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

Date: September 10, 2024

Re: **Docket No. 24-040-01**, Review of 2023 Annual Report of Central Utah Telephone, Inc. d/b/a CentraCom and Recommendation for Utah Universal Service Fund Assistance for Calendar Year 2025.

Preliminary Recommendation

The Division of Public Utilities (“Division” or “DPU”) recommends that the Public Service Commission of Utah (“PSC” or “Commission”) adjust the annual Utah Universal Service Fund (“UUSF”) payable to Central Utah Telephone Company (“Central” or “Company”) to \$266,962 annually, or \$22,246 monthly, effective January 1, 2025. For the 2024 calendar year, Central received \$42,836 annually or 3,569.66 monthly. The current recommendation represents a UUSF increase of \$184,126 or 15,343.83 monthly.

Issue

On April 16, 2024, the Company filed its 2023 Annual Report for UUSF assistance. On April 16, 2024, the Commission issued an Action Request to the Division to provide analysis, evaluation results, and the basis for conclusions and recommendations regarding the Company’s report. This memorandum represents the Division’s response to the Commission’s Action Request.

Division of Public Utilities

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Discussion

In calculating the UUSF eligibility for Central, 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 – Central utilizes a group asset depreciation method rather than single asset straight-line depreciation.
- 3) A review of the 2023 annual report calculated a UUSF increase of \$229,903 annually. Central had a 6.6% increase in Network Access Revenues, and operating expenses increased by 3.6% over the prior year. The Division reduced the Company’s proposed UUSF increase of \$388,701 by \$115,962 for unallowable costs.
- 4) Deferred Regulatory Liability – Central used accelerated depreciation in 2018. Because of the changes in federal and state tax rates and accelerated depreciation in prior years, Central has a Deferred Regulatory Liability that should be returned to the UUSF. Central calculated an amortization schedule for the Excess Deferred Income Tax. Using the Company’s calculations, the Division recommends lowering the UUSF distribution by \$5,777 for 2025 until the Deferred Regulatory Liability has been fully amortized. This decrease is subtracted from the calculated UUSF eligibility amount of \$272,739 annually to 266,962 or \$22,246 monthly.

Conclusion

The DPU recommends adjusting the UUSF distribution for Central to \$266,962 annually, or \$22,246 monthly, beginning January 1, 2025.

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