



GARY HERBERT

*Governor*

SPENCER J. COX  
*Lieutenant Governor*

State of Utah  
*Department of Commerce*  
Division of Public Utilities

FRANCINE GIANI  
*Executive Director*

CHRIS PARKER  
*Director, Division of Public Utilities*

## Recommendation

**To:** Utah Public Service Commission  
**From:** Utah Division of Public Utilities  
Chris Parker, Director  
Artie Powell, Manager  
Shauna Benvegna-Springer, Utility Technical Consultant  
Gary Smith, Utility Analyst

**Date:** October 1, 2019

**Re:** **2020 UUSF Recommendation - Skyline Telecom, Docket No. 19-576-01**

### Recommendation (No Action Required)

The Public Service Commission of Utah (PSC) is currently not making payments from the Utah Universal Service Fund (UUSF) for assistance to Skyline Telecom. The Division recommends no change in the distribution of UUSF.

### Issue

The Division of Public Utilities (DPU) has reviewed the 2018 annual report of Skyline Telecom submitted in April 15, 2019. Pursuant to PSC rule R746-8-401(a) and (b), the DPU has calculated the annual UUSF eligibility and finds Skyline Telecom does not qualify for any distribution, effective January 1, 2020.

### 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 providers financial information from its last annual report filed with the Commission. This memo presents the DPU recommendation for adjustment to the UUSF distribution of Skyline Telecom.

## **Discussion**

In calculating the UUSF eligibility for Skyline Telecom, 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 10.00% applicable from July to December 2020. The average rate is 10.125%.
- 2) State and Federal Income Tax – The DPU used a federal tax rate of 21% and a Utah tax rate of 4.95% to estimate future income taxes included in the UUSF calculation.
- 3) Depreciation – Skyline Telecom utilizes group asset depreciation rather than single asset straight line depreciation. Depreciation expense will be affected by current rule changes for companies using group asset depreciation.

## **Conclusion**

Based on the review of the 2018 Annual Reports submitted by Skyline Telecom and the factors discussed above, the DPU finds the company not eligible for UUSF payments. The Division recommends no change in the UUSF distribution for Skyline Telecom. UUSF payments should remain at \$0 annually.

cc: Ross Cox, Skyline Telecom  
Michele Beck, Office of Consumer Services  
Justin Jetter, Assistant Attorney General