



State of Utah
Department of Commerce
Division of Public Utilities

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Memorandum

To: Public Service Commission of Utah
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager
Brenda Salter, Utility Technical Consultant Supervisor
Date: October 1, 2021
Re: **Docket No. 21-999-03**, UUSF Annual Review – Summary of Recommended Distributions

Recommendation (Approve)

The Utah Division of Public Utilities (Division) recommends distributions from the Utah Universal Service Fund (UUSF) for High Cost Loop Support to telecom providers in 2022 totaling \$18,089,940 for the year. The Division also recommends a reduction to UUSF distributions for companies with Excess Deferred Income Tax (EDIT) by the annual normalization amount. The Division recommends that 2022 UUSF distributions be decreased by \$489,016 for the repayment of EDIT as outlined in the attached summary Exhibit 1. The Division does not recommend repayment to the fund of EDIT from companies receiving no payments from the fund.

Issue

This memorandum provides the Public Service Commission of Utah (Commission) with a summary of the Division's recommended UUSF High Cost Loop Support distributions commencing January 1, 2022. These recommended UUSF distributions are discussed in greater

detail in contemporaneously filed dockets. The UUSF is authorized to make distributions for High Cost Loop Support, the Relay Utah Program (monthly), Lifeline Support (Biannual), and One-Time Distributions (as requested and approved). The Division's recommendations include a total of \$18,089,940 in annual distributions, an increase of \$1,538,595 from the current calendar year's distributions. Based on the current contribution level of \$0.36¹ per line and current connections of more than 3.5 million², the annual contributions to the fund will total more than \$15 million. The appropriate amount of the charge depends, of course, on many factors. Other factors to consider include the desired level of reserves, the expected cost of other programs and one-time distributions, and the desire for stability in the rate charged.

Background

Pursuant to PSC rule R746-8-401(4)(a)(b), the Division has filed separate dockets with the Commission recommending the amount of UUSF distributions for each qualifying rate-of-return regulated telecommunications provider to occur commencing January 1, 2022. Exhibit 1 to this memorandum summarizes these recommended UUSF annual distribution amounts for each provider and provides a comparison to distributions ordered to occur in 2021.

Discussion

In 2018, the Division calculated and recommended UUSF disbursements using a prospective or future (i.e., 2019) measure, akin to a test period in a routine general rate case. Some providers, including the Utah Rural Telecom Association, advocated that UUSF payments should be based on a "true-up" of a prior period (i.e., 2017). The Division used the last annual report filed with the Commission (2020) for calculating the disbursements for 2022.

On July 2, 2021, the Division filed a Request for Agency Action³ with the Commission to establish in rule, along with various other modifications, the process for annual reviews of the UUSF. Reply comments were submitted to the Commission on September 21, 2021, and the

¹ Docket No. 21-R008-01, R746-8-301, Calculation and Application of UUSF Surcharge, Rate Effective July 1, 2021.

² Docket No. 21-999-10, Division's August 2021 UUSF Status Memo to the Commission.

³ Docket No. 21-R008-04, Request for Agency Action Regarding Utah Universal Service Fund, Utah Admin Code R746-8-200 and R746-8-401.

filing is now pending a Commission Order. The Division incorporated the recommended changes as agreed to by parties into its UUSF review for the year.

Conclusion

If the Commission orders the changes in UUSF recommended by the Division, the calculated annual UUSF disbursements to all providers commencing January 1, 2022, would total \$18,089,940. This amount includes a reduction for the repayment of EDIT.