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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

MARGARET W. BUSSE
Executive Director

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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
Doug Wheelwright, Utility Technical Consultant Supervisor
Gary Smith, Utility Technical Consultant

Date: September 1, 2022

Re: **Docket No. 22-042-01**, Emery Telephone/Emery Telecom - 2022 Annual Review of calendar year 2021 determining UUSF eligibility.

Recommendation (Approve)

The Division of Public Utilities' (Division) recommends the Public Service Commission of Utah (Commission) adjust the Utah Universal Service Fund (UUSF) payable to Emery Telephone/Emery Telecom (Company) to \$1,700,041 annually, or \$141,670.08 monthly, effective January 1, 2023.

Background

Pursuant to Commission Rule 746-8-401, the Division reviewed the Company's annual report submitted on April 18, 2022. The Division issued formal and informal data requests for missing and additional information. After a review of all information and responses from the Company, the Division has calculated the recommended amount of UUSF annual eligibility to be \$1,700,041 to be paid in 2023. This represents an increase of \$411,077 annually, or \$34,256.40 monthly, to the amounts the Company received in 2022.

The Division included the following in its determination:

- 1) Rate of Return – The Division used the current FCC prescribed Rate of Return (“ROR”) of 9.75% according to Commission Rule 746-8-401(7)(b).
- 2) Allocation Adjustments – The Company adjusted its accounting of shared equipment, reclassifying materials and supplies between regulated and non-regulated companies and operations.
- 3) FCC Excluded Costs – The Company’s Annual Report included expenses disallowed from Federal USF and UUSF reimbursement under The Code of Federal Regulations Part 54.7 and Utah Code 54-8b-15(3). The following expenses were determined not to support the facilities and services for which the Universal Service Fund was intended and were removed by the Division:

Category	Excluded Amount	
Digital Switching	\$	4
Subscriber Circuit Expense	\$	283
Aerial Cable Exp	\$	158
Buried Cable Exp	\$	2,706
Provisioning Exp	\$	71
Network Admin Exp	\$	87
Engineering Exp	\$	1,359
Marketing Exp	\$	2,023
Product Management	\$	360
Customer Services	\$	766
Executive & Planning	\$	11,049
Executive and Board of Dir	\$	9,895
Accounting and Finance	\$	4,596
External Relations	\$	6,232
Human Resources	\$	3,382
Excluded Expense Total	\$	42,971

The Division’s computations, including recommended adjustments as mentioned above, are found in the Revenue Requirement tab of the attached CONFIDENTIAL Exhibit 1 - 22-042-01 Emery Telecom Annual Report - DPU Recommendation.

Conclusion

The Division recommends an adjusted UUSF distribution for Emery Telephone/Emery Telecom of \$1,700,041 annually, or \$141,670.08 monthly, effective January 1, 2023.

cc: Brock Johansen – Emery Telecom
Darren Woolsey – Emery Telecom