



# State of Utah

## Department of Commerce Division of Public Utilities

MARGARET W. BUSSE  
*Executive Director*

CHRIS PARKER  
*Director, Division of Public Utilities*

SPENCER J. COX  
*Governor*

DEIDRE HENDERSON  
*Lieutenant Governor*

### 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

Paul Hicken, Technical Consultant

Mark Long, Utility Technical Consultant

Joanna Matyjasik, Utility Analyst

**Date:** October 1, 2021

**Re:** **Docket No. 21-046-01**, Review of 2020 Annual Report for Manti Telephone Company, and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

### Recommendation (Approval)

The Utah Division of Public Utilities (Division or DPU) recommends the Public Service Commission of Utah (Commission or PSC) adjust the annual Utah Universal Service Fund (UUSF) amount payable to Manti Telephone Company to \$1,008,638 annually, or \$84,053 monthly, effective January 1, 2022. This is an increase of \$46,189 from the amount approved by the Commission (\$962,449) for 2021.

### Issue

The Division has reviewed the annual report of Manti Telephone Company received on April 14, 2021. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF

eligibility to be \$1,074,390 annually. However, the company has a liability of Excess Deferred Income Tax. The amortized amount for 2021 is \$65,752 which must be deducted from the 2022 allotment. Therefore the 2022 annual distribution would be \$1,008,638.

## **Background**

PSC rule R746-8-401 requires the DPU to make annual recommendations to the PSC for adjustments to the monthly UUSF distribution to each provider based on an established FCC rate of return and the provider's financial information from its last Annual Report filed with the Commission. This memo details why the DPU recommends a change to the UUSF distribution for Manti Telephone Company.

## **Discussion**

In calculating the UUSF eligibility for Manti Telephone Company, the Division noted the following:

- 1) Rate of Return – The FCC prescribed Rate of Return (ROR) effective on July 1, 2021, is 9.75%. This is the ROR the DPU used for the revenue requirement calculation in this model.
- 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 – Manti Telephone Company utilizes single asset straight-line depreciation rather than group asset depreciation. Depreciation expense will be unaffected by proposed depreciation rule changes for companies using single asset depreciation.
- 4) Federal USF Excluded Costs – Manti Telephone is an average schedule company and is not subject to federal USF excluded costs.
- 5) UUSF Eligibility – Based on Manti Telephone Company's 2020 Annual Report, the DPU has calculated the annual UUSF eligibility beginning with Calendar Year 2022 to be \$1,008,638.
- 6) Excess Accumulated Deferred Income Tax (EDIT) – For 2021, the Company calculated \$65,752 EDIT which should be returned to the UUSF and will be deducted from the 2022 total distribution.
- 7) Wholesale Broadband – Manti Telephone provides broadband access in a bundled package to their affiliate at the wholesale rate of \$9 per month per access line. Manti did not provide CBOL access to any affiliates or subscribers during 2020. At this time, the Commission has not finalized a wholesale rate at which to impute revenue offered in a bundled package. Therefore no adjustment to the Company's revenue was needed.

- 8) The Division notes that for 2020, Manti did not report any federal USF assistance other than Lifeline support in the amount of \$3,980.

## **Conclusion**

The DPU recommends adjusting the 2022 Utah USF distribution for Manti Telephone to \$1,008,638 annually, or \$84,053 monthly.

Cc: Tami Hansen, CFO – Manti Telephone Company, Inc.