SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

UTAH DEPARTMENT OF COMMERCE
Division of Public Utilities

MARGARET W. BUSSE
Executive Director

CHRIS PARKER
Division Director

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

Date: September 1, 2022

Re: **Docket No. 22-2180-01,** Review of 2021 Annual Report of All West Communications and Recommendations for Utah Universal Service Fund assistance for Calendar year 2023.

PRELIMINARY RECOMMENDATION

The Division of Public Utilities ("Division" or "DPU") recommends the Public Service Commission of Utah ("PSC" or "Commission") adjust the annual Utah Universal Service Fund ("UUSF") payable to All West Communications ("All West" or "Company") to $2,080,193 annually, or $173,349.42 monthly effective January 1, 2023. For the 2022 calendar year All West received $1,037,754 annually, or $86,479.50 monthly. The current recommendation represents a UUSF increase of $1,042,439 annually or $86,869.92 monthly.

ISSUE

The Division has reviewed the annual report of All West submitted on April 15, 2022. Pursuant to PSC rule R746-8-401(6)(a) and (b) and R746-8-401(7), the DPU has calculated the annual UUSF eligibility for 2022 to be $2,293,909. However, the Company has a Deferred Regulatory

Liability of $213,716 for 2023. This liability should be deducted from its UUSF distributions. Therefore the 2023 annual distribution should be $2,080,193, annually.

BACKGROUND

PSC rule R746-8-401 requires the DPU to recommend to the PSC adjustments to the monthly UUSF distribution for each provider based on the FCC rate of return set forth in R746-401-(7)(b) and the provider's financial information from its last annual report filed with the Commission. This memo presents the DPU's recommendation for adjustment to the UUSF distribution of All West.

DISCUSSION

In calculating the UUSF eligibility for All West, the Division utilized the following:

1) Rate of Return –The DPU used a 9.75% rate, which is the rate-of-return prescribed by the FCC for All West.
2) Depreciation – All West utilizes a group asset depreciation method rather than single asset straight line depreciation.
3) A review of the 2021 annual report calculated a UUSF increase of $1,042,439 annually. This increase is a reflection of All West seeing a decline in Network Access Revenues.
4) Deferred Regulatory Liability – All West used accelerated depreciation in 2018. Because of the change in federal tax rate and using accelerated depreciation in prior years, All West Communication has a Deferred Regulatory Liability that should be returned to the UUSF. All West calculated a seven-year amortization for the Excess Deferred Income Tax. Using the Company's calculations, the Division recommends lowering the UUSF distribution an additional $213,716 annually until the Deferred Regulatory Liability has been fully amortized. This decrease offsets some of the increase noted in item 3. This will be the fifth year of reducing the UUSF for the Deferred Regulatory Liability.

CONCLUSION

The DPU recommends adjusting the UUSF distribution for All West Communications to $2,080,193 annually, or $173,349.42 monthly.

Cc: Jenny Prescott, Vice-President Finance & HR