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Governor

DEIDRE HENDERSON
Lieutenant Governor

State of Utah

Department of Commerce Division of Public Utilities

MARGARET W. BUSSE
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

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. 21-054-01**, Review of 2020 Annual Report for Union Telephone Company and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

Preliminary Recommendation (No Action Required)

The Public Service Commission of Utah (“PSC” or “Commission”) does not need to adjust the annual Utah Universal Service Fund (“UUSF”) payable to Union Telephone Company (“Union” or “Company”). The Company did not receive UUSF support for 2021 and this level of support is accurate for 2022.

Issue

The Division of Public Utilities (“DPU”) has reviewed the annual report of Union 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 to be \$0.00 annually.

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 Federal Communications Commission (“FCC”) rate of return set forth in PSC rule R746-401(3)(a) and the provider’s financial information from its last annual report filed with the Commission. This memo presents the DPU’s recommendation for adjustment to the UUSF distribution of Union.

Discussion

In calculating the UUSF eligibility for Union, the DPU utilized 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 Union 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 Union.
- 2) Depreciation – Union does not utilize single asset straight-line depreciation. Depreciation expense may be affected by future rule changes.
- 3) Increased Federal USF: Union received a substantial increase in federal interstate universal service fund revenue in 2017. This increased federal support would continue for 10 years until 2028. This materially impacted Union’s draw on the UUSF.
- 4) Deferred Regulatory Liability – Because of the change in federal tax rate and using accelerated depreciation in prior years, Union has a deferred regulatory liability. The total liability incurred by Union is \$151,999.79. The Commission should consider what action may be appropriate concerning Union’s rates and the amortization of this liability.

Conclusion

The DPU recommends the Commission keep the UUSF distribution for Union Telephone to \$0.00 annually.

Cc: Chris Reno, Union Telephone Company
Michelle Penden, Union Telephone Company

Virg Bodyfelt, Union Telephone Company