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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
Casey J. Coleman, Utility Technical Consultant
Trevor Jones, Utility Analyst

Date: September 1, 2022

Re: **Docket No. 22-054-01**, Review of 2021 Annual Report for Union Telephone Company and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

Recommendation (No Action Required)

The Public Service Commission of Utah (Commission) does not need to adjust the annual Utah Universal Service Fund (UUSF) amount payable to Union Telephone Company (Company). The Company did not receive UUSF support for 2022 and will not need support for 2023.

Issue

The Commission requested the Division of Public Utilities (Division) on April 13, 2022 to review the 2021 Annual Report for compliance and recommendations. Pursuant to Utah Admin. Code 746-8-401, the Division has reviewed the annual report and the report complies. The Division calculated the amount of UUSF eligibility to be \$0.00 annually.

Division of Public Utilities

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Background

Rule 746-8-401(9) requires the Division to make annual recommendations to the Commission for adjustments to the monthly UUSF distribution for each provider based on an established Federal Communications Commission (FCC) rate-of-return and the provider's financial information from its last Annual Report filed with the Commission. This memo presents the Division's recommendation.

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, 2022 is 9.75%.
2. Depreciation – The Company does not utilize single asset straight-line depreciation. Depreciation expense may be affected by future rule changes.
3. Increased Federal USF – The Company received a substantial increase in federal interstate universal service fund revenue in 2017. This increased federal support will continue for 10 years until 2028. This materially impacted the Company's draw on the UUSF.
4. Deferred Regulatory Liability – Due to the change in the federal tax rate in 2017, and using accelerated depreciation in prior years, the Company has a deferred regulatory liability. The total liability incurred is \$152,000. The Commission should consider what action may be appropriate concerning the Company's rates and the amortization of this liability. Currently, no action has been taken yet due to the Company not receiving any UUSF.

Conclusion

The Division recommends the Commission keep the UUSF distribution for the Union Telephone Company to be \$0.00 annually.

cc: DeEtte Wall, Union Telephone Company
Michelle Peden, Union Telephone Company