

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

**INFORMATION REQUEST
REGARDING THE TAX CUTS AND JOBS ACT (TCJA)
IN DOCKET UT-180021**

**INLAND TELEPHONE COMPANY
DUE APRIL 30, 2018**

EXHIBIT 1

RESPONSES TO WUTC INFORMATION REQUEST

INLAND TELEPHONE COMPANY

Inland Telephone Company
Docket UT-180021
Responses to UTC Information Request
Due April 30, 2018

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

Response:

Please see attached Exhibit 2 (PDF or Excel file), line 41 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:

Please see attached Exhibit 2, line 42 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.

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:

As this is a "non-cash" event in 2017, the Company's preference is to exclude the one-time expense of excess deferred taxes in 2017 for the state USF calculation. Should the Commission believe that this is an incorrect approach for the state USF calculation, Inland would follow the Generally Accepted Accounting Principles methodology as a one-time adjustment in 2017. The Company does not endorse the amortization methodology however, an amortization schedule that amortizes the amount identified in the response for question 2 is attached (please see attached Exhibit 2, line 46). The amortization schedule for Inland (please see Exhibit 3) would be over a fifteen (15) year period which is based on the weighted average remaining life of assets as of the year-end 2017.

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:

Closer to the completion of its 2017 federal income tax return, the Company plans to provide updated amounts on or before August 1, 2018.

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

Response:

Please see attached Exhibit 2 provided for responses to question 1, question 2 and question 4 above and Exhibit 3 for the supporting calculation of the weighted average remaining life of assets for the response for question 4.

EXHIBIT 2

DEFERRED TAX

INLAND TELEPHONE COMPANY

EXHIBIT 2
DEFERRED TAX

1 INLAND TELEPHONE COMPANY
2 DEFERRED TAX
3 12/31/2017

12/31/2017 Book Basis		TOTALS	Reg WA	Reg ID	Non-Oper	Non-Regulated
Plant Accumulated Depreciation/Investment GL Balance		(18,880,772)	(14,715,856)	(2,501,186)	6,799	(1,670,529)
Plant Held for Future Use Accum Depreciation		(4,584)	(4,584)			
Less: Intangible Trademark Accum Depreciation						2,275
12/31/2017 Book Basis		(18,885,356)	(14,720,440)	(2,501,186)	6,799	(1,668,254)
12/31/2017 Tax Basis						
Plant Accumulated/Investment Tax Basis		(27,690,535)	(23,465,432)	(2,664,364)		(1,560,739)
Less: Contribution in Aid		285,521	223,998	61,523		
12/31/2017 Adjusted Tax Basis		(27,405,014)	(23,241,434)	(2,602,841)	-	(1,560,739)
2017 Net Difference Book minus Tax		(8,519,658)	(8,520,994)	(101,655)	(6,799)	107,515
Total Federal Deferred Taxes Liability						
	21.0000%	(1,789,606)	(1,789,409)	(21,348)	(1,428)	22,578
	34.0000%	(2,897,457)	(2,897,138)	(34,563)	(2,312)	36,555
	Increase (Decrease) Liability	(1,107,851)	(1,107,729)	(13,215)	(884)	13,977
Per Audited Financials and Books						
	Federal Deferred Income Taxes	(1,789,606)	(1,789,409)	(21,348)	(1,428)	22,578
	Idaho State Deferred income Taxes	(10,000)		(10,000)		
	Net Operating Loss - WA	(257,665)	(257,665)			
	Total Deferred Income Taxes ties to financials	(2,057,271)	(2,047,074)	(31,348)	(1,428)	22,578
			Total Washington	Intrastate %		Washington Intrastate
2017 Net Difference Book minus Tax			(8,520,994)	60.15%		(5,125,308)
Accumulated Deferred Federal Income Taxes:			Total Washington	Intrastate %		Washington Intrastate
Federal Def. Taxes at 34% without federal tax reform rate change			(2,897,138)	60.15%		(1,742,605)
Federal Def. Taxes at 21% with federal tax reform rate change at 12/31/17			(1,789,409)	60.15%		(1,076,315)
Estimated Excess Def Taxes at 12/31/17			1,107,729			666,290
Note: Washington Intrastate is calculated using the Intrastate allocation from the 2017 Cost Study.						
Proposed 15 year amortization:			73,849			44,419
Note: Exhibit 3 is provided to support the 15 year amortization.						

EXHIBIT 3

WEIGHTED REMAINING LIFE

INLAND TELEPHONE COMPANY

EXHIBIT 3
WEIGHTED REMAINING LIFE

INLAND TELEPHONE COMPANY
Weighted Depreciation Calculation - WA
December 31, 2017

Acct#	Description	a	b	c	d	e	f	g	h	i
		Book 2017 Reg Assets Balance YE	Book 2017 Reg Accum Depr Balance YE	Book 2017 Remaining Balance YE	Depreciation Rate	Book 2017 Depreciation Expense	Depreciable Lives 1 / d	Remaining Life c / e	% of total net book value c / total c	Weighted remaining life g * h
2111.000	LAND	819,850.33								
2112.000	MOTOR VEHICLES	1,246,160.23	1,096,343.24	149,817	16.00%	56,491.65	6	2.65	0.91%	0.024
2115.000	GARAGE WORK EQUIPMENT	25,295.26	25,295.26	0	12.50%	0.00	8	0.00	0.00%	0.000
2116.000	OTHER WORK EQUIPMENT	1,104,526.42	989,839.07	114,687	16.00%	56,092.50	6	2.04	0.70%	0.014
2121.000	BUILDINGS	2,477,275.68	1,629,275.97	848,000	4.00%	97,937.28	25	8.66	5.15%	0.446
2122.000	FURNITURE	189,988.78	187,078.04	2,911	15.00%	1,680.16	7	1.73	0.02%	0.000
2123.000	CO. COMMUNICATION EQUIPMENT	257,142.19	220,873.28	36,269	20.00%	17,105.78	5	2.12	0.22%	0.005
2123.050	OFFICE SUPPORT EQUIPMENT	66,000.44	53,160.77	12,840	20.00%	4,001.79	5	3.21	0.08%	0.003
2124.000	GENERAL PURPOSE COMPUTERS	159,294.82	158,614.64	680	25.00%	648.63	4	1.05	0.00%	0.000
2124.050	GENERAL PURPOSE COMPUTERS-BILLING	224,913.20	210,211.55	14,702	25.00%	5,154.15	4	2.85	0.09%	0.003
2210.000	COE-SWITCHING	2,155,574.55	832,448.75	1,323,126	9.00%	185,785.66	11	7.12	8.03%	0.572
2230.000	COE-TRANSMISSION	1,949,312.80	1,576,585.02	372,728	11.19%	71,216.75	9	5.23	2.26%	0.118
2232.000	FIBER TRANSMISSION EQUIP.	398,144.35	382,306.44	15,838	9.00%	16,512.32	11	0.96	0.10%	0.001
2232.001	FIBER TRANSMISSION EQUIP - ADTRAN	364,490.81	47,278.22	317,213	9.00%	31,883.92	11	9.95	1.93%	0.192
2232.002	FIBER TRANSMISSION EQUIP - ONT	1,467,050.03	158,391.15	1,308,659	9.00%	112,063.32	11	11.68	7.94%	0.927
2232.010	FTTH (CO) FIBER TERM. EQUIP.	281,755.54	45,657.92	236,098	9.00%	25,425.09	11	9.29	1.43%	0.133
2233.000	MICROWAVE TRANSMISSION EQUIP.	80,317.77	80,317.77	0	9.00%	0.00	11	0.00	0.00%	0.000
2321.000	CUSTOMER PREMISES WIRING	0.00	0.00	0	15.00%	0.00	7	0.00	0.00%	0.000
2351.000	PUBLIC TELEPHONE TERMINAL EQUIP.	0.00	0.00	0	15.00%	0.00	7	0.00	0.00%	0.000
2411.000	POLES	36,985.75	36,985.75	0	7.59%	0.00	13	0.00	0.00%	0.000
2421.000	AERIAL CABLE	2,385.64	2,385.64	0	20.40%	0.00	5	0.00	0.00%	0.000
2421.090	AERIAL FIBER	466,764.88	110,190.34	356,575	5.00%	22,908.91	20	15.56	2.16%	0.337
2421.091	AERIAL FIBER - FTTH	208,102.29	15,607.67	192,495	5.00%	10,405.11	20	18.50	1.17%	0.216
2423.000	BURIED CABLE	5,346,101.16	5,041,186.42	304,915	6.00%	33,433.76	17	9.12	1.85%	0.169
2423.090	FIBER OPTIC CABLE	4,362,896.93	1,196,060.45	3,166,836	5.00%	230,873.12	20	13.72	19.22%	2.636
2423.091	FIBER OPTIC CABLE - FTTH	8,314,494.60	617,294.45	7,697,200	5.00%	412,488.96	20	18.66	46.71%	8.717
2431.000	AERIAL WIRE	600.00	600.00	0	42.06%	0.00	2	0.00	0.00%	0.000
	SUBTOTAL	32,005,424.46	14,713,987.81	16,471,586.32		1,392,108.86		11.83	99.97%	14.51
2690.000	ORGANIZATION COST	1,380.87	0.00	1,381	4.00%	0.00	25	0.00	0.01%	0.000
2691.000	FRANCHISES	1,779.86	0.00	1,780	4.00%	0.00	25	0.00	0.01%	0.000
2692.000	TRADEMARK	684.31	647.51	37	6.72%	45.99	15	0.80	0.00%	0.000
2693.000	LEASEHOLD IMPROVEMENTS	3,391.39	1,220.88	2,171	4.00%	135.66	25	16.00	0.01%	0.002
	TOTAL WASHINGTON	32,012,660.89	14,715,856.20	16,476,954.36	0.19	1,392,290.51		11.83	100.00%	14.51
2002.400	PLANT HELD FOR FUTURE USE	10,212.88	4,583.57	5,629	4.00%	6,446.35	25	0.87	100.00%	0.873
			<u>14,720,439.77</u>							