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Division of Public Utilities
UTAH DEPARTMENT OF COMMERCE

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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
Shauna Benvegnu-Springer, Utility Technical Consultant
Tamra Dayley, Utility Analyst

**Date:** September 1, 2026

**Re:** **Docket No. 26-054-01,** Review of 2025 Annual Report for Union Telephone Company and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2027.

## Recommendation (No Action)

The Division of Public Utilities ("DPU" or "Division") recommends no distribution from the Utah Universal Service Fund ("UUSF") to Union Telephone Company ("Union" or "Company") for the calendar year 2027. The Company did not receive UUSF support for 2026 and will not need support for 2027.

## Issue

On May 14, 2026, the Public Service Commission of Utah ("PSC") issued an Action Request asking the Division to review the 2025 Annual Report for compliance and make recommendations by September 1, 2026. Pursuant to Utah Admin. Code R746-8-401, on May 13, 2026, the Company filed its annual report of operations in compliance with this rule. In an email, the Company responded to the Division's request for additional information indicating that "Union Telephone is neither requesting nor expecting UUSF"[1].

[1] Docket 26-054-01 AR Response Exhibit 1_Union Tele Co Response_2026 Aug 18.

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## Background

Utah Admin. Code R746-8-401(9) requires the Division to make annual recommendations to the Commission for adjustments to the monthly UUSF distribution for 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.

## Discussion

In reviewing the UUSF eligibility for the Company, the Division noted the following:

1. The Division received the annual report and supported financial information and reports. The Division's analysis determined that the financial data received still lacked a few key elements to comprehensively determine UUSF eligibility. Since funds from UUSF are not expected; the Division accepts the reporting as presented. Therefore, the Division did not prepare a separate Audit Report for the Company.

2. The Division notes that for 2025 Union received about $[redacted] in total USF support. All funds are from federal programs.

3. Union's net operating revenues for 2025 were approximately $[redacted], 10% more than the previous year.

4. Rate of Return – The FCC prescribed Rate-of-Return (ROR) effective on July 1, 2025, is 9.75%[2].

5. Depreciation – The Company does not utilize single asset straight-line depreciation. Under Utah law, telecommunications carriers (such as carriers of last resort) are

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[2] 47 CFR § 65.101, FCC 16-33, Report and Order et al, Introduction para. 7, (Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers, Wireline Competition Bureau Staff Report, WC Docket No. 10-90, 28 FCC Rcd 7123(WCB 2013) (Staff Report)).

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permitted to use any depreciation method allowed by the Federal Communications Commission[3]. The FCC prescribed method is straight line.[4]

6. Increased Federal USF – The Company received a substantial increase in federal interstate universal service fund revenue in 2017. This increased federal support continues for 10 years until 2028. This materially impacted the Company's draw on the UUSF.

7. Deferred Regulatory Liability – Due to the change in the federal tax rate in 2017, and using accelerated depreciation in prior years, the Company reported a deferred regulatory liability. The total liability incurred is $[redacted].

## Conclusion

Based on the Company's request and lack of additional information, the Division recommends the UUSF distribution for Union Telephone Company remain at $0.00 annually for 2027.

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[3] Utah Code § 54-8b-15.
[4] 47 C.F.R. 32.2000(g)(2)(ii) "Companies, upon receiving prior approval from this Commission, or, upon prescription by this Commission, shall apply such depreciation rate, except where provisions of paragraph (g)(2)(iv) of this section apply, as will ratably distribute on a straight line basis the difference between the net book cost of a class or subclass of plant and its estimated net salvage during the known or estimated remaining service life of the plant."