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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  
Paul Hicken, Technical Consultant

**Date:** September 1, 2022

**Re:** **Docket No. 22-053-01**, Review of 2021 Annual Report UBTA-UBET Communications, Inc. d/b/a STRATA Networks, and Recommendation for Utah Universal Service Fund assistance for Calendar Year 2023.

## Recommendation (Approval)

The Division of Public Utilities (DPU or Division) recommends the Public Service Commission (PSC or Commission) adjust the annual Utah Universal Service Fund (UUSF) amount payable to UBTA-UBET Communications, Inc. (UBTA-UBET or STRATA) to \$3,720,571 annually, or \$310,047.58 monthly, effective January 1, 2023.

## Issue

The Division has reviewed the annual report of STRATA Networks received on April 15, 2022. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF eligibility to be \$3,720,571 annually. This is a decrease of \$298,698 from the \$4,019,269 approved by the Commission for 2022.

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. The recommendation decreased for 2023 over what was received in 2022. The DPU noted a slight increase in net operating revenues for 2021. This memo identifies the DPU's analysis of the UUSF distribution for STRATA Networks.

## Discussion

In calculating the UUSF eligibility for STRATA Networks, the Division noted the following:

- 1) USF funding increased in 2021 - The Division notes that STRATA reported an increase of about \$655,481 in state USF funding and the federal USF funding increased by \$113,971 to slightly more than \$10.7 million.
- 2) Federal USF Excluded Costs – A review of STRATA Networks expense detail found some reported expenses should have been excluded from the UUSF calculation. An adjustment of \$52,619 was made for these excluded costs.
- 3) Wholesale Broadband – STRATA Networks provided a limited amount of wholesale broadband access to its affiliate during 2021. In addition, STRATA provided some broadband access through bundled packages at rates below retail. This resulted in an imputed revenue adjustment of \$746 to the total revenue.
- 4) PPP Loan Forgiveness – STRATA received a Paycheck Protection Program (PPP) loan in 2020 that was forgiven in 2021. STRATA accounted for this as other operating income and \$1,699,177 was adjusted out of the revenue requirement for the upcoming year.
- 5) Rate of Return – The FCC authorized Rate of Return (ROR) effective on July 1, 2022, is 9.75%.<sup>1</sup> This is the ROR the DPU used for the revenue requirement calculation in this model.

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<sup>1</sup> Federal Register, Vol. 87, No. 56, March 23, 2022, p.16576

- 6) State and Federal Income Tax – STRATA Networks operates as a co-op and is a non-taxable entity. Therefore, the tax rate changes of 2018 do not affect the revenue calculation for this company.
- 7) Depreciation – STRATA Networks utilizes single asset straight-line depreciation rather than group asset depreciation. Depreciation expense was not affected by recent depreciation rule changes for companies using single asset depreciation.
- 8) Accumulated Deferred Income Tax – STRATA is a non-taxable entity and ADIT has no effect on its operations.

## **Conclusion**

The Division recommends adjusting the 2023 Utah USF distribution for STRATA Networks to \$3,720,571 annually, or \$310,047.58 monthly.

cc: Kira Slawson, Blackburn & Stoll, LC.  
Bruce Todd, UBTA-UBET Communications, Inc.  
Jason McKee, UBTA-UBET Communications, Inc.