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
Doug Wheelwright, Utility Technical Consultant Supervisor
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Gary Smith, Utility Technical Consultant

Date: September 1, 2023

Re: **Docket No. 23-2302-01,** Carbon/Emery Telecom, Inc. - 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 Carbon/Emery Telecom, Inc. (Company) to $2,262,786 annually, or $188,565.50 monthly, effective January 1, 2024. The recommended UUSF annual distribution amount includes a reduction resulting from the repayment of Excess Deferred Income Taxes (EDIT) as follows:

1) $15,427 for the repayment of EDIT resulting from the income tax rate reduction of The Tax Cuts and Jobs Act of 2017 (Tax Act) and

2) $2,589 for EDIT resulting from the 2022 reduction in Utah state income tax from 4.95% to 4.85%. This amount represents the entire EDIT balance from the 2022 reduction in state income tax. The company has requested that the full amount be repaid in this review due to the immaterially small amount.

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 annual eligibility to be $2,262,786 to be paid in 2024. This represents an increase of $494,768 annually, or $41,230.67 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 Electronic Expense	$ 82
Circuit Equipment Exp	$ 290
Aerial Cable Exp	$ 8
Buried Cable Exp	$ 1,187
Provisioning Exp	$ 62
Network Admin Exp	$ 69
Engineering Exp	$ 933
Marketing Exp	$ 1,548

Product Management Exp	$	539
Customer Services Exp	$	1,178
Executive Exp	$	2,505
Planning Exp	$	13,978
Accounting & Finance Exp	$	35,823
External Relations Exp	$	13,905
Human Resources Exp	$	5,497
Other General Exp	$	100
Excluded Expense Total	**$**	**77,704**

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 (23-2302-01 CarbonEmery Telecom CONFIDENTIAL DPU Exhibit 1).

Conclusion

The Division recommends an adjusted UUSF distribution for Carbon/Emery Telecom, Inc. of $2,262,786 annually, or $188,565.50 monthly, effective January 1, 2024.

cc: Brock Johansen – Carbon/Emery Telecom, Inc.
       Darren Woolsey – Carbon/Emery Telecom, Inc.