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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Executive Director

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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: September 1, 2022
Re: **Docket No. 22-999-03**, UUSF Annual Review – Summary of Recommended Distributions

Recommendation (Approve)

The Division of Public Utilities (Division) recommends distributions from the Utah Universal Service Fund (UUSF) for High Cost Loop Support to telecom providers in 2023 totaling \$21,600,081 for the year. This is an increase of \$3,510,141 from the 2022 annual UUSF distribution of \$18,089,940.

The Division recommends a reduction to UUSF distributions for companies with Excess Deferred Income Tax (EDIT) by the annual normalization amount. The UUSF distribution recommended by the Division is reduced from the total UUSF of \$21,467,584 by \$386,519 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, 2023. These recommended UUSF distributions are discussed in greater detail in contemporaneously filed dockets.

There are four types of disbursements allowed under the UUSF program: monthly High Cost Loop Support disbursements, monthly Relay Utah Program disbursements, biannual Lifeline Support disbursements, and One-Time Distributions as requested and approved. The Division's recommendations include a total of \$21,600,081 in annual distributions, an increase of \$3,510,141 from the current calendar year's distributions. Based on the current contribution level of \$0.36¹ per line and current connections of approximately 3.5 million², the annual contributions to the fund will total more than \$15 million. Going forward, the appropriate charge or contribution per connection depends, of course, on many factors including 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(9) and (10), 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, 2023. 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 2022.

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 has since used the prior period annual report to calculate UUSF distributions. The Division reviewed the 2021 annual report for calculating the disbursements for 2023.

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

² Docket No. 22-999-09, Division's June 2022 UUSF Status Memo to the Commission.

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. Modifications to PSC rule R746-8-401 went into effect January 1, 2022. The annual review process includes the following:

- February 14 – annual report form provided to each rate-of-return regulated provider
- April 15 – rate-of-return regulated provider shall file its annual report
- September 1 – Division files non-binding estimate of any UUSF
 - Interested parties may seek intervention within 15 days of the Division's filing
- November 1 – Division files the final recommendation with the Commission
- November 15 – No later than November 15, parties may challenge the Division's recommendation
- January 1 – If the Division's recommendation is not challenged, and the Commission finds the UUSF distribution to be reasonable, the UUSF distribution amounts will become effective

Conclusion

If the Commission orders the changes in UUSF recommended by the Division, the calculated annual UUSF disbursements to all providers commencing January 1, 2023, would total \$21,600,081. This amount includes a reduction for the repayment of EDIT.

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.