



State of Utah

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Public Service Commission

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September 8, 2020

Senator Ronald Winterton, Chair
Representative Carl R. Albrecht, Chair
Members of the Public Utilities, Energy, and Technology Interim Committee

Re: Report from Public Service Commission of Utah (PSC) under Utah Code Ann. § 54-8b-15(16)

Senators and Representatives,

Under Utah Code Ann. § 54-8b-15(16), the PSC is required to report before November 1 each year to the Public Utilities, Energy, and Technology Interim Committee. The report must address four items:

1. The contribution method for the Universal Public Telecommunications Service Support Fund, typically referred to as the Utah Universal Service Fund (UUSF).
2. The amount of distributions from and contributions to the UUSF during the last fiscal year.
3. The availability of services for which Utah law allows UUSF funds to be used.
4. The effectiveness and efficiency of the UUSF.

UUSF Background

The UUSF is a program under which the PSC distributes funds from mandatory contributions (“surcharges”) collected from customers and paid into the UUSF by Utah telephone providers. The statutory purpose of the UUSF is to provide a mechanism for a qualifying carrier of last resort to obtain specific, predictable, and sufficient funds to deploy and manage networks capable of providing end-user services including access lines, connections, or wholesale broadband internet access service. The Legislature has charged the PSC with establishing the UUSF contribution method, which must be both nondiscriminatory and competitively neutral.

UUSF Contribution Method

Prior to S.B. 130, the UUSF contribution rate was 1.65% of billed intrastate retail rates. S.B. 130 required the PSC, before January 1, 2018, to develop a contribution method that is a function of a provider's annual intrastate revenue, number of access lines or connections in Utah, or some combination of those two methods.

The PSC considered the various stakeholder positions and implemented a surcharge of \$0.36 per month for each access line or connection beginning January 1, 2018. Due to an increase in the total amount of UUSF disbursements, the PSC raised the surcharge amount to \$0.60 per month, effective May 1, 2019. As the fund balance began to grow faster than projected, the PSC lowered the surcharge amount to \$0.56 per month, effective July 8, 2020.¹

UUSF Determination Process

Under Utah Code Ann. § 54-8b-15(4)(a)(ii) rate-of-return regulated carriers of last resort qualify for disbursements from the UUSF if their reasonable costs to provide public telecommunications service and wholesale broadband Internet access service exceed revenue from certain designated sources. Each April these carriers file annual reports accounting for those costs and revenues. The Division of Public Utilities (DPU) audits those reports and may also audit additional records of the carrier. The DPU makes annual recommendations for UUSF distributions after auditing each carrier's reasonable costs and the revenues. If a carrier disagrees with the DPU's recommendation, it may contest the issue in a PSC adjudicatory process.

UUSF Distributions and Contributions for the Fiscal Year Ended June 30, 2020

For FY 2020, total contributions to the UUSF were \$24,969,645 and total distributions from the UUSF were \$19,055,905.

Further breakdowns on distributions are listed below. While we recognize the total number of customers for each provider listed below could provide a useful data point when evaluating UUSF distributions, we acknowledge that customer counts might be viewed as commercially sensitive data, so we have not included them in this report.

¹ This surcharge change occurred eight days after the end of the fiscal year that is the subject of this report.

Total FY 2020 UUSF distributions to Utah rural incumbent local exchange carriers

All West Communications, Inc.	\$1,380,421
Beehive Telephone Company, Inc.	\$1,429,884
Carbon/Emery Telcom, Inc.	\$1,842,894
Central Utah Telephone, Inc.	\$331,856
Direct Communications Cedar Valley, LLC	\$2,523,856
Emery Telephone	\$1,020,644
Gunnison Telephone Company	\$193,165
Hanksville Telcom, Inc.	\$42,918
Manti Telephone Company	\$994,089
South Central Utah Telephone Association, Inc.	\$5,333,158
STRATA Networks (UBTA-UBET Communications, Inc.)	\$2,491,562
Total:	\$17,584,447

Total FY 2020 UUSF Lifeline (Utah Telephone Assistance Program) distributions

All West Communications, Inc.	\$410
Beehive Telephone Company, Inc.	\$287
Carbon/Emery Telcom Inc.	\$4,879
Central Utah Telephone, Inc.	\$1,211
Citizens Telecommunications Company of Utah d/b/a/ Frontier Communications of Utah	\$3,150
Direct Communications Cedar Valley, LLC	\$515
Emery Telephone	\$1,512
Global Connection, d/b/a Standup Wireless	\$581
Gunnison Telephone Company	\$672
Hanksville Telcom, Inc.	\$21
i-wireless, LLC	\$9,646
Manti Telephone Company	\$2,254
Navajo Communications Company, Inc. d/b/a/ Frontier Navajo Communications Company	\$129
Q Link Wireless, LLC	\$298,582
Qwest Corporation d/b/a CenturyLink QC	\$55,951
Skyline Telecom	\$595
South Central Utah Telephone Association, Inc.	\$2,506
STRATA Networks (UBTA-UBET Communications, Inc.)	\$4,935
TracFone Wireless, Inc.	\$104,647
Virgin Mobile USA, L.P./Assurance Wireless	\$99,816
Total:	\$592,299

- FY 2020 Relay Utah program expenses: \$879,067.
- FY 2020 UUSF Online Remittance Fees: \$92.

Availability of Services Receiving UUSF Funds

Wireline Telephone Service

In the past, the Federal Communications Commission (FCC) published annual reports of wireline telephone service availability in each state. The report was based on the total number of occupied housing units with access to wireline telephone service.

The last such report issued by the FCC was in September 2010, listing data from years 2001 through 2008. Utah's availability of wireline telephone service had increased from 97.4 percent of occupied housing units in 2001 to 99.3 percent of occupied housing units in 2008. For the 2008 data, Utah had the highest percentage of all 50 states (while the state with the lowest percentage was 95.7 percent). The PSC is unaware of a research source with more recent data.

Adoption of wireline service has decreased significantly as many customers are choosing wireless telephone service over wireline service. However, it is important to remember that the measure driving UUSF disbursement is the availability of landline service, not adoption.

Broadband Internet Service

In June 2020, the FCC released the 2020 version of its Broadband Deployment Report. This report evaluates whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion. The full report is available at the following website:

<https://www.fcc.gov/reports-research/reports/broadband-progress-reports/2020-broadband-deployment-report>

Highlights of the report's findings for Utah include:

- 94.8% (94.2% last year) of Utah's population with access to Fixed 25 Mbps/3 Mbps (advertised maximum download speed/advertised maximum upload speed);
- 99.9% (99.7% last year) of Utah's population with access to Mobile LTE 5 Mbps/1 Mbps;
- 98.8% (88.3% last year) of Utah's population with access to Mobile LTE 10 Mbps/3 Mbps;
- 49.2% (47.4% last year) of Utah's population living on Tribal Lands with access to Fixed 25 Mbps/3 Mbps; and
- 98% (93.3% last year) of Utah's population living on Tribal Lands with access to Mobile LTE 5 Mbps/1 Mbps.

Additionally, data in a different format is maintained by the Governor's Office of Economic Development. That office maintains an online resource at <https://mapserv.utah.gov/broadband/> allowing a user to enter a street address in Utah and find various broadband Internet options at that location.

Effectiveness and Efficiency of the UUSF

Administrative Rules

Stakeholders have expressed interest in administrative rules to further address two areas: depreciation methodology and one-time UUSF distributions. Those stakeholders are continuing to engage in discussions of potential rule drafts and have committed to providing as much consensus rule language as possible to the PSC when those discussions conclude.

Future UUSF Distributions

Total collections and distributions related to the UUSF continue to increase. Potential future one-time distributions to carriers of last resort whose rate of return is not regulated by the PSC could increase UUSF distributions further. Conversely, decreasing federal rates of return² continue to decrease annual UUSF distributions to Utah rural incumbent local exchange carriers.

Legislative Issues

In previous reports the PSC has raised two potential legislative issues: surcharge collections from prepaid wireless service and additional statutory restrictions on the growth of the UUSF.

During the 2020 General Session S.B. 225, Prepaid Wireless Telecommunications Service Amendments, was enacted. Under this legislation, beginning on January 1, 2021, the surcharge for prepaid wireless services will be established by statute, collected by the Utah State Tax Commission, and distributed to the UUSF.

During the 2019 interim the Public Utilities, Energy, and Technology Interim Committee evaluated the second issue. The PSC does not have anything further to add to that analysis the committee conducted.

We hope this information is helpful. Please reach out to us with any questions or concerns about our administration of the UUSF.

Respectfully submitted,

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

² These are set by the FCC and are one input into calculating Utah's UUSF distributions.