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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
Mark Long, Utility Technical Consultant
Paul Hicken, Utility Technical Consultant

Date: September 1, 2022

Re: **Docket No. 22-046-01**, Review of 2021 Annual Report for Manti Telephone Company, and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2023.

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 (Manti or Company) to \$734,580 annually, or \$61,215 monthly, effective January 1, 2023. This is a decrease of \$274,058 from the amount, \$1,008,638, approved by the Commission for 2022.

Issue

The Division has reviewed the annual report of Manti Telephone Company received on April 18, 2022. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF eligibility to be \$798,267 annually. However, the company has a liability of Excess Deferred Income Tax. The amortized amount for 2022 is \$63,687 which must be deducted from the 2023 allotment. Therefore the 2023 annual distribution would be \$734,580.

Division of Public Utilities

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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 the recommended changes to the UUSF distribution for Manti Telephone Company.

Discussion

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

- 1) UUSF Eligibility – Based on Manti Telephone Company's 2021 Annual Report, the DPU has calculated the annual UUSF eligibility beginning with Calendar Year 2023 to be \$798,267.
- 2) Excess Accumulated Deferred Income Tax (EDIT) – For 2022, the Company calculated \$63,687 EDIT which should be returned to the UUSF and will be deducted from the 2023 total distribution.
- 3) Wholesale Broadband – Manti provides broadband access in a bundled package to their affiliate at varying rates per month. Based on Manti's reporting, there is no significant adjustment to wholesale broadband at this time.
- 4) Federal USF Excluded Costs – A review of Manti's expense details found some reported expenses should have been excluded from the UUSF calculation. An adjustment of \$5,643 was made for these excluded costs.
- 5) PPP Loan Forgiveness – Manti received a Paycheck Protection Program (PPP) loan in 2020 that was forgiven in 2021. The loan forgiveness in the amount of \$184,591 was reported as non-operating revenue and was not included in the revenue requirement calculation. Consequently, the DPU made an adjustment for this amount to other operating income.
- 6) Rate of Return – The FCC prescribed Rate of Return (ROR) effective on July 1, 2021, is 9.75%.¹ This is the ROR the DPU used for the revenue requirement calculation in this model.
- 7) 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.
- 8) Depreciation – Manti 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.

¹ Federal Register, Vol. 87, No. 56, March 23, 2022, p. 16576.

- 9) The Division notes that for 2022 Manti received a total of \$700,124 Federal support, which includes \$4,481 in Federal Lifeline support, \$11,496 in Emergency Broadband support, and \$684,147 in other Federal support.

Conclusion

The DPU recommends adjusting the 2022 Utah USF distribution for Manti Telephone to \$734,580 annually, or \$61,215 monthly.

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