



State of Utah

Department of Commerce Division of Public Utilities

CHRIS PARKER
Executive Director

ARTIE POWELL
Director, Division of Public Utilities

GARY HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Brenda Salter, Utility Technical Consultant Supervisor

Shauna Benvegna-Springer, Utility Technical Consultant

Gary Smith, Utility Technical Consultant

Bhavana Venjimuri, Utility Analyst

Date: September 21, 2020

Re: **Docket 20-043-01**, Gunnison Telephone Company – 2019 Annual Report.

Recommendation (Approve)

The Utah Division of Public Utilities (Division) recommends the Utah Public Service Commission of Utah (Commission) increase the 2021 annual Utah Universal Service Fund (UUSF) funds payable to Gunnison Telephone Company (Company) to \$440,842 annually, or \$36,736.83 monthly, effective January 1, 2021.

Issue

The Division has reviewed the annual report of the Company submitted on April 15, 2020. Pursuant to Commission rule R746-8-401(4), the Division has calculated the annual UUSF eligibility to be \$440,842 annually, an increase of \$251,229 from 2019 annual UUSF distributions.

Background

Commission rule R746-8-401(4) requires the Division to recommend to the Commission adjustments to the monthly UUSF distribution for each provider based on the FCC rate of return set forth in R746-8-401-(3)(a) and the provider's financial information from its last annual report

filed with the Commission. This memo and confidential Exhibit 1 presents the Division's recommendation for adjustment to the UUSF distribution for the Company.

Discussion

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

- 1) Rate of Return – Because the FCC prescribed Rate of Return (ROR) changes on July 1, 2021, the Division used an average of the 10.00% ROR that would be applicable from January to June, 2021, and the 9.75% applicable from July to December 2021. The average rate is 9.875%.
- 2) State and Federal Income Tax – The Division 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 – The Company utilizes single asset straight line depreciation rather than group asset depreciation. Depreciation expense will be unaffected by current rule changes for companies using group asset depreciation.
- 4) The Company does not have Accumulated Deferred Income Tax nor Excess Accumulated Deferred Income Tax.

Conclusion

The Division recommends the Commission adjust the 2021 UUSF distribution for Gunnison Telephone Company to \$440,842 annually or \$36,736.83 monthly.

cc: Natalie Gleave, Gunnison Telephone Company
Pat Thorne, Thorne & Associates, CPA's
Michele Beck, Office of Consumer Services
Kira Slawson, Blackburn & Stoll
Justin Jetter, Assistant Attorney General