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
Artie Powell, Manager
Casey J. Coleman, Utility Technical Consultant
Joseph Hellewell, Utility Analyst

Date: October 1, 2019

Re: **2020 UUSF Recommendation for Emery Telcom, Docket No. 19-042-01**

Preliminary Recommendation

The Public Service Commission of Utah ("PSC") should adjust the annual Utah USF ("UUSF") payable to Emery Telcom ("Emery") to $1,074,956 annually, or $89,579.67 monthly, effective January 1, 2020. Emery's current annual UUSF distribution is $966,331.00.

Issue

The Division of Public Utilities ("DPU") has reviewed the annual report of Emery submitted on July 25, 2019. Pursuant to PSC rule R746-8-401(a) and (b), the DPU has calculated the annual UUSF eligibility to be $1,074,956.00 annually.

Background

PSC rule R746-8-401 requires the DPU to recommend to the PSC adjustments to the monthly UUSF 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 PSC. This memo presents the DPU recommendation for adjustment to the UUSF distribution of Emery.

Discussion

In calculating the UUSF eligibility for Emery, the Division utilized the following:

1) Rate of Return – Because the FCC prescribed Rate of Return (ROR) changes on July 1, 2020, the DPU used an average of the 10.25% ROR that would be applicable from January to June, 2019, and the 10.00% applicable from July to December 2019. The average rate is 10.125%.
2) State and Federal Income Tax – Emery is a tax exempt entity.
3) Depreciation – Emery 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.
4) FCC Excluded Costs – Emery included costs that were excluded by the Federal Cost Study. These costs were then adjusted out by the DPU.
5) Deferred Regulatory Liability – Because Emery is a tax exempt company, there is no liability resulting in a payback calculation. This liability is not part of Emery's calculation for UUSF.

Conclusion

The DPU recommends adjusting the UUSF distribution for Emery Telcom to $1,074,956 annually, or $89,579.67 monthly.

Cc: Michele Beck, Director – Office of Consumer Services

Brock Johansen, CEO – Carbon/Emery Telcom, Inc.