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March 29, 2018

VIA HAND DELIVERY

Diane Hanian, Secretary  
Idaho Public Utilities Commission  
472 W Washington St  
Boise ID 83702

Re: *GNR-U-18-01 – Oregon-Idaho Utilities, Inc.*

Dear Diane:

Enclosed please find an original and seven copies of Oregon-Idaho Utilities, Inc.'s ("OIU") submission of Report and Request for Exemption filed pursuant to Commission Order No. 33965 in the above-captioned case.

Also enclosed is a CD containing OIU's Exhibit 1 containing information asserted to be protected by law from public inspection, examination or copying as a trade secret and/or confidential information protected pursuant to Idaho Code 9-340D(1)A)-(B) and Commission Rule 67.

Sincerely,



Michael C. Creamer

Enclosures

cc: Doug Musgrave, Oregon-Idaho Utilities, Inc. (w/encls)

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UTILITIES COMMISSION

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IDAHO PUBLIC  
UTILITIES COMMISSION

*Attorneys for Applicant Oregon-Idaho Utilities, Inc.*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE  
INVESTIGATION OF FEDERAL TAX  
CODE REVISIONS ON UTILITY COSTS  
AND RATEMAKING

**CASE NO. GNR-U-18-01**

**OREGON-IDAHO UTILITIES, INC.'S  
SUBMISSION OF REPORT AND REQUEST  
FOR EXEMPTION**

Oregon-Idaho Utilities, Inc. ("OIU"), pursuant to Order No. 33965 of the Idaho Public Utilities Commission ("Commission") hereby submits its preliminary analysis of tax impacts of the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") on OIU's tax expenses and net Idaho operating revenue. In light of the *de minimus* total effect of the 2017 Tax Act on OIU's Idaho-separated expenses, and for the additional reasons set forth below, OIU respectfully requests that the Commission exempt OIU from developing, submitting or instituting a change in rates for its Idaho customers and from further proceedings in this docket. In support of this Application, OIU represents as follows:

**I. BACKGROUND**

1. OIU is a privately owned, independent, local exchange carrier serving remote, rural customers in southeast Oregon and southwest Idaho. OIU is a "telephone corporation"

providing telecommunication services for compensation within the State of Idaho and is subject to the jurisdiction of the Commission under Titles 61 and 62, Idaho Code. OIU's Oregon and Idaho exchanges are included within a single study area code 532390. OIU has Eligible Telecommunications Carrier ("ETC") status in both jurisdictions.

2. OIU's Idaho service territory encompasses the South Mountain Exchange, which, along with three exchanges in southeast Oregon, were acquired from Contel of the West in 1990. OIU currently serves 73 total access lines in the South Mountain Exchange, of which 51 are residential lines and 22 are business lines.

3. OIU's 2017 intrastate operating revenue attributable to regulated telephone service in Idaho was \$154,906.

4. The South Mountain Exchange covers 2,126 square miles and represents some of the hardest-to-serve customer locations in the study area. Approximately one-third of OIU's Idaho customers have no access to commercial power, rely on gas lamps, lanterns and/or low-grade solar power for lighting and obtain heat via wood or oil burning stoves.

5. OIU receives federal high-cost support for its Idaho service territory but does not participate in the Idaho Universal Service Fund ("IUSF").

6. OIU currently has 143.3 miles of cable facilities in Idaho, of which 29.1 miles are fiber optic and 114.2 miles are metallic. Since OIU's operations in Oregon and Idaho are closely related, certain facilities within the company are used to provide service to customers in both states.

7. In October of 2014, the Commission issued Order No. 33158, which authorized OIU to increase its rates for monthly residential service incrementally over a four-year period

from \$15.77 to OIU's current rate of \$20.00 per month effective as of June 2017. This rate increase was approved to allow OIU to maintain its eligibility to receive federal CAF support under the Federal Communications Commission's Connect America Fund – Phase II Order.<sup>1</sup>

8. By its Order in the above-captioned docket, the Commission has directed rate-regulated Idaho utilities to file, among other things, revised tariffs to reflect the changes in revenue requirement attributable to the 2017 Tax Act. The Order exempted small water companies with less than 200 customers and Atlanta Power Company, which serves less than 100 customers in Atlanta, Idaho, from this filing requirement.

9. Provisions of the 2017 Tax Act relevant to the instant docket are a reduction in the corporate tax rate from 35% to 21% and revised treatment of a company's deferred taxes.

10. Because of its limited number of Idaho customers and plant, OIU historically has allocated its study area costs based on the relative number of access lines in Oregon and in Idaho. This has produced an approximately 90/10 allocation between the Oregon and Idaho jurisdictions as indicated in OIU's annual reports filed with the Commission.

11. OIU has performed a preliminary 2017 earnings analysis for its Idaho operations using the above 90/10 allocation, which is submitted under confidential cover as Exhibit 1. Final separated numbers for 2017 will not be available to apply to this earnings analysis until August or early September of the current year. Exhibit 2, filed herewith, is Schedule I-1 from OIU's Oregon Form O showing the company's operating revenues and expenses for 2017.

12. Exhibit 1 shows total Idaho intrastate revenues of \$105,906 and net operating income of \$12,973. Attributing 10% of OIU's expenses as reported in OIU's Oregon Form O

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<sup>1</sup> *USF/ICC Transformation Order Connect America Fund; National Broadband Plan for Our Future, et seq., Report and Order and Further Notice of Proposed Rulemaking*, 26 FCC Rcd 17663 (2011).

and separation factors used in OIU's Oregon Form I, produces an estimated increase of \$2,519 in net operating income attributable to the reduced corporate tax rate. OIU's estimated one-time deferred tax benefit per the 2017 Tax Act is \$3,890. The total estimated tax benefit for OIU's Idaho operations is \$6,409, of which \$3890 has been accounted for 2017 tax purposes, and the \$2,519 estimated tax benefit will be determined and accounted for in OIU's 2018 tax-year filing in April 2019 with the benefit of actual separated numbers to apply.

### **REQUEST FOR EXEMPTION**

13. OIU respectfully submits that it should not be required to change its current rates to account for an approximately \$6,409 reduction in OIU's 2018 federal tax obligation. Order 33965 indicates that this docket and its filing requirements were intended "to protect utility customers against paying unreasonably high rates."<sup>2</sup> OIU's current residential rate of \$20.00, which the Commission authorized in 2014 to allow OIU to maintain eligibility for federal CAF support, is still less than the 2017 Statewide Weighted Average Rate of \$21.83.<sup>3</sup> OIU submits that its customers would not be paying unreasonably high rates if OIU were to maintain its rates as currently authorized.

14. A reduction in OIU's rates could adversely affect OIU's continued eligibility for CAF support. As indicated in Exhibit 1, this support represents a significant component of OIU's operating revenue. If OIU's eligibility to receive this support is adversely affected by lowering its rates, then OIU could be required in turn to increase its rates to attempt to recover some or all of this lost revenue source.

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<sup>2</sup> *In the Matter of the Investigation into the Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking*, Case No. GNR-U-18-01, Order 33965 (January 17, 2018) at 1.

15. Moreover, the lion's share of the tax benefit (\$3,890) is *one-time* reduction in OIU's deferred tax liability. Any continuing benefit attributable to the reduced corporate tax rate is expected to be approximately \$2,500 annually based on 2017 company revenues and expenses, and current customer numbers.

16. The tax benefit to OIU's Idaho operations is *de minimus* in any case and likely will be consumed by increased Idaho-allocated expenses incurred in computing appropriate rate changes, preparing and filing tariff amendments, providing notice to customers and revising OIU's billing protocols as between Oregon and Idaho customers. OIU also anticipates this likely would create confusion for its Idaho customers.

17. Although Commission Order 33965 exempted small water companies with less than 200 customers and the small electric utility Atlanta Power from the filing requirements, the Order did not include the rationale for these exemptions. OIU assumes, however, that their small customer base, their relatively small annual revenues and resulting small tax benefits, together with the limited room small companies have to move their rates up *or* down, may have been factors in the decision to exempt them.

18. If so, OIU submits that these same factors are applicable to its Idaho operations, and therefore, OIU appropriately should be exempted. If, however, the reasons for exempting small water companies and Atlanta Power do not apply to OIU and the Commission determines OIU should not be exempted, OIU respectfully requests that it be granted additional time to perform any required rate modification analysis and proposed tariffs with the benefit of final separated numbers for its Idaho operations.

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<sup>3</sup> *In the Matter of the Annual Revision of the Universal Service Fund Surcharges to Become Effective September 1, 2017*, Order 33851, Case No. GNR-T-17-04 (August 22, 2017) at 3.

19. Communications and service of pleadings regarding this Submission and Request

for Exemption should be sent to:

Doug Musgrave  
Oregon-Idaho Utilities, Inc.  
P.O. Box 1880  
Nampa, ID 83653  
[doug.musgrave@oiutelecom.net](mailto:doug.musgrave@oiutelecom.net)

Michael C. Creamer  
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[mcc@givenspursley.com](mailto:mcc@givenspursley.com)

For the reasons presented above, OIU respectfully requests that the Commission issue an order exempting OIU from further obligations under Order 33965 and from future proceedings thereunder. If OIU is not granted the requested exemption, OIU respectfully requests that the Commission order that OIU shall have additional time to prepare and submit proposed tariff revisions.

Respectfully submitted this 29<sup>th</sup> day of March, 2018.



Michael C. Creamer  
GIVENS PURSLEY LLP  
*Attorneys for Oregon-Idaho Utilities, Inc.*

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 29<sup>th</sup> day of March, 2018, the foregoing was filed, served, and copied as follows:

**DOCUMENT FILED:**

Idaho Public Utilities Commission  
ATTN: Diane Hanian  
472 W. Washington  
PO Box 83720  
Boise, ID 83720-0074

- U. S. Mail
- Hand Delivered
- Overnight Mail
- Facsimile
- E-mail

**COPIES TO:**

Doug Musgrave  
Oregon-Idaho Utilities, Inc.  
P.O. Box 1880  
Nampa, ID 83653  
[doug.musgrave@oiutelecom.net](mailto:doug.musgrave@oiutelecom.net)

- U. S. Mail
- Hand Delivered
- Overnight Mail
- Facsimile
- E-mail

  
Michael C. Creamer

# **EXHIBIT 1**

**Submitted under “Confidential” Cover as exempt from public inspection, examination or copying pursuant to Idaho Code 9-340D(1A)-(B) and Commission Rule 67**

**OREGON-IDAHO UTILITIES, INC.  
CASE NO. GNR-U-18-01**

**PRELIMINARY 2017 EARNINGS ANALYSIS FOR ITS IDAHO OPERATIONS**

# **EXHIBIT 2**

**OREGON-IDAHO UTILITIES, INC.  
CASE NO. GNR-U-18-01**

**SCHEDULE I-1 FROM OIU'S OREGON FORM O**

ANNUAL REPORT TO THE PUBLIC UTILITY COMMISSION OF OREGON FOR THE YEAR ENDING DECEMBER 31, 2017  
**OREGON - IDAHO UTILITIES, INC.**

Line No.	Account No.	Description (a)	Total Amount During the Year (b)
<b>I-1. INCOME STATEMENT</b>			
<b>Operating Revenues</b>			
1	5000	Basic Local Service Revenue	\$ 148,569
2	5070	Distributions of State Universal Service Funds (Monies Received from State USFs)	\$ 253,594
3	5081.1	Subscriber Line Charges and Presubscribed Interexchange Carrier Charges	\$ 63,682
4	5081.2	Collections of Federal Universal Service Funds (Monies Billed to Customers for Fed USF)	\$ 68,013
5	5081.4	Distributions of Federal Universal Service Funds (Monies Received from Federal USF)	\$ 938,228
6	5081.5-9	Other Intrastate End User Revenues	\$ -
7	5082.1	Switched Access Revenue - Interstate	\$ 1,369,933
8	5082.2	Switched Access Revenue - Intrastate	\$ 58,756
9	5083.1	Special Access Revenue - Interstate	\$ 709,632
10	5083.2	Special Access Revenue - Intrastate	\$ 34,293
11		<b>Total Network Access Revenues (lines 3..10)</b>	<b>\$ 3,240,537</b>
12	5100	Long Distance Message Revenue	\$ -
13	5200.1	Directory Revenue	\$ 1,058
14	5200.2	Carrier Billing and Collection Revenue	\$ 4,690
15	5200.3	Other Miscellaneous Revenue	\$ -
16		<b>Total Miscellaneous Revenues (lines 13..15)</b>	<b>\$ 5,748</b>
17	5280	Nonregulated Operating Revenue	\$ -
18	5300	Uncollectible Revenues (enter as a negative value)	\$ (25)
19		<b>Total Operating Revenues (lines 1+2+11+12+16+17+18)</b>	<b>\$ 3,648,423</b>
20		Interstate and Foreign (International) Revenues Included in the Above Operating Revenues	\$ -
<b>Operating Expenses</b>			
21	6110-6114	Network Support Expenses	\$ -
22	6120-6124	General Support Expenses	\$ 169,049
23	6211	Nondigital Switching Expense	\$ -
24	6212.1	Digital Electronic Expense - Circuit	\$ -
25	6212.21	Digital Electronic Expense - Packet Switching	\$ 87,935
26	6212.22	Digital Electronic Expense - Soft Switch	\$ -
27		<b>Total Central Office Switching Expenses (lines 23..26)</b>	<b>\$ 87,935</b>

ANNUAL REPORT TO THE PUBLIC UTILITY COMMISSION OF OREGON FOR THE YEAR ENDING DECEMBER 31, 2017

OREGON - IDAHO UTILITIES, INC.

I-1. INCOME STATEMENT			
Line No.	Account No.	Description (a)	Total Amount During the Year (b)
28	6220	Operator Systems Expense	\$ -
29	6231	Radio System Expense	\$ -
30	6232.1	Circuit Equipment Expense - Electronic	\$ 89,086
31	6232.2	Circuit Equipment Expense - Optical	\$ -
32		Total Switching and Central Office Transmission Expenses (lines 28..31)	\$ 89,086
33	6310-6341	Information Origination/Termination Expense	\$ -
34	6351	Public Telephone Terminal Equipment Expense	\$ -
35	6362	Other Terminal Equipment Expense	\$ -
36		Total Information Origination/Termination (lines 33..35)	\$ -
37	6411	Poles Expense	\$ -
38	6421	Aerial Cable Expense	\$ -
39	6422	Underground Cable Expense	\$ -
40	6423	Buried Cable Expense	\$ 542,721
41	6424	Submarine and Deep Sea Cable Expense	\$ -
42	6426	Intrabuilding Network Cable Expense	\$ -
43	6431	Aerial Wire Expense	\$ -
44	6441	Conduit Systems Expense	\$ -
45		Total Cable and Wire Facilities Expenses (lines 37..44)	\$ 542,721
46		Total Plant Specific Expenses (lines 21+22+27+32+36+45)	\$ 888,791
47	6511	Property Held for Future Telecommunications Use Expense	\$ -
48	6512	Provisioning Expense	\$ -
49		Total Other Property, Plant, and Equipment Expense (lines 47..48)	\$ -
50	6530-6535	Network Operations Expenses	\$ 266,880
51	6540	Access Expense	\$ -
52	6540.1	Federal Universal Support Contributions (Monies You Paid Into Fed USF)	\$ 69,307
53	6561	Depreciation - Telecommunications Plant in Service ( B-2, Total of Column (c) Depreciation)	\$ 526,765
54	6562	Depreciation - Property Held for Future Telecommunications Use	\$ -
55	6563	Amortization Expense - Tangible Assets (B-2, Column (c), Acct 2680)	\$ 779
56	6564	Amortization Expense - Intangible Assets (B-2, Column (c), Acct 2690)	\$ -
57		Total Depreciation and Amortization Expenses (lines 53..56)	\$ 627,564
58		Total Plant Nonspecific Expenses (lines 49+50+51+52+57)	\$ 863,751

ANNUAL REPORT TO THE PUBLIC UTILITY COMMISSION OF OREGON FOR THE YEAR ENDING DECEMBER 31, 2017

OREGON - IDAHO UTILITIES, INC.

		<b>I-1. INCOME STATEMENT</b>	
Line No.	Account No.	Description (a)	Total Amount During the Year (b)
59	6610-6613	Marketing Expenses	\$ 191,323
60	6620	Services Expenses	\$ 191,323
61		<b>Total Customer Operations Expenses (lines 59-.60)</b>	<b>715,770</b>
62	6720	General and Administrative Expense	\$ 2,659,635
63	6790	Less: Provision for Uncollectible Notes Receivable	\$ 988,788
64		<b>Total Operating Expenses (lines 46+58+61+62-63)</b>	<b>2,659,635</b>
65		<b>Net Revenue (line 19 less line 64)</b>	<b>988,788</b>
<b>Other Income and Expenses</b>			
66	7100	Other Operating Income and Expenses	\$ -
67	7210	Operating Investment Tax Credits - Net	\$ 277,867
68	7220	Operating Federal Income Taxes	\$ 71,290
69	7230	Operating State and Local Income Taxes	\$ 118,841
70	7240	Operating Other Taxes	\$ (86,000)
71	7250.1	Provision for Deferred Operating Federal Income Tax - Net	\$ (12,000)
72	7250.2	Provision for Deferred Operating State Income Tax - Net	\$ 369,998
73		<b>Net Operating Taxes (lines 67-.72)</b>	<b>618,790</b>
74		<b>Net Operating Income (lines 65+66-73)</b>	<b>(13,707)</b>
75	7300	Nonoperating Income and Expenses	\$ 29,847
76	7400	Nonoperating Taxes	\$ -
77	7500	Interest and Related Items	\$ 20,430
78	7600	Extraordinary Items	\$ -
79	7910	Income effect of jurisdictional ratemaking difference - Net	\$ 595,666
80	7990	Nonregulated Net Income	\$ -
81		<b>Net Income (lines 74+75+78+79+80-76-77)</b>	<b>595,666</b>
<b>I-2. FULL-TIME EMPLOYEES</b>			
1		Management Employees (Regulated Activities)	5
2		Nonmanagement Employees (Regulated Activities)	10
3		Employees Allocated From or Paid by Affiliated Companies (Regulated Activities)	0
4		<b>Total Full-Time Employees (lines 1-.3 - Regulated Activities)</b>	<b>15</b>