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Revised 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
Shauna Benvegnu-Springer, Utility Technical Consultant
Joanna Matyjasik, Utility Analyst

Date: September 2, 2026

Re: **Docket No. 26-040-01,** Review of 2025 Annual Report of Central Utah Telephone, Inc. d/b/a CentraCom and Recommendation for Utah Universal Service Fund Assistance for Calendar Year 2027.

Recommendation (Approval)

The Division of Public Utilities ("Division" or "DPU") recommends that the Public Service Commission of Utah ("PSC" or "Commission") maintain the previous annual Utah Universal Service Fund ("UUSF") payable to Central Utah Telephone Company ("Central" or "Company") at $0 annually, or $0 monthly, effective January 1, 2027. For the 2026 calendar year, Central did not receive UUSF distribution and the Company does not qualify for UUSF for 2027.

Issue

On April 16, 2026, the Company filed its 2025 Annual Report for UUSF assistance. The report contained formulaic errors and, after the Division requested the Company file a corrected report, the Company filed an amended annual report of operations on May 11, 2026. On April 16, 2026, the Commission issued an Action Request to the Division to provide analysis, evaluation results, and the basis for conclusions and recommendations

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regarding the Company's report. This memorandum represents the Division's response to the Commission's Action Request.

Discussion

In calculating the UUSF eligibility for Central, 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 – Central utilizes a group asset depreciation method rather than single asset straight-line depreciation.
3) Annual Report Review – A review of the 2025 annual report calculated a UUSF of $0 annually. Central remained consistent in federal USF and plant-specific operating expenses, changing by 0% and -1% over the prior year, respectively.
4) Deferred Regulatory Liability – Central used accelerated depreciation in 2018. Due to changes in federal and state tax rates, as well as accelerated depreciation in prior years, Central has a Deferred Regulatory Liability that should be returned to the UUSF. Central calculated an amortization schedule for the Excess Deferred Income Tax. The Division recommends not adjusting the EDIT taxes because the Company does not qualify for UUSF in calendar year 2027.
5) Federal Funding Concerns
    a. The Division examined five years of Annual Reports from Central to identify the amounts of Federal USF and state USF support Central reported and to analyze the trend and history. This was discussed in the Audit Report on page 4 and in Table 1.
    b. The Division reviewed the USF high-cost annual disbursement reports for the Company from the USAC.org website for comparison to what the Company had reported.
    c. The Division followed up with phone calls to the Company for further explanation. The Company explained that its consultant [redacted] provides advice on any federal support programs available and which ones it might be eligible for.

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6) Incremental Level of Service Concerns
    a. The Division ascertained from prior visits and discussions that the Company builds the fiber to the home (FTH) network throughout its service territory. Central owns and maintains the network, which consists of an average of roughly 1,528 business and residential customers over the past five years. This was discussed on page 7 and Table 4 of the Audit Report.
    b. Through phone calls and prior visits to the Company, DPU learned that the Company leases access to the network to its affiliate Company, Central Telecom Services (CTS). The affiliate operates separately from the Company and provides internet access to its own customers. CTS pays the Company a monthly rate for access to the network according to the NECA tariff rates for the appropriate level of service requested. NECA tariff rates are tiered access rates for different upload/download speeds based on nationwide averages of other telecom companies. So essentially, CTS pays the Company to use its system according to the tiered rates for the internet speed requested by customers. CTS then provides internet service at a competitive market rate for its customers.
7) Network Design Concerns

    This was not addressed in the current Audit Report, but DPU has discussed this with the Company on many prior occasions, with site visits and phone calls. Central does not design and build its network on a least cost basis. Instead, it considers factors that provide the best service at a reasonable cost for current and future needs. There are many factors under consideration, such as customer demand, current customer base, future growth, the choice between buried cable and cable from poles, copper versus fiber, technological upgrades, land access, and right of way. Least cost decisions do not provide the best network or transmission for the telecom industry. The DPU believes that making network design choices is a management issue for the Company, not a matter for the Division to dictate management decisions.

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8) Self-Construction vs. Contracted Construction Concern

The Division has discussed this idea with the Company on many prior occasions during site visits and through phone calls. The Company has engineers and construction crews for inside or outside network projects. Company equipment, such as trenchers, cable spoolers, and bucket trucks, enables them to employ self-construction on most projects. The Company can complete projects with its resources at a lower cost and usually faster and more efficiently than hiring outside contractors. The Company coordinates excavation and trenching projects with other utilities and contractors so it can lay cable when a trench is already opened for other work. This minimizes cost and the need for trenching or excavating.

9) Broadband Access Rate Concerns

This issue was not addressed in the current Audit Report, but DPU has discussed this with the Company on other prior occasions through phone calls and during site visits. The Company leases access to its affiliate for broadband service. The affiliate company, CTS, provides internet/broadband service to its customers at competitive market rates. The affiliate pays the parent company, Central Utah Telephone, for access according to the NECA tariff rates. The NECA tariff rates are established by gathering cost data for internet transmission from thousands of telecom companies across the nation. The rates are the acceptable standards for industry.

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 2 through 4 of the Audit Report under Scope of Review.
b. The Division starts by collecting and reviewing the Company's most recent (2025) Annual Report of Operations. This contains the year-end totals for all the Company's accounts, such as expense/revenue accounts and balance sheet accounts. The Division compares the recent report with prior years to identify trends, patterns, abnormalities, and deviations.
c. The Division prepares and sends an initial data request to collect general ledgers, trial balances, depreciation summaries, and other accounting documents

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to verify the information in the Annual Report. In this request, DPU asked for additional accounting records and explanations of accounting policies.

d. The Division reviewed the ledgers, summaries, and other accounting documents and prepared subsequent data requests to gather further information and clarify any questions DPU finds in its review of the Annual Report and additional accounting documents. For this audit, the Division sent three data requests, with 35 total queries.
e. The Division followed up each data request with either phone calls or additional data requests to clarify and gather further details and understanding of what was reported.
f. The Division adjusted the reported data based on its observations and reviewed the adjustments with the Company to verify the accuracy and appropriateness of its work and to gather concurrence from the Company.
g. The year-end totals for revenues, expenses, and rate base accounts are entered into the Division's revenue requirement model, and the amount needed for additional UUSF is calculated, ensuring that data balances to previous years and current documents.

Conclusion

Based on the adjustments for unallowable expenses, Central does not qualify for UUSF. For the 2026 calendar year, Central did not receive a UUSF distribution. The Division recommends that the Commission maintain the previous annual UUSF payment payable to Central at $0 annually, or $0 monthly, effective January 1, 2027.

Attachments (2) - 2025 Audit Report and 2025 Annual Report

cc: Robert Nielsen, Senior Accountant, CentraCom
Brad Harwell, CentraCom