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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

MARGARET W. BUSSE
Executive Director

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Gary Smith, Utility Technical Consultant

Date: September 1, 2023

Re: **Docket No. 23-042-01**, Emery Telephone/Emery Telecom - 2023 Annual Review of calendar year 2022 determining UUSF eligibility.

Recommendation (Approve)

The Division of Public Utilities (Division) recommends the Public Service Commission of Utah (Commission) adjust the Utah Universal Service Fund (UUSF) payable to Emery Telephone/Emery Telecom (Company) to \$2,392,909 annually, or \$199,409.08 monthly, effective January 1, 2024. The Company has \$0 reported Excess Deferred Income Taxes (EDIT) from recent reductions in federal and state taxes, no EDIT related reduction is needed.

Background

Pursuant to Commission Rule 746-8-401, the Division reviewed the Company's annual report submitted on April 15, 2023. The Division issued formal and informal data requests for missing and additional information. After a review of all information and responses from the Company, the Division has calculated the recommended adjusted amount of UUSF

Division of Public Utilities

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annual eligibility to be \$2,392,909 to be paid in 2024. This represents a decrease of \$692,868 annually, or \$57,739 monthly, to the amounts the Company received in 2023.

The Division included the following in its determination:

- 1) Rate of Return – The Division used the current FCC prescribed Rate of Return (“ROR”) of 9.75% according to Commission Rule 746-8-401(7)(b).
- 2) Allocation Adjustments – The Company adjusted its accounting of shared equipment, reclassifying materials and supplies between regulated and non-regulated companies and operations. Beginning in 2022, E Fiber Moab, LLC and E Fiber San Juan, LLC began regulated operations respectively in Grand and San Juan Counties. The addition of these new entities resulted in changes to allocated costs among its affiliates, reducing the amount of shared expenses incurred by the Company.
- 3) FCC Excluded Costs – The Company’s Annual Report included expenses disallowed from Federal USF and UUSF reimbursement under The Code of Federal Regulations Part 54.7 and Utah Code 54-8b-15(3). The following expenses were determined not to support the facilities and services for which the Universal Service Fund was intended and were excluded from UUSF calculations:

Category	Excluded Amount	
Digital Equipment Expense	\$	38
Circuit Equipment Exp	\$	124
Aerial Cable Exp	\$	11
Buried Cable Exp	\$	833
Provisioning Exp	\$	40
Network Admin Exp	\$	64
Engineering Exp	\$	662
Marketing Exp	\$	748
Project Management Exp	\$	223
Customer Services Exp	\$	552
Executive Exp	\$	1,636
Planning Exp	\$	9,129
Accounting & Finance Exp	\$	17,134
Relations Exp	\$	6,717

Human Resources Exp	\$	4,182
Excluded Expense Total	\$	42,092

The Division’s computations, including recommended adjustments as mentioned above, are found in the Revenue Requirement tab of the attached CONFIDENTIAL Excel worksheet Exhibit 1 (23-042-01 Emery Telecom CONFIDENTIAL DPU Exhibit 1).

Conclusion

The Division recommends an adjusted UUSF distribution for Emery Telephone/Emery Telecom of \$2,392,909 annually, or \$199,409.08 monthly, effective January 1, 2024.

cc: Brock Johansen – Emery Telecom
Darren Woolsey – Emery Telecom