024 were [REDACTED] (\$3.1 million was state USF support received and [REDACTED] was special access revenue), an increase of approximately [REDACTED] from the previous year.
- 4) Frontier's operating expenses for 2024 were about [REDACTED], a decrease of [REDACTED] from 2023.
- 5) Frontier reported an EDIT obligation of [REDACTED] for 2024. The recommended amount of UUSF support for 2026 is \$0, therefore no EDIT liability is recommended to be

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returned in 2026.

- 6) Frontier reported total line connections of [REDACTED] for 2024. Line counts have decreased each year for the past 5 years. Since 2020, the line counts have decreased by [REDACTED]
- 7) Frontier uses an FCC approved group depreciation method. Frontier retired [REDACTED]. The total amount of Plant in Service assets reported on the Company's 2024 balance sheet reported approximately [REDACTED] of regulated plant in service.
- 8) Frontier reported a net rate base of [REDACTED] for 2024. About [REDACTED] of new assets were placed in service in 2024, approximately [REDACTED] of these new assets were installed in exchanges where there is duplicative service with another COLR. An adjustment was made to reduce the Company's rate base by this amount.
- 9) The Company provides service to residential and business customers in [REDACTED] exchanges statewide. Some access lines were charged at rates below the minimum set by the Commission. The difference between the rate charged and the set minimum was calculated and imputed as revenue. The total revenue imputed to equal the minimum rate set was [REDACTED].

Conclusion

The DPU recommends adjusting the 2026 Utah USF distribution for Frontier Communications of Utah to \$0.00 annually, or \$0.00 monthly.

cc: Jessica Matushek – Frontier Communications of Utah
Sarah Knorr – Frontier Communications of Utah