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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
Paul Hicken, Utility Technical Consultant
Tamra Dayley, Utility Analyst

Date: September 3, 2024

Re: **Docket No. 24-2180-01**, Review of 2023 Annual Report for All West Communications Inc., 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 All West Communications Inc. ("All West" or "Company") to \$3,689,761 annually \$307,480.08 monthly effective January 1, 2025.

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 15, 2024, the Company filed its annual report of operations in compliance with this rule. The Commission issued an Action Request on April 15, 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

Division of Public Utilities

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memo is a comprehensive audit report with details of the Company's 2023 operations and recommended changes to the UUSF distribution for All West.

Background

The Division has reviewed the annual report of All West received on April 15, 2024. Pursuant to PSC Rule R746-8-401(4), the Division has calculated the amount of UUSF eligibility to be \$3,910,493 annually. However, the company had a liability of Excess Deferred Income Tax (EDIT). The reported amount of EDIT amortized for 2024 was \$220,732 and is deducted from the 2025 UUSF distribution recommendation. Therefore the 2025 UUSF annual distribution would be \$3,689,761. This is an increase of \$244,087 from the \$3,445,674 amount approved by the Commission on December 1, 2023. One reason for the increased revenue requirement is that customer and line counts decreased in 2023 resulting in a decrease in operating revenues. Conversely, operating expenses increased in 2023.

Discussion

In calculating the UUSF eligibility for All West Telephone Company, the Division noted the following:

- 1) The Division notes that for 2023 All West received about [REDACTED] in total USF support. About [REDACTED] was from federal programs and about [REDACTED] was from state UUSF support.
- 2) All West's total operating revenues for 2023 were about [REDACTED], slightly more than the [REDACTED] from the previous year.
- 3) All West's total revenue requirement for 2023, which included operating revenues and USF support, was over [REDACTED]. USF support accounted for about 34% of this total.
- 4) All West's total operating expenses have averaged about [REDACTED] for the past 5 years. However, in 2023, the total operating expenses were over [REDACTED]. The year-to-year increase was mostly due to a [REDACTED] payout for one-time bonuses. These bonuses were excluded from the Revenue Requirement calculation for USF.
- 5) All West amortized \$220,732 of EDIT in 2024. This amount has been deducted from the recommended UUSF distribution for 2025.
- 6) All West reported imputed revenue of [REDACTED]. This resulted in an adjustment (increase) to operating revenues.

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- 7) The Division identified \$102,952 of UUSF excluded costs after a review of the general ledger expense accounts. This resulted in an adjustment to reduce operating expenses.

Conclusion

The Division recommends the Commission adjust the UUSF amount payable to All West to \$3,689,761 annually \$307,480.08 monthly effective January 1, 2025.

cc: Jenny Prescott, CFO – All West Communications, Inc.