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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Executive Director

CHRIS PARKER
Division Director

Redacted

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
Paul Hicken, Utility Technical Consultant
Joanna Matyjasik, Utility Analyst

Date: September 3, 2024

Re: **Docket No. 24-050-01**, Review of 2023 Annual Report for Navajo Communications Co., Inc. d/b/a Frontier Navajo Communications Company, and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2025.

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 Navajo Communications Co., Inc. d/b/a Frontier Navajo Communications Company (Navajo or Company) to \$518,268 annually, or \$43,189 monthly, effective January 1, 2025. This is a decrease of \$231,058 from the prior year's recommendation.

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. On April 11, 2024, the Company filed its annual report of operations

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

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in compliance with this rule. The Commission issued an Action Request on April 11, 2024, for the Division to review the filing and make recommendations by September 3, 2024. This memo is the Division's response to the Commission's Action Request. Included with this memo is a comprehensive audit report with details of the Company's 2023 operations and recommended changes to the UUSF distribution for Navajo Communications Co., Inc.

Background

The Division has reviewed the annual report of Navajo received on April 11, 2024. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF eligibility to be \$518,268 annually. This is a decrease of \$231,058 from the \$749,326 amount previously approved by the Commission. This decrease is primarily due to the average rate base reduction of \$223,624 (\$2,055,949 to \$1,832,325).

Discussion

In calculating the UUSF eligibility for Navajo, the Division noted the following:

- 1) For the year 2023, Navajo received [REDACTED] in total USF support. This amount was from federal programs.
- 2) Total operating revenues for 2023 increased from [REDACTED] to [REDACTED].
- 3) To meet the revenue requirement, the amount of [REDACTED] additional state USF support has been calculated from 2023 operations and will be distributed to the Company beginning in 2025. In both 2022 and 2023, the Company received less than 1% of the revenue requirement from state or federal USF support.
- 4) Operating expenses for 2023 increased from [REDACTED] to [REDACTED].
- 5) Excess Accumulated Deferred Income Tax (EDIT) liability has been fully amortized since 2021.
- 6) Navajo reported imputed revenue of [REDACTED]. This resulted in an adjustment (decrease) to operating revenues.

Conclusion

The DPU recommends adjusting the 2025 Utah USF distribution for Navajo Communications Co., Inc. to \$518,268 annually, or \$43,189 monthly.

cc: Jessica Matushek, Senior Director, Accounting – Navajo Communications Co., Inc.