



State of Utah

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Public Service Commission

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October 12, 2022

Senator David P. Hinkins, Chair
Representative Carl R. Albrecht, Chair
Members of the Public Utilities, Energy, and Technology Interim Committee

Re: Report from the 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 each year to the Public Utilities, Energy, and Technology Interim Committee on 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

S.B. 130 (GS 2017)¹ required the PSC to develop a UUSF contribution method (which at the time was 1.65% of billed intrastate retail rates) 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. In compliance with S.B. 130, the PSC established a surcharge of \$0.36 per month for each access line or connection, effective January 1, 2018.

Due to an increase in the total amount of UUSF disbursements, the PSC raised the surcharge amount to \$0.60, effective May 1, 2019. As the fund balance began to grow faster than projected, the PSC lowered the surcharge amount to \$0.54, effective July 8, 2020. The PSC lowered the surcharge again on July 1, 2021, to \$0.36. Additionally, beginning on January 1, 2021 and pursuant to S.B. 225 (GS 2020),² sellers of prepaid wireless telecommunications service collect and remit to the UUSF 1.2% of the sales price per transaction in lieu of the per-line surcharge.

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, 2022

For FY 2022, total contributions to the UUSF were \$17,457,432 and total distributions from the UUSF were \$18,421,216.

Further breakdowns on distributions are listed below.

¹ Universal Service Fund Amendments, Senator David P. Hinkins

² Prepaid Wireless Telecommunications Service Amendments, Senator Curtis S. Bramble

Total FY 2022 UUSF distributions to Utah rural incumbent local exchange carriers

All West Communications, Inc.	\$790,266
Beehive Telephone Company, Inc.	\$585,819
Carbon/Emery Telcom, Inc.	\$1,806,416
Central Utah Telephone, Inc.	\$319,548
Direct Communications Cedar Valley, LLC	\$2,294,530
Emery Telephone	\$1,412,425
Gunnison Telephone Company	\$387,332
Hanksville Telcom, Inc.	\$52,819
Manti Telephone Company	\$985,542
South Central Utah Telephone Association, Inc.	\$5,470,500
STRATA Networks (UBTA-UBET Communications, Inc.)	\$3,215,447
Total:	\$17,320,644

Total FY 2022 UUSF Lifeline (Utah Telephone Assistance Program) distributions

All West Communications, Inc.	\$231
Beehive Telephone Company, Inc.	\$294
Carbon/Emery Telcom, Inc.	\$4,302
Central Utah Telephone, Inc.	\$721
Citizens Telecommunications Company of Utah d/b/a/ Frontier Communications of Utah	\$2,492
Direct Communications Cedar Valley, LLC	\$1,040
Emery Telephone	\$1,176
Global Connection Inc. of America d/b/a Stand Up Wireless	\$5,541
Gunnison Telephone Company	\$399
i-wireless, LLC	\$25,988
Manti Telephone Company	\$2,552
Navajo Communications Company, Inc. d/b/a Frontier Navajo Communications Company	\$67
Q Link Wireless, LLC	\$307,993
Qwest Corporation d/b/a CenturyLink QC	\$36,477
Sage Telecom Communications, LLC d/b/a TruConnect	\$85,099
Skyline Telecom	\$287
South Central Utah Telephone Association, Inc.	\$1,810
STRATA Networks (UBTA-UBET Communications, Inc.)	\$8,845
Telrite Corporation d/b/a Life Wireless	\$3,122
TracFone Wireless, Inc.	\$14,424
Total:	\$502,860

- FY 2022 Relay Utah³ program expenses: \$596,139.
- FY 2022 UUSF Online Remittance Maintenance and Fees: \$1,573.

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 source with more recent data for wireline service availability.

Broadband Internet Service

In January 2021, the FCC released the 2021 version of its Broadband Deployment Report, but has not yet released the 2022 version. 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 link:

<https://docs.fcc.gov/public/attachments/FCC-21-18A1.pdf>

Highlights of the report's findings for Utah include:

- 95.7% (94.8% previous year) of Utah's population with access to Fixed 25 Mbps/3Mbps (advertised maximum download speed/advertised maximum upload speed);
- 99.9% (99.9% previous year) of Utah's population with access to Mobile LTE 5 Mbps/1 Mbps;
- 99.9% (98.8% previous year) of Utah's population with access to Mobile LTE 10 Mbps/3 Mbps;
- 53.6% (49.2% previous year) of Utah's population living on Tribal Lands with access to Fixed 25 Mbps/3Mbps; and
- 98.5% (98% previous year) of Utah's population living on Tribal Lands with access to Mobile LTE 5 Mbps/1 Mbps.

³ Relay Utah is a statutory program funded through the UUSF that provides telecommunications access and equipment to individuals who are deaf, hard of hearing, or speech challenged.

Additionally, data in a different format is maintained by the Utah Broadband Center within the Governor's Office of Economic Opportunity (GO Utah). That office maintains maps and reports related to broadband availability in Utah at the following website:

<https://business.utah.gov/broadband/>

Effectiveness and Efficiency of the UUSF

Administrative Rules

Stakeholders asked the PSC to implement administrative rules to codify the process for annual reviews of UUSF distributions, to set a standard revenue for both wholesale consumer broadband only loops (CBOL) and broadband loops combined with voice service, and to create a Lifeline subsidy from the UUSF for reduced rate CBOL service to qualifying low-income customers. Stakeholders reached a consensus on these rules after many months of discussions, and they were published in the Utah State Bulletin in late 2021 and made effective on January 1, 2022.

Stakeholders also have expressed interest in administrative rule modifications to address UUSF distributions to carriers of last resort with overlapping service exchanges, a situation that arose from a PSC decision during 2021. Again after many months of discussions, stakeholders submitted a consensus rule draft on these issues. Those rules are scheduled to be published in the Utah State Bulletin on October 15, 2022.

Future UUSF Distributions

Total collections and distributions related to the UUSF have been increasing in recent years. During FY 2022 contributions decreased due to the most recent surcharge reduction, but distributions increased slightly based on the reviews conducted by the DPU in late 2021. The PSC is monitoring the rolling UUSF monthly balance, which is gradually declining to a sustainable long-term balance.

Legislative Issues

There was no legislation materially modifying the UUSF during either 2021 or 2022. The PSC is not aware of any anticipated UUSF legislation for 2023.

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