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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. 23-576-01**, Review of 2022 Annual Report of Skyline Telecom d/b/a CentraCom and Recommendation for Utah Universal Service Fund Assistance for Calendar Year 2024.

Preliminary Recommendation

The Public Service Commission of Utah (“PSC” or “Commission”) is currently not making annual Utah Universal Service Fund (“UUSF”) payments to Skyline Telecom (“Skyline” or “Company”). Based on the Company’s 2022 Annual Report, the Company does not qualify for UUSF payment in the 2024 calendar year.

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 of Public Utilities (“DPU” or “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 requirements. The Division calculated the amount of UUSF eligibility to be zero (\$0) annually.

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

Background

PSC Rule R746-8-401 requires the DPU to make annual recommendations to the PSC regarding 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 Skyline.

Discussion

In calculating the UUSF eligibility for Skyline, 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 – Skyline utilizes a group asset depreciation method rather than single asset straight-line depreciation.
- 3) A review of the 2022 annual report calculated a UUSF of zero (\$0) annually.
- 4) Reason for Failure to Qualify – The revenue and expenses of the Company provided its operation with a substantial net income for 2022. The Annual Report Model projects the Company would be over-earning if UUSF were provided. Please refer to the Annual Report Revenue Requirement Tab.

Conclusion

The DPU recommends no change to the UUSF distribution for the Company. With no adjustment, Skyline's UUSF will remain at zero (\$0) annually, effective January 1, 2024.

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