



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
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Shauna Benvegnu-Springer, Utility Technical Consultant

Date: September 1, 2023

Re: **Docket No. 23-040-01**, Review of 2022 Annual Report of Central Utah Telephone, Inc. d/b/a CentraCom and Recommendation for Utah Universal Service Fund Assistance for Calendar Year 2024.

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 Central Utah Telephone Company (“Central” or “Company”) to \$42,836 annually, or \$3,569.66 monthly effective January 1, 2024. For the 2023 calendar year, Central did not qualify for any UUSF assistance or receive any payments.

Issue

On April 24, 2023, the Company filed its 2022 Annual Report for UUSF assistance. On the same day, the Commission issued an Action Request to the Division to provide analysis, evaluation results, and the basis for conclusions and recommendations regarding the Company’s report. Under Commission Rule R746-8-401, the Division has reviewed the annual report, and the information complies with the Commission’s Rule for reporting

Division of Public Utilities

Heber M. Wells Building • 160 East 300 South • P.O. Box 146751 Salt Lake City, UT 84114-6741
www.dpu.utah.gov • telephone (801) 530-7622 • toll-free in Utah (877) 874-0904 • fax (801) 530-6512

requirements. The Division calculated the amount of UUSF eligibility to be \$167,424 annually or \$13,952 monthly.

Background

PSC rule R746-8-401 requires the DPU to make annual recommendations to the PSC adjustments to the monthly UUSF distribution for each provider based on the established FCC rate of return outlined in R746-401-(7)(b) and the provider's financial information from its last annual report filed with the PSC. This memorandum presents the DPU's recommended change to the UUSF distribution to Central.

Discussion

In calculating the UUSF eligibility for Central, the Division utilized the following:

- 1) Rate of Return –The DPU used a 9.75% rate, the rate of return prescribed by the FCC.
- 2) Depreciation – Central utilizes a group asset depreciation method rather than single asset straight-line depreciation.
- 3) A review of the 2022 annual report calculated a UUSF increase of \$167,424 annually. Central had an 11% decrease in Network Access Revenues. Operating expenses were reduced by 1% overall.
- 4) Deferred Regulatory Liability – Central used accelerated depreciation in 2018. Because of the change in federal tax rate and accelerated depreciation in prior years, Central has a Deferred Regulatory Liability that should be returned to the UUSF. Central calculated a seven-year amortization for the Excess Deferred Income Tax. Using the Company's calculations, the Division recommends lowering the UUSF distribution by \$69,846 for 2021 and \$54,742 for 2022 annually, for \$124,588 until the Deferred Regulatory Liability has been fully amortized. The \$69,846 for 2021 is included because Central Utah did not qualify for UUSF last year (2023 calendar year), and the amount was not returned to the UUSF. This decrease offsets some of the increase noted in item 3 to \$42,836.

Conclusion

The DPU recommends adjusting the UUSF distribution for Central to \$42,836 annually, or \$3,569.66 monthly, beginning January 1, 2024.

cc: Bawb Nielsen, Senior Accountant, CentralCom
Chad Wray, Controller, CentraCom
Mike Plows, CentraCom
Brad Welch, CentraCom
Eddie Cox, CentraCom