



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT
Governor
SPENCER J. COX
Lieutenant Governor

May 11, 2017

To: Public Service Commission of Utah

From: Chris Parker, Director, Utah Division of Public Utilities
William Duncan, Manager Telecommunications, Utah Division of Public Utilities

Re: Docket 17-R360-01 In the Matter of the Utah Administrative Code R746-360 Universal
Public Telecommunications Service Support Fund

DPU Reply Comments

On March 27, 2017, the Public Service Commission of Utah (PSC) issued a request for comments in this matter. The PSC specifically requested the Division of Public Utilities (DPU) provide information on four issues:

- 1) identifying all access line providers and connection providers that are subject to the surcharge,
- 2) estimating the number of connections that are subject to the surcharge,
- 3) recommending the amount of the surcharge if applied to annual intrastate revenue,
- 4) recommending the amount of the surcharge if applied to access lines/connections.

Additionally, the PSC requested any data the Division can provide regarding the amount of funding that might be necessary to meet the statutory objectives set forth in Utah Code 54-8b-15(3) (effective 7/1/2017).

The DPU responded to this request in its initial comments filed on April 26, 2017. The purpose of the DPU reply comments is to provide the PSC with updated information received since the filing of the DPU initial comments.

Identification of access line and connection providers

As discussed in the DPU initial comments, the DPU has undertaken two initiatives to identify providers of Access lines and connections as defined in Utah code Section 54.

The first initiative involved a mailing to 143 providers that file a form 477 with the FCC. These are providers that do not currently contribute to the TRS fund. As of this date, the DPU has received responses from 27 providers. Of those, 14 providers voluntarily acknowledged providing access lines or connections that would be subject to the surcharge. 12 respondents claimed their services did not fit under the definition. One respondent presented a legal argument stating its objection to being subject to the surcharge.

The second initiative involved a mail campaign from the Utah Tax Commission to those providers contributing to the E911 program. Those letters were sent to approximately 191 providers notifying them of a potential obligation to contribute to the Utah USF. Those letters have been mailed. The DPU has just begun receiving calls from these providers, however the only calls have come from providers currently contributing to Utah USF.

Estimation of the number of connections that are subject to the surcharge

From the responses discussed above the DPU has identified 166,452 access lines or connections not currently contributing to TRS. That brings the total access lines/connections to 3,080,249.

The DPU is conducting further investigation to ensure that these additional connections are not currently being counted in the connections reported by a wholesale provider.

Division estimate of funding necessary

The DPU estimate of current and future costs has not changed. The DPU believes that the PSC should plan on an initial annual funding requirement of approximately \$13 million, with increased disbursements in the future.

Recommendation of the amount of the surcharge if applied to annual intrastate revenue

The DPU estimate of a surcharge rate based in intrastate revenues has not changed. The current rate of 1.65% should be sufficient in the short term, through EOY 2017. Beyond that, constant monitoring and adjustments will be necessary.

Recommendation of the amount of the surcharge if applied to access lines/connections

Using the new estimate of access lines/connections described above, the DPU calculates the necessary surcharge to be \$.36/connection/month. ($\$13,000,000/3,080,279/12$)

DPU Conclusion and recommendation

The DPU continues to recommend that the PSC establish an access line/connection based surcharge. This will create a surcharge based on an expanding base. The DPU believes this will provide a more stable funding source than an assessment on intrastate revenues. The DPU recommends an initial monthly surcharge of \$.36 per connection.