



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Recommendation

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
William Duncan, Manager
Paul Hicken, Technical Consultant
Date: October 4, 2018
Re: **2019 UUSF Recommendation for Citizens Telecom Company of Utah.**
Docket #18-041-02

Preliminary Recommendation

The Public Service Commission of Utah (PSC) is currently not paying any Utah USF assistance to Citizens Telecom Company of Utah and based on the company's 2017 Annual Report the company does not qualify for UUSF payments in the 2019 calendar year.

Issue

The Division of Public Utilities (DPU) has reviewed the annual report of Citizens Telecom Company of Utah received on April 13, 2018. Pursuant to PSC rule R746-8-401(a) and (b). The DPU has determined that no adjustments are necessary to the USF eligibility for Citizens Telecom Company of Utah.

Background

PSC rule R746-8-401 requires the DPU to recommend to the PSC adjustments to the monthly USF distribution for each provider based on 1) the FCC rate of return set forth in R746-401-(3)(a) and the provider's financial information from its last annual report filed with the

Commission. This memo details why the DPU recommends no change to the USF distribution for Citizens Telecom Company of Utah.

Discussion

In calculating the USF eligibility for Citizens Telecom Company of Utah, the Division utilized the following:

- 1) Depreciation – Citizens utilizes group asset depreciation. PSC rule R746-8-401 is currently being revised to establish a method to periodically revise depreciation rates when a company chooses to use group asset depreciation. Changes to this rule will impact Citizens depreciation expense.
- 2) Accumulated Deferred Income Tax – Citizens reported nearly \$10 million of accumulated deferred income taxes. This is a significant deduction from the company's rate base.
- 3) Accumulated Depreciation – Citizens reported more than \$117.7 million of accumulated depreciation. Over 95 percent of the company's assets are fully depreciated. There is very little rate base left as a basis for return on investment.

Conclusion

The DPU recommends no change to the Utah USF distribution for Citizens Telecom Company of Utah.

Cc: Jessica Matushek, Director of Accounting, Frontier Communications