

Kira M. Slawson (7081)
BLACKBURN & STOLL, L.C.
Attorneys for Emery Telephone
257 East 200 South, Suite 800
Salt Lake City, Utah 84111
Telephone: (801) 521-7900
Fax: (801) 578-3579

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: “An act to provide for reconciliation pursuant to Titles II and V of the concurrent resolution of the budget for fiscal year 2018”	DOCKET NO. 17-042-02 REPLY COMMENTS OF EMERY TELEPHONE
--	--

On December 21, 2017, the Utah Public Service Commission (the “Commission”) issued a Notice of Comment Period (“Notice”) to investigate the revenue requirement impacts of the new federal tax legislation (“Tax Reform Act”). The Commission requested that all regulated utilities in Utah file Comments describing in detail, to the extent practical, the impacts of Tax Reform Act on their respective revenue requirement in the corresponding docket. Emery Telephone (“Emery”) filed Comments on February 26, 2018. Pursuant to the Commission’s Order issued March 1, 2018, interested parties were ordered to submit comments on Emery’s Comments on or before March 30, 2018. Reply Comments are due April 16, 2018. The Division of Public Utilities (the “Division”) filed responsive Comments on March 30, 2018. Emery hereby files these Reply Comments.

REPLY COMMENTS OF EMERY

The Tax Reform Act, signed into law on or about December 22, 2017, reduced the corporate federal income taxes from a maximum of 35% to 21%. However, as indicated in Emery’s initial Comments, Emery is a non-profit corporation. As such it does not pay federal income tax and its revenue requirement will not be affected by changes in the corporate income tax rates. Although the Division’s Comments identified Emery as one of the “non-profits” who indicated its revenue requirement will not be

affected by changes in the Tax Reform Act, the Division did not explicitly discuss the “non-profits” group and did not affirm that such non-profits’ revenue requirement will not be affected by reductions in the corporate tax rate contained Tax Reform Act.

While Emery’s revenue requirement may be affected by the statutory and administrative rule changes, the Tax Reform Act’s change in corporate tax rate will not affect Emery. Emery will not receive any tax benefit and will not be subject to any normalization method of accounting to amortized “excess deferred income taxes.” Nevertheless, Emery supports the recommendation from the Division to defer for future treatment the effects on revenue requirement resulting from the Tax Act and allowing the Utilities (and the Division) time to calculate and quantify the impact on revenue requirement.

Additionally, in calculating and quantifying any impact from the Tax Reform Act, it is important to remember that telecommunications are different from other public utilities in Utah in terms of ratemaking. Rates for basic telephone services are not based on the individual expenses of the company. Rather, as the Commission is aware, the base affordable rate was initially set by the Commission in approximately 2005, and was more recently revised to its current rate of \$18.00 to mirror the federal benchmark for basic telecommunications services. Although the Division’s Comments did not specifically address the issue of basic telephone service rates, the Division, in its Conclusion, refers to the “mechanism for redressing any associated imbalance in customer rates or state funding.” Emery is concerned with this statement. The base affordable rate in Utah for telephone service has been set without determining a company’s specific revenue requirement. Therefore, rates for basic telephone service in Utah should not be affected by the reduction in federal tax rate, or changes in a company’s particular revenue requirement. It would be imprudent for the Commission to reduce rates below the federal benchmark, as doing so would result in a reduction in federal support for the high cost of providing basic local exchange service in Utah. As a result, the discussion of the impacts of the Tax Reform Act should be limited to a review of a company’s receipt of support from the Utah Universal

Public Telecommunications Service Support Fund (“UUSF”) going forward, not on the rates charged to customers.

DATED this 16th day of April, 2018.

BLACKBURN & STOLL, LC



Kira M. Slawson
Attorneys for Emery Telephone

CERTIFICATE OF SERVICE

I hereby certify that on the 16th day of April, 2018, I served a true and correct copy of Emery Telephone's Reply Comments on Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: "An act to provide for reconciliation pursuant to Titles II and V of the concurrent resolution of the budget for fiscal year 2018," Docket No. 17-042-02 via e-mail transmission to following persons at the e-mail addresses listed below:

Division of Public Utilities

Bill Duncan

Chris Parker

Erika Tedder

wduncan@utah.gov

chrisparker@utah.gov

etedder@utah.gov

Office of Consumer Services

Michelle Beck

mbeck@utah.gov

Assistant Utah Attorneys Generals

Justin Jetter

Robert Moore

jjetter@utah.gov

rmoore@utah.gov

Emery Telephone

bjohansen@emerytelcom.com



Kira M. Slawson