

**R746-8-200. Definitions.**

- 1) "Access line" is defined at Utah Code Subsection 54-8b-2(1), and is used in this rule, R746-8, to the extent consistent with federal law.
  - a) For purposes of applying the statutory definition of "access line," the term "connection" is defined at Utah Code Subsection 54-8b-15(1) and is used in this rule, R746-8, to the extent consistent with federal law.
  - b) Access lines and connections are referred to jointly as "access line" or "access lines."
- 2) "Affordable base rate" or "ABR" means the monthly retail rate that a rate-of-return regulated provider is required to charge on a per-access line basis in order to receive ongoing disbursements from the UUSF.
  - a) Affordable base rate may include, if itemized in the provider's Commission-approved tariff:
    - i) the applicable UUSF surcharge;
    - ii) mandatory extended area service fees; and
    - iii) state subscriber line fees.
  - b) "Affordable base rate" does not include:
    - i) municipal franchise fee(s);
    - ii) tax(es); or
    - iii) any incidental surcharge(s) other than those identified in R746-8-200(2)(b):
      - (1) included in a Commission-approved tariff; or
      - (2) authorized under these rules.
- 3) "Average remaining life" used in a group depreciation method, means the average of the future life expectancy of the various items in an asset group. Average remaining life is based upon estimates that require periodic review to ensure reasonableness.
- 4) "Broadband internet access service" is defined at Utah Code Subsection 54-8b-15(1).
- 5) "Carrier of last resort" is defined at Utah Code Subsection 54-8b-15(1).
- 6) "Depreciation" means the gradual conversion of the cost of a tangible capital or fixed asset into an operational expense over the asset's estimated useful life to reflect the reduction in the book value of the asset over time due to use, wear and tear, or obsolescence.
- 7) "Designated support area" means the geographic area used to determine a provider's UUSF support distribution, including, at a minimum, the provider's entire certificated service territory located in the State of Utah.
- 8) "Eligible telecommunications carrier" or "ETC" means a provider that, if seeking to participate in the state Lifeline program:
  - a) is designated as an eligible telecommunications carrier by the commission in accordance with 47 U.S.C. Section 214(e); or
  - b) is designated by the FCC as a Lifeline Broadband Provider (LBP).
- 9) "Facilities-based provider" means a provider that uses:
  - a) its own facilities;
  - b) essential facilities or unbundled network elements obtained from another provider; or a combination of its own facilities and essential facilities or unbundled network elements obtained from another provider.
- 10) "FCC" means the Federal Communications Commission.
  - a)
- 11) "FCC adjusted depreciation rate" means a prescribed depreciation rate that has been adjusted by

application of the FCC adjustment formula.

- 12) “FCC adjustment formula” means the following formula promulgated by the FCC to be applied periodically to groups of assets in a group asset depreciation method to ensure that the average remaining life and future net salvage value estimates are reasonable and result in the depreciation of a provider’s investments on a straight-line basis over the life of the associated plant:

$$\text{FCC adjusted depreciation rate} = \frac{100\% - \text{accumulated depreciation}\% - \text{future net salvage}\%}{\text{Average remaining life}}$$

- 13) “FCC approved depreciation method” or “depreciation method allowed by the FCC” means a method of asset depletion for accounting purposes that is approved or permitted by the FCC.
- 14) “Future net salvage value” means the estimated gross salvage of the plant less any estimated cost of removal. Future net salvage value is based upon estimates that require periodic review to ensure reasonableness. Future net salvage value can be positive or negative depending on the gross salvage value and the cost of removal.
- 15) “Group asset depreciation method” means the depreciation accounting method established in 47 CFR, Section 32.2000(g)(1)(i). Group asset depreciation allows the accumulation of multiple similar fixed asset units into a group. The group is treated as a single asset with the aggregate in-service cost base used for depreciation calculations.
- 16) “Lifeline subscriber” means an individual who qualifies for state subsidization of an access line through participation in a program for low-income individuals that is recognized by the FCC.
- 17) “Non-rate-of-return regulated” is defined at Utah Code Subsection 54-8b-15(1).
- 18) “Prescribed depreciation rate” means the most recent depreciation rate set by the Commission for the provider.
- 19) “Provider” means a carrier that provides access lines or functionally equivalent connections.
- 20) “Rate-of-return regulated” is defined at Utah Code Subsection 54-8b-15(1).
- 21) “Wholesale broadband internet access service” is defined at Utah Code Subsection 54-8b-15(1).

**R746-8-200. Definitions.**

- (1) ~~(a)~~ “Access line” is defined at Utah Code Subsection 54-8b-2(1), and is used in this rule, R746-8, to the extent consistent with federal law.
- ~~(b)~~ (a) For purposes of applying the statutory definition of “access line,” the term “connection” is defined at Utah Code Subsection 54-8b-15(1) and is used in this rule, R746-8, to the extent consistent with federal law.
- ~~(c)(i)~~ Providers of access lines and functionally equivalent connections are hereafter referred to jointly as “providers.”
- ~~(ii)~~ (b) Access lines and connections are hereafter referred to jointly as “access line” or “access lines.”
- (2) ~~(a)~~ “Affordable base rate” or “ABR” means the monthly retail rate that a rate-of-return regulated provider is required to charge on a per-access line basis in order to receive ongoing disbursements from the UUSF.
- ~~(b)~~ (a) “Affordable base rate” may include, if itemized in the provider’s Commission-approved tariff:
- (i) the applicable UUSF surcharge;
  - (ii) mandatory extended area service fees; ~~or~~ and
  - (iii) state subscriber line fees.
- ~~(c)~~ (b) “Affordable base rate” does not include:
- (i) municipal franchise fee(s);
  - (ii) tax(es); or
  - (iii) any incidental surcharge(s) other than those identified in R746-8-200(2)(b):
    - ~~(A)~~ (1) included in a Commission-approved tariff; or
    - ~~(B)~~ (2) authorized under these rules.
- (3) “Average remaining life” used in a group depreciation method, means the average of the future life expectancy of the various items in an asset group. Average remaining life is based upon estimates that require periodic review to ensure reasonableness.
- (4) “Broadband internet access service” is defined at Utah Code Subsection 54-8b-15(1).
- ~~(4)~~ (5) “Carrier of last resort” is defined at Utah Code Subsection 54-8b-15(1).
- (6) “Depreciation” means the gradual conversion of the cost of a tangible capital or fixed asset into an operational expense over the asset’s estimated useful life to reflect the reduction in the book value of the asset over time due to use, wear and tear, or obsolescence.
- (7) “Designated support area” means the geographic area used to determine a provider's UUSF support distribution, including, at a minimum, the provider's entire certificated service territory located in the State of Utah.
- ~~(5)~~ (8) “Eligible telecommunications carrier” or “ETC” means a provider that, if seeking to participate in the state Lifeline program:
- (a) is designated as an eligible telecommunications carrier by the commission in accordance with 47 U.S.C. Section 214(e); or
  - (b) is designated by the FCC as a Lifeline Broadband Provider (LBP).
- ~~(6)~~ “Designated support area” means the geographic area used to determine a provider’s UUSF support distribution, including, at a minimum, the provider’s entire certificated service territory located in the State of Utah.
- ~~(7)~~ The acronym “FCC” means the Federal Communications Commission.
- ~~(8)~~ (9) “Facilities-based provider” means a provider that uses:
- (a) its own facilities;

- (b) essential facilities or unbundled network elements obtained from another provider; or  
 (e) a combination of its own facilities and essential facilities or unbundled network elements obtained from another provider.

~~(9)(a) “Household” means any individual or group of individuals living together at the same address as one economic unit.~~

~~(b) “Economic unit” means all adult individuals contributing to and sharing in the income and expenses of a household.~~

(10) “FCC” means the Federal Communications Commission.

(11) “FCC adjusted depreciation rate” means a prescribed depreciation rate that has been adjusted by application of the FCC adjustment formula.

(12) “FCC adjustment formula” means the following formula promulgated by the FCC to be applied periodically to groups of assets in a group asset depreciation method to ensure that the average remaining life and future net salvage value estimates are reasonable and result in the depreciation of a provider’s investments on a straight-line basis over the life of the associated plant:

$$\text{FCC adjusted depreciation rate} = \frac{100\% - \text{accumulated depreciation\%} - \text{future net salvage \%}}{\text{Average remaining life}}$$

(13) “FCC approved depreciation method” or “depreciation method allowed by the FCC” means a method of asset depletion for accounting purposes that is approved or permitted by the FCC.

(14) “Future net salvage value” means the estimated gross salvage of the plant less any estimated cost of removal. Future net salvage value is based upon estimates that require periodic review to ensure reasonableness. Future net salvage value can be positive or negative depending on the gross salvage value and the cost of removal.

(15) “Group asset depreciation method” means the depreciation accounting method established in 47 CFR, Section 32.2000(g)(1)(i). Group asset depreciation allows the accumulation of multiple similar fixed asset units into a group. The group is treated as a single asset with the aggregate in-service cost base used for depreciation calculations.

~~(10)~~(16) “Lifeline subscriber” means an individual who qualifies for state subsidization of an access line through participation in a program for low-income individuals that is recognized by the FCC.

~~(11)~~(17) “Non-rate-of-return regulated” is defined at Utah Code Subsection 54-8b-15(1).

(18) “Prescribed depreciation rate” means the most recent depreciation rate set by the Commission for the provider.

(19) “Provider” means a carrier that provides access lines or functionally equivalent connections.

~~(12)~~(20) “Rate-of-return regulated” is defined at Utah Code Subsection 54-8b-15(1).

~~(13)~~(21) “Wholesale broadband internet access service” is defined at Utah Code Subsection 54-8b-15(1).

### **R746-8-401. Rate-of-Return Regulated Providers**

(1) A rate-of-return regulated provider is eligible for ongoing UUSF support pursuant to Utah Code § 54-8b-15 if the provider:

- (a) is a carrier of last resort;
- (b) complies with Commission orders and rules;
- (c) charges, at a minimum, the affordable base rate of \$18 per access line; unless a petition brought pursuant to Subsection R746-8-401(2) is granted after adjudication;
- (d) includes revenue for purposes of calculating UUSF support, at a minimum, \$(TBD) per connection per month for the sale of wholesale broadband internet access service or broadband internet access service if sold in combination with a voice service access line to the same end user; unless:
  - (i) a petition is brought pursuant to R746-8-401(2)(b) is granted after adjudication; or
  - (ii) as set forth in Section (3) below.
- (e) includes revenue for purposes of calculating UUSF support, at a minimum, \$(TBD) per connection per month for the sale of stand-alone wholesale broadband internet access service or stand-alone broadband internet access service; unless:
  - (i) a petition is brought pursuant to R746-8-401(2)(b) is granted after adjudication; or
  - (ii) as set forth in Section (3) below.
- (f) offers Lifeline service on terms and conditions prescribed by the Commission;
- (g) operates as a facilities-based provider, not a reseller; and
- (h) complies with R746-8-401(4), demonstrating that its costs exceed its revenues as required by Utah Code Section 54-8b-15.

(2) A rate-of-return regulated provider may petition the Commission to deviate from the affordable base rate set forth in Subsection R746-8-401(1)(c) or the wholesale broadband Internet access service and broadband Internet access service revenue minimums set forth in R746-8-401(1)(d) and (e) respectively. A petition to deviate will be granted if:

- (a) For a petition to deviate from the affordable base rate, the rate-of-return regulated provider demonstrates to the satisfaction of the Commission that:
  - (i) the affordable base rate is not reasonable in the provider's designated support area; or
  - (ii) imputes income up to the affordable base rate in calculating the rate-of-return regulated provider's UUSF disbursement; or
  - (iii) the Commission determines that deviation from the affordable base rate is otherwise in the public interest.

(b) For a petition to deviate from the wholesale broadband Internet access service or broadband Internet access service revenue minimums as set forth in R746-8-401(1)(d) and (e) respectively, the Commission determines that the deviation from the minimum revenue amount is in the public interest.

(3) (a) If the rate-of-return regulated provider elects to offer a wholesale broadband Internet rate to provide a reduced cost broadband Internet access service for eligible Lifeline subscribers, the wholesale broadband Internet access service or broadband Internet access service revenue minimums as set forth in R746-8-401(1)(d) and (e) shall be reduced to the affordable base rate of \$18 less the state Lifeline support, provided that the full amount of the reduction is credited to the end-user customer as discount to the cost of a broadband Internet access service plan.

(b) Rate-of-return regulated providers who elect to provide a reduced cost broadband Internet access service or offer a wholesale broadband Internet lifeline rate shall:

(i) provide information detailing the reduced cost broadband Internet access service offering by the rate-of-return regulated provider or the wholesale broadband Internet customer; and

(ii) annually certify that the reduction between the revenue minimums identified in R746-8-401(1)(d) and (e) and the affordable base rate of \$18 less the Lifeline support, is credited to the eligible Lifeline subscriber who subscribes to the reduced cost broadband Internet access service offering.

(4) The Division of Public Utilities shall, consistent with R746-400 et seq., prepare an annual report form to be completed by the rate-of-return regulated providers each year, which shall include an estimate of UUSF support, and shall provide the annual report form to providers by February 14 of each year.

(5) A rate-of-return regulated provider:

(a) shall file its annual report, in the form provided by the Division in a company specific docket by April 15;

(b) shall provide, when available, audited financial statements for the year matching the Annual Report;

(c) shall file a trial balance matching the audited financial statement and Annual Report; and

(d) may identify and include additional required or needed adjustments.

(6) The calculation of a rate-of-return regulated provider's ongoing UUSF distribution shall be made annually and shall conform to the following standards:

(a) Alternative Connect America Cost Model Funds shall be considered federal universal service fund revenue under Utah Code § 54-8b-15(4)(a)(ii)(D).

(b) The rate-of-return regulated provider's state rate-of-return shall be equal to the weighted average cost of capital rate-of-return prescribed by the FCC for rate-of-return regulated providers, for the year in which the UUSF will be disbursed.

(c) The rate-of-return regulated provider's depreciation costs shall be calculated using a method of depreciation allowed by the FCC and prescribed depreciation rates or FCC adjusted depreciation rates.

(d) The rate-of-return regulated provider may file a petition with the Commission to modify its prescribed depreciation rates.

(e) A rate-of-return regulated provider shall include with its annual report the following depreciation information which shall be included in the annual report form provided by the Division:

(i) the depreciation method used by the rate-of-return regulated provider for each account;

(ii) the current depreciation rate being applied to each account;

(iii) an indication of whether the depreciation rate being applied is the Commission prescribed depreciation rate or an FCC adjusted depreciation rate;

(f) A rate-of-return regulated provider using a group asset depreciation method shall, in compliance with FCC orders, periodically apply the FCC adjustment formula to its groups of assets to ensure that the average remaining life and future net salvage value estimates are reasonable and that the resulting effective depreciation rate for assets in each group is reasonably similar to the prescribed rate for the group when considering remaining net value and average remaining life.

(i) When applying the FCC adjustment formula, the rate-of-return regulated provider shall determine the average remaining life of the asset group for use in the FCC adjustment formula by reviewing its continuing property records and noting relevant additions, disposals, repairs, obsolescence, and refurbishment of the asset group units associated with an asset group; then identifying whether the asset group unit additions have historically remained in each asset group longer or shorter than the asset group's commission prescribed life; and from this data determining an estimated life for typical group additions.

(ii) When applying the FCC adjustment formula, the rate-of-return provider shall:

(I) provide with its annual report a narrative summary and a spreadsheet (with formulas intact) demonstrating the calculation of the average remaining life of the asset group when it applies an FCC adjusted depreciation rate including narrative support for any management assumptions used in the calculation; and

(II) certify to the Commission, in the annual report, that its management:

(A) has reviewed the depreciation rates applied, asset additions, asset retirements and salvage values;

(B) has complied with this Subsection; and

(C) states that the resulting estimated depreciation expense is consistent with the average remaining life of each asset group.

(7) The Division shall make a recommendation each year regarding whether and how each rate-of-return regulated provider's monthly UUSF distribution should be adjusted. The Division shall use the following criteria and inputs in calculating its recommended UUSF:

(a) the current FCC rate-of-return as set forth in R746-8-401(6)(b);

(b) the provider's financial information from its last annual report addressed in R745-8-401(4);

(c) the corporate tax rate to be applied shall be the tax rate in effect during the year of operations identified in the annual report;

(d) any other adjustments not specifically addressed in this rule that are necessary to maintain the public interest, except adjustments that are related to capital structure or cost of capital are not permitted.

(7) Division Filing

(a) The Division shall file a non-confidential, non-binding estimate of any UUSF by September 1 in the rate-of-return regulated provider specific docket assigned by the Commission. The Division shall also provide to the rate-of-return regulated provider additional analyses and documents (which may contain confidential information) which clearly identify any adjustments made by the Division which it believes to be in the public interest consistent with Subsection (6)(d) above.

(b) Interested parties may seek intervention within 15 days of the Division's filing of the preliminary, non-binding estimate referred to in Subsection 7(a).

(c) After filing the preliminary recommendation, the Division, the rate-of-return regulated provider, and any other party shall review and analyze the preliminary recommendation to attempt to resolve any contested issues.

(d) The Division shall file a final recommendation with the Commission by November 1.

(e) After the Division files the final recommendation with the Commission, any party may challenge the Division's recommendation by notifying the Commission no later than November 15.

(f) If the Division's recommendations are not challenged and the Commission finds the rate-of-return regulated provider's costs and UUSF disbursements to be reasonable, the new UUSF distribution amounts will begin on January 1 of the following year.



(g) If the Division's recommendations are challenged or the Commission does not approve the recommendations, the Commission will convene a scheduling conference and determine the appropriate process for resolving the contested issues.

(h) If the Division's recommendation for a rate-of-return regulated provider's UUSF amount has been challenged or the Commission does not approve the recommendations, the rate-of-return regulated provider may continue to receive its current UUSF until the Commission has ruled on the challenge.

(i) The over or under payment of UUSF during the time adjudicating the challenge will be calculated as the difference between UUSF payments received starting January 1 and the UUSF amount ultimately determined by the Commission.

(i)The overpayment or underpayment difference will be recovered or distributed respectively as an adjustment to each monthly disbursement spread evenly over the remaining months of the calendar year.

(ii) If the approved UUSF monthly distributions are less than the monthly recovery for an overpayment, the rate of return regulated carrier will be ordered to repay the balance in monthly payments to the UUSF spread evenly over the remaining months of the calendar year.

## **R746-8-401. Rate-of-Return Regulated Providers.**

(1) A rate-of-return regulated provider is eligible for ongoing UUSF support pursuant to Utah Code Section 54-8b-15 if the provider:

- (a) is a carrier of last resort;
- (b) ~~is in compliance~~ complies with Commission orders and rules;
- (c) ~~charges, at a minimum, the affordable base rate of \$18 per access line; unless a petition brought pursuant to Subsection R746-8-401(2) is granted after adjudication, charges, at a minimum, \$18 per access line;~~
- (d) includes revenue for purposes of calculating UUSF support, at a minimum, \$(TBD) per connection per month for the sale of wholesale broadband internet access service or broadband internet access service if sold in combination with a voice service access line to the same end user; unless:
  - (i) a petition is brought pursuant to R746-8-401(2)(b) is granted after adjudication; or
  - (ii) as set forth in Section (3) below.
- (e) includes revenue for purposes of calculating UUSF support, at a minimum, \$(TBD) per connection per month for the sale of stand-alone wholesale broadband internet access service or stand-alone broadband internet access service; unless:
  - (i) a petition is brought pursuant to R746-8-401(2)(b) is granted after adjudication; or
  - (ii) as set forth in Section (3) below.
- (f) offers Lifeline service on terms and conditions prescribed by the Commission;
- (g) operates as a facilities-based provider, not a reseller; and
- (f) ~~in compliance with R746-8-401(3), demonstrates through an adjudicative proceeding that its costs as established in Utah Code Section 54-8b-15 exceed its revenues as established in Utah Code Section 54-8b-15.~~
- (h) complies with R746-8-401(4), demonstrating that its costs exceed its revenues as required by Utah Code Section 54-8b-15.

(2)(a) A rate-of-return regulated provider may petition the Commission to deviate from the affordable base rate set forth in Subsection R746-8-401(1)(c) or the wholesale broadband internet access service and broadband internet access service revenue minimums set forth in R746-8-401(1)(d) and (e) respectively. A petition to deviate will be granted if:

- (b) ~~A rate-of-return regulated provider that files (a) for a petition to deviate from the affordable base rate shall, the rate of return regulated provider demonstrates to the satisfaction of the Commission that:~~
  - (i) ~~demonstrate that~~ the affordable base rate is not reasonable in the provider's designated support area; or
  - (ii) imputes income up to the affordable base rate in calculating the rate of return regulated provider's UUSF disbursement; or
  - (iii) the Commission determines that deviation from the affordable base rate is otherwise in the public interest.
- (b) For a petition to deviate from the wholesale broadband Internet access service or broadband Internet access service revenue minimums as set forth in in R746-8-401(1)(d) and (e) respectively, the Commission determines that the deviation from the minimum revenue amount is in the public interest.

(3) (a) If the rate-of-return regulated provider elects to offer a wholesale broadband Internet rate to provide a reduced cost broadband Internet access service for eligible Lifeline subscribers, the wholesale broadband Internet access service or broadband Internet access service revenue minimums as set forth in R746-8-401(1)(d) and (e) shall be reduced to the

affordable base rate of \$18 less the state Lifeline support, provided that the full amount of the reduction is credited to the end-user customer as discount to the cost of a broadband Internet access service plan.

(b) Rate-of-return regulated providers who elect to provide a reduced cost broadband Internet access service or offer a wholesale broadband Internet lifeline rate shall:

(i) provide information detailing the reduced cost broadband Internet access service offering by the rate-of-return regulated provider or the wholesale broadband Internet customer; and

(ii) annually certify that the reduction between the revenue minimums identified in R746-8-401(1)(d) and (e) and the affordable base rate of \$18 less the Lifeline support, is credited to the eligible Lifeline subscriber who subscribes to the reduced cost broadband Internet access service offering.

(4) The Division of Public Utilities shall, consistent with R746-400 et seq., prepare an annual report form to be completed by the rate-of-return regulated providers each year, which shall include an estimate of UUSF support, and shall provide the annual report form to providers by February 14 of each year.

(5) A rate-of-return regulated provider:

(a) shall file its annual report, in the form provided by the Division in a company specific docket by April 15;

(b) shall provide, when available, audited financial statements for the year matching the Annual Report;

(c) shall file a trial balance matching the audited financial statement and Annual Report; and

(d) may identify and include additional required or needed adjustments.

(3) The calculation of a rate-of-return regulated provider's ongoing UUSF distribution shall be made annually and shall conform to the following standards:

(a) ~~The provider's~~ Alternative Connect America Cost Mode Funds shall be considered federal universal service fund revenue under Utah Code § 54-8b-15(4)(a)(ii)(D).

(b) ~~The rate of return regulated provider's~~ state rate-of-return shall be equal to the weighted average cost of capital rate-of-return prescribed by the FCC for rate-of-return regulated carriers, as of the date of the provider's application for support, and as follows: ~~providers, for the year in which the UUSF will be disbursed.~~

(i) beginning July 1, 2016: 11.0%

(ii) beginning July 1, 2017: 10.75%;

(iii) beginning July 1, 2018: 10.5%;

(iv) beginning July 1, 2019, 10.25%;

(v) beginning July 1, 2020, 10.0%; and

(vi) beginning July 1, 2021, 9.75%.

~~(b) (c) The rate of return regulated provider's~~ depreciation costs shall be calculated as established in Utah Code Section 54-8b-15, using a method of depreciation allowed by the FCC and prescribed depreciation rates or FCC adjusted depreciation rates.

(d) The rate-of-return regulated provider may file a petition with the Commission to modify its prescribed depreciation rates.

(e) A rate-of-return regulated provider shall include with its annual report the following depreciation information which shall be included in the annual report form provided by the Division:

(i) the depreciation method used by the rate-of-return regulated provider for each account;

(ii) the current depreciation rate being applied to each account;

(iii) an indication of whether the depreciation rate being applied is the Commission prescribed depreciation rate or an FCC adjusted depreciation rate;

(f) A rate-of-return regulated provider using a group asset depreciation method shall, in compliance with FCC orders, periodically apply the FCC adjustment formula to its groups of assets to ensure that the average remaining life and future net salvage value estimates are reasonable and that the resulting effective depreciation rate for assets in each group is reasonably similar to the prescribed rate for the group when considering remaining net value and average remaining life.

(i) When applying the FCC adjustment formula, the rate-of-return regulated provider shall determine the average remaining life of the asset group for use in the FCC adjustment formula by reviewing its continuing property records and noting relevant additions, disposals, repairs, obsolescence, and refurbishment of the asset group units associated with an asset group; then identifying whether the asset group unit additions have historically remained in each asset group longer or shorter than the asset group's commission prescribed life; and from this data determining an estimated life for typical group additions.

(ii) When applying the FCC adjustment formula, the rate-of-return provider shall:

(I) provide with its annual report a narrative summary and a spreadsheet (with formulas intact) demonstrating the calculation of the average remaining life of the asset group when it applies an FCC adjusted depreciation rate including narrative support for any management assumptions used in the calculation; and

(II) certify to the Commission, in the annual report, that its management:

(A) has reviewed the depreciation rates applied, asset additions, asset retirements and salvage values;

(B) has complied with this Subsection; and

(C) states that the resulting estimated depreciation expense is consistent with the average remaining life of each asset group..

(4) Yearly following a change in the FCC rate-of-return, unless the provider files with the Commission a petition for review of its UUSF disbursement, (7) The Division shall make a recommendation each year regarding of whether and how each rate of return regulated provider's monthly UUSF distribution should be adjusted, according to The Division shall use the following criteria and inputs in calculating its recommended UUSF:

(a) the current FCC rate-of-return as set forth in R746-8-401(3)(a); and(6)(b);

(b) the provider's financial information from its last ~~Annual Report filed with the Commission.~~ Addressed in R745-8-401(4);

(c) the corporate tax rate to be applied shall be the tax rate in effect during the year of operations identified in the annual report;

(d) any other adjustments not specifically addressed in this rule that are necessary to maintain the public interest, except adjustments that are related to capital structure or cost of capital are not permitted.

(8) Division Filing

(a) The Division shall file a non-confidential, non-binding estimate of any UUSF by September 1 in the rate-of-return regulated provider specific docket assigned by the Commission. The Division shall also provide to the rate-of-return regulated provider additional analyses and documents (which may contain confidential information) which clearly identify any adjustments made by the Division which it believes to be in the public interest consistent with Subsection (6)(d) above.

(b) Interested parties may seek intervention within 15 days of the Division's filing of the preliminary, non-binding estimate referred to in Subsection 7(a).

- (c) After filing the preliminary recommendation, the Division, the rate-of-return regulated provider, and any other party shall review and analyze the preliminary recommendation to attempt to resolve any contested issues.
- (d) The Division shall file a final recommendation with the Commission by November 1.
- (e) After the Division files the final recommendation with the Commission, any party may challenge the Division's recommendation by notifying the Commission no later than November 15.
- (f) If the Division's recommendations are not challenged and the Commission finds the rate-of-return regulated provider's costs and UUSF disbursements to be reasonable, the new UUSF distribution amounts will begin on January 1 of the following year.
- (g) If the Division's recommendations are challenged or the Commission does not approve the recommendations, the Commission will convene a scheduling conference and determine the appropriate process for resolving the contested issues.
- (h) If the Division's recommendation for a rate-of-return regulated provider's UUSF amount has been challenged or the Commission does not approve the recommendations, the rate-of-return regulated provider may continue to receive its current UUSF until the Commission has ruled on the challenge.
- (i) The over or under payment of UUSF during the time adjudicating the challenge will be calculated as the difference between UUSF payments received starting January 1 and the UUSF amount ultimately determined by the Commission.
- (i)The overpayment or underpayment difference will be recovered or distributed respectively as an adjustment to each monthly disbursement spread evenly over the remaining months of the calendar year.
- (ii) If the approved UUSF monthly distributions are less than the monthly recovery for an overpayment, the rate of return regulated carrier will be ordered to repay the balance in monthly payments to the UUSF spread evenly over the remaining months of the calendar year.