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
Gary Smith, Utility Technical Consultant

Date: September 1, 2026

Re: **Docket No. 24-999-10,** In the Matter of the Investigation, Re: Utah Universal Public Telecommunications Support Fund Disbursements.

Docket No. 24-999-10 is a long-running, broad investigation into how Rate-of-Return Regulated Rural Telecommunications Utilities (RILECs) manage capital assets and Operations & Maintenance (O&M) expenditures funded by the Utah Universal Service Fund (UUSF). The Docket has its origins with the Commission's December 2023 UUSF Order approving 2024 UUSF distributions. In this Order, Commissioner John S. Harvey, Ph.D., issued a concurring opinion requesting that a process be undertaken to confirm that the claimed costs incurred by an RILEC are determined to be reasonable. Dr. Harvey listed five areas to be addressed in his requested undertaking.

On March 4, 2024, a Notice of Docket and Technical Conference was issued opening Docket No. 24-999-10 and requesting RILEC's present their network design practices, and the Division of Public Utilities (Division, DPU) was assigned to present its audit procedures. On April 5, 2024, the technical conference was held on May 21, 2026, a follow up technical conference was scheduled for June 18, 2026. RILECs and the DPU were asked to address the 2024–2025 broadband capital expenditures, 2026–2028 buildout estimates, long-term funding requirements, and Broadband Equity Access and Deployment (BEAD) funding integration. Due to confidentiality concerns filed by URTA and other parties the Commission issued a Notice of Partial Postponement on June 16, 2026, and advised that only the non-confidential BEAD issues would be discussed at the scheduled June 18, 2026, technical conference. On June 18, 2026, the partial technical conference was held solely to discuss BEAD issues.

On July 30, 2026, a Comprehensive Action Request was issued to the DPU containing 15 sweeping questions analyzing RILECs' capital schedules, copper-to-fiber transitions, customer connection metrics, O&M per-mile costs, and "hockey stick" cost trajectories. The DPU was assigned to investigate and respond by September 1, 2026. On August 4, 2026, the DPU issued an expedited 14-day request to respond to the Commission’s 15 questions.

The Division provides the following general responses grouped into five categories by the generally related subject matter. Included in the general summary of responses below is mention of where additional information can be found in each RILEC’s filed annual report that will be available in each respective RILEC’s docket. Due to the highly confidential company-specific confidential information, the Division summarized each company's responses and included them separately as DPU CONF Exhibit 1, along with the original attachments received from the Company.

A. <u>Capital Investment, Replacement, End-of-Life, and Depreciation</u> (Questions 1.1, 1.2, and 1.6)

General Response Findings:

Providers do not maintain fixed, asset-by-asset replacement schedules through 2031, nor do they share a single operational definition of "end-of-life".

Because networks are continually maintained, added to, and retired, there is no single date on which a network becomes fully depreciated or fully paid for.

Prospective costs are only evaluated for UUSF purposes once they are actually incurred, reported, and audited.

Reported in Annual Report: Plant additions and retirements (verified in trial balance, general ledgers, work orders, invoices and project records provided by Companies) determine what plant is reflected in regulated operations, net rate base, and the overall revenue requirement.

Tabs 13, 14, 17 (plant investment, additions, retirements, CIAC, and depreciation), **and Tab 24** (net rate base calculation)

B. Financial Assumptions, Revenue Shortfall, and Cash Flow (Questions 1.3, 1.4, and 1.5)

General Response Findings:

Providers generally do not maintain long-term, "steady-state" UUSF forecasts because support depends on constantly shifting conditions (future costs, investment levels, and federal support).

Company cash-flow scenarios provide financial context but **cannot substitute for the strict statutory comparison** of actual costs and revenues.

Reported in Annual Report: Regulated expenses are reported and compared against statutory revenue sources (such as regulated telecom revenues, wholesale broadband revenues, and federal universal service support). The difference between reasonable costs and recognized revenues establishes UUSF eligibility.

Tab References: Tab 23 (Revenue Requirement including adjustments, components, and recommended UUSF amounts)

C. Serviceable Locations, Connections, Broadband Availability, Affiliate Use, and High-Cost Locations (Questions 1.7–1.11)

General Response Findings:

Supplementary location and broadband availability data offers helpful operational context regarding network reach, active customers, competition, and line-extension needs. While this data helps understand future cost pressures and possible needs, it does not independently determine a provider's revenue requirement.

Reported in Annual Report: Exchange level details and connections by type are reported. The Division typically provides a 5-year look at details and trends with its annual review. The current form does not report remaining service locations and does not report remaining high-cost locations.

Tab References: Tab 19 (Exchange Details), **Tab 28** (Connection Totals), and **Tabs 12, 16, 21, and 23** (revenue and support verification)

D. Fiber/Copper Composition and O&M (Question 1.12)

General Response Findings:

> Providers generally **do not allocate integrated network O&M expenses between fiber and copper on a per-mile basis**. Functions like engineering, dispatch, monitoring, and outage response support the integrated network as a whole.

Reported in Annual Report: Actual historical expenses and asset additions are reported and a comparison to the prior year is performed. The current annual report form does not track the percentage of a company's build, but it is often provided within the Division's annual report.

Tab References: Tab 6 (Changes During Year - network structure and composition), and **Tabs 12, 16, and 23** (Part 32 operating expense accounts)

E. Relationship Between Capital/Operating Costs and UUSF (Questions 1.13–1.15)

General Response Findings:

> Companies typically do not trace UUSF funding to specific capital projects or individual expense categories.
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> UUSF Eligibility is determined by comparing aggregate reasonable costs with aggregate statutory revenues.
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> Specific payroll categories, projects, or line extensions do not independently "cause" a company's UUSF requirement.

Reported in Annual Report: Depreciation, rate base, and regulated revenue are recorded, and a company's revenue requirement and UUSF eligibility are calculated. A comparison of the previous year's annual reports should show the impact of the company's annual activities. A five-year analysis is also typically provided in the Division's annual report.

Tab References: Tabs 13 and 17 (capital additions and extensions), **Tab 14** (depreciation impact), **Tab 24** (rate base impact), **Tab 23** (regulated revenue requirement impact), and **Tab 6** (additions and extensions)

cc: Kira Slawson - URTA
Jenny Prescott, CFO – All West Communications, Inc.