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# UTAH DEPARTMENT OF COMMERCE

## Division of Public Utilities

MARGARET W. BUSSE  
*Executive Director*

CHRIS PARKER  
*Division Director*

## Action Request Response

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director  
Brenda Salter, Assistant Director  
Doug Wheelwright, Utility Technical Consultant Supervisor  
Abdinasir Abdulle, Utility Technical Consultant Supervisor  
Gary Smith, Utility Technical Consultant

**Date:** April 4, 2024

**Re:** **24-999-08**, 2024 UUSF and Speech/Hearing Impaired Funds Status Reports.

## Recommendation

The Division of Public Utilities (Division) has reviewed the Public Service Commission's (Commission) March 5, 2024, Action Request and recommends that the Commission increase the current Utah Universal Service Fund (UUSF) surcharge rate due to overstated connections reported by New Cingular Wireless PCS, LLC (AT&T). The Division has calculated a recommended surcharge range between \$.88 and \$1.00 per connection, depending on the assumed growth in connections subject to surcharge, the assumed growth of disbursements, and the determination of any future AT&T credit granted to correct AT&T's purported overcollections. Another amount could be warranted with different assumptions.

## Issue

On March 5, 2024, the Commission filed an Action Request informing the Division of a letter from AT&T dated February 21, 2024. AT&T's letter explained that for the periods of July 2021 – June 2023, AT&T collected and remitted Universal Service charges at a rate of \$.54 per connection instead of the correct \$.36 rate. In a conversation with representatives of

Division of Public Utilities

Heber M. Wells Building • 160 East 300 South • P.O. Box 146751 Salt Lake City, UT 84114-6741  
[www.dpu.utah.gov](http://www.dpu.utah.gov) • telephone (801) 530-7622 • toll-free in Utah (877) 874-0904 • fax (801) 530-6512

AT&T, the Division learned that though AT&T collected UUSF from customers at the incorrect rate of \$.54 per connection, it reported in its monthly remittance a collection rate of \$.36 per connection. By using the total amount collected from the \$.54 collections on remittance forms reflecting the \$.36 surcharge, AT&T increased its total monthly reported connections. In other words, AT&T reported its \$.54-based collected revenue on the remittance form but divided the increased dollars by the \$.36 surcharge, resulting in a misstatement of the number of connections served and billed. The decrease in AT&T's reported 2023 connections can be seen in Table 1 below.

Considering this issue, the Division will implement procedures in its monthly remittances to better identify and explain significant variations in reported connections. While variations in the frequency of report remittances and other factors have made this challenging in the past (the Division receives an average of over 100 UUSF fund contribution entries monthly), the need to better track variations is evident. The Division will report on its progress in implementing auditing changes in the coming months.

**TABLE 1**

**New Cingular Wireless, LLC (AT&T)**

Period of overpayment highlighted (\$.54 rate)

	<b>2023</b>		<b>2022</b>		<b>2021</b>	
	<b>Access Lines Subject to Surcharge</b>	<b>Total Remitted</b>	<b>Access Lines Subject to Surcharge</b>	<b>Total Remitted</b>	<b>Access Lines Subject to Surcharge</b>	<b>Total Remitted</b>
<b>Jan</b>	876,644	\$ 311,458	849,565	\$ 301,837	557,852	\$ 297,294
<b>Feb</b>	774,493	\$ 275,165	743,342	\$ 264,098	466,046	\$ 248,368
<b>Mar</b>	779,344	\$ 276,888	739,218	\$ 262,632	459,101	\$ 244,667
<b>Apr</b>	940,195	\$ 334,036	877,192	\$ 311,652	427,563	\$ 227,859
<b>May</b>	739,426	\$ 262,706	762,820	\$ 271,018	374,736	\$ 199,707
<b>Jun</b>	851,289	\$ 302,449	803,618	\$ 285,513	417,313	\$ 222,397
<b>Jul</b>	933,966	\$ 331,823	809,545	\$ 287,618	395,149	\$ 210,585
<b>Aug</b>	529,876	\$ 188,256	814,531	\$ 289,390	617,164	\$ 219,268
<b>Sep</b>	592,788	\$ 210,608	812,615	\$ 288,709	638,449	\$ 226,831
<b>Oct</b>	563,381	\$ 200,160	815,236	\$ 289,640	763,885	\$ 271,396
<b>Nov</b>	574,485	\$ 204,105	823,185	\$ 292,464	771,378	\$ 274,058
<b>Dec</b>	566,092	\$ 201,123	818,504	\$ 290,801	745,625	\$ 264,909
<b>TOTAL</b>	<b>8,721,979</b>	<b>\$3,098,780</b>	<b>9,669,371</b>	<b>\$3,435,373</b>	<b>6,634,261</b>	<b>\$2,907,339</b>

The results of AT&T's incorrect method of calculation, collection, and remittance include the following:

- 1) Overcollection from customers. AT&T has informed DPU that it has returned the overcollection to its customers and is now seeking to be reimbursed \$2,369,273.40.
- 2) Unrealized anticipated revenues in 2023. Once the correction was made, 2023 monthly revenues decreased, resulting in a lower-than-expected end of month fund balances.
- 3) Overstatement of total connections subject to surcharge. AT&T increased its total monthly connections to balance the remittance equation, resulting in an overstatement of its connections, which influenced past calculations concerning the fund and surcharge.
- 4) Insufficient UUSF surcharge adopted in 2023 (\$0.71) based on historic reported incorrect revenues and connections. The Division forecasted the UUSF activities, assuming the growth in the number of access lines and the average costs of the Universal Service Fund would be as those of the previous years (2021-2023).
- 5) Increase in future UUSF if AT&T is granted a credit to correct its purported overcollections.

The Division has reviewed and modeled a revised forecast adjusting for AT&T's overcollections and overstatements. The forecast includes all four types of allowed disbursements: monthly High Cost Loop Support, monthly Relay Utah Program, biannual Lifeline Support, and One-Time Distributions as approved (no One-Time Distributions were included as none are currently approved). The resulting forecast indicates that the monthly UUSF fund ending balance based on the current UUSF surcharge rate (\$0.71) will decline, becoming insufficient to maintain a two-month reserve balance in 2024, and becoming negative by June 2025 (Table2).

**TABLE 2**

**FORECAST - UUSF Collection & Distribution**

Collected at the current \$.71 /connection

		Access Lines Subject to Surcharge	Total Collections Including Prepaid Wireless	Distributions			UUSF Ending Balance
				UUSF	Lifeline	Hearing & Fees	
2024	Jan	3,639,104	\$ 1,348,411	2,942,966		36,089	\$ 7,615,057
	Feb	5,109,239	\$ 3,001,916	2,942,966	337,474	46,610	\$ 7,289,918
	Mar	4,495,916	\$ 3,201,882	2,942,966		41,627	\$ 7,507,207
	Apr	3,753,319	\$ 2,686,706	2,942,966		41,627	\$ 7,209,320
	May	2,957,588	\$ 2,124,971	2,942,966		41,627	\$ 6,349,698
	Jun	3,845,069	\$ 2,749,864	2,942,966	362,527	41,627	\$ 5,752,443
	Jul	4,148,755	\$ 2,962,860	2,942,966		41,627	\$ 5,730,710
	Aug	4,865,506	\$ 3,442,249	2,942,966		41,627	\$ 6,188,366
	Sep	2,426,697	\$ 1,732,345	2,942,966		41,627	\$ 4,936,118
	Oct	3,628,278	\$ 2,601,007	2,942,966		41,627	\$ 4,552,533
	Nov	4,947,526	\$ 3,522,178	2,942,966		41,627	\$ 5,090,118
	Dec	2,295,496	\$ 1,663,490	2,942,966		41,627	\$ 3,769,015
2025	Jan	3,711,886	\$ 2,654,901	3,384,411		42,459	\$ 2,997,046
	Feb	5,211,424	\$ 3,703,783	3,384,411	344,223	42,459	\$ 2,929,737
	Mar	4,585,834	\$ 3,264,888	3,384,411		42,459	\$ 2,767,754
	Apr	3,828,385	\$ 2,739,305	3,384,411		42,459	\$ 2,080,188
	May	3,016,740	\$ 2,166,419	3,384,411		42,459	\$ 819,737
	Jun	3,921,970	\$ 2,803,749	3,384,411	369,777	42,459	\$ (173,161)

2025 Connection growth estimated at 2%

2025 UUSF Distributions estimated at 15% increase

The month-to-month fluctuations in the spreadsheet above are based on month-to-month fluctuations in company remittances that occur. Rather than smoothing the connection data across the months, the Division used actual reported connections as the base to more accurately show the monthly fluctuations that can and do exist.

Due to the overestimation of connections and revenues reported by AT&T and the recent actual monthly results, the Division recommends the Commission increase the UUSF surcharge. While the Commission may wish for further analysis and comment on the appropriate surcharge amount, DPU estimates the UUSF surcharge will need to increase to an amount between \$.88 and \$1.00 depending on the assumed growth in connections

subject to surcharge, growth in future distributions, and the determination of any future AT&T credit granted to correct AT&T’s purported overcollections (Table 3).

**TABLE 3**

**Recommended UUSF Surcharge Range**  
(AT&T Credit over 36 months)

<b>Connection Growth Rate</b>	<b>AT&amp;T Overpayment Credit</b>	<b>UUSF Surcharge Rate \$/ Connection</b>
2.00%	No Credit	0.98
2.00%	With Credit	1.00
4.00%	No Credit	0.93
4.00%	With Credit	0.95
6.00%	No Credit	0.88
6.00%	With Credit	0.90

The appropriate UUSF per connection surcharge and resulting remittance depends, of course, on many factors including the desired level of reserves, the assumed number of connections, fund disbursements (including one-time distributions), other expenses, and the desire for stability in the rate charged. Exhibit 1 to this memorandum details the assumptions, calculations, and results of the Division’s analysis. The Excel workbook model is set up to allow the Commission to evaluate and test various assumption in its review of forecast years 2024 – 2027 for the following:

- 1) a low access line growth rate without AT&T repayment,
- 2) a low access line growth rate with AT&T repayment,
- 3) a medium access line growth rate without AT&T repayment,
- 4) a medium access line growth rate with AT&T repayment,
- 5) a high access line growth rate without AT&T repayment, and
- 6) a high access line growth rate with AT&T repayment.

**Conclusion**

The Division recommends that the UUSF surcharge rate be increased due to overstated connections and revenues reported by AT&T. The Division has calculated a revised

recommended surcharge range between \$.88 and \$1.00 per connection, depending on the assumed growth in connections subject to surcharge and the determination of any future AT&T credit granted to correct AT&T's purported overcollections.

cc: Service List