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 Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Shauna Benvegnu-Springer, Utility Technical Consultant
Tamra Dayley, Utility Analyst

Date: September 1, 2023

Re: **Docket No. 23-2180-01,** Review of 2022 Annual Report of All West Communications Inc., and Recommendations 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 All West Communications Inc. ("All West" or "Company") to $3,445,674 annually, or $287,139.50 monthly effective January 1, 2024. For the 2023 calendar year All West received $2,080,193 annually, or $173,349 monthly. The current recommendation represents a UUSF increase of 66% or $1,365,481 annually or $113,790 monthly.

Issue

The Division has reviewed the revised post-audit annual report of All West submitted on April 17, 2023. 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 2024 to be $3,445,674.

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 to All West Communications Inc.

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.
2) Depreciation – All West 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 $1,579,197 annually. All West had a 3.6% increase in Network Access Revenues. However, expenses grew $1.5 million or 17%. The greatest increases were in Accounting and Finance, Information Management and Legal expenses.
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 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 sixth year of reducing the UUSF for the Deferred Regulatory Liability.

Conclusion

The DPU recommends adjusting the UUSF distribution for All West to $3,445,674 annually, or $287,139.50 monthly.

cc: Jenny Prescott, VP of Finance