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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
Brenda Salter, Assistant Division Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Paul Hicken, Technical Consultant

Date: September 1, 2023

Re: **Docket No. 23-046-01**, Review of 2022 Annual Report for Manti Telephone Company, and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2024.

Recommendation (Approval)

The Utah Division of Public Utilities (Division or DPU) recommends the Public Service Commission of Utah (Commission or PSC) adjust the annual Utah Universal Service Fund (UUSF) amount payable to Manti Telephone Company (Manti or Company) to \$919,431 annually, or \$76,619.25 monthly, effective January 1, 2024.

Issue

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. This memo details the recommended changes to the UUSF distribution for Manti Telephone Company.

Division of Public Utilities

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Background

The Division has reviewed the annual report of Manti Telephone Company received on April 18, 2023. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF eligibility to be \$970,059 annually. However, the company has a liability of Excess Deferred Income Tax. The amortized amount for 2023 is \$50,628 which must be deducted from the 2024 allotment. Therefore the 2024 annual distribution would be \$919,431. This is an increase of \$184,851 from the amount, \$734,580, approved by the Commission for 2023. Some reasons for the increased revenue requirement are that in 2022 the reported net income decreased by \$235,991. This is largely due to increased operating taxes. Additionally, the Company added \$705,917 of new assets which increased the rate base. The Division's analysis of the Manti's 2022 operations and the recommendation for 2024 UUSF distributions are as follows:

Discussion

In calculating the UUSF eligibility for Manti Telephone Company, the Division noted the following:

- 1) The Division notes that for 2022 Manti received a total of \$889,162 Federal support, which includes \$5,386 in Federal Lifeline support, \$21,427 in Emergency Broadband support, and \$862,349 in other Federal support.
- 2) Net Income decreased – Manti reported \$374,337 of net income for 2022. This is a decrease of \$235,991 from 2021 and is largely due to increased operating taxes and other non-operating expenses.
- 3) Excess Accumulated Deferred Income Tax (EDIT) – This is a deferred liability which should be returned to the UUSF. For 2023, the Company calculated \$50,628 of EDIT and this has been deducted from the 2024 total distribution.
- 4) Revenue Adjustment – The DPU made a revenue adjustment in the form of imputed revenue in the amount of \$37,300 for the sale of several company vehicles at below market value.
- 5) Wholesale Broadband – Manti provides broadband access in a bundled package to their affiliate at varying rates per month. Based on Manti's reporting, there is no significant adjustment to wholesale broadband at this time.
- 6) UUSF Excluded Costs – A review of Manti's expense details found no material costs that should have been excluded from the UUSF calculation.
- 7) Depreciation – Manti utilizes single asset straight-line depreciation rather than group asset depreciation. Depreciation expenses will be unaffected by proposed or adopted depreciation rule changes for companies using single asset depreciation.

- 8) Rate of Return – The FCC prescribed Rate of Return (ROR) effective on July 1, 2021, is 9.75%.¹ This is the ROR the DPU used for the revenue requirement calculation in this model.
- 9) State and Federal Income Tax – The DPU used a federal tax rate of 21% and a Utah tax rate of 4.85% to estimate future income taxes included in the UUSF calculation.

Conclusion

The DPU recommends adjusting the 2024 Utah USF distribution for Manti Telephone to \$919,431 annually, or \$76,619.25 monthly.

cc: Tami Hansen, CFO – Manti Telephone Company, Inc.

¹ Federal Communications Commission DA 21-568A, item 7, WC Docket No. 21-148, May 14, 2021.