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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

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Date: September 2, 2025

Re: **Docket No. 25-043-01**, Review of 2024 Annual Report for Gunnison Telephone Company, and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2026

Recommendation (Approve)

The Utah Division of Public Utilities ("Division") recommends the Public Service Commission of Utah ("Commission") adjust the annual Utah Universal Service Fund ("UUSF") amount payable to Gunnison Telephone Company ("Gunnison" or "Company") to [REDACTED] annually, or [REDACTED] monthly, effective January 1, 2026. This represents an increase of [REDACTED], [REDACTED] annually or [REDACTED] monthly, from the 2025 UUSF distribution.

Discussion

Commission Rule R746-8-401 requires the Division to make annual recommendations to the Commission for adjustments to the monthly UUSF distribution to each provider based on an established Federal Communications Commission ("FCC") rate of return and the provider's financial information from its last Annual Report filed with the Commission. On March 18, 2025, the Company filed its annual report of operations in compliance with this rule. The Commission issued an Action Request on March 18, 2025, for the Division to



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review the filing and make recommendations by September 2, 2025. This memo is the Division's response to the Commission's Action Request. Included with this memo is a comprehensive review with details of the Company's 2024 operations and recommended changes to the UUSF distribution for the Company.

In calculating the UUSF eligibility for Gunnison, 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 – Gunnison utilizes a single asset straight line depreciation method rather than group asset depreciation.
- 3) Annual Report Review – A review of the 2024 annual report calculated a UUSF increase to [REDACTED] annually. Gunnison had an increase in federal USF and plant-specific operating expenses of [REDACTED] and [REDACTED] respectively, over the prior report year.
- 4) Deferred Regulatory Liability – Gunnison did not have any EDIT adjustments to be deducted from the UUSF.
- 5) Federal Funding Concerns
 - a. The Division reviewed the Annual Reports provided by Gunnison to determine the amounts of Federal USF support reported. This was also verified using the USAC.org website for comparison to what the Company reported.
 - b. Gunnison reports that it receives Federal Enhanced ACAM support to offset costs of providing broadband and Federal ICC or high-cost loop funding.
 - c. The Division followed up with phone calls to the company for further explanation and believes the company has made reasonable effort with the small staff resources to obtain federal funding.

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6) Incremental Level of Service Concerns

- a. The Division knows from prior visits and discussions with Gunnison that it builds fiber to the home (FTH) and fixed wireless throughout its service territory.
- b. Fiber and fixed wireless will, by their nature, provide a higher level of service than is required by the federal minimum requirement. However, this does not mean that the Company is incurring higher costs. For projects reviewed by the Division, costs were considerably lower.
- c. Where it makes sense, Gunnison uses fixed wireless instead of fiber because it's cheaper. Sometimes, Gunnison also installs fixed wireless temporarily until fiber is available, then moves the fixed wireless equipment to another area to save costs.

7) Network Design Concerns

- a. Gunnison has performed a cost analysis of fiber deployment in all areas, including the most rural areas. Gunnison compared those costs with other solutions and believes it has chosen the least costly way of providing minimum federal broadband speeds, using both fiber and fixed wireless.
- b. The Division believes Gunnison has done a good job of analyzing costs and choosing the appropriate plan for going forward into the future.

8) Self-Construction vs. Contracted Construction Concern

If possible, Gunnison chooses to use self-construction. This has slowed the overall deployment of fiber, but it is more cost-effective. Gunnison continues to monitor the best construction process for the future.

9) Broadband Access Rate Concerns

This has been discussed with Gunnison, and the Division has imputed a revenue adjustment.

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10) Evaluating the Accuracy of Cost Data Concerns

- a. The DPU's process for evaluating cost data is generally the same procedure for each company assessed. The evaluation process is addressed briefly in pages 3-4 of the Audit Report under Scope of Review.
- b. The Division starts by collecting and reviewing the Company's most recent (2024) Annual Report of Operations. This contains the year-end totals for all the Company's accounts, such as expense, revenue, and balance sheet accounts. The Division compares the recent report with prior years to identify trends, patterns, abnormalities, and deviations from previous years.
- c. The Division prepares and sends an initial data request to collect general ledgers, trial balances, depreciation summaries, and other accounting documents to verify the information in the Annual Report.
- d. The Division reviews the ledgers, summaries, and other accounting documents and prepares subsequent data requests to gather further information and clarify questions.
- e. The Division follows up on data requests with phone calls to clarify and gather further details and understanding of what was reported.
- f. The Division adjusts the reported data based on our findings. It reviews the adjustments with the Company to verify the accuracy and appropriateness of our work and to gather concurrence from the Company.
- g. The year-end totals for revenues, expenses, and rate base accounts are entered into our revenue requirement model, and the needed amount for additional UUSF is calculated.

Conclusion

Based on the comprehensive review completed by the Division, the Division recommends that the Commission adjust the UUSF distribution payable to Gunnison to be [REDACTED] annually, or [REDACTED] monthly, effective January 1, 2026.

cc: Natalie Gleave, Gunnison Telephone Company