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

Artie Powell, Manager

Casey J. Coleman, Utility Technical Consultant

Joseph Hellewell, Utility Analyst

Date: October 1, 2019

Re: **2020 UUSF Recommendation for All West Communications, Docket No. 19-2180-01**

Preliminary Recommendation

The Public Service Commission of Utah (PSC) should adjust the annual Utah USF ("UUSF") payable to All West Communications ("All West") to $1,142,077 annually, or $95,173.10 monthly effective January 1, 2020.

Issue

The Division of Public Utilities (DPU) has reviewed the annual report of All West submitted on April 15, 2019. Pursuant to PSC rule R746-8-401(a) and (b), the DPU has calculated the annual UUSF eligibility for 2020 to be $1,355,792. However, the company has a Deferred Regulatory Liability of $213,715 for 2020. This liability should be deducted from its UUSF distributions. Therefore the 2020 annual distribution should be $1,142,077 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 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 UUSF distribution of All West.

Discussion

In calculating the UUSF eligibility for All West, 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, 2020, and the 10% applicable from July to December 2020. The average rate is 10.125%.
2) State and Federal Income Tax – All West saw a change in its tax expenses as a result of the changes to the federal and state tax rate. Because of the change in tax laws, All West realized a tax saving of $315,855 in 2018.
3) Depreciation – All West utilizes a group asset depreciation method rather than single asset straight line depreciation. Depreciation expense may be affected by current rule changes for companies using group asset depreciation
4) A review of the 2018 annual report calculated a UUSF decrease of $476,688 annually.
5) Deferred Regulatory Liability – All West used accelerated depreciation in 2018. Because of the change in federal tax rate and using accelerated depreciation in prior years, All West Communication has a Deferred Regulatory Liability that should be returned to the UUSF. All West calculated a seven year amortization for the Excess Deferred Income Tax. Using the company's calculations, the Division recommends lowering the distribution from UUSF an additional $213,715 annually until the Deferred Regulatory Liability has been fully amortized. This decrease is in addition to the decrease noted in item 5. This will be the second year of reducing the UUSF for the Deferred Regulatory Liability.

Conclusion

The DPU recommends adjusting the UUSF distribution for All West Communications to $1,142,077 annually, or $95,173.10 monthly.

Cc: Jenny Prescott, Vice-President Finance & HR