1. How does the reduction in the corporate Federal Income Tax rate from 35% to 21% due to the Tax Cuts and Jobs Act of 2017 (TCJA) affect the company’s federal tax obligations for calendar year 2018 and subsequent tax years? Please quantify your response as to the effect on both current and deferred tax obligations for 2018 and subsequent tax years.
2. Are there any implementation plans based on the TCJA that will impact the company at the holding company level and flow through to the Pennsylvania affiliate? If yes, please explain. If not, please explain why not.
3. If the impact of the TCJA is a reduction in the company’s tax obligation, will it be flowed through to the company’s retail and wholesale telecommunications services customers, including those who purchase intrastate telecommunications services? If so, please explain how the company will flow through a reduction in its tax obligation to customers, including the methodology to be used to compute the reduction, the rate mechanism to accomplish the reduction, the rate reduction effect on your company’s regulated intrastate services for both retail and wholesale customers, and the method of computing the jurisdictional allocation of such reduction.
4. If the company intends to flow through to its customers a reduction in the company’s tax obligation under the TCJA and the company provides intrastate services that have received a competitive classification under Pennsylvania law, please explain how the company will allocate any TCJA tax cut benefits to these competitive services and whether such an allocation will be uniform in nature for all services that have been classified as competitive.
5. If the company intends to retain the benefit of any tax rate reductions associated with the TCJA, please specify how the company intends to use these funds. Please explain whether the potential retention of such tax reduction benefits will differ among the intrastate, interstate, and unregulated services of your company and please explain the reasons for such differences, including appropriate references to the system of accounts utilized by your company as applicable.
6. If the company operates under a Chapter 30 Alternative Regulation Plan, does the plan contain any provisions, such as an “exogenous events” clause or change in law provision, that would recognize a substantial change in law such as the TCJA? If yes, please explain whether the “exogenous events” clause or change in law provision applies to both positive and negative effects on the company, including any positive and negative effects from the TCJA. Provide the docket number and most recent approval date of your Chapter 30 plan and a copy of the relevant provisions from your company’s most recent Chapter 30 plan in effect.
7. Does the company reflect changes in state taxes, up or down, while operating under authority of its Chapter 30 plan for its regulated intrastate services? If yes, could this also apply to changes in federal taxes, up or down? Please fully explain.
8. If the company operates under a Simplified Rate Making Plan, please specify whether the company will be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services.
9. Does the company provide wholesale services pursuant to Interconnection Agreements (ICAs) and/or tariffs? Are these ICAs or tariffs cost-based (using TELRIC or other cost models)? If yes, do the ICAs or tariffs for these wholesale interconnection services provide for rate adjustments to account for subsequent positive or negative effects on costs, including the effects of the TCJA? How, if at all, will the recurring and non-recurring rates, e.g., for unbundled network elements (UNEs), be affected by these tax changes from the TCJA?
10. Are there any other rate elements in the company’s operations that remain cost-based? If yes, please identify the rate elements and the impact of the TCJA on those elements.
11. Will the TCJA tax cut affect wholesale interconnection rates that are applicable between your company and other entities under “commercial interconnection agreements” that may not have been filed with the Commission under applicable law? If yes, please explain in what manner.
12. Will the TCJA tax cut modify rates that are applicable between your company and any affiliated entities, e.g., wholesale interconnection rates between your company and a wireless affiliate? If yes, please explain in what manner.
13. Does the company have any Net Operating Losses (NOL) as of December 31, 2017? If yes, please quantify the impact of the TCJA for your company’s intrastate regulated services and operations and please explain how this impact has been or is jurisdictionally allocated with respect to your company’s interstate and unregulated services and operations.
14. Does the company have any Deferred Tax Liabilities as of December 31, 2017? If yes, please quantify the impact of the TCJA for your company’s intrastate regulated services and operations and please explain how this impact has been or is jurisdictionally allocated with respect to your company’s interstate and unregulated services and operations.
15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.
16. Does the company have any affiliates subject to state public utility/service commission regulation that are operating in other jurisdiction(s), including the interstate jurisdiction, where rates are designed using a methodology other than rate base/rate of return? If yes, please identify the following: (1) the jurisdiction; (2) the ratemaking methodology used or rate/pricing standard(s) that apply; and (3) any action taken in the jurisdiction(s) by either the company or a regulatory agency in exploration of or response to the impact of the TCJA.