

Kalama Telephone Company (“Company”)
Docket UT-180022
Responses to UTC Information Request, dated January 12, 2018
Date of these Responses: April 30, 2018

Please provide the following information by February 12, 2018 (extended to April 30, 2018).

- 1. Request:** Accumulated Deferred Federal Income Tax (ADFIT) balance as of December 31, 2017, for Total Washington and Washington Intrastate.

Response: The Company’s ADFIT balance as of December 31, 2017, for Total Washington was \$327,092 (debit), consisting of \$327,099 (debit) was “regulated” and \$7 (credit) “non-regulated.” The corresponding Washington intrastate figures are not expected to be available until approximately July 31, 2018; they will be provided by supplemental response after they become available.
- 2. Request:** The amount of excess deferred income tax reserve as described in the Internal Revenue Code at 26 U.S.C. § 168(i)(9)(A)(ii) as of December 31, 2017, for Total Washington and Washington Intrastate, to comply with the TCJA.

Response: As of December 31, 2017 there was no excess deferred income tax reserve. Prior to December 31, 2017, and in accordance with generally accepted accounting principles (“GAAP”) observed in the United States, the reserve was adjusted to reflect the effect of a change in applicable Federal income tax rates from 34% to 21%. Because the Company’s reserve had a debit balance, the effect of the adjustment was to reduce the debit balance for Total Washington by \$220,836, to reduce the debit balance for Total Washington “regulated” by \$220,839, and to reduce the credit balance for Total Washington “non-regulated” by \$3. The corresponding Washington intrastate figures are not expected to be available until approximately July 31, 2018; they will be provided by supplemental response after they become available.
- 3. Request:** The amount of excess deferred income tax expense the Company is currently collecting through Washington Intrastate rates and charges as of January 1, 2018, through December 31, 2018.

Response: As the Company’s current rates are not based on a rate of return revenue requirement developed in a recent rate case, the amount of deferred income tax expense the Company is currently collecting through Washington Intrastate rates and charges in 2018 is not known. In addition, basic service rates have been established based on the FCC urban rate floor, and terminating intrastate switched access rates are being reduced based on the FCC ICC Reform Order to mirror interstate rates. Moreover, given the Company’s recent earned rate of return, it seems unlikely that the Company is collecting any “excess” income tax expense through Washington intrastate rates as of January 1, 2018 through December 31, 2018.
- 4. Request:** A proposed amortization schedule for numbers 2 and 3 (above) along with a supporting rationale for each schedule. Please identify and describe the amortization assumption, e.g., composite, average rate, or other alternative method.

Response: The Company does not at this time propose amortization for the “regulated” amount identified in the response to Request 2. above. If the Company were to propose an amortization schedule to amortize that amount, the amortization period would be 9 years, based on the weighted average remaining life of Total Washington “regulated” assets as of year-end 2017, with the “regulated” amount to be amortized each year being approximately \$24,538. Absent regulatory action requiring such amortization, consistent with GAAP as observed in the United States, the Company views the adjustment that was made in 2017 to be a one-time, non-recurring event, the rate base effects of which (if any) should be considered for state USF qualification purposes, but the income statement effects of which should be disregarded, both because of the non-recurring nature of the adjustment and because the adjustment is a non-cash item.

5. **Request:** In the event that all impacts of the TCJA are not fully known to the Company by the due date set forth in this information request, please provide a date certain by which the Company intends to supplement its response including its plans to address these impacts.

Response: As indicated in the responses above to Requests 2 and 3, not all impacts of the TCJA are fully known at this time. The Company intends to submit supplemental responses on or before August 15, 2018.

6. **Request:** Supporting work papers in electronic format with all formulas intact. See WAC 480-07-510(3)(c).

Response: An electronic workbook, in Excel format, supporting the responses above to Requests 1 and 2 is being submitted to UTC Staff under separate transmittal.