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State of Utah
Department of Commerce
Division of Public Utilities

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Director, Division of Public Utilities

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 Navajo Communications Company Inc. of Utah. Docket #18-050-02.**

Recommendation (No Action Required)

The Public Service Commission of Utah (PSC) is currently not paying any Utah USF assistance to Navajo Communications Company Inc. of Utah. Based on the 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 Navajo Communications Company Inc. 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 Navajo Communications 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 Navajo Communications Company of Utah.

Discussion

In calculating the USF eligibility for Navajo Communications Company of Utah, the Division utilized the following:

- 1) Depreciation – Navajo utilizes group asset depreciation. PSC rule R746-8-401 is currently being revised to establish a method to for periodically revising depreciation rates when a company chooses to use group asset depreciation. Changes to this rule will impact Navajo’s depreciation expense. .
- 2) Accumulated Deferred Income Tax – Navajo reported over \$815 thousand of accumulated deferred income taxes. This is a significant deduction from the company’s rate base.
- 3) Accumulated Depreciation – Navajo reported more than \$4.4 million of accumulated depreciation. Over 97 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 Navajo Communications Company Inc. of Utah.

Cc: Jessica Matushek, Director of Accounting, Navajo Communications of Utah