



SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

MARGARET W. BUSSE
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
Doug Wheelwright, Utility Technical Consultant Supervisor
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Gary Smith, Utility Technical Consultant
Tamra Dayley, Utility Analyst

Date: September 3, 2024

Re: **Docket No. 24-2302-01**, Carbon/Emery Telcom, Inc. - 2024 Annual Review of calendar year 2023 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 Telcom, Inc. (Company) to \$3,115,153 annually, or \$259,596.08 monthly, effective January 1, 2025. This represents an increase of \$852,367 annually, or \$71,030.58 monthly, to the amounts the Company received in 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

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

Redacted

2) \$4,833 for the repayment of EDIT resulting from the 2023 reduction in Utah state income tax from 4.85% to 4.65% due to House Bill 54. This amount represents the entire EDIT balance from the 2023 reduction in state income tax. The Company has requested that the full amount be repaid in this review due to the immaterially small amount. Further detailed calculation of EDIT is included as DPU CONFIDENTIAL EXHIBIT 2.

Background

Emery Telephone dba Emery Telcom is the parent company of Emery Telcom HC, Inc. Emery Telcom HC, Inc. is the parent company of Incumbent Local Exchange Carriers, Carbon/Emery Telcom, Inc., Hanksville Telcom, Inc., E Fiber Moab, LLC, and E Fiber San Juan, LLC. E Fiber Moab, LLC, and E Fiber San Juan, LLC, are newly formed regulated telecommunications entities that began operating in 2022.

Pursuant to Commission Rule 746-8-401, the Division reviewed the Company's annual report submitted on April 15, 2024. The Division issued formal and informal data requests for missing and additional information. The Division also performed an on-site review of the Company's plant, equipment, and documents. 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 \$3,115,153 to be paid in 2025.

Items, including the following, contributed to the calculated recommended adjustment:

- 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). This ROR remained unchanged from the previous year.
- 2) Allocation Adjustments – Based on the Company's allocation manual, the accounting of shared equipment, materials, and supplies are allocated between regulated and non-regulated companies and operations. Expenses that are appropriately shared among one or more related entities are allocated its portion of shared expenses based upon the cost-causative and direct relationship to the appropriate cost pool. The

Redacted

Company's allocated amounts changed from the previous year due to its cost-causative calculated share amount, but the allocation method remained the same.

- 3) Operating expense – The Company's total 2023 operating expense was [REDACTED], a decrease of [REDACTED] from the previous year.
- 4) Operating revenue - The Company's total 2023 operating revenue was [REDACTED], a decrease of [REDACTED] from the previous year.
- 5) Rate Base - The Company's total 2023 Rate Base was [REDACTED], a decrease of [REDACTED] from the prior year.
- 6) Exchange details and year end (December 31, 2023) Access Lines - The Company's total year end residential access lines were [REDACTED], an increase of [REDACTED] from the previous year. The total year end business access lines were [REDACTED], a decrease of [REDACTED] from the prior year. The Company has experienced a decline in demand for fixed voice telephone connections partially due to the offering of standalone broadband. The Company's number of exchanges remained unchanged at [REDACTED].
- 7) FCC Excluded Costs – The Company's 2023 Annual Report included \$74,179 of expenses disallowed from Federal USF and State UUSF reimbursement under The Code of Federal Regulations Part 54.7 and Utah Code Annotated 54-8b-15(3). The Company's 2025 recommended UUSF distribution was reduced with the removal of these disallowed costs.

The Division's computations, including recommended adjustments as mentioned above, are found in the Revenue Requirement tab of the attached DPU CONFIDENTIAL EXHIBIT 1 and additional details are provided in the Division's report included as DPU CONFIDENTIAL EXHIBIT 3.

Redacted

Conclusion

The Division recommends an adjusted UUSF distribution for Carbon/Emery Telcom, Inc. of \$3,115,153 annually, or \$259,596.08 monthly, effective January 1, 2025. This amount includes a reduction for EDIT.

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