



State of Utah

Department of Commerce Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Casey J. Coleman, Utility Technical Consultant

Date: October 1, 2021

Re: **Docket No. 21-042-01**, Review of 2020 Annual Report for Emery Telephone d/b/a Emery Telcom and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

Preliminary Recommendation

The Public Service Commission of Utah (“PSC” or “Commission”) should adjust the annual Utah Universal Service Fund (“UUSF”) payable to Emery Telephone d/b/a Emery Telcom (Emery) to \$1,288,964.10 annually, or \$107,413.68 monthly effective January 1, 2022. For the 2021 calendar year Emery received \$1,535,885 annually, or \$127,990.42 monthly. The current recommendation represents a UUSF decrease of \$246,921 annually or \$20,576.74 monthly.

Issue

The Division of Public Utilities (“DPU” or “Division”) has reviewed the annual report of Emery submitted on April 15, 2021. Pursuant to PSC rule R746-8-401(3)(a) and (b) and R746-8-401(4)(a) and (b), the DPU has calculated the annual UUSF eligibility for 2022 to be \$1,288,964.10.

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 for Emery Telcom, Inc.

Discussion

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

- 1) Rate of Return – Because the FCC prescribed Rate of Return (“ROR”) previously changed on July 1, of each year the DPU had used a blended ROR for Emery in previous years. The glide path in rates suggested by the FCC has concluded so a blended rate is not necessary. The DPU used a 9.75% ROR for Emery.
- 2) Depreciation – In 2020, Emery used a method that is similar to a vintage depreciation method. Therefore, depreciation expense in the future will not be affected by any anticipated rule changes to account for a group asset depreciation method.
- 3) Allocation Adjustments – There were adjustments to the rate base for allocation of shared equipment and for reclassification of materials and supplies between regulated and non-regulated operations.
- 4) FCC Excluded Costs – There were costs included in the Annual Report that should be excluded from USF reimbursement. These costs were adjusted out by the DPU.

Conclusion

The DPU recommends adjusting the Utah USF distribution for Emery to \$1,288,964.10 annually, or \$107,413.68 monthly.

Cc: Brock Johansen, CEO – Emery Telcom, Inc.