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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
Gary Smith, Utility Technical Consultant
Annette Orton, Utility Analyst

Date: September 3, 2025

Re: **Docket No. 25-2302-01**, Carbon/Emery Telcom, Inc. – 2025 Annual Review of calendar year 2024 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 \$1,509,422.35 annually, or \$125,785.20 monthly, effective January 1, 2026. This represents a decrease of \$(1,605,730.65) annually, or \$(133,810.89) monthly, to the amounts the Company received in 2025.

The recommended UUSF annual distribution amount includes a reduction of [REDACTED] resulting from the repayment of Excess Deferred Income Taxes (EDIT) as follows:

- 1) [REDACTED] for the repayment of EDIT resulting from the income tax rate reduction of The Tax Cuts and Jobs Act of 2017 (Tax Act) and
- 2) [REDACTED] for the repayment of EDIT resulting from the 2024 reduction in Utah state income tax from 4.65% to 4.55% due to Senate Bill 69. This amount represents the entire EDIT



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balance from the 2024 reduction in state income tax. The Company has requested that the full amount be repaid in this review due to the immaterially small amount.

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., and UUSF eligible CPCN entities 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 Utah Rule R746-8-401, the Division reviewed the Company's annual report submitted on April 15, 2025. The Division issued formal and informal data requests for missing and additional information. 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 \$ \$1,509,422 to be paid in 2026.

Items, including the following, contributed to the calculated recommended adjustment (details included in DPU CONFIDENTIAL EXHIBITS 1 and 2):

- 1) **Rate of Return** – The Division used the current FCC prescribed Rate of Return (ROR) of 9.75% according to Utah Rule R746-8-401(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 their portion of shared expenses based upon the cost-causative and direct relationship to the appropriate cost pool. The Company's allocated amounts changed from the previous year due to its cost-causative calculated share amount, but the allocation methodology remained the same.

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- 3) Operating expense – The Company’s total 2024 unadjusted operating expense was [REDACTED] a decrease of [REDACTED] from the previous year.
- 4) Operating revenue - The Company’s total 2024 operating revenue was [REDACTED], an increase of [REDACTED] from the previous year.
- 5) Rate Base - The Company’s total 2024 Rate Base was [REDACTED], a decrease of [REDACTED] from the prior year.
- 6) Exchange details and year end (December 31, 2024) Access Lines - The Company’s total year end residential voice, combo broadband, and standalone broadband access lines were [REDACTED], a decrease of [REDACTED] from the previous year. The total year-end business voice, combo broadband, and standalone broadband access lines were [REDACTED], a decrease of [REDACTED] from the prior year. The Company has experienced a decrease in connections due to the offering of standalone broadband with associated decreases in voice and combo broadband connections.

The Company’s number of exchanges remained unchanged at [REDACTED].

- 7) FCC Excluded Costs – The Company’s 2024 Annual Report included [REDACTED] 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 2026 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 EXHIBITS.

Conclusion

The Division recommends an adjusted UUSF distribution for Carbon/Emery Telcom, Inc. of \$1,509,422.35 annually, or \$125,785.20 monthly, effective January 1, 2026. This amount includes a reduction for EDIT.

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