



State of Utah

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Lieutenant Governor

Public Service Commission

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Commissioner

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Commissioner

October 31, 2024

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

Utah Code Ann. § 54-8b-15 requires the PSC to develop a UUSF 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 the two methods. In compliance therewith, when the law first became effective January 1, 2018, the PSC established a surcharge of \$0.36 per month for each access line or connection.

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 which the PSC maintained until 2024. Due to ongoing increases in the total amount of UUSF disbursements, the PSC increased the surcharge to \$0.71, effective December 29, 2023. The PSC further increased the surcharge to \$0.98, effective July 1, 2024 to meet ongoing and projected disbursements, and to maintain a sustainable long-term fund balance.

Beginning January 1, 2021 and pursuant to Utah Code Ann. § 69-2-405, 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, 2024

For FY 2024, total contributions to the UUSF were \$22,711,188 and total distributions from the UUSF were \$29,847,357.

Further breakdowns on distributions are listed below.

Total FY 2024 UUSF distributions to Utah rural incumbent local exchange carriers

All West Communications, Inc.	\$2,762,934
Beehive Telephone Company, Inc.	\$2,131,926
Carbon/Emery Telcom, Inc.	\$2,007,689
Central Utah Telephone, Inc.	\$21,418
Citizens Telecommunications Company of Utah d/b/a Frontier Communications of Utah	\$1,542,489
Direct Communications Cedar Valley, LLC	\$2,849,656
E-Fiber Moab, LLC	\$557,486
E-Fiber San Juan, LLC	\$572,910
Emery Telephone	\$2,046,475
Gunnison Telephone Company	\$456,000
Hanksville Telcom, Inc.	\$53,305
Manti Telephone Company	\$827,006
Navajo Communications Company, Inc. d/b/a Frontier Navajo Communications Company	\$374,663
South Central Utah Telephone Association, Inc.	\$7,369,082
STRATA Networks (UBTA-UBET Communications, Inc.)	\$4,884,799
Total:	\$28,457,838

Total FY 2024 UUSF Lifeline (Utah Telephone Assistance Program) distributions

All West Communications, Inc.	\$119
Beehive Telephone Company, Inc.	\$424
Carbon/Emery Telcom, Inc.	\$6,584
Central Utah Telephone, Inc.	\$354
Citizens Telecommunications Company of Utah d/b/a/ Frontier Communications of Utah	\$998
Direct Communications Cedar Valley, LLC	\$1,449
E-Fiber Moab, LLC	\$574
E-Fiber San Juan, LLC	\$417
Emery Telephone	\$2,394
Global Connection Inc. of America d/b/a Standup Wireless	\$11,708
Gunnison Telephone Company	\$88
Hanksville Telcom, Inc.	\$116
i-Wireless, LLC	\$14,658
Manti Telephone Company	\$1,411
Q Link Wireless, LLC	\$295,173
Qwest Corporation d/b/a CenturyLink QC	\$20,668
Sage Telecom Communications, LLC d/b/a TruConnect	\$115,336
Skyline Telecom	\$252
South Central Utah Telephone Association, Inc.	\$1,474
STRATA Networks (UBTA-UBET Communications, Inc.)	\$6,108
STRATA Networks (Uintah Basin Electronic Telecommunications)	\$413
Telrite Corporation dba Life Wireless	\$63,508
TracFone Wireless, Inc.	\$182,732
Virgin Mobile USA, LP/Assurance Wireless	\$70,102
Total:	\$797,060

- FY 2024 Relay Utah¹ program expenses: \$590,789.
- FY 2024 UUSF Online Remittance Maintenance and Fees: \$1,670.

¹ 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.

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)
- 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
- 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.

Future UUSF Distributions

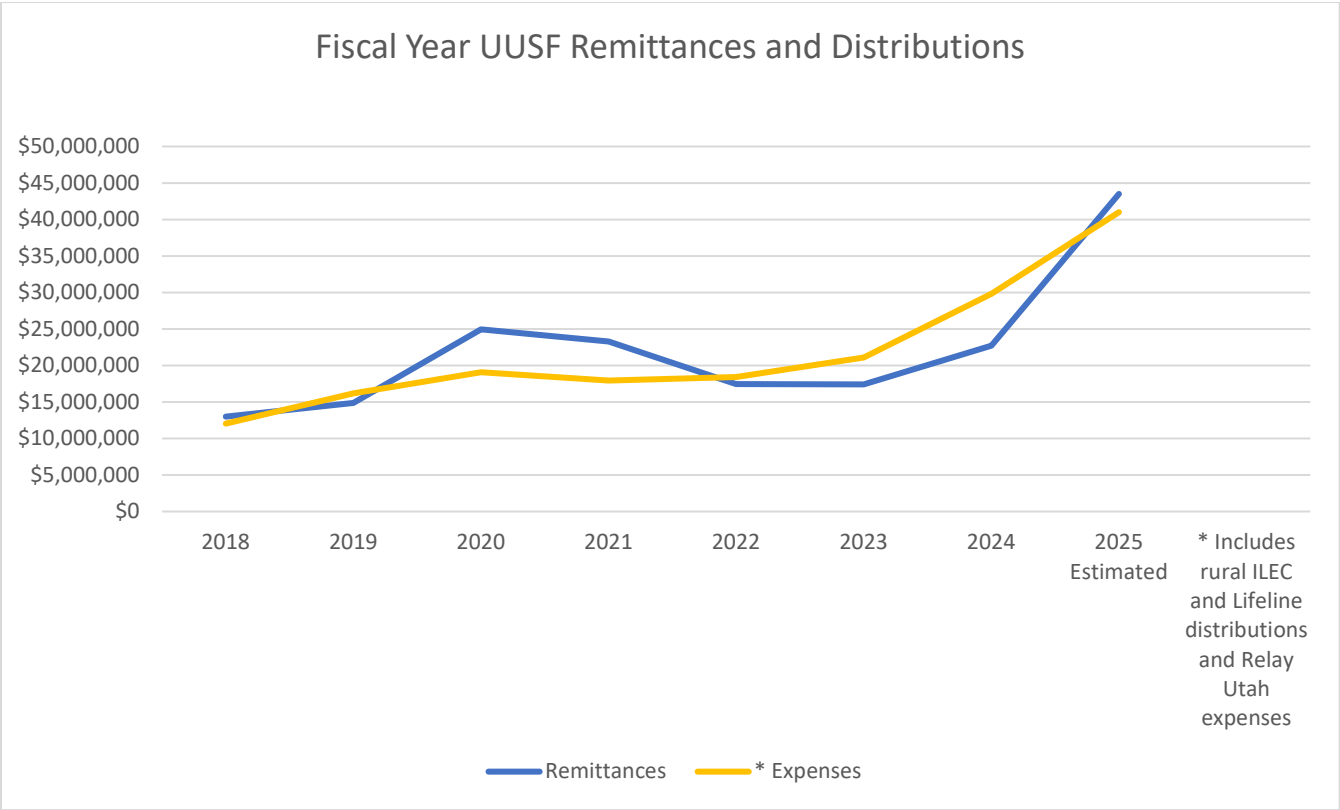
Utah's rural incumbent local exchange carriers (ILEC) and lifeline distributions in FY 2024 exceeded FY 2023 distributions by about \$8.7M. And while this report focuses on FY 2024, surcharge collections are estimated to increase during FY 2025 and ILEC distributions are estimated to increase during the second half of FY 2025.

The DPU recently completed its review of the annual reports provided by ILECs. 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 CY 2025 ILEC distributions to which those carriers are entitled under Utah Code § 54-8b-15 should increase to approximately \$38.4M, an increase of approximately \$3.1M over the CY 2024 distributions.

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 2025.

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.

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



Since 2019 there has been \$165 million dollars distributed from the UUSF for high-cost support. The carriers that qualify for ongoing support have approximately 257,000 customers. The UUSF has spent close to \$1,000 per customer to extend service in some high-cost areas of the state, with some carriers receiving over \$10,000 per customer.

The following table shows the distribution of expenditures.

Average per Account Spent	\$ Spent	# of Accounts	Average \$ per Account
\$0-\$500	\$22,015,220	185,309	\$119
\$501-\$2,500	\$65,677,323	71,171	\$923
\$2,501-\$5,000	\$65,410,239	19,189	\$3,409
>\$5,001	\$12,065,942	971	\$12,426

Legislative Issues

There was no legislation materially modifying the UUSF during either 2023 or 2024. The PSC is not aware of any anticipated UUSF legislation for the 2025 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/ Jerry D. Fenn, Chair

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner