



May 4, 2018

Sent Via: E-Filing

Mr. Mark L. Johnson, Executive Director & Secretary  
Washington Utilities & Transportation Commission  
P.O. Box 47250  
1300 S. Evergreen Park Dr. SW  
Olympia, WA 98504-7250

RE: Information Request Regarding the TCJA in Docket UT-180024

Dear Mr. Johnson:

Mashell Telecom, Inc. hereby submits to Washington Utilities and Transportation Commission ("Commission") the attached response Exhibit 1 and excel file Exhibit 2 pertaining to the Commission's information request regarding Tax Cuts and Jobs Act.

MASHELL TELECOM, INC.

By: \_\_\_\_\_  
Danielle Clausen  
Controller

Attachments: 2

**Mashell Telecom, Inc.**  
**Docket UT-180024**  
**Responses to UTC Information Request**  
**May 4, 2018**

UTC Information Request

EXHIBIT 1

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Please provide the following information by February 12, 2018, updated May 4, 2018:

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

**Response:**

See attached Exhibit 2 (Excel file), line 35 for the estimated Total Washington and Washington Intrastate amounts.

2. 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:**

See attached Exhibit 2, line 36 for the estimated Total Washington and Washington Intrastate amounts.

3. 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 excess 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. Terminating intrastate access rates are being reduced based on the FCC ICC Reform Order to mirror interstate rates. The Company rate of return in the prior years has been very low. It is anticipated the Company's rate of return will still be well below the 10% limit.

4. 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:**

If the Company were to propose an amortization schedule to amortize the amount identified in the response to Q2, it would be ten years in order to normalize the impact. See attached Exhibit 2, line 40. For state USF qualification purposes this is a one-time event. The Company's preference is to exclude the one-time negative adjustment of excess deferred taxes in 2017 from the state USF calculation. Another reason for this treatment is it's a non-cash item.

5. 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:**

Upon completion of the Company's 2017 Cost Study and closer to completion of its 2017 federal income tax return, the Company plans to provide updated amounts on or before August 15, 2018.

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

**Response:**

See attached Exhibit 2 provided for responses to Q1, Q2 and Q4 above.

1 MASHELL TELECOM, INC.  
 2 DEFERRED TAX RESPONSE  
 3 12/31/17

EXHIBIT 2

12/31/2017 Book Basis		Regulated	Non-op	Non-reg
Plant/Investment GL Balance	46,286,421	22,525,811	-	23,760,610
Less - Plant Accumulated Depreciation	(34,094,656)	(15,250,941)		(18,843,715)
<b>12/31/2017 Book Basis</b>	<b>12,191,765</b>	<b>7,274,870</b>	<b>-</b>	<b>4,916,895</b>
12/31/2017 Tax Basis				
Plant/Investment Tax Basis	46,850,711	23,090,101		23,760,610
Less: Plant Accumulated Tax Basis	(35,601,347)	(15,143,236)		(20,458,111)
<b>12/31/2017 Adjusted Tax Basis</b>	<b>11,249,364</b>	<b>7,946,865</b>	<b>-</b>	<b>3,302,499</b>
2017 Net Difference Book minus Tax	(942,401)	671,995	0	(1,614,396)
<b>Total Federal Deferred Taxes Liability</b>				
	21.0000%	(197,904)	141,119	(339,023)
	34.0000%	(320,416)	228,478	(548,894)
Increase (Decrease) Liability		(122,512)	87,359	(209,871)
2017 Net Difference Book minus Tax		671,995	49.00%	329,259
<b>Accumulated Deferred Federal Income Taxes:</b>				
Federal Def. Taxes at 34% without federal tax reform rate change		228,478	49.00%	111,948
Federal Def. Taxes at 21% with federal tax reform rate change at 12/31/17		141,119	49.00%	69,144
<b>Estimated Excess Def Taxes at 12/31/17</b>		<b>(87,359)</b>		<b>(42,804)</b>
<b>Note: Washington Intrastate is calculated using the intrastate allocation from the 2016 Cost Study.</b>				
<b>Proposed 10 year amortization:</b>		<b>(8,736)</b>		<b>(4,280)</b>

Q.1  
Q.2

Q.4