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Division of Public Utilities
UTAH DEPARTMENT OF COMMERCE

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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
Gary Smith, Utility Technical Consultant
Annette Orton, Utility Analyst

Date: September 2, 2026

Re: **Docket No. 26-050-01,** Navajo Communications Co., Inc. d/b/a Frontier Navajo Communications Company - 2026 Annual Review of calendar year 2025 determining UUSF eligibility.

Recommendation (Approval)

The Utah Division of Public Utilities ("Division" or "DPU") recommends the Public Service Commission of Utah ("Commission" or "PSC") adjust the annual Utah Universal Service Fund ("UUSF") amount payable to Navajo Communications Co., Inc. d/b/a Frontier Navajo Communications Company ("Navajo" or "Company") to $0.00 annually, or $0.00 monthly, effective January 1, 2027. This is a decrease of $361,301 annually from the prior year's recommendation. The decrease in UUSF recommended for Navajo based on its 2025 annual report, stems from two main factors: an increase in total operating income, as detailed in the attached Division report, and the adjustment for unallowed expenses detailed below.

Issue

Utah Administrative Code R746-8-401 requires the DPU to make annual recommendations to the PSC for adjustments to the monthly UUSF distribution to each provider based on an established FCC rate of return and the provider's financial information from its last Annual

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Report filed with the Commission. On April 13, 2026, the Company filed its annual report of operations in compliance with this rule. The Commission issued an Action Request on April 14, 2026, for the Division to review the filing and make recommendations by September 1, 2026. This memo is the Division's response to the Commission's Action Request. Included with this memo is a comprehensive audit report with details of the Company's 2025 operations and recommended changes to the UUSF distribution for Navajo.

Discussion

In calculating the UUSF eligibility for Navajo, the Division noted the following:

1) In 2025 Navajo received $0 in lifeline reimbursements and $0 other federal support, its federal USF program support (other than lifeline) ended in 2021.

2) Due principally to the loss of federal program support in 2022, the Company was approved for UUSF support in 2023, 2024, and 2025. The Company did not report on current efforts to obtain additional federal program funding support. The current state USF support program provides funding to eligible telecom companies, including those not currently receiving or seeking federal USF support,

3) The Company's total operating revenues for 2025 were [redacted], an increase of approximately [redacted] from the previous year (2025 state USF support totaled [redacted]

4) Navajo's operating expenses for 2025 totaled [redacted], an increase of [redacted] from 2024.

5) The total amount of regulated telecommunications plant in service reported on the Company's 2025 balance sheet was [redacted].

6) Navajo reported a 2025 total of [redacted] in retired assets with a total accumulated depreciation of [redacted].

7) In 2025, the Company reported a decreasing net rate base of [redacted], with [redacted] of new assets placed in service in 2025.

8) The Company provides service to residential and business customers in 3 exchanges. Prior to 2024 the Company reported voice only lines. The Division requested that the Company also report broadband lines. The Company has been including its broadband lines in reporting its annual information since 2024.

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9) Some of the Company's access lines were charged at rates below the minimum set by the Commission and the total amount of revenue below the minimum was imputed to equal the minimum rate. The calculated imputed revenue totaled [redacted].

10) The Company reported an amortized EDIT obligation of [redacted] for 2025. The Division would recommend a reduction to the Commission approved 2027 distribution amount for the amortized EDIT obligation if any distribution were due.

11) The Company reported unallowable expenses in the amount of [redacted] on June 18, 2026, in Data Request Set 1 number 11, attachment 3. On August 25, 2026, via email the Company indicated that it provided the 2024 numbers, and the correct amount for 2025 is [redacted], attachment 4.

Conclusion

Accounting for the Company's revised unallowable expenses of [redacted], the DPU recommends adjusting the 2027 Utah USF distribution for Navajo Communications Co., Inc. to $0.00 annually, or $0.00 monthly, effective January 1, 2027. The Company reported an amortized EDIT obligation of [redacted] for 2025. The Division would recommend a reduction to the Commission approved 2027 distribution amount for the amortized EDIT obligation if any distribution were recommended.

cc: Jessica Matushek – Frontier Communications of Utah
Sarah Knorr – Frontier Communications of Utah