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Division of Public Utilities
UTAH DEPARTMENT OF COMMERCE

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Commissioner

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Division Director

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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
Justin Shelton, Utility Analyst

Date: September 2, 2026

Re: **Docket No. 26-042-01**, Emery Telephone dba Emery Telcom, Inc. – 2026 Annual Review of calendar year 2025 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 Emery Telephone dba Emery Telcom ("Emery Telcom" or "Company") to $2,311,473 annually, or $192,622.75 monthly, effective January 1, 2027. This represents an increase of $1,010,260.80 annually, or $84,188.40 monthly, to the amounts the Company received in 2026. Emery Telcom had no Excess Deferred Income Tax (EDIT), and no related repayment is required.

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.

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Pursuant to Utah Rule R746-8-401, the Division reviewed the Company's annual report submitted on April 15, 2026. 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 $2,311,473 to be paid in 2027. The increase in the calculated 2027 UUSF distribution is primarily due to the decrease in UUSF received in 2025 and an increase in operating expenses.

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). The 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.

3) Federal High-Cost support - High-Cost federal support for Emery Telcom entities (Emery Telcom, Carbon/ Emery Telcom, and Hanksville Telcom), these three entities are viewed by the federal government as a single cost study area (502278). Total federal High-Cost support for the single cost study area is allocated to the underlying three entities based upon a pro-rated share of their individual revenue requirement amounts. There will be fluctuations between the companies as a result of the individual entities' revenue requirements as a percent of total cost study area revenue requirement over time. The total recommended 2027 distribution of State UUSF for the

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combined three cost study entities SAC 502278 will result in a combined total increase of [redacted] (adjusted for Carbon Emery's and Hanksville's EDIT). Emery's calculated 2027 State UUSF distribution amount accounts for [redacted], [redacted] of this increase.

4) Operating expense – The Company's 2025 total operating expense was [redacted], an increase of [redacted] from the previous year.

5) Operating revenue - The Company's total operating revenue for 2025 was [redacted], a decrease of [redacted] from the previous year. This decrease in operating revenue is mostly due to the decrease in UUSF funding the Company received in 2025.

6) Operating Income - The Company's 2025 Operating Income was [redacted], a decrease of [redacted] from the prior year.

7) Rate Base - The Company's 2025 total Rate Base was [redacted], a slight decrease of [redacted] from the prior year.

8) Exchange details and year end (December 31, 2025) 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 decline in demand for telephone connections since landlines are being replaced by mobile phones.

   The Company's number of exchanges remained unchanged at [redacted].

9) FCC Excluded Costs – The Company's 2025 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

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Company's 2027 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.

Conclusion

The Division recommends an adjusted UUSF distribution for Emery Telephone dba Emery Telcom, Inc. of $2,311,473 annually, or $192,622.75 monthly, effective January 1, 2027.

cc: Brock Johansen – Emery Telcom
Darren Woolsey – Emery Telcom