



State of Utah

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Lieutenant Governor

Public Service Commission

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DAVID R. CLARK
Commissioner

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Commissioner

September 28, 2023

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 program is funded from mandatory contributions ("surcharges") collected from customers and paid into the UUSF by Utah telephone providers. The PSC subsequently distributes those funds to qualifying carriers. 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 a nondiscriminatory and competitively neutral UUSF contribution method.

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 the 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 the 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, 2023

For FY 2023, total contributions to the UUSF were \$17,403,218 and total distributions from the UUSF were \$21,072,446.

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 2023 UUSF distributions to Utah rural incumbent local exchange carriers

All West Communications, Inc.	\$1,558,974
Beehive Telephone Company, Inc.	\$1,317,087
Carbon/Emery Telcom, Inc.	\$1,996,778
Central Utah Telephone, Inc.	\$104,760
Direct Communications Cedar Valley, LLC	\$2,349,850
Emery Telephone	\$1,494,503
Gunnison Telephone Company	\$395,438
Hanksville Telcom, Inc.	\$42,378
Manti Telephone Company	\$871,608
South Central Utah Telephone Association, Inc.	\$5,843,715
STRATA Networks (UBTA-UBET Communications, Inc.)	\$3,869,920
Total:	\$19,845,011

Total FY 2023 UUSF Lifeline (Utah Telephone Assistance Program) distributions

All West Communications, Inc.	\$203
Beehive Telephone Company, Inc.	\$403
Carbon/Emery Telcom, Inc.	\$5,971
Central Utah Telephone, Inc.	\$462
Citizens Telecommunications Company of Utah d/b/a/ Frontier Communications of Utah	\$2,265
Direct Communications Cedar Valley, LLC	\$1,176
E-Fiber Moab, LLC	\$361
E-Fiber San Juan, LLC	\$207
Emery Telephone	\$2,058
Global Connection Inc. of America d/b/a Stand Up Wireless	\$2,671
Gunnison Telephone Company	\$228
Hanksville Telecom, Inc.	\$39
i-wireless, LLC	\$13,045
Manti Telephone Company	\$2,762
Navajo Communications Company, Inc. d/b/a Frontier Navajo Communications Company	\$21
Q Link Wireless, LLC	\$344,211
Qwest Corporation d/b/a CenturyLink QC	\$42,879
Sage Telecom Communications, LLC d/b/a TruConnect	\$113,677
Skyline Telecom	\$252
South Central Utah Telephone Association, Inc.	\$1,936
STRATA Networks (UBTA-UBET Communications, Inc.)	\$6,304

STRATA Networks (Uintah Basin Electronic Telecommunications)	\$231
Telrite Corporation d/b/a Life Wireless	\$3,920
TracFone Wireless, Inc.	\$103,905
Virgin Mobile USA, LP/Assurance Wireless	\$56,928
Total:	\$706,115

- FY 2023 Relay Utah³ program expenses: \$519,685.
- FY 2023 UUSF Online Remittance Maintenance and Fees: \$1,635.

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

The FCC Broadband Deployment Report evaluates whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion. The FCC has not issued a 2022 nor 2023 version; thus, the most recently issued version is the 2021 Report and 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);

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.

- 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.

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

On January 1, 2022, the PSC implemented administrative rules codifying 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 create a Lifeline subsidy from the UUSF for reduced rate CBOL service to qualifying low-income customers.

On November 21, 2022, the PSC also implemented rule changes reached by consensus to address UUSF distributions to carriers of last resort (COLR) with overlapping service exchanges.

The PSC has submitted a proposed administrative rule amendment that should be published in the October 16, 2023 Utah State Bulletin to increase the UUSF surcharge from \$0.36 per access line per month to \$0.71, beginning in January 2024. The reason for this change is discussed in the following section.

Future UUSF Distributions

Comparing FY2023 to FY2022, surcharge collections into the UUSF were roughly equivalent, but distributions in FY2023 exceeded FY2022 distributions by about \$2.5M. And while this report focuses on FY2023, both distributions and surcharge collections are likely to increase significantly during the second half of FY2024.

The DPU recently completed its review of the annual reports provided by Utah’s rural incumbent local exchange carriers. Those reviews evaluate issues including the utility’s revenues, expenses, and completed infrastructure in use (like broadband fiber installation). Under that review, the DPU has recommended that the annual CY2024

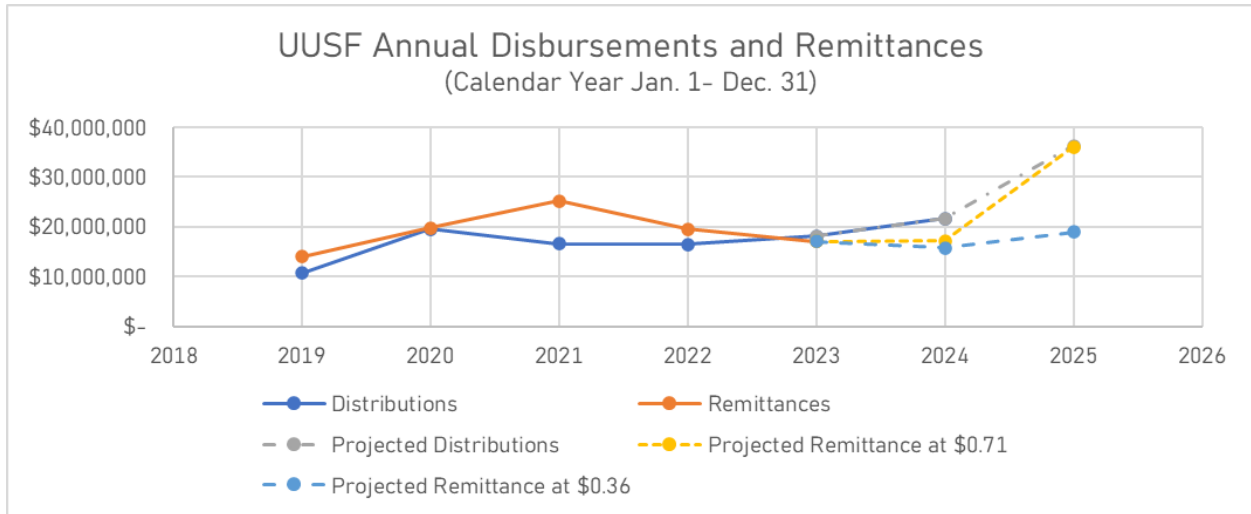
distributions to which those carriers are entitled under Utah Code Ann. § 54-8b-15 should increase to approximately \$36.2M, an increase of approximately \$14.6M over the CY2023 distributions. That increase would necessitate an increase in the UUSF surcharge from \$0.36 per access line per month to \$0.71 per access line per month.

The PSC is currently conducting its review of the DPU recommendations, a process that allows any interested person to submit comments or analysis to the PSC. This process typically concludes during November so the new distribution amounts may begin in January 2024.

Accordingly, the PSC has initiated a process to amend the relevant administrative rule to increase the monthly, per access line UUSF surcharge to \$0.71 beginning in January 2024. The proposed rule amendment should be published in the October 16, 2023 Utah State Bulletin. This surcharge change is contingent on the PSC's resolution of the appropriate disbursements to which the rural incumbent local exchange carriers are entitled under Utah Code Ann. § 54-8b-15. The PSC anticipates accepting public comment on this proposed administrative rule amendment until December 15, 2023.

The PSC takes seriously its responsibility to manage both UUSF revenues and disbursements. Our first and primary objective is compliance with the statutory mandates. During previous versions of this annual report, the PSC has raised the potential of a statutory UUSF cap. For example, if the Utah Legislature set a cap on the UUSF surcharge, and UUSF distributions began to exceed the revenues generated by the surcharge, the PSC would proportionally reduce those distributions. The PSC does not have statutory authority to implement such a cap administratively without legislation. The projected increases for 2024 may warrant renewed legislative consideration of a statutory program cap.

Below is a graph illustrating the changes to UUSF revenues and distributions since 2018:



Legislative Issues

There was no legislation materially modifying the UUSF during either 2022 or 2023. The PSC is not aware of any anticipated UUSF legislation for the 2024 General Session.

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/ John S. Harvey, Ph.D, Commissioner