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# State of Utah

## Department of Commerce

### Division of Public Utilities

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## Recommendation

**To:** Utah Public Service Commission

**From:** Utah Division of Public Utilities

Chris Parker, Director

William Duncan, Manager

Joseph Hellewell, Utility Analyst

**Date:** October 4, 2018

**Re:** **2019 USF Recommendation for Emery Telcom, Docket No. 18-042-01**

## Preliminary Recommendation

The Public Service Commission of Utah (PSC) should decrease the annual Utah USF payable to Emery Telcom to \$966,327.00 annually, or \$80,527.29 monthly, effective January, 2019. This is an annual decrease of \$144,669.00.

## Issue

The Division of Public Utilities (DPU) has reviewed the annual report of Emery Telcom submitted on July 9, 2018. Pursuant to PSC rule R746-8-401(a) and (b), the DPU has calculated the annual USF eligibility to be \$966,327.00 annually.

## 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 presents the DPU recommendation for adjustment to the USF distribution of Emery Telcom.

## **Discussion**

In calculating the USF eligibility for Emery Telcom, the Division utilized the following:

- 1) Rate of Return – Because the FCC prescribed Rate of Return (ROR) changes on July 1, 2019, the DPU used an average of the 10.5% ROR that would be applicable from January to June, 2019, and the 10.25% applicable from July to December 2019. The average rate is 10.375%.
- 2) State and Federal Income Tax – Emery Telcom is a tax exempt entity.
- 3) Depreciation – Emery Telcom utilizes single asset straight line depreciation rather than group asset depreciation. Depreciation expense will be unaffected by current rule changes for companies using single asset depreciation. However, Emery’s depreciation method change from group to straight line contributed to a change in its UUSF subsidy.
- 4) Deferred Regulatory Liability – Because Emery Telcom is a tax exempt company, there is no liability resulting in a payback calculation. This liability is not part of Emery Telcom’s calculation for Utah USF.

## **Conclusion**

The DPU recommends adjusting the Utah USF distribution for Emery Telcom to \$966,327.00 annually, or \$80,527.29 monthly.