



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

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Gary Smith, Utility Technical Consultant

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**Date:** October 1, 2021

**Re:** **Docket No. 21-2201-01**, Review of 2020 Annual Report for Bear Lake Communications and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

### Recommendation (Approval)

The Utah Public Service Commission (Commission) is currently not making payments from the Utah Universal Service Fund (UUSF) assistance to Bear Lake Communications (Bear Lake or Company). Based on the Company's 2020 Annual Report the Company does not qualify for UUSF payments in the 2022 calendar year. The Division of Public Utilities (Division) recommends no change in the distribution of UUSF.

### Issue

The Division has reviewed the annual report of the Company submitted on April 15, 2021. Pursuant to the Commission Rule R746-8-401(4), the Division has calculated the annual UUSF

eligibility and finds the Company does not qualify for distribution payments effective January 1, 2022.

## **Background**

Commission Rule R746-8-401 requires the Division to recommend to the Commission adjustments to the monthly UUSF distribution for each provider based on the Federal Communications Commission (FCC) rate of return set forth in R746-8-401-(3)(a) and the providers financial information from its last annual report filed with the Commission. This memo presents the Division's recommendation of UUSF distribution for the Company.

## **Discussion**

In calculating the UUSF eligibility for the 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 USF calculation.
- 3) Depreciation – The Company utilizes a group asset depreciation method. Depreciation expense could be affected by current or future rule changes regarding asset depreciation methodologies.
- 4) Excess Accumulated Deferred Income Tax (EADIT) – The Company did not have EADIT therefore this does not affect their operations.
- 5) Wholesale Broadband – The Company provided broadband access to their affiliate based on the NECA tariff rate of \$42.00 per line.
- 6) Consumer Broadband – The Company does not provide Consumer Broadband Only Loop (CBOL).

## **Conclusion**

Based on the review of the 2020 Annual Reports submitted by the Company and the factors discussed above, the Division finds the Company is not eligible to receive UUSF distribution for 2022. The Division recommends the UUSF distribution for Bear Lake Communications remain at \$0 annually.

cc: Ross Cox, Bear Lake Communications