



State of Utah

Department of Commerce Division of Public Utilities

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Recommendation

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: November 18, 2020

Re: **Docket No. 20-2419-01**, Direct Communications Cedar Valley – 2019 Annual Report UUSF Review.

Recommendation (Approve - AMENDED)

The Division of Public Utilities' (Division) amends its recommendation to the Utah Public Service Commission (Commission) of the amount of Utah Universal Service Fund (UUSF) payable in 2021 to Direct Communications Cedar Valley (Company) to include a reduction of \$83,314 for the normalization of the Company's Excess Deferred Income Taxes (EDIT).

Issue

On November 16, 2020, the Division recommended the amount of UUSF eligibility to be \$2,465,886 annually. This amount did not include an adjustment for the Company's EDIT. The Division is amending its recommendation to include a reduction of \$83,314 for the normalization of the Company's EDIT.

Background

The Company has utilized accelerated depreciation and has Accumulated Deferred Income Taxes (ADIT). Due to the decrease in the federal tax rate, The Company has Excess Deferred Income Taxes. EDIT is a Deferred Regulatory Liability which should be returned to UUSF. The Tax Act which reduced federal taxes requires that a normalization method of accounting must be used to amortize EDIT over the original life of the underlying assets for public utility property. The primary normalization method provided in the Tax Act is the Average Rate Assumption Method (ARAM). The Tax Act advises that if EDIT is returned sooner than calculated utilizing ARAM, federal penalties would be assessed. Any penalties assessed in association with The Company's treatment of EDIT would be an excluded expense that could not be recaptured through UUSF. The Division recommends refunding the Company's amortized EDIT amount of \$83,314 by reducing the Company's 2021 UUSF.

Conclusion

The Division amends its recommendation to adjust the 2021 UUSF distribution for Direct Communications Cedar Valley to \$2,382,572 annually, or \$198,547.67 monthly, effective January 1, 2021. This amount includes a reduction for the normalization of EDIT.

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