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. 21-2180-01,** Review of 2020 Annual Report for All West Communications 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 All West Communications ("All West") to $1,037,754 annually, or $86,479.50 monthly effective January 1, 2022. For the 2021 calendar year All West received $542,778 annually, or $45,231.50 monthly. The current recommendation represents a UUSF increase of $494,976 annually or $41,248 monthly.

Issue

The Division of Public Utilities ("DPU" or "Division") has reviewed the annual report of All West 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 $1,251,470. However, the company has a Deferred Regulatory Liability of $213,716 for 2022. This liability

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should be deducted from its UUSF distributions. Therefore the 2022 annual distribution should be $1,037,754, 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 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 of All West.

Discussion

In calculating the UUSF eligibility for All West, the Division 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 All West 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 All West.
2) Depreciation – All West utilizes a group asset depreciation method rather than single asset straight line depreciation.
3) A review of the 2020 annual report calculated a UUSF increase of $494,977 annually. This increase is a reflection of All West seeing a decline in Network Access Revenues.
4) Deferred Regulatory Liability – All West used accelerated depreciation in 2018. Because of the change in federal tax rate and using accelerated depreciation in prior years, All West Communication has a Deferred Regulatory Liability that should be returned to the UUSF. All West calculated a seven year amortization for the Excess Deferred Income Tax. Using the company's calculations, the Division recommends lowering the UUSF distribution an additional $213,716 annually until the Deferred Regulatory Liability has been fully amortized. This decrease offsets some of the increase noted in item 3. This will be the fourth year of reducing the UUSF for the Deferred Regulatory Liability.

Conclusion

The DPU recommends adjusting the UUSF distribution for All West Communications to $1,037,754 annually, or $86,479.50 monthly.

Cc: Jenny Prescott, Vice-President Finance & HR