Pennsylvania Telephone Association

"The Communications Leader in Pennsylvania"

May 25, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Tax Cuts and Jobs Act of 2017 – Docket No. M-2018-2641242

Dear Secretary Chiavetta:

Please find enclosed the Comments of the Pennsylvania Telephone Association (PTA) and the individual responses to the Pennsylvania Public Utility Commission (PUC) Data Requests of the following PTA Member Companies in the above referenced docket.

Armstrong Telephone Company – North		Pennsylvania Telephone Company
Armstrong Telephone Company – Pennsylvania		Pymatuning Independent Telephone Company
Bentleyville Telephone Company		South Canaan Telephone Company
Citizens Telephone Company of Kecksburg		TDS Telecom/Mahanoy & Mahantango Telephone
Consolidated Communications of PA Co.		TDS Telecom/Sugar Valley Telephone Company
Hickory Telephone Company		The United Tele. Co. of PA LLC d/b/a CenturyLink
Ironton Telephone Company		Venus Telephone Corporation
Lackawaxen Telecommunications Services, Inc.		Windstream Buffalo Valley, Inc.
Laurel Highland Telephone Company		Windstream Conestoga, Inc.
Marianna & Scenery Hill Telephone Company		Windstream D&E, Inc.
The North-Eastern PA Telephone Company		Windstream Pennsylvania
North Penn Telephone Company		Yukon-Waltz Telephone Company
Palmerton Telephone Company		

The PTA appreciates the extension granted by the PUC in its Secretarial Letter dated March 26, 2018 and stands ready to answer any questions regarding the enclosed documents.

Sincerely,

Steven J. Samara

30 North Third Street, Suite 300 ● Harrisburg, PA 17101
717-238-8311 ● Fax: 717-238-5352 ● steve.samara@patel.org

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The Tax Cuts and Jobs Act of 2017	**:**	**Docket No. M-2018-2641242**

COMMENTS OF THE
PENNSYLVANIA TELEPHONE ASSOCIATION

I. Introduction

The Pennsylvania Telephone Association ("PTA"),[1] on behalf of its member companies,[2] submits these Comments in response to the Commission's Secretarial Letter dated March 2, 2018, inviting comments addressing the impact of the federal Tax Cuts and Jobs Act of 2017 ("TCJA") on Pennsylvania telecommunications carriers for 2018 and future years.[3] In addition to the specific data requests directed to Pennsylvania's incumbent local exchange carriers ("ILECs"), the Secretarial Letter also solicited input on:

[1] The PTA is the state's oldest trade organization for the local exchange carrier industry serving largely in rural portions of the Commonwealth of Pennsylvania. PTA represents nearly 30 telecommunications companies that provide a full array of services over wire line networks. PTA members support the concept of universal service and are leaders in the deployment of advanced telecommunications capabilities.

[2] PTA is representing the following member companies (with their PUC utility codes in parentheses) which have not filed comments individually on this topic: Armstrong Telephone Company – North (312650); Armstrong Telephone Company – Pennsylvania (312350); Bentleyville Communications Company (310250); Citizens Telephone Company of Kecksburg (310650); Consolidated Communications of Pennsylvania Company, LLC (31550); Hancock Telephone Company (311500); Hickory Telephone Company (311550); Ironton Telephone Company (311650); Lackawaxen Telecommunications Services, Inc. (311700); Laurel Highland Telephone Company (311800); Marianna & Scenery Hill Telephone Company (312000); The North-Eastern Pennsylvania Telephone Company (312450); North Penn Telephone Company (312500); Palmerton Telephone Company (312700); Pennsylvania Telephone Company (312750); Pymatuning Independent Telephone Company (312800); South Canaan Telephone Company (3115916); TDS Telecom/Deposit Telephone Company (311100); TDS Telecom/Mahanoy & Mahantango Telephone Company (311950); TDS Telecom/Sugar Valley Telephone Company (313100); The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink (313200); Venus Telephone Corporation (313400); West Side Telephone Company (313600); Windstream Buffalo Valley, Inc. (310369); Windstream Conestoga, Inc. (310850); Windstream D&E, Inc. (311050); Windstream Pennsylvania, LLC (312050); and Yukon-Waltz Telephone Company (313650) (collectively referred to herein as the "PTA Companies").

[3] By Secretarial Letter dated March 26, 2018, the Commission granted an extension until May 25, 2018 for the PTA and its member companies to submit comments and responses to the data requests propounded by the Commission.

(1) all provisions, under either Chapter 30, the telecommunications carriers' alternative regulation plans, or any other provision of the Public Utility Code and Commission regulations addressing the carriers' or the Commission's ability to adjust customer rates to account for the tax changes, including the rate reductions in the TCJA;

(2) whether the Commission should adjust current retail and wholesale rates to reflect the effect of the tax rate reductions;

(3) if so, the appropriate negative surcharge or other methodologies that would permit immediate modifications to consumer rates; and

(4) whether the surcharge or other methodology should provide that any refunds to customers due to these tax rate reductions be effective as of January 1, 2018.

As discussed in more detail below, the Commission must refrain from requiring the PTA Companies to reduce retail or wholesale rates in response to the change in federal corporate income tax rate due to the passage of the TCJA. Unlike other Commission-regulated utilities, the PTA Companies are regulated under an alternative streamlined form of regulation found in Chapter 30 of the Public Utility Code and approved by the Commission in the PTA Companies' Chapter 30 Plans.[4] Chapter 30 and the Commission-approved Chapter 30 Plans are a complete substitution for traditional rate base/rate of return regulation and are the *exclusive* basis upon which the PTA Companies' noncompetitive rates are regulated. Nothing contained in Chapter 30 or these plans

[4] Three PTA member companies – Hancock Telephone Company ("Hancock"), TDS Telecom/Deposit Telephone Company ("Deposit"), and West Side Telephone Company ("West Side") – are multi-jurisdictional incumbent local exchange companies with the vast majority of their operations in jurisdictions other than Pennsylvania and, thus, have been granted waivers of their respective obligations to file an alternative regulation plan and network modernization plan pursuant to Chapter 30 of the Public Utility Code. *See Petition of Hancock Telephone Company for Waiver of §§ 3003 and 3006 of Chapter 30 of the Public Utility Code (66 Pa. C.S. §§3003 and 3006)*, Docket No. P-00981445 (Order entered Nov. 8, 1999); *Petition of West Side Telephone Company d/b/a West Side Telecommunications for Waiver of §§ 3003 and 3006 of Chapter 30 of the Public Utility Code (66. §§3003 and 3006)*, Docket No. P-00001809 (Order entered June 21, 2001); *Petition of Deposit Telephone Company, Inc. for Waiver of Sections 3003 and 3006 of Chapter 30 of the Public Utility Code*, Docket No. P-00032044 (Order entered Sept. 5, 2003). These companies do not have any switching facilities in Pennsylvania and only have a combined 275 access lines across the state. In light of their extremely limited telecommunications operations in Pennsylvania, PTA submits that it would be administratively inefficient, unduly burdensome, and cost prohibitive to require Hancock, Deposit, or West Side to provide specific responses to the Commission's data requests at Docket No. M-2018-2641242.

requires the PTA Companies to adjust customer rates or authorizes the Commission to mandate retail and wholesale rate adjustments or impose negative surcharges or other methodologies, in order to account for presumed, potential tax savings which might result from the TCJA.

Any attempt to revert to some form of rate base / rate of return regulation through retail and wholesale rate adjustments due to the TCJA would run completely afoul of Chapter 30, as amended by Act 183 in 2004. Act 183 explicitly states that nothing in Chapter 30 shall "limit the requirement of section 1301…that rates shall be just and reasonable." 66 Pa.C.S. § 1315(g). However, Act 183 does not authorize the Commission to recklessly misapply Section 1301 to eviscerate the General Assembly's long-standing commitment to alternative regulation in the Commonwealth of Pennsylvania.

For twenty-five years, Pennsylvania's rural telecommunications carriers have been operating under some form of streamlined alternative regulation. For the PTA Companies with price cap plans and models, those alternative regulation plans – and notably the exogenous events language in those plans – are the only lawfully recognized means by which to modify rates based upon qualifying events not included in the pricing model. This exogenous events language also applies to the smaller PTA Companies who, while not subject to a price cap model form of alternative regulation, are not equivalent to the gas, electric, and water utilities which routinely file base rate cases, and thereby the effort required and likely negligible end result do not justify the use of Section 1301 of the Public Utility Code to mandate rate adjustments relative to the TCJA. Any proposition which would espouse that Section 1301 somehow permits Commission authority and discretion to reverse course and enter a self-inflicted morass of trying to quantify speculative and presumed impacts of the TCJA and then somehow applying whatever might result "as if" telecommunications carriers continue to have base rate cases will most certainly handicap

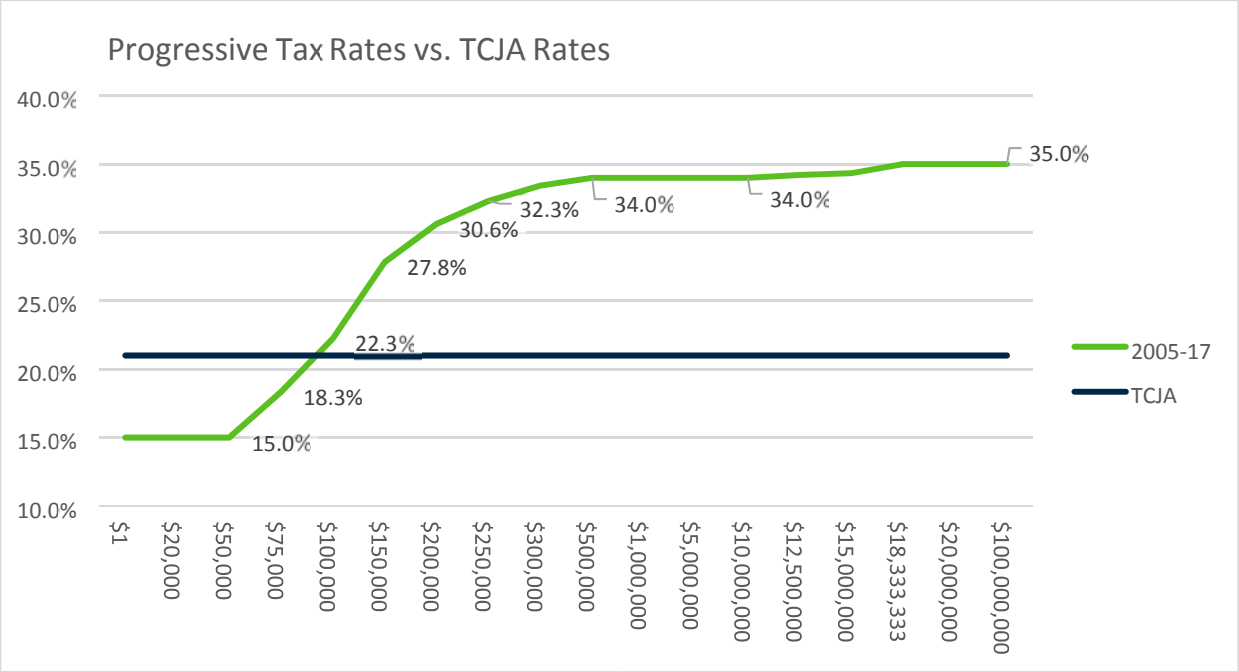
Pennsylvania's rural telecommunications carriers in the marketplace and will needlessly encumber precious Commission resources. These outcomes, PTA respectfully submits, are directly contrary to the alternative regulation scheme envisioned by the General Assembly.

PTA appreciates the opportunity to submit written comments, but implores the Commission to recognize that the PTA Companies must be regulated in strict conformance with Chapter 30 and their Commission-approved plans. PTA further stresses that any positions seeking to misapply Section 1301 in the context of the TCJA would be a costly, time-consuming, and ill-placed effort to undermine the inroads made over the last twenty-five years by the General Assembly. Accordingly, consistent with the General Assembly's move away from traditional rate base / rate of return regulation under Chapter 30 and then Act 183, the Commission should find as to the PTA Companies: (1) that requiring the PTA Companies to undertake an examination of the impact of the TCJA and then directing the PTA Companies to potentially adjust rates downward and/or impose negative surcharges or other mechanisms as a result of such tax changes constitutes an impermissible reversion to rate base / rate of return regulation in direct contravention of Chapter 30 of the Public Utility Code and the PTA Companies' Chapter 30 Plans; (2) that the TCJA does not in and of itself qualify as an exogenous event; and (3) that the TCJA does not warrant application of Section 1301 of the Public Utility Code.

In addition, the TCJA impacts various aspects of federal tax calculations beyond the much-publicized tax rate change. State taxes also could be impacted by the TCJA. The TCJA impacts, therefore, cannot be determined in advance, are not readily quantifiable as there are many facets that are yet-to-be distilled and then determined, and thus cannot be *presumed* to result in tax savings at this time. The PTA Companies are not subject to regular base rate cases like the traditional gas, electric, water, and waste water utilities.

II. Quantifying the Impact of TCJA is not a Simple Proposition

As a threshold matter, PTA observes that quantifying the impact of the TCJA, including any potential tax savings or benefits, remains a complex undertaking as the TCJA remains a relatively recent law that can have wide ranging impacts on companies. There are many moving parts to consider when evaluating the impact of the TCJA. Media sound bites have misled the public into believing that this is solely a simple 14% tax reduction for corporations. This is the reduction in the corporate Federal Income Tax ("FIT") rate from 35% to 21%. This 35% tax rate, however, only applies to companies with Federal Taxable Income in excess of $18,333,333 annually. Prior to 2018, the FIT rate was calculated using a progressively higher tax rate as the amount of corporate taxable income increased. For example, a corporation with taxable income of $75,000 paid only an 18.3% effective tax rate. A corporation with $90,500 of taxable income paid 21.0% in 2017, the same rate it will pay in 2018. The graph below illustrates the progressive nature of the pre-TCJA tax rates at various levels of federal taxable income in comparison to the TCJA's flat tax rate. This is especially important to the PTA's smallest companies as further described in the Simplified Ratemaking section of these comments.



Moreover, the assumption that TCJA would result in decreased state corporate income taxes may not be accurate. The Pennsylvania Department of Revenue ("DOR") issued a policy change in their Bulletin 2017-02, reversing their prior administrative position on bonus depreciation. Under current Pennsylvania law, any deduction for bonus depreciation taken under Section 168(k) of the Internal Revenue Code must be added back in the calculation of Pennsylvania Corporate taxable income. The DOR's prior administrative position allowed companies to fully depreciate the asset in the same year in which federal depreciation was completed. This is especially important when considering 100% bonus depreciation where assets are expensed in year-one for federal income tax purposes. Based on the prior DOR guidance, this asset would also be expensed in year one for state income tax purposes (since the federal depreciation was completed). Under DOR Bulletin 2017-02, state depreciation would not be completed until the asset is disposed of, increasing state taxable income until disposition. This is a significant issue for capital intensive industries like telecommunications, and further illustrates the complexities involved in projecting the impact of TCJA. Adding to the uncertainties surrounding the impact of the TCJA, legislation is pending

before the Pennsylvania General Assembly addressing the DOR policy regarding bonus depreciation.

III. Chapter 30 Alternative Regulation

Twenty-five of the PTA Companies are subject to an alternative form of regulation under Chapter 30 of the Public Utility Code and their respective streamlined regulation plans (commonly referred to as the "Chapter 30 Plans").[5] All plans contain a price stability component which sets forth the principles and procedures applicable to changes in the companies' rates which would otherwise be governed by the ratemaking methodology set forth in Chapter 13 of the Public Utility Code. Chapter 30 and the Chapter 30 Plans expressly supersede traditional rate base/rate of return regulation under Chapter 13 and are the exclusive basis upon which the PTA Companies' noncompetitive rates can be regulated.

While the individual company Chapter 30 Plans may differ, there are two basic forms of alternative regulation available to each of the PTA Companies. The first form is a Price Stability Mechanism, which is a type of price cap regulation. The second is a Simplified Ratemaking Plan. *Both* forms of alternative regulation are a complete substitution for traditional rate base/rate of return regulation. The Chapter 30 Plans govern the way in which the Companies make changes to prices for their non-competitive services. Competitive services are not subject to rate regulation and are outside the scope of Chapter 30 Plans and this proceeding.

All the PTA Companies' Chapter 30 Plans were approved by orders of the Commission and include essentially the same terms and provisions for alternative regulation under Chapter 30

[5] Hancock, Deposit, and West Side have received waivers of their respective obligations to file an alternative regulation plan and network modernization plan pursuant to Chapter 30 due to their nominal presence in Pennsylvania. *See* fn. 4 *supra*.

of the Public Utility Code, with some nuances not germane to the comments herein. The following table provides a list of PTA Companies with Chapter 30 plans and pertinent details related thereto:

Company Name	**Docket Number**	**Most Recent Amendment / Approval Date**	**PSM or SRP**
Armstrong Telephone Company – Pennsylvania	P-00981425	6/3/2005	SRP
Armstrong Telephone Company – North	P-00981426	6/3/2005	SRP
Bentleyville Communications Corporation (*formerly Bentleyville Telephone Company*)	P-00981427	7/10/2015 (at P-2015-2480769)	PSM
Citizens Telephone Company of Kecksburg	P-00971229	11/24/2014 (at P-2014-2407041)	PSM
Consolidated Communications of Pennsylvania Company LLC (*formerly North Pittsburgh Telephone Company*)	P-00981437	6/3/2005	PSM
Hickory Telephone Company	P-00981431	11/24/2014 (at P-2014-2420088)	PSM
Ironton Telephone Company	P-00971182	4/23/2014 (at P-2014-2407033)	PSM
Lackawaxen Telecommunications Services Inc. (*formerly Lackawaxen Telephone Company*)	P-00981432	11/24/2014 (at P-2014-2420135)	PSM
Laurel Highland Telephone Company	P-00981433	6/23/2005	SRP
Marianna & Scenery Hill Telephone Company	P-00981434	7/10/2015 (at P-2015-2480771)	PSM
North Penn Telephone Company	P-00981436	6/3/2005	SRP
North-Eastern Pennsylvania Telephone Company	P-00981435	11/24/2014 (at P-2014-2420108)	PSM
Palmerton Telephone Company	P-00981438	6/23/2005	SRP
Pennsylvania Telephone Company	P-00981439	6/23/2005	SRP
Pymatuning Independent Telephone Company	P-00981440	6/3/2005	SRP
South Canaan Telephone Company Inc.	P-00981441	6/3/2005	SRP
TDS Telecom/Mahanoy & Mahantango Telephone Company	P-00961115	6/3/2005	PSM
TDS Telecom/Sugar Valley Telephone Company	P-00961116	6/3/2005	PSM
The United Telephone Company of Pennsylvania LLC (d/b/a CenturyLink)	P-00981410	6/23/2005	PSM
Venus Telephone Corporation	P-00981442	6/23/2005	SRP
Windstream Buffalo Valley, Inc. (*formerly Buffalo Telephone Company*)	P-00981428	6/3/2005	PSM

Windstream Conestoga, Inc. (*formerly Conestoga Telephone and Telegraph Company*)	P-00981429	6/3/2005	PSM
Windstream D&E, Inc. (*formerly Denver & Ephrata Telephone and Telegraph Company*)	P-00981430	6/3/2005	PSM
Windstream Pennsylvania, LLC (*formerly ALLTEL Pennsylvania Inc.*)	P-00981423	6/23/2005	PSM
Yukon-Waltz Telephone Company	P-00981443	6/23/2005	SRP

a. Price Stability Mechanism ("PSM")

Under the Company's Chapter 30 Plans, the PSM[6] replaces rate of return regulation. Instead of using expenses and return on investment to set rates, the PSM companies may change rates based on the rate of inflation. Each year these companies calculate their allowable rate increase using the growth in the Gross Domestic Product Price Index ("GDP-PI"). The Price Stability Index ("PSI") measures the allowable rate changes on a cumulative basis and establishes the authorized (*i.e.* highest) rates a company can charge for noncompetitive rates. At the time each company elected PSM regulation, its initial PSI was set to 100.00. Each year the PSI is revised to reflect the change in GDP-PI and impact of any "exogenous event" (discussed later in these comments).

The Company's actual rate level is measured by the Service Price Index ("SPI"). At the time each Company elected PSM regulation, the SPI was also set to 100.00. So long as the actual rate index (SPI) remains less than or equal to the authorized maximum rate index (PSI), the

[6] Some plans refer to the PSM as the Price Stability Plan. The Price Stability Plan and Price Stability Mechanism are functionally equivalent when it comes to measuring authorized and actual rates. To avoid confusion, PTA refers to these as the Price Stability Mechanism or PSM.

Company may initiate rate changes[7] in non-competitive services. The SPI only changes when a Company makes a filing to change its rates.

b. Simplified Ratemaking Plan (SRP)

Like the PSM mechanism, the Simplified Ratemaking Plan (SRP) governs changes in rates which would otherwise be governed by the traditional ratemaking methodology set forth in Chapter 13 of the Public Utility Code. Rate increases for noncompetitive services can be sought so long as the Company's return on common equity capital does not exceed its cost of common equity capital.[8] To date, very few SRP rate filings have been initiated by the PTA Companies. Complaints or other challenges can only be brought forward "if the Company's jurisdictional earnings … result in a return on jurisdictional common equity capital in excess of its cost of common equity capital…."[9] As a result, a complaint against an SRP company cannot be filed solely because the company has not implemented any rate changes following the enactment of the TCJA.

Many of the smallest PTA members are regulated under the SRP. These SRP companies serve a total of 19,073 access lines out of the approximately 4.7 million lines[10] in Pennsylvania, or, on average, approximately 1,900 lines per SRP company.

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[7] These rate changes remain subject to certain other consumer safeguards included in the Chapter 30 Alternative Regulation Plans such as limits on the number of filings per year and the amount of the rate increase on a per-line basis.

[8] *See*, *e.g.*, Amended Streamlined Form of Regulation and Network Modernization Plan of Palmerton Telephone Company, Docket No. P00981438F1000 (amended March 4, 2005) ("Palmerton Plan"). The Palmerton Plan is used as an example for purposes of these Comments and provides a representative sampling of the language found in nearly all of the PTA Companies' Chapter 30 Plans.

[9] Palmerton Plan at 22.

[10] *Re: Recalculation of the Pennsylvania Telecommunications Relay Service Surcharge*, Docket No. M-20172582552; M-00900239.

c. The Exogenous Events Clause under the Chapter 30 Plans

Exogenous events are positive or negative changes in the Company's revenues or expenses as defined in the Chapter 30 Plans of the PTA Companies.[11] This clause applies to both PSM and SRP companies. The plans for the PTA Companies – as well as for Verizon North –include language similar to the following excerpt regarding the application of exogenous events:

> *11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitations specified herein, the Company, OTS, OCA, OSBA,, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:*
>
> *a. Jurisdictional shifts in cost recovery where interstate revenues actually change;*
> *b. Subsequent regulatory and legislative changes (state & federal) which affect revenue and/or costs, to the extent not captured in GDP-PI; and*
> *c. Unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.*
>
> *The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or a net recipient from such fund. Conversion of the Company from average schedule settlements to a cost based or other format shall be qualifying exogenous events. Any change to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription [footnote omitted]. Exogenous revenue changes shall be flowed through on a dollar for dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar for dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of*

[11] *See*, *e.g.*, Palmerton Plan at 11.

> *earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of related taxes. The "75 day procedure," as recited above in paragraph 10, shall apply to such exogenous events.*[12]

The Commission has already determined that corporate income tax rate changes - like the TCJA at issue herein – are not a qualifying exogenous event.[13] Nothing in the TCJA warrants a departure from this determination. For that reason alone, the tax changes from the TCJA are not exogenous events under the PTA Companies' Chapter 30 Plans.

Should the Commission decide to reconsider its determination (and PTA submits that it should not), it would have to consider whether the potential reduction in taxes from the TCJA would be a change that qualifies based upon the three exogenous events criteria set out in the excerpt above. A plain reading of that text should demonstrate that the TCJA is ***not*** an exogenous event. The TCJA clearly does not create a jurisdictional shift in cost recovery (criteria (a)), nor is it a change unique to the telephone industry (criteria (c)). That leaves only criteria (b) – subsequent regulatory and legislative changes (state & federal) which affect revenue and/or costs, to the extent not captured in GDP-PI – as a possible basis for invoking the exogenous events clause in the Chapter 30 Plans.

Three prongs must be met for the TCJA to satisfy (b) above. *First*, the TCJA must meet the definition of a federal legislative change. PTA does not dispute this is true.

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[12] Palmerton Plan at 14-15; *see also id.* at 25 (regarding recognition of exogenous events in the context of SRP filings).

[13] *Re: Bell Atlantic – Pennsylvania, Inc.'s Petition and Plan for Alternative Form of Rate Regulation Under Chapter 30*, Docket No. P-00930715; P-00930715C001; and P-00930715C002 (Order entered June 28, 1994), slip op. at 114-122 ("*Bell PA Ch. 30 Proceeding*"); *see also* Comments and Data Responses of Verizon Pennsylvania LLC and Verizon North LLC, Docket No. M-2018-2641242 (filed March 27, 2018) at 6-9 (discussing the Commission's disposition of the issue in its June 28, 1994 Order in the *Bell PA Ch. 30 Proceeding*).

Second, although not quantified at this time, there would need to be an impact on a company's revenues and/or costs. And, for some companies, there is no near-term impact on revenues and/or expenses.[14] For incorporated corporations ("C-Corp"), the impact of the TCJA on corporate income tax expense is uncertain due to the complex provisions of the TCJA as well as the corporate filing structures of those companies. Certain C-Corp companies may file on a consolidated basis with its parent company and other affiliates. Also, the TCJA has provisions impacting multi-national companies for which guidance has yet to be issued. However, pass through entities like Partnerships, Subchapter S-Corporations, and Limited Liability Companies that elect to be treated as pass through entities would not experience any change in corporate taxes from the TCJA. As such, the TCJA could not qualify as an exogenous event for those companies and could only be further considered as a possible exogenous event in the context of C-Corps.

Third, the change impacting revenue and/or costs cannot be captured in GDP-PI. It is the last prong where the TCJA fails to qualify as an exogenous event for any remaining PTA Companies. Notwithstanding the fact that the Commission has already agreed that the cost impacts arising from one-time changes in corporate tax rates are captured in the GDP-PI inflation index,[15] changes in federal corporate tax rates are applicable to firms throughout the economy and thus are **included in GDP-PI**.

GDP-PI measures the changes in prices of goods and services that are included in the U.S. Gross Domestic Product. To create a relative measure of the growth in GDP-PI, current prices are compared to "base year" prices[16] for the same goods and services. GDP-PI is calculated as follows:

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[14] *See* Frontier Communications Comments (filed March 27, 2018).

[15] *See Bell PA Ch. 30 Proceeding* at 114 and 120-22.

[16] *See* Bureau of Economic Analysis, U.S. Department of Commerce *available at* https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=4.

$$\textit{Price Index in 2018} = \frac{\textit{Price of Representative Market Basket x 2018 Prices}}{\textit{Price of Representative Market Basket x Base Year Prices}} \textit{ x 100}$$

Should expenses be reduced across the economy, prices are lowered in the national economy, which, in turn, leads to a lower GDP-PI. Thus, treating the TCJA as an exogenous event would result in doubling the financial impact on the PTA Companies – once through a lower GDP-PI and a second time by implementing the change based on the Companies' specific tax circumstances.

Furthermore, as previously discussed, the SRP companies operate under a form of regulation which is a complete substitution for traditional rate base/rate of return regulation. Unlike other rate of return regulated industries (*e.g.*, electric, gas, water), the Commission historically used residual ratemaking to set prices for regulated telephone service. Residual pricing is a tariff pricing mechanism used by utility regulators in the monopoly environment in which access and toll rates, as well as vertical local services, are priced at rates well above their costs, but at prices that the market will bear, in order to keep basic local exchange telephone service rates affordable. This has long been the practice in Pennsylvania, as the Commission recognized in its 1999 *Global Order*[17] at Docket Nos. P-009914648 and P-00991649.[18] That same proceeding saw the PTA Companies increase their residential local rates to $10.83. This increase in rate was not based on the Companies' specific costs and rate bases, but instead was designed to mirror the Bell Atlantic-Pennsylvania rate of $10.83 per line.[19] Further local rate increases were implemented within the parameters of revenue neutral rate rebalancing and the PUC's local rate ceiling

[17] *Joint Petition of Nextlink Pennsylvania, Inc. et al.*, 93 Pa P.U.C. 172 (Opinion and Order entered Sept. 30, 1999), 196 P.U.R.4th 172, *aff'd sub nom. Bell Atlantic-Pennsylvania, Inc. v. Pa. PUC*, 763 A.2d 440 (Pa. Cmwlth. 2000) *vacated in part sub nom. MCI Worldcom Inc. v. Pa. PUC*, 844 A.2d 1239 (Pa. 2004) (state court lacked jurisdiction to review unbundled network elements decision) ("*Global Order*").

[18] *Global Order*, slip op. at 15.

[19] *Id.* at 145, 152, 199 n.191.

limitations.[20] Intrastate traffic sensitive switched access rates were changed in the Global proceeding to mirror the interstate rates. For the SRP companies, this meant mirroring the NECA tariff which is developed using nationwide revenue requirements and demand.[21] Intrastate terminating switched access rates still mirror interstate terminating rates in compliance with FCC rules. Local and switched access services represent a significant portion of the SRP companies' tariffed services, yet they are not based on company-specific costs. Consequently, requiring Pennsylvania's smallest ILECs to revise rates as a result of a *potential* change in costs is wholly inappropriate when (1) that change is not an exogenous event and (2) the rates in question are not based on actual costs.

IV. Assuming *Arguendo* the TCJA Is Deemed an Exogenous Event, Implementing that Concept would be a Meaningless Exercise.

For the reasons addressed above, the TCJA is not an exogenous event. If the Commission were to somehow find that the TJCA is a qualifying exogenous event, immediate rate adjustments or customer refunds would not necessarily follow under the Chapter 30 Plans. As previously addressed in Section III (a) above, the PSI measures the authorized rate level and is increased or decreased based upon the impact of an exogenous event. The language may vary from plan to plan, but the PSI calculation generally follows the following basic formula:[22]

$$\text{New PSI} = \text{Current PSI}\ (1 + \%\ \Delta\ \text{GDP-PI} - X \pm Z)$$

Where:

[20] *Id.* at 201.

[21] *See id.* at 48-55.

[22] *See generally* Palmerton Plan at 11.

New PSI	The new allowed maximum change in price for the noncompetitive service category based on the cumulative price cap through the current twelve-month period.
Current PSI	The current allowed maximum change in price for the noncompetitive service category based on the cumulative price cap through the previous twelve-month period. *[footnote omitted]*
% Δ GDP-PI	The percentage change in Gross Domestic Product Price Index based on the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year (September 30th).
X	Productivity Offset = Zero
Z	The effect of any exogenous changes. Exogenous changes are positive or negative changes in the Company's revenues or expenses as defined in the Plan.

If, following any negative adjustment for the TCJA, a company's PSI is still higher than its SPI (measure of actual rates), the company would not be required to implement any rate reduction. For illustration purposes, consider a company with $1,000,000 of intrastate revenue, a PSI of 125, and an SPI of 100. If this company experienced a $100,000 savings due to the TCJA **and** the Commission determined these savings to be an exogenous event, no rate change would be required. The 'Z' adjustment would be minus 10 (-10) based on a $100,000 reduction divided by $1,000,000 in revenue and would be subtracted from the existing PSI to arrive at a new PSI of 115 (125 – 10). Because the company's actual rate index is lower than the PSI (authorized rate level), no rate changes would be required under the company's Chapter 30 plan. Therefore, the concept of the TCJA constituting an exogenous event does not automatically translate to rate changes under the PTA Companies' Chapter 30 plans.

V. Assuming *Arguendo* the TCJA Is Deemed an Exogenous Event and Rate Changes Were Required, Rate Changes Should Be Prospective Only and Should Not Be Implemented Through the State Tax Adjustment Surcharge ("STAS") Mechanism

The Simplified Ratemaking Plan methodology approved by the Commission already addresses whether those companies remaining on SRP regulation should implement any rate changes retroactively. As noted in the SRP:

> Noncompetitive rates are only subject to an excess earnings complaint or other challenge if the Company's jurisdictional earnings as calculated using the applicable procedure set forth in Schedule A or B result in a return on jurisdictional common equity capital in excess of its cost of common equity capital as calculated above. Upon a successful complaint or other challenge, **rates may change prospectively only**.[23]

Should the Commission conclude that there is a requirement to flow through savings from the TCJA to customers, the Chapter 30 Plans already have mechanisms in place to allow companies to reduce rates through tariff filings. Tariff filings can be submitted based on the individual needs and unique circumstances of each company. This flexibility must be maintained in lieu of more rigid measures like the STAS. In fact, the STAS mechanism is not a valid vehicle to implement a change in **federal** tax rates.

The PTA Companies reflect changes in certain, specific state tax **rates**, up or down, while operating under authority of their Chapter 30 Plans. This is done in compliance with 52 Pa. Code § 69.51, which defines the STAS as follows:

> The surcharge implemented under the State Tax Adjustment Procedure Order of the Commission dated March 10, 1970, as amended, which permits utilities under its jurisdiction to recover portions of the Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers.

By its very definition, the STAS cannot be applied to changes in federal taxes. STAS is only available for changes to a very specific set of state tax rates. Federal corporate income tax rate changes do not fall into this definition. While changes in the Corporate Net Income Tax are

[23] Palmerton Plan at 22 (Plan B, Section B.(A).4.c.) (emphasis added).

included in the definition, further investigation demonstrates that this refers only to state corporate income tax rates. The state corporate net income tax rate remains unchanged, so the STAS cannot be used as a vehicle to pass TCJA tax savings through to consumers.

The obligations set forth in 52 Pa. Code § 69.51 date back to March 10, 1970. The STAS mechanism is available exclusively for changes which would "increase or decrease rates." *See* 52 Pa. Code § 69.52. As such, only rate changes for the four **state** taxes noted above are eligible to be included in the STAS rate. This is codified under 1 Pa. Code § 3.1(a)(9) (relating to contents of Code) as documents which are found to be general and permanent in nature as follows:

Exhibit A STATE TAX ADJUSTMENT PROCEDURE

BY THE COMMISSION, March 10, 1970:

By enactments at the end of 1969 and during February of 1970, the Legislature has retroactively increased the rates of three types of taxes paid by public utilities, and has imposed a new tax upon real estate of public utilities, as follows:

	Former Rates	*Present Rates*	*Increase*
Capital Stock Tax …	*6 Mills*	*7 Mills*	*1 Mill*
Corporate Net Income Tax …	*7.5%*	*12%*	*4.5%*
Gross Receipts Tax …	*20 Mills*	*45 Mills*	*25 Mills*
Realty Tax …	*None*	*30 Mills*	*30 Mills*

In sum, the STAS mechanism is only appropriate for a change in rates for the specific taxes outlined above.

VI. Conclusion

The competitive nature of the telephone industry already restricts the ability of the PTA Companies to increase local service rates. Impermissibly requiring the PTA Companies to adjust rates downward and/or impose negative surcharges or other mechanisms as a result of tax changes

from the TCJA would be in direct contravention of Chapter 30 of the Public Utility Code and the PTA Companies' Chapter 30 Plans. Under the alternative regulation Chapter 30 Plans, which were approved by this Commission and serve as a complete substitution to traditional rate-of-return regulation, tax changes fall outside the definition of a qualifying exogenous event. In fact, the Commission already considered this issue in conjunction with the very first alternative ratemaking plan proceeding.[24] Nothing in the TCJA warrants a departure from this practice. For the reasons set forth above, PTA respectfully submits that the Commission determine and find relative to the PTA Companies: (1) that requiring the PTA Companies to undertake an examination of the impact of the TCJA and then directing the PTA Companies to potentially adjust rates downward and/or impose negative surcharges or other mechanisms as a result of such tax changes constitutes an impermissible reversion to rate base / rate of return regulation in direct contravention of Chapter 30 of the Public Utility Code and the PTA Companies' Chapter 30 Plans; (2) that the TCJA does not in and of itself qualify as exogenous event; and (3) that the TCJA does not warrant application of Section 1301 of the Public Utility Code.

[24] *See Bell PA Ch. 30 Proceeding*, *supra*.

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The following questions pertain to the Tax Cut and Jobs Act signed into law on December 22, 2017:

1. How does the reduction in the corporate Federal Income Tax rate from 35% to 21% due to the Tax Cuts and Jobs Act if 2017 (TCJA) affect the company's federal tax obligations for calendar year 2018 and subsequent tax years?

   Response:

	Old Law	New Law	Change
Current Tax Obligation			
Taxable income	$62,711	$62,711	
	35%	21%	
	$21,949	$13,169	$8,780
Deferred Tax Obligation			
Summary of Temp. Differences	13,767	13,767	
	31.50%	18.90%	
	$4,337	$2,602	$1,735

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?

   Response: No - No change other than the reduced Tax Rate. Company is not electing to take Federal 100% bonus depreciation because of the state of Pennsylvania's lack of deduction.

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 telecommunication 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 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.

   Response: As noted in the responses above, the anticipated impact of the TCJA is an insignificant reduction in the company's tax obligations.

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.

Response: The company does not intend to pass on the reduction in the tax obligation as the expected savings are minimal.

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.

   Response: The company intends to use the savings for future operations and to offset the expected FCC mandate step down in the terminating access rates which will be effective July 3, 2018.

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.

   Response: The company does operate under a Chapter 30 Plan which contains an exogenous events clause that applies to both positive and negative effects on the company.

   Docket Number P-00981426F1000
   Most recent approval date March 4, 2005

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.

   Response: No, the company does not reflect changes in state taxes.

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.

   Response: This is not applicable to the company.

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?

Response: Yes, for example the company provides switched access at a tariffed rate. The traffic could be based on old company cost studies, on other company's cost studies and/or on NECA cost based rate studies. There is no rate adjustment provided for. The TCJA will not affect the rates the recurring and non-recurring rates.

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.

    Response: No other elements remain cost based.

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.

    Response: No, the company does not have any commercial agreements.

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.

    Response: No modification to applicable rates.

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.

    Response: No – The company has no Net Operating Loss (NOL).

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.

Response:

	Old Law	New Law
Deferred Tax Assets		
Depreciation/Amortization	-$25,143	-$17,860
Acrrued employee benefits	$0	$0
Allowance for doubtful Account	$55	$38
Total Deferred Tax Assets	-$25,088	-$17,822
Deferred Tax Liabilities		
Depreciation/Amortization	$0	$0
Prepaid Expenses	$214	$149
Regulatory	$0	$0
Total Deferred Tax Liabilities	$214	$149
Net Deferred Tax (asset) liabilitie:	-$24,874	-$17,673

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

    Response: No – There are no other anticipated TCJA impacts.

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.

    Response: Yes, Armstrong Telecommunications Inc is an affiliated entity of the company.
    1. Jurisdiction: interstate & intrastate.
    2. Retail rates are market based. Wholesale rates are based on PUC and FCC rules.
    3. No action taken.

I, _____, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 PA. C.S. SS 4904 (relating to unsworn falsification to authorities

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF ARMSTRONG TELEPHONE COMPANY - NORTH FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981426F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF ARMSTRONG TELEPHONE COMPANY - NORTH

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

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The following questions pertain to the Tax Cut and Jobs Act signed into law on December 22, 2017:

1. How does the reduction in the corporate Federal Income Tax rate from 35% to 21% due to the Tax Cuts and Jobs Act if 2017 (TCJA) affect the company's federal tax obligations for calendar year 2018 and subsequent tax years?

   Response:

	Old Law	New Law	Change
Current Tax Obligation			
Taxable income	$5,775	$5,775	
	35%	21%	
	$2,021	$1,213	$809
Deferred Tax Obligation			
Summary of Temp. Differences	$179,896	$179,896	
	31.50%	18.90%	
	$56,667	$34,000	$22,667

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?

   Response: No - No change other than the reduced Tax Rate. Company is not electing to take Federal 100% bonus depreciation because of the state of Pennsylvania's lack of deduction.

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 telecommunication 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 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.

   Response: As noted in the responses above, the anticipated impact of the TCJA is an insignificant reduction in the company's tax obligations.

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.

Response: The company does not intend to pass on the reduction in the tax obligation as the expected savings are minimal.

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.

   Response: The company intends to use the savings for future operations and to offset the expected FCC mandate step down in the terminating access rates which will be effective July 3, 2018.

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.

   Response: The company does operate under a Chapter 30 Plan which contains an exogenous events clause that applies to both positive and negative effects on the company.

   Docket Number P-00981425F1000
   Most recent approval date June 3, 2005

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.

   Response: No, the company does not reflect changes in state taxes.

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.

   Response: This is not applicable to the company.

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?

Response: Yes, for example the company provides switched access at a tariffed rate. The traffic could be based on old company cost studies, on other company's cost studies and/or on NECA cost based rate studies. There is no rate adjustment provided for. The TCJA will not affect the rates the recurring and non-recurring rates.

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.

    Response: No other elements remain cost based.

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.

    Response: No, the company does not have any commercial agreements.

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.

    Response: No modification to applicable rates.

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.

    Response: No – The company has no Net Operating Loss (NOL).

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.

Response:

	Old Law	New Law
Deferred Tax Assets		
Depreciation/Amortization	-$19,706	-$13,721
Acrrued employee benefits	-$8,022	-$5,586
Allowance for doubtful Accounts	-$1,838	-$1,280
Total Deferred Tax Assets	-$29,566	-$20,587
Deferred Tax Liabilities		
Depreciation/Amortization	$0	$0
Prepaid Expenses	$13,040	$9,080
Regulatory	$2,769	$2,769
Total Deferred Tax Liabilities	$15,809	$11,849
Net Deferred Tax (asset) liabilities	-$13,757	-$8,738

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

    Response: No – There are no other anticipated TCJA impacts.

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.

    Response: Yes, Armstrong Telecommunications Inc is an affiliated entity of the company.
    1. Jurisdiction: interstate & intrastate.
    2. Retail rates are market based. Wholesale rates are based on PUC and FCC rules.
    3. No action taken.

I, _____ _____, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 PA. C.S. SS 4904 (relating to unsworn falsification to authorities).

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF ARMSTRONG TELEPHONE COMPANY - PENNSYLVANIA FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981425F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF ARMSTRONG TELEPHONE COMPANY - PENNSYLVANIA

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

Citizens Telephone Company of Kecksburg

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Citizens Telephone Company of Kecksburg ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

N/A. The Company does not have a holding company structure.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Citizens Telephone Company of Kecksburg ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) to expand broadband capabilities within its service territory.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Citizens Telephone Company of Kecksburg ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on November 24, 2014, at Docket Number P-2014-2407041.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Citizens Telephone Company of Kecksburg for a Streamlined Form of Regulation and Network Modernization Plan and Suspension Under Section 251(f)(2) of the Telecommunications Act of 1996	:	Docket No. P-00971229

AMENDED FINAL
STREAMLINED REGULATION PLAN
OF
CITIZENS TELEPHONE COMPANY OF KECKSBURG
(Revised June 23, 2014)

Dated: June 23, 2014 (Originally dated June 1, 1999 as filed in compliance with Commission Orders entered May 1, 1998 and April 28, 1999; Amended pursuant to Act 183 of 2004 and filed on January 27, 2005 and approved by Order entered May 5, 2005 at Docket No. P-00971229F1000; Revised pursuant to Order entered April 23, 2014 at Docket No. P-2014-2407041 and filed on June 23, 2014.)

by the Company within five (5) days thereafter. A Commission Order must be entered within thirty (30) days of the filing or the nearest Commission Public Meeting, whichever is longer, (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "45 day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, OTS, OSBA or a customer, made at the time of complaint or intervention, and a Commission Order must then be entered within forty-five (45) days of the filing or the nearest Commission Public Meeting whichever is longer. In addition, if the proposed impact of the filing on local service rates for residential one party service is an increase which exceeds 20% of the current rates for such services,[5] then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days, and a Commission Order must be entered within seventy-five (75) days of the filing or the nearest Commission Public Meeting whichever is longer.

8. Notwithstanding any other limitations specified herein, the Company, the Commission's Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, or other parties in interest may request the Commission to

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for a general rate case.

[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services against which 20% is measured include all associated charges, such as basic local service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class (e.g., roll-in of mileage charges into basic local

make special revenue adjustments (i.e., the Z factor in the PSI formula) to recognize exogenous events as follows:

a. Jurisdictional shifts in cost recovery where interstate revenues actually change;

b. Subsequent regulatory and legislative changes (state & federal) which affect revenue and/or expenses, to the extent not captured in GDP-P1; and

c. Unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor shall be a qualifying exogenous event. Conversion of the Company from average schedule settlements to a cost based or other method of interstate compensation shall be a qualifying exogenous event. Other examples of exogenous events include the implementation of number portability as well as modifications to current intercompany compensation agreements. Exogenous revenue changes shall be flowed through on a dollar for dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense changes shall be flowed through dollar for dollar on the basis of review of that single expense item for which an exogenous change is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of gross receipts taxes. The "45 day procedure," as recited above at Part 1.A.7, shall apply to such exogenous changes.

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service rates) shall not be included in the calculation of the percentage increases for purposes of this sub-part.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Citizens Telephone Company of Kecksburg ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

N/A. The Company does not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Citizens Telephone Company of Kecksburg ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based. As to the Company's wholesale rates, please see the Company's response to DR-9.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between your company and any affiliated entities.

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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Net Operating Loss has no impact on the Company's intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Citizens Telephone Company of Kecksburg ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

No.

VERIFICATION

I, Dennis K. Cutrell, President of Citizens Telephone Company of Kecksburg, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Dennis K. Cutrell

Consolidated Communications

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of BENTLEYVILLE COMMUNICATIONS CO, CONSOLIDATED COMMUNICATIONS OF PA LLC and MARIANNA & SCENERY HILL TELEPHONE CO ("Consolidated ILECs")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Consolidated ILECs have no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Companies would have to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Companies do not prepare this type of analysis.

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.

RESPONSE:

Potential implementation plans are still being analyzed. As an example, a decision on whether to immediately expense capital assets in 2018 for federal income tax purposes will not be made until the end of this year at the earliest.

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.

RESPONSE:

As explained in the response to DR- 1, the Companies have no estimate of the impact of TCJA on their tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

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.

RESPONSE:

See Response to DR-3. The Consolidated ILECs do not intend to flow through to their customers a reduction in their tax obligation under the TCJA, nor is it appropriate to require the Companies to do so in light of Chapter 30 of the Public Utility Code and the Companies' Commission-approved alternative regulation plans.

Moreover, to the extent the Companies provide intrastate services that have received competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, such services are non-jurisdictional and not subject to regulation by the Commission. Section 3019(g) of the Public Utility Code, 66 Pa.C.S. § 3019(g), specifically provides that "[t]he commission may not fix or prescribe the rates, tolls, charges, rate structures, rate base, rate of return or earnings of competitive services or otherwise regulate competitive services except as set forth in [Chapter 30]." The only notable exception to this rule is if prices for competitive services are priced below the costs to provide the services. If they are not, the Companies can price competitive services at its discretion. *See* 66 Pa.C.S. §§ 3016(d)(1) and (e). The Companies asserts that none of their competitive services are priced below costs. As such, the Commission is prohibited from regulating these rates or requiring the Companies to allocate "any TCJA tax cut benefits to these competitive services" or to reduce rates for such services.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of BENTLEYVILLE COMMUNICATIONS CO, CONSOLIDATED COMMUNICATIONS OF PA LLC and MARIANNA & SCENERY HILL TELEPHONE CO ("Consolidated ILECs")

Docket No. M-2018-2641242

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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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Companies' alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

The corporate tax rate reduction is the change that is expected to be the most impactful to the Consolidated ILECs. Fully analyzing all impacts of this major tax reform package will be an ongoing process, however. For example, whether or not one or more of the Consolidated ILECs chooses to immediately expense capital expenditures for tax purposes in future periods is not determinable at this time.

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.

RESPONSE:

The Consolidated ILECs operate under Chapter 30 Alternative Regulation Plans, each of which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clauses apply to items having either a positive and negative effect on the Companies.

The Companies' Chapter 30 Plans, as amended, were most recently approved as listed below:

- The Marianna & Scenery Hill Telephone Company Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004, and is further revised pursuant to Commission Order entered June 11, 2015 at Docket No. P-2015-2480771.
- The Bentleyville Communications Company Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004, and is further revised pursuant to Commission Order entered June 11, 2015 at Docket No. P-2015-2480769.
- The Consolidated Communications of Pennsylvania Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004. The plan was modified January 22, 2001 and amended February 25, 2005.

A copy of the relevant exogenous events provisions from the Companies' most recent Chapter 30 plans in effect are included as Attachments 1, 2 and 3.

ATTACHMENT 1

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF MARIANNA & SCENERY HILL TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981434F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF MARIANNA & SCENERY HILL TELEPHONE COMPANY D/B/A FAIRPOINT COMMUNICATIONS

(Revised June 24, 2015)

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004, and is further revised pursuant to Commission Order entered June 11, 2015 at Docket No. P-2015-2480771.

Dated: June 24, 2015 (Originally dated June 30, 2000; modified January 22, 2001; amended March 14, 2005; revised June 24, 2015)

(15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

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30 party, as identified by the Commission Secretary. The notice will be similar in nature to that described in 52 Pa. Code §53.45 for a general rate case.

[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

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[6] See paragraph 13, infra.

ATTACHMENT 2

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF THE BENTLEYVILLE TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981427F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF THE BENTLEYVILLE TELEPHONE COMPANY D/B/A FAIRPOINT COMMUNICATIONS

(Revised June 24, 2015)

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004, and is further revised pursuant to Commission Order entered June 11, 2015 at Docket No. P-2015-2480769.

Dated: June 24, 2015 (Originally dated June 30, 2000; modified January 22, 2001; amended March 4, 2005; revised June 24, 2015)

(15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

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30 party, as identified by the Commission Secretary. The notice will be similar in nature to that described in 52 Pa. Code §53.45 for a general rate case.

[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

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[6] See paragraph 13, infra.

ATTACHMENT 3

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF NORTH PITTSBURGH TELEPHONE COMPANY FOR APPROVAL OF AN ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981437F1000

AMENDED ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF NORTH PITTSBURGH TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended February 25, 2005

extend the 60-day period to permit for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[5]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company at the time of

[6]See paragraph 13, infra.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of BENTLEYVILLE COMMUNICATIONS CO, CONSOLIDATED COMMUNICATIONS OF PA LLC and MARIANNA & SCENERY HILL TELEPHONE CO ("Consolidated ILECs")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Consolidated ILECs reflect changes in certain, specific state tax **rates**, up or down, while operating under authority of their Chapter 30 Plans. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

N/A. None of the Companies operate under a Simplified Rate Making Plan.

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?

RESPONSE:

Yes. The Companies provide wholesale services pursuant to ICAs and/or tariffs. The rates for the services provided are not based on current costs. The Companies are not required to, and do not provide, unbundled network elements.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of BENTLEYVILLE COMMUNICATIONS CO, CONSOLIDATED COMMUNICATIONS OF PA LLC and MARIANNA & SCENERY HILL TELEPHONE CO ("Consolidated ILECs")

Docket No. M-2018-2641242

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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.

RESPONSE:

No. None of the Companies' other jurisdictional services that are subject to regulation by the Commission are cost-based

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.

RESPONSE:

No.

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.

RESPONSE:

No. The Companies do not expect the TCJA tax cut to modify rates applicable between the Consolidated ILECs and any affiliated entities

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.

RESPONSE:

The Companies do not have Net Operating Losses as of December 31, 2017.

The presence of a Net Operating Loss has no impact on the Companies' intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of BENTLEYVILLE COMMUNICATIONS CO, CONSOLIDATED COMMUNICATIONS OF PA LLC and MARIANNA & SCENERY HILL TELEPHONE CO ("Consolidated ILECs")

Docket No. M-2018-2641242

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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.

RESPONSE:

Marianna & Scenery Hill Telephone Company and Bentleyville Communications Company both have a Net Deferred Tax Liability balance as of December 31, 2017. Consolidated Communications of Pennsylvania Company, LLC has a Net Deferred Tax Asset balance as of December 31, 2017.

The presence of Deferred Tax Liabilities has no impact on the Companies' intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

Yes. The Companies submit that the operations of their affiliates in other states are matters beyond the Commission's jurisdiction and are neither relevant nor material to the Commission's consideration of the effects of the TCJA on the tax liabilities of Pennsylvania telecommunications carriers.

However, the Companies provide the information requested in (1) and (2) to the extent known in Attachment 4: In response to (3), state regulators in NY and WA have requested information in exploration of or response to the impact of the TCJA.

Consolidated ILECs Affiliated ILECs **Attachment No. 4**

State	ILEC	Federal Form of Regulation	State Form of Regulation
AL	GTC, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Deregulated
CA	Consolidated Communications of California Company	Price Cap	Price Flex - URF
CO	Big Sandy Telecom, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
CO	Columbine Telecom Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
CO	Sunflower Telephone Company, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
FL	GTC, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Deregulated
GA	GTC, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Deregulated
IL	C-R Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Electing Provider under 220 ILCS 5/13-506.2
IL	Odin Telephone Exchange, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Electing Provider under 220 ILCS 5/13-506.2
IL	The El Paso Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Electing Provider under 220 ILCS 5/13-506.2
IL	Consolidated Communications of Illinois Company	Price Cap	Price Flex - Market Regulation

Consolidated ILECs Affiliated ILECs **Attachment No. 4**

State	ILEC	Federal Form of Regulation	State Form of Regulation
KS	Bluestem Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
KS	FairPoint Communications Missouri, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
KS	Sunflower Telephone Company, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
MA	Taconic Telephone Corp.	Price Cap	Rate of Return with some reforms in place
ME	China Telephone Company	Price Cap	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
ME	Community Service Telephone Co.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
ME	Maine Telephone Company	Price Cap	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
ME	Northern New England Telephone Operations LLC	Price Cap	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
ME	Northland Telephone Company of Maine, Inc.	Price Cap	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
ME	Sidney Telephone Company	Price Cap	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
ME	Standish Telephone Company	Price Cap	Deregulated except for Provider of Last Resort ("POLR") Service in some areas.
MN	Consolidated Communications of MidCom Company	Price Cap*	Price Flex - AFOR
MN	Consolidated Communications of Minnesota Company	Price Cap*	Price Flex - AFOR
MO	FairPoint Communications Missouri, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return

Consolidated ILECs Affiliated ILECs **Attachment No. 4**

State	ILEC	Federal Form of Regulation	State Form of Regulation
NH	Northern New England Telephone Operations LLC	Price Cap	Deregulated except for rate caps on residential "Basic Service," which is a statutorily defined standalone local exchange service offering
NH	Northland Telephone Company of Maine, Inc.	Price Cap	Deregulated except for rate caps on residential "Basic Service," which is a statutorily defined standalone local exchange service offering
NY	Berkshire Telephone Corporation	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	ROR but operating temporarily under a "Framework for Regulatory Relief" that provides some pricing flexibility on local exchange rates and pricing freedom on other telecom services per Case 07-C-0349
NY	Chautauqua and Erie Telephone Corporation	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	ROR but operating temporarily under a "Framework for Regulatory Relief" that provides some pricing flexibility on local exchange rates and pricing freedom on other telecom services per Case 07-C-0349
NY	Taconic Telephone Corp.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	ROR but operating temporarily under a "Framework for Regulatory Relief" that provides some pricing flexibility on local exchange rates and pricing freedom on other telecom services per Case 07-C-0349
OH	The Columbus Grove Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Alternative Regulation
OH	The Germantown Independent Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Alternative Regulation
OH	The Orwell Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Alternative Regulation
OK	Chouteau Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
PA	Bentleyville Communications Corporation	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Price Flex-Chapter 30

Consolidated ILECs Affiliated ILECs **Attachment No. 4**

State	ILEC	Federal Form of Regulation	State Form of Regulation
PA	Marianna and Scenery Hill Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Price Flex-Chapter 30
PA	Consolidated Communications of Pennsylvania Company	Price Cap	Price Flex - Chapter 30
TX	Consolidated Communications of Fort Bend Company	Price Cap	Price Flex - Chapter 58
TX	Consolidated Communications of Texas Company	Price Cap	Price Flex - Chapter 58
VA	Peoples Mutual Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
VT	FairPoint Vermont, Inc.	Price Cap	AFOR
VT	Telephone Operating Company of Vermont LLC	Price Cap	AFOR
WA	Ellensburg Telephone Company	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return
WA	YCOM Networks, Inc.	Price Cap - for CAF; ROR- for Intercarrier Compensation and Special Access	Rate of Return

AFOR = Alternative Form of Regulation
URF= Uniform Regulatory Framework
* Former Enventis companies filed waiver to stay of Rate of Return glidepath for access rates

VERIFICATION

I, Janice L. Hester, Senior Director of Tax of Consolidated Communications, Inc. hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

J. L. Hester

Hickory Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Hickory Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company is an S-Corp. Under this corporate structure, taxable income flows through to the individual owners of the Company. Federal income taxes are paid by those individuals. The reduction in the corporate federal income tax rate has no impact on the Company.

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.

RESPONSE:

The Company's holding company is an S-Corp. Under this corporate structure, taxable income flows through to the individual owners of the Company. Federal income taxes are paid by those individuals. The reduction in the corporate federal income tax rate has no impact on the holding company.

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.

RESPONSE:

As explained in the response to DR-1, TCJA does not impact the Company's tax obligation.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Hickory Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, to the extent the Company provides intrastate services that have received competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, such services are non-jurisdictional and not subject to regulation by the Commission. Section 3019(g) of the Public Utility Code, 66 Pa.C.S. § 3019(g), specifically provides that "[t]he commission may not fix or prescribe the rates, tolls, charges, rate structures, rate base, rate of return or earnings of competitive services or otherwise regulate competitive services except as set forth in [Chapter 30]." The only notable exception to this rule is if prices for competitive services are priced below the costs to provide the services. If they are not, the Company can price competitive services at its discretion. *See* 66 Pa.C.S. §§ 3016(d)(1) and (e). The Company asserts that none of its competitive services are priced below costs. As such, the Commission is prohibited from regulating these rates or requiring the Company to allocate "any TCJA tax cut benefits to these competitive services" or to reduce rates for such services.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Moreover, as explained in the response to DR-1, TCJA does not impact the Company's tax obligation. Nevertheless, to the extent applicable, the Company intends to use any savings/benefits resulting from the TCJA in the following ways:

- Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers

- Sharing savings with Company employees

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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on November 24, 2014, at Docket Number P-2014-2420088.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF HICKORY TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981431F1000

AMENDED STREAMLINED FORM OF REGULATION
AND
NETWORK MODERNIZATION PLAN
OF
HICKORY TELEPHONE COMPANY
(Revised August 18, 2014)

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004,and is further revised pursuant to Commission Order entered June 23, 2014 at Docket No. P-2014-2420088.

Dated: August 18, 2014 (Originally dated June 30, 2000; modified January 22, 2001; amended March 4, 2005; revised August 18, 2014)

or complaints shall be due within fifteen (15) days after the initial filing. The initial filing by the Company shall include a full explanation of all reasons for such filing, including work papers. Responses to interrogatories shall be due within fifteen (15) days of service. Twenty (20) days after the filing date, any and all comments by intervenors in support of or in opposition to the filing are due to be filed at the Commission. Responses to such comments may be filed by the Company within fifteen (15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the

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30 party, as identified by the Commission Secretary. The notice will be similar in nature to that described in 52 Pa.Code §53.45 for a general rate case.

[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

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[6] See paragraph 13, infra.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Hickory Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

N/A. The Company does not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

Yes, the Company provides wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between your company and any affiliated entities

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.

RESPONSE:

The Company is an S-Corp which means the Company is not a tax paying entity. Any operating loss is flowed through to the individual shareholders or partners based on their individual percentage of ownership. These then factor into each of their individual tax returns.

The presence of a Net Operating Loss has no impact on the Company's intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Hickory Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company is an S-Corp which means the company is not an income tax paying entity. Any deferred income tax asset or liability flows to the individual shareholders or partners based on their individual percentage of ownership. These then factor into each of their individual tax returns.

The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

No.

VERIFICATION

I, Brian Jeffers, CEO of Hickory Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Brian Jeffers, CEO

Ironton Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Ironton Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

N/A. The Company does not have a holding company structure.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Ironton Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

***See* Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.**

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) in the following ways:

- **Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers**

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Ironton Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. See PTA Comments for more detail.

For a qualifying exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on April 23, 2014, at Docket Number P-2014-2407033.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION FOR STREAMLINED FORM OF	:	
REGULATION AND NETWORK	:	Docket No. P-00971182
MODERNIZATION PLAN OF	:	
IRONTON TELEPHONE COMPANY	:	

AMENDED
STREAMLINED REGULATION PLAN
OF
IRONTON TELEPHONE COMPANY
(Revised June 23, 2014)

Dated: June 23, 2014 (Originally dated March 28, 1997; Modified on October 29, 1997 in compliance with Final Settlement approved by Commission Order entered December 18, 1997; Amended pursuant to Act 183 of 2004, as filed on January 28, 2005 and approved by Order entered May 5, 2005 at Docket No. P-00971182F1000; Revised pursuant to Order entered April 23, 2014 at Docket No. P-2014-2407033 and filed on June 23, 2014.)

Responses to such comments may be filed by the Company within five (5) days thereafter. A Commission Order must be entered within thirty (30) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "45 day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, OTS, OSBA or a customer, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one party service is an increase which exceeds 20% of the current rates for such services,[5] then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.

8. Notwithstanding any other limitations specified herein, the Company, the Commission's Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events as follows:

a. Jurisdictional shifts in cost recovery where interstate revenues actually change;

b. Subsequent regulatory and legislative changes (state & federal) which affect revenue and/or expenses, to the extent not captured in GDP-PI; and

c. Unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI.

Commission Secretary. The notice will be similar in nature to that described in 52 Pa Code §53.45 for a general rate case.

[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services against which 20% is measured include all associated charges, such as basic local service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the percentage increases for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor shall be a qualifying exogenous event. Conversion of the Company from average schedule settlements to a cost based or other method of interstate compensation shall be a qualifying exogenous event. Other examples of exogenous events include the implementation of number portability as well as modifications to current intercompany compensation agreements. Exogenous revenue changes shall be flowed through on a dollar for dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense changes shall be flowed through dollar for dollar on the basis of review of that single expense item for which an exogenous change is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of gross receipts taxes. The "45 day procedure," as recited above at Part 1.A.7, shall apply to such exogenous changes.

9. Any revenue shortfall or expense incurred (e.g., expenses associated with capital outlays, operating & maintenance expense, etc.) associated with the extension of local service (less other related revenue increases/expense decreases, if any) may be recovered by the Company at the time of implementing any extended area service. This same treatment shall also apply to Optional Calling Plans.

10. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under the Telecommunications Act of 1996 ("TCA-96"), which rights are preserved.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Ironton Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax rates, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

N/A. The Company does not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

No.

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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based. As to the Company's wholesale rates, please see the Company's response to DR-9.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Ironton Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:
N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:
No.

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.

RESPONSE:
The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

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.

RESPONSE:
The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

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15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:
***See* PTA Comments**.

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.

RESPONSE:
No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Ironton Telephone Company

Docket No. M-2018-2641242

VERIFICATION

I, Patricia L. Stewart, Secretary-Treasurer of Ironton Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Patricia L. Stewart

Patricia L. Stewart

Lackawaxen Telecommunications Services

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Lackawaxen Telecommunications Services, Inc. ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company was recently acquired by Laurel Highland Total Communications, Inc., a holding company, and does not prepare projected financial statements or pro-forma tax returns and thus is not in a position to provide the requested impact of the TCJA.

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.

RESPONSE:

Although there is a holding company, there are no implementation plans at the holding company level based on the TCJA that will flow through to the Company. Additionally, to the best of our knowledge, the Company's Deferred Tax Liability in the balance sheet at December 31, 2017 will not be impacted by the rate reduction resulting from the TCJA due to the Company's recent history of losses. In other words, since the Company has been operating at a loss, no impact to the Company's current and deferred federal income taxes is anticipated in 2018 and for the foreseeable future due to the lower federal income tax rate.

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.

RESPONSE:

As explained in the response to DR-2, there is no impact on the Company's tax obligations resulting from the TCJA. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers in the event the Company has taxable income in future years.

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.

RESPONSE:

See Response to DR-3. In the event the Company has taxable income in future years, it does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, in the event the Company has taxable income in future years, it intends to use any savings/benefits resulting from the TCJA in the following ways:

- Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to continue the ongoing development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

- To the extent the Company is able to continue to operate profitably, any savings resulting from the TCJA will enable the Company to continue its policy of implementing annual pay raises for its employees as well as its policy to continue to provide excellent benefits (i.e., medical, dental, short-term and long-term disability, etc.), including contributions to a 401(k) and Profit Sharing Plan on behalf of its employees.

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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on November 24, 2014, at Docket Number P-2014-2420135.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF LACKAWAXEN TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981432F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF LACKAWAXEN TELEPHONE COMPANY

(Revised August 18, 2014)

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004, and is further revised pursuant to Commission Order entered June 23, 2014 at Docket No. P-2014-2420135.

Dated: August 18, 2014 (Originally dated June 30, 2000; modified January 22, 2001; amended March 4, 2005; revised August 14, 2014)

papers. Responses to interrogatories shall be due within fifteen (15) days of service. Twenty (20) days after the filing date, any and all comments by intervenors in support of or in opposition to the filing are due to be filed at the Commission. Responses to such comments may be filed by the Company within fifteen (15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

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[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-

[6] See paragraph 13, infra.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Lackawaxen Telecommunications Services, Inc. ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

N/A. The Company does not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

Yes, the Company provides wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between the Company and any affiliated entities.

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.

RESPONSE:

Yes, the Company has a Net Operating Loss as of December 31, 2017.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Lackawaxen Telecommunications Services, Inc. ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

As indicated in the response to DR-2, due to its history of operating losses, the Company has Deferred Tax Assets as of December 31, 2017.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE: No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Lackawaxen Telecommunications Services, Inc. ("Company")

Docket No. M-2018-2641242

VERIFICATION

I, James J. Kail, President & CEO of Lackawaxen Telecommunications Services, Inc. hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

James J. Kail

Laurel Highland Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Laurel Highland Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. While the Company prepares projected financial statements, it does not prepare pro-forma tax returns and thus is not in a position to provide the requested impact of the TCJA.

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.

RESPONSE:

As a result of TCJA, in accordance with generally accepted accounting principles, the Company's parent or holding company reduced the Deferred Income Taxes Liability in the balance sheet as of December 31, 2017 to reflect the impact of this rate reduction, which resulted in an estimated deferred income tax credit of approximately $778,000. Of this total credit, approximately $424,000 was estimated to apply to the Company. The Company's current and deferred federal income taxes will be reduced in 2018 and beyond due to the lower federal income tax rate. Furthermore, the current income federal income taxes will be reduced due to the reinstatement of the 100% bonus depreciation through 2022. However, it should be noted that the positive impact of the TCJA would apply to the interstate jurisdiction since it's our position that the Company is operating at a loss with respect to its intrastate operations. In order to provide more specific information would require an extensive study and analysis of the impact of the TCJA.

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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.

RESPONSE:

As explained in the response to DR-1, the Company has no estimate of the impact of TCJA on its tax obligation beyond 2017. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers. Additionally, as noted in the response to DR-2, it's our position that the tax savings associated with the TCJA apply to the interstate jurisdiction, and thus the Company would not be required to pass such savings along to customers.

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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Laurel Highland Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the responses to the previous DRs, it is our position that such savings or benefits are related to the interstate jurisdiction) in the following ways:

- Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to continue the ongoing development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

- To the extent the Company is able to continue to operate profitably, any savings resulting from the TCJA will enable the Company to continue its policy of implementing annual pay raises for its employees as well as its policy to continue to provide excellent benefits (i.e., medical, dental, short-term and long-term disability, etc.), including contributions to the 401(k) and Profit Sharing Plan on behalf of its employees.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Laurel Highland Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on June 23, 2005, at Docket Number P-00981433.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF LAUREL HIGHLAND TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981433F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF LAUREL HIGHLAND TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Laurel Highland Telephone Company ("Company")

Docket No. M-2018-2641242

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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?

RESPONSE:

Yes, the Company provides wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between the Company and any affiliated entities.

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.

RESPONSE:

The Company does not have a Net Operating Loss as of December 31, 2017. As a further note, the presence of a Net Operating Loss has no impact on the Company's intrastate regulated 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.

RESPONSE:

As indicated in the response to DR-2, the Company has a Deferred Tax Liability as of December 31, 2017. However, the presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

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15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE: No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Laurel Highland Telephone Company ("Company")

Docket No. M-2018-2641242

VERIFICATION

I, James J. Kail, President & CEO of Laurel Highland Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

James J. Kail

The North-Eastern Pennsylvania Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of The North-Eastern Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

N/A. The Company does not have a holding company structure.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of The North-Eastern Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) to expand broadband capabilities within its service territory.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of The North-Eastern Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on November 24, 2014, at Docket Number P-2014-2420108.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981435F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY

(Revised August 18, 2014)

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., was amended in accordance with Section 3014 of Act 183 of 2004, and is further revised pursuant to Commission Order entered June 23, 2014 at Docket No. P-2014-2420108.

Dated: August 18, 2014 (Originally dated June 30, 2000; modified January 22, 2001; amended March 4, 2005; revised August 18, 2014)

papers. Responses to interrogatories shall be due within fifteen (15) days of service. Twenty (20) days after the filing date, any and all comments by intervenors in support of or in opposition to the filing are due to be filed at the Commission. Responses to such comments may be filed by the Company within fifteen (15) days thereafter. A Commission Order must be entered within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

[5] The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-

[6] See paragraph 13, infra.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of The North-Eastern Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

N/A. The Company does not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of The North-Eastern Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based. As to the Company's wholesale rates, please see the Company's response to DR-9.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between the company and any affiliated entities.

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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Net Operating Loss has no impact on the Company's intrastate regulated 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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

No.

iptv | phone | internet

720 Main Street, PO Box D, Forest City, PA 18421 • Phone: 866-785-3131 • Fax: (570) 785-9299 • Email: nep@nep.net

VERIFICATION

I, Steven D. Tourje, President of The North-Eastern Pennsylvania Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Steven D. Tourje

North Penn Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of North Penn Telephone Co ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:
The lower corporate rate of 21% will reduce both the current and deferred tax expenses of the Company starting in 2018. The estimated impact is not available at this time.

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.

RESPONSE:
N/A. The Company does not have intercompany charges flowing through from a holding company.

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.

RESPONSE:
As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. The Company is consistently experiencing a negative rate of return and therefore proposes to retain any "tax savings" in order to facilitate further modernization of its network. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of North Penn Telephone Co ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) in the following ways:

- Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of North Penn Telephone Co ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on March 4, 2005, at Docket Number P-00981436F1000.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF NORTH PENN TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981436F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF NORTH PENN TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of North Penn Telephone Co ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

Yes, the Company provides wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between your company and any affiliated entities.

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.

RESPONSE:

The Company does not have a Net Operating Loss as of December 31, 2017.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of North Penn Telephone Co ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has a Deferred Tax Liability as of December 31, 2017.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

The Company has an affiliate, Empire Telephone, that operates in New York State under the rate base/rate of return methodology. The NYS Public Service Commission has opened a proceeding in Case # 17-M-0815 to address the Tax Cut and Jobs Act of 2017. The intent of this proceeding was for PSC staff to analyze the impacts of the reduction in the Federal Income Tax Rate, which is currently built into rates. Staff is charged with analyzing the impacts of such reduction and determining how excess contributions, if any, should be preserved for rate payer benefit. During their analysis Staff recognized the significant changes to technology over the last several years as well as the fact that the PSC goal of bringing competition to the telecommunications industry had largely been realized. Hence, Staff recommended that Empire Telephone along with similarly situated ILECs be exempt from this proceeding. Therefore, Empire Telephone would be allowed to keep any savings resulting from the changes due to the Tax Cut and Jobs Act of 2017.

VERIFICATION

I, Thomas F. Prestigiacomo, CFO of North Penn Telephone Co, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Thomas F. Prestigiacomo

Palmerton Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Palmerton Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

N/A. The Company does not have a holding company structure.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Palmerton Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) to Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Palmerton Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on June 23, 2005, at Docket Number P-00981438.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PALMERTON TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981438F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF PALMERTON TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Palmerton Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Palmerton Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based. As to the Company's wholesale rates, please see the Company's response to DR-9.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between the Company and any affiliated entities.

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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Net Operating Loss has no impact on the Company's intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Palmerton Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

No.

VERIFICATION

I, David L. Masenheimer, President of Palmerton Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

David L. Masenheimer, President

Pennsylvania Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

N/A. The Company does not have a holding company structure.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) to Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on June 23, 2005, at Docket Number P-00981439.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PENNSYLVANIA TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981439F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF PENNSYLVANIA TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 18, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

No.

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based. As to the Company's wholesale rates, please see the Company's response to DR-9.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between your company and any affiliated entities.

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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Net Operating Loss has no impact on the Company's intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pennsylvania Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

No.

Pymatuning Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pymatuning Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

The impact at the holding company level and a potential "flow through" to the Company due to changes in federal income tax law as a result of the TCJA cannot be reasonably determined at this juncture.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pymatuning Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) in the following ways: To the extent there are savings, the Company plans to reinvest in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pymatuning Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on March 4, 2005 at Docket Number P-00981440F1000

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PYMATUNING INDEPENDENT TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981440F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF PYMATUNING INDEPENDENT TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pymatuning Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pymatuning Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between your company and any affiliated entities.

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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018. The presence of a Net Operating Loss has no impact on the Company's intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Pymatuning Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018. The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

Yes. While the Company submits that the operations of its affiliates in other states are matters beyond the Commission's jurisdiction and are neither relevant nor material to the Commission's consideration of the effects of the TCJA on the tax liabilities of Pennsylvania telecommunications carriers, the Company provides the following in response to the information requested to the extent known:

(1) Jurisdiction(s): Arkansas, Colorado, Florida, Kansas, Missouri, and Texas.

(2) Ratemaking methodology used or rate/pricing standards that apply: Unkown

(3) Action taken: Unkown

VERIFICATION

I, Brock McCorkle, Chief Financial Officer of Pymatuning Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Brock McCorkle

South Canaan Telephone Co.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of South Canaan Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. While the Company prepares projected financial statements, it does not prepare pro-forma tax returns and thus is not in a position to provide the requested impact of the TCJA.

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.

RESPONSE:

As a result of TCJA, in accordance with generally accepted accounting principles, the Company's parent or holding company reduced the Deferred Income Taxes Liability in the balance sheet as of December 31, 2017 to reflect the impact of this rate reduction, which resulted in an estimated deferred income tax credit of approximately $778,000. Of this total credit, approximately $108,000 was estimated to apply to the Company. The Company's current and deferred federal income taxes will be reduced in 2018 and beyond due to the lower federal income tax rate. Furthermore, the current income federal income taxes will be reduced due to the reinstatement of the 100% bonus depreciation through 2022. However, it should be noted that the positive impact of the TCJA would apply to the interstate jurisdiction since it's our position that the Company is operating at a loss with respect to its intrastate operations. In order to provide more specific information would require an extensive study and analysis of the impact of the TCJA.

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.

RESPONSE:

As explained in the response to DR-1, the Company has no estimate of the impact of TCJA on its tax obligation beyond 2017. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers. Additionally, as noted in the response to DR-2, it's our position that the tax savings associated with the TCJA apply to the interstate jurisdiction, and thus the Company would not be required to pass such savings along to customers.

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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the responses to the previous DRs, it is our position that such savings or benefits are related to the interstate jurisdiction) in the following ways:

- Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to continue the ongoing development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

- To the extent the Company is able to continue to operate profitably, any savings resulting from the TCJA will enable the Company to continue its policy of implementing annual pay raises for its employees as well as its policy to continue to provide excellent benefits (i.e., medical, dental, short-term and long-term disability, etc.), including contributions to a 401(k) and Profit Sharing Plan on behalf of its employees.

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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on June 3, 2005, at Docket Number P-00981441. As a note, the assets of the original Company were acquired by Laurel Highland Total Communications, Inc. in November 2013 and a new South Canaan Telephone Company was established; however, the original Company's Chapter 30 Plan was assigned to the new Company as part of the transaction.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF SOUTH CANAAN TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981441F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF SOUTH CANAAN TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 4, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

Yes, the Company provides wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between the Company and any affiliated entities.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of South Canaan Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company does not have a Net Operating Loss as of December 31, 2017. As a further note, the presence of a Net Operating Loss has no impact on the Company's intrastate regulated 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.

RESPONSE:

As indicated in the response to DR-2, the Company has a Deferred Tax Liability as of December 31, 2017. However, the presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE: No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of South Canaan Telephone Company ("Company")

Docket No. M-2018-2641242

VERIFICATION

I, James J. Kail, President & CEO of South Canaan Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

James J. Kail

TDS Telecom

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Companies have no estimate of the impact the TCJA may have on 2018 and subsequent years. To prepare a response to this question, the Companies would be required to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Companies do not prepare this type of analysis.

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.

RESPONSE:

No. While the Companies are included in a consolidated federal income tax return with their affiliates and Holding Company, the Companies compute federal taxable income and federal income tax liability on a stand-alone basis. For companies with taxable losses, the federal income tax benefit will be lower under the TCJA than previously, due to the lower federal tax rate.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

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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.

RESPONSE:

As explained in the response to DR-1, the Companies have no estimate of the future impact of the TCJA on their tax obligations. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

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.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

RESPONSE:

See Response to DR-3. If the Companies actually experience a net income tax expense reduction under the TCJA, they do not explicitly intend to flow it through to their customers as this is only one element that goes into setting prices in a competitive market, nor is it appropriate to require the Companies to do so in light of Chapter 30 of the Public Utility Code and the Companies' Commission-approved alternative regulation plan. Moreover, to the extent the Companies provide intrastate services that have received competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, such services are non-jurisdictional and not subject to regulation by the Commission. Section 3019(g) of the Public Utility Code, 66 Pa.C.S. § 3019(g), specifically provides that "[t]he commission may not fix or prescribe the rates, tolls, charges, rate structures, rate base, rate of return or earnings of competitive services or otherwise regulate competitive services except as set forth in [Chapter 30]." The only notable exception to this rule is if prices for competitive services are priced below the costs to provide the services. If they are not, the Companies can price competitive services at their discretion. *See* 66 Pa.C.S. §§ 3016(d) (1) and (e). The Companies assert that none of their competitive services are priced below costs. As such, the Commission is prohibited from regulating these rates or requiring the Companies to allocate "any TCJA tax cut benefits to these competitive services" or to reduce rates for such services.

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.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Companies' alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code. Nevertheless, the Companies intend to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) in the following ways:

- Utilized by the Companies based on Management's judgement to offset revenue declines from competition

- For maintenance and operating expenses, and capital expenditures to replace/upgrade plant to provide high quality voice and broadband services to its customers

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Companies operate under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive or negative effect on the Companies.

TDS-Mahanoy & Mahantango Telephone Company's Chapter 30 plan, as amended, was most recently approved on June 3, 2005 at Docket No. P-0096115.

TDS-Sugar Valley Telephone Company's Chapter 30 plan, as amended, was most recently approved on June 3, 2005 at Docket No. P-0096116.

A copy of the relevant exogenous events provisions from the Companies' most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

STREAMLINED REGULATION PLAN
OF
TDS TELECOM/Mahanoy And Mahantango Telephone - Docket No. P-00961115
TDS TELECOM/Sugar Valley Telephone - Docket No. P-00961116

Dated: February 24, 2005 (Amended pursuant to Act 183 of 2004 and filed on February 24, 2005 and approved by Order entered June 3, 2005 at Docket Nos. P-00961115F1000 and P-00961116F1000).

exogenous event, and/or rate restructuring/rebalancing, shall not exceed in aggregate, an increase of 20% per year.[7] In the event that a decrease is deferred, the amount of decrease shall carry interest at a rate set forth in 66 Pa C.S.A. Section 1308. Deferred increases will carry no interest.

10. Companies may make rate decreases (not due to the PSM) at their discretion.

11. Notwithstanding any other limitations specified herein, the Companies, the OCA, OTS, and OSBA and other parties with standing may request[8] the Commission to make special price adjustments to recognize exogenous events such as the following:

    a. Jurisdictional shifts in cost recovery where interstate revenues and rates actually change;

    b. Subsequent regulatory and legislative changes (state and federal) which affect revenues and/or expenses; and

    c. Unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI.

    The following, but not limited thereto, shall qualify as exogenous events: the institution of a universal service type fund in Pennsylvania and any requirement that the Companies participate as contributors, any order affecting access charges, any costs for Lifeline Services (or an equivalent program) or for a Disabilities Program (or its equivalent) resulting from a Commission Order approving such services or program.

    Exogenous revenue changes shall be flowed through on a dollar-for-dollar basis utilizing the most recent normalized revenue levels without any investigation or review of earnings. Exogenous expense changes (adjusted for the effect of taxes and converted to revenues) shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which exogenous changes are sought without any investigations or review of earnings, utilizing the most recent normalized level of such expense. The "45 day procedure" shall apply to such exogenous events, with the allowance of an additional 15 calendar days to allow time for hearings if necessary.

12. Any revenue shortfall or expense incurred (e.g., Expenses associated with capital outlays, Operating and Maintenance Expense, etc.) associated with the extension

[7] Balances above the 20% per year may be banked in accordance with the Plan.

[8] The party making the request shall bear the burden of proof, unless the Commission determines otherwise with regard to the Office of Trial Staff. In any proceeding commenced by OTS (or a party other than the Companies) to reflect an exogenous event, OTS will not advocate that the Companies bear the burden of proof in such proceeding regarding the exogenous event at issue.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Companies reflect changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

Not applicable. The Companies do not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

Yes. The Companies provide wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

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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.

RESPONSE:

None of the Companies' jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

The Companies do not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

If income taxes are applicable to an affiliated service, the federal income tax rate of 21% will be used.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

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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.

RESPONSE:

No.

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.

RESPONSE:

No.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

RESPONSE:

Jurisdiction	Rate design on Other than Rate Base/Rate of Return	TCJA Commission Action or Response To Date
FCC	A-CAM Model Based and ICC-CAF Baseline Order	None
AL	Alternative Regulation - Rates Can Be Increased By An Annual Percentage Up to a Cap	None
CO	Deregulated - No restrictions	None
FL	Alternative Regulation - No restrictions	None
ID	Deregulated - Rates Can Be Increased By An Annual Percentage through 2019. Then no restrictions.	RoR companies only
IN	Deregulated - No restrictions	None - only non-telephone utilities
MI	Deregulated - No restrictions	None - only rate regulated utilities
MN	Alternative Regulation - Rates Can Be Increased But Are Subject to a Petition	None
MS	Alternative Regulation - Rates Can Be Increased By An Annual Percentage	None - only rate regulated utilities
NH	Alternative Regulation - Rates Can Be Increased By An Annual Percentage	None
OH	Alternative Regulation - Rates Can Be Increased By An Annual Dollar Amount	Docket will only apply to RoR companies
OK	Alternative Regulation - Rates Can Be Increased But Are Subject to a Petition	None - only non-telephone utilities
SC	Alternative Regulation - Rates Can Be Increased By An Annual Percentage. Rates can also move to the FCC Benchmark.	Decision issued in DOCKET NO. 2017-381-A and ORDER NO. 2018-308 stating telephone companies are not rate regulated so TCJA action is not required.
TN	Alternative Regulation - No restrictions	Docket open, but expect will only apply to RoR companies
VT	Alternative Regulation - Rates Can Be Increased By An Annual Percentage or $2.00, whichever is less	None - only investor-owned electric
WI	Deregulated - No restrictions	None - only non-telephone utilities

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

May 25, 2018, Responses of Mahanoy & Mahantango Telephone Company and Sugar Valley Telephone Company (the "Companies")

Docket No. M-2018-2641242

I, Jeffrey S. Handley, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Jeffrey S. Handley

Manager – State Government Affairs

Re: Tax Cuts and Job Act of 2017
PA PUC Docket No. M-2018-2641242

The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink's Responses to Pennsylvania Public Utility Commission Data Requests dated March 2, 2018

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.

Response:

The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink ("United of PA") is a limited liability company and holds a certificate of public convenience in Pennsylvania to operate as an Incumbent Local Exchange Carrier ("ILEC"). CenturyLink, Inc. is the ultimate parent of various operating subsidiaries, including United of PA. United of PA itself does not file federal income tax returns and does not have any federal income tax obligations. CenturyLink, Inc., files a consolidated federal income tax return on behalf of all qualifying entities and subsidiaries of CenturyLink, Inc. CenturyLink, Inc. does not offer services in Pennsylvania and is not certificated by this Commission.

As for CenturyLink, Inc., the amount of CenturyLink, Inc.'s federal income taxes paid in recent years has been reduced significantly due to net operating loss carry forwards that have been utilized. As set forth in CenturyLink, Inc.'s 2017 Annual 10-K, at December 31, 2017, CenturyLink, Inc. reported federal net operating losses of $9.1 billion. CenturyLink, Inc. expects to use substantially all of these tax attributes to reduce future federal tax liabilities, although the timing of that use will depend upon our future earnings and future tax circumstances. Therefore, CenturyLink expects little to no impact from the TCJA on the company's federal tax obligations for calendar year 2018 and several subsequent tax years.[1] Quantifying the net effects of TCJA at this point has not been done as the TCJA makes changes in other areas of the federal tax code in addition to reductions in the federal income tax rate.[2]

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[1] As set forth in CenturyLink, Inc.'s 2017 Form 10-K, CenturyLink, Inc provisionally re-measured its net deferred tax liabilities to account for the reduction in rate, which resulted in the recognition of a $1.1 billion tax benefit for GAAP financial accounting purposes. http://ir.centurylink.com/Doc/Index?did=43725457

[2] As set forth in CenturyLink, Inc.'s 2018 first quarter Form 10-Q, CenturyLink, Inc. states "(W)e continue to obtain, analyze and interpret additional guidance as such guidance becomes available from the U.S. Treasury Department, the Internal Revenue Service ("IRS"), state taxing jurisdictions, the FASB, and other standard-setting and regulatory bodies. New guidance or interpretations may materially impact our provision for income taxes in future periods." http://ir.centurylink.com/Cache/393442175.pdf

Re: Tax Cuts and Job Act of 2017
PA PUC Docket No. M-2018-2641242

The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink's Responses to Pennsylvania Public Utility Commission Data Requests dated March 2, 2018

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.

Response:

As addressed in response to Question #1, United of PA itself does not file federal income tax returns and does not have any federal income tax obligations. CenturyLink, Inc. – United of PA's ultimate parent – does not, at present, have "any implementation plans based on the TCJA."

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.

Response:

This question presumes that the TCJA will result in a reduction in tax obligations and that specific "flow through" of reductions are needed. These assumptions are not accurate. *See*, response to Question #1. Effects of a national tax change like the TCJA are already captured through the GDP-PI in United of PA's alternative regulation plan. *See also*, PTA Comments and response to Question #6 herein.

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.

Response:

This question incorrectly presumes that the TCJA will result in a reduction in tax obligations and that specific "flow through" of reductions are needed. These assumptions are not accurate. *See*

response to Question #1. CenturyLink, Inc. – United of PA's ultimate parent – does not, at present, have any implementation plans based on the TCJA.

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.

Response:

This question presumes that the TCJA will result in a reduction in tax obligations and incorrectly presumes associated benefits. These assumptions are not accurate. *See* response to Question #1 and #3.

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.

Response:

Yes, United of PA Alternative Regulation Plan has an exogenous provision. However, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, the TCJA is not a qualifying exogenous event. *See*, PTA Comments.

Further, United of PA's Alternative Regulation Plan Docket No. P-00981410, Order dated June 23, 2005 in relevant part provides on pages 18 and 19:

> 9. Notwithstanding any other limitations specified herein, the Company, or any other party, may request that the Commission make special revenue adjustments within the scope of the PSI to recognize significant exogenous events that are outside the Company's control as follows:
>
> (a) Jurisdictional shifts in cost recovery when interstate revenues actually change;

(b) Subsequent state or federal regulatory and legislative changes which affect revenues or expenses, to the extent they are not captured in GDP-PI; and
(c) Unique changes in the telephone industry that are not reflected in the overall inflation factor as measured by GDP-PI.

For example, the institution of a universal service fund in Pennsylvania, and any requirement that the Company participate as a contributor, shall be a qualifying exogenous event. Exogenous revenue changes shall be flowed through on a dollar-for-dollar basis, using the most recent per books revenue levels, without any investigation or review of earnings. Exogenous expense changes shall be flowed through, dollar-for-dollar, on the basis of review of that single expense item for which an exogenous change is sought, without any investigation or review of earnings, and using the most recent per books level of such expense. Results shall be adjusted to recognize the impact of gross receipts taxes. The Tariff Filing Process and Part 3, Section A, paragraph 8 herein shall apply to any such exogenous changes.

An exogenous event, by definition and application of the price cap model, must not be otherwise accounted for or captured in the GDP-PI pricing formula. Any changes arising from tax requirements are already captured in GDP-PI formula inflation index and are not exogenous events. Moreover, as United of PA's exogenous events language above in part makes clear, the changes must be "unique…to the telephone industry…" The TCJA is not unique to the telephone industry and applies to all companies filing federal tax returns. Accordingly, United of PA's language does not allow, as an exogenous event, changes based upon the TCJA.

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.

Response:

No, to the extent the question refers to State Tax Adjustment Surcharge ("STAS"), United of PA eliminated its STAS and therefore no longer reflects changes in state taxes, whether up or down.

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.

Response:

United of PA does not operate under a Simplified Rate Making Plan.

Re: Tax Cuts and Job Act of 2017
PA PUC Docket No. M-2018-2641242

The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink's Responses to Pennsylvania Public Utility Commission Data Requests dated March 2, 2018

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?

Response:

United of PA offers wholesale services governed by the Federal Communications Act pursuant to Interconnection Agreements ("ICAs") *and* through tariffs. Comments have been requested by the Commission as to "whether the Commission should adjust current…wholesale rates to reflect the effect of the tax rate reductions" arising from the TCJA. *See*, Secretarial Letter dated March 2, 2018 at page 2.

From United of PA's standpoint, the answer is "no" to the question of whether the Commission "should adjust current…wholesale rates." In accordance with the 1996 Telecommunications Act ("Act"), United of PA provides wholesale services through an ICA upon receiving a request for negotiation pursuant to Section 251 of the Act. 47 U.S.C.A. § 251. These wholesale services found in the ICA are TELRIC-based. The cost studies for most of these elements were completed in the late 1990s. In many instances, the inputs for those cost studies have changed since that time. For instance, wages and healthcare costs are two inputs to the TELRIC studies that have increased over time, but the TELRIC-based rates have not increased to reflect these changes. It would be highly impractical and exceedingly time-intensive – not to mention costly for the Commonwealth, the Commission and industry– to require rate changes in all *existing* ICAs on file with the Commission due to the TCJA. ICAs have change of law provisions which outline the process for parties to the ICA to follow to implement a change of law. The Commission would first have to open full-blown cost dockets to establish new unbundled network elements (UNEs) for each ILEC. Once litigated and final orders released by the Commission (and assuming not subject to appeal), the parties to an ICA would have to execute new ICAs to implement the resulting changes in law to UNE rates.

Many wholesale services are also tariffed. Tariffed services include switched access elements and BDS services, which are not established based on a TELRIC methodology.

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.

Response:

It is unclear, based on the wording of the question, what is meant by cost-based rate elements. United of PA's retail rates for noncompetitive services are subject to United of PA's price stability plan and are calculated based on the annual change in the Gross Domestic Product Price Index (GDP-PI). United of PA's noncompetitive rates are not cost-based. *See also*, response to Question #9 regarding wholesale rates.

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.

Response:

The question makes a vague reference to "commercial interconnection agreements." The question also makes a vague reference to "agreements…that may not have been filed with the Commission under applicable law." United of PA files all its Section 251/252 Interconnection Agreements (ICAs) with the Commission, as required by the1996 Act. Commercial agreements for wholesale products and services are the result of commercial negotiations and are not required to be filed with the Commission. *See also*, response to Question #9 regarding wholesale rates.

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.

Response:

This question presumes that the TCJA will result in a reduction in tax obligations and associated benefits. These assumptions are not accurate. *See* response to Question #1. United of PA also is uncertain as to the question's references to "affiliated entities" and "wholesale interconnection rates." United of PA does not have a wireless affiliate. United of PA does not expect that the TCJA in and of itself will cause an adjustment to rates between United of PA and its affiliates.

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.

Response:

Yes. *See also* response to Question #1. Because of NOLs, it is unlikely that CenturyLink, Inc. will be in any significant cash taxpaying position for several years irrespective of the eventual TCJA impact.

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.

Response:

Yes. United of PA has deferred tax liabilities as of December 31, 2017. Those deferred tax liabilities were impacted by the TCJA resulting in an adjustment for the excess deferred taxes due to the Corporate tax rate reduction. The impact to intrastate operations from the excess deferred adjustment has not been specifically quantified. It is however anticipated to be immaterial given that the excess deferred adjustment would be jurisdictionally separated and amortized to income over future periods.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

Response:

The TCJA consists of a comprehensive package of changes to federal tax requirements. There most certainly are other provisions of the TCJA that will require further analysis and review. *See also*, Footnote 2 in response to Question #1. Analyzing the potential impacts of the TCJA remains exceptionally complex, particularly given that changes from the TCJA will also increase United of PA's state taxes. *See*, response to Question #1.

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.

Response:

United of PA has affiliates in other states and, to the extent those affiliates are regulated, the affiliates are subject to various state-specific requirements. Details regarding the specific state requirements are publicly available and/or are too cumbersome to summarize. However, in states where United of PA affiliates provide ILEC services, *all* states have opportunities for ILECs to be regulated using a methodology other than rate base/rate of return regulation.

VERIFICATION

I, Thomas A. Bailey, State that I am the Regulatory and Legislative Affairs Director for CenturyLink, and that as such I am authorized to make this verification on behalf of the United Telephone Company of Pennsylvania LLC d/b/a CenturyLink. I have reviewed the Comments and Data Responses submitted by CenturyLink in this matter and verify that the facts contained therein are true to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904, relating to unswore falsification to authorities.

Thomas A. Bailey

Thomas A. Bailey

Venus Telephone Corporation

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Venus Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. The Company does not prepare this type of analysis.

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.

RESPONSE:

N/A. The Company does not have a holding company structure.

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.

RESPONSE:

As explained in the response to DR- 1, the Company has no estimate of the impact of TCJA on its tax obligation. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Venus Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the response to DR-1, it is premature to know whether any such savings or benefits may result) to Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to accelerate the development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Venus Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on June 23, 2005, at Docket Number P-00981442.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question#6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF VENUS TELEPHONE CORPORATION FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981442F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF VENUS TELEPHONE CORPORATION

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 18, 2005

herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit time for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Venus Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

No.

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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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based. As to the Company's wholesale rates, please see the Company's response to DR-9.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between your company and any affiliated entities.

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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Net Operating Loss has no impact on the Company's intrastate regulated services and operations.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Venus Telephone Corporation ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has not completed its 2017 federal corporate income tax return. The return is on extension and is not due until October 2018.

The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE:

No

VERIFICATION

I, Timothy Keister, VP of Operations of Venus Telephone Corp. hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Timothy Keister

Windstream Communications

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Windstream ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

Windstream will not benefit from the tax reform for many years because it did not have taxable income as a result of the various acquisitions and tax planning steps it had done over the years. In short, while the tax reform may extend for Windstream that time period with no federal taxes, there is no cash windfall due to the reform.

Furthermore, Windstream may not realize any benefit from the reduced corporate tax rate portion of reform due to some adverse effects in other portions of the reform such as the limitation of the use of carried forward net operating losses and the limitation of interest expense deductions.

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.

RESPONSE:

No. Please see response to Item 1.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Windstream ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

Please see response to Item 1.

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.

RESPONSE:

Please see response to Item 1.

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.

RESPONSE:

Please see response to Item 1.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Windstream ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. See PTA Comments for more detail.

For a qualifying exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Companies' Chapter 30 Plans, as amended, were most recently approved on the following dates and dockets:

Windstream Pennsylvania, LLC, June 30, 2000, as modified January 22, 2001, as amended March 15, 2005, Docket No. P-00981423F1000.

Windstream D&E, Inc., June 30, 2000, as modified January 22, 2001, as amended February 25, 2005, Docket No. P-00981430F1000.

Windstream Conestoga, Inc., June 30, 2000, as modified January 22, 2001, as amended February 25, 2005, Docket No. P-00981429F1000.

Windstream Buffalo Valley, Inc., June 30, 2000, as modified January 22, 2001, as amended February 25, 2005, Docket No. P-00981428F1000.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF BUFFALO VALLEY TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981428F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF BUFFALO VALLEY TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended February 25, 2005

within sixty (60) days of the filing (or such other time as may be otherwise provided herein), otherwise the tariff(s) shall become effective as filed. The Company may extend the 60-day period to permit for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

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[5]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

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[6]See paragraph 13, infra.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF CONESTOGA TELEPHONE AND TELEGRAPH COMPANY FOR APPROVAL OF AN ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981429 F1000

AMENDED ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF CONESTOGA TELEPHONE AND TELEGRAPH COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended February 25, 2005

shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall

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[5]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company at the time of implementing any extended calling scope service or additional basic

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[6]See paragraph 13, infra.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF DENVER AND EPHRATA TELEPHONE AND TELEGRAPH COMPANY FOR APPROVAL OF AN ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981430F1000

AMENDED ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF DENVER AND EPHRATA TELEPHONE AND TELEGRAPH COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended February 25, 2005

extend the 60-day period to permit for the ADR mediation process. Such rates shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding, made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days.[5]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

[5]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[6] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a

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[6]See paragraph 13, infra.

ATTACHMENT - see question #6

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF ALLTEL PENNSYLVANIA, INC. FOR APPROVAL OF AN ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981423F1000

AMENDED ALTERNATIVE FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF ALLTEL PENNSYLVANIA, INC.

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket No. P-00981423, and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 15, 2005

X	0% inflation offset
Z	The effect of any exogenous changes. Exogenous changes are positive or negative changes in ALLTEL PA's revenues or expenses as defined in the Plan. In the calculation of the PSI, exogenous changes are expressed as a percentage of ALLTEL PA's revenue received from intrastate noncompetitive services.

The percentage change in GDP-PI will be calculated as the percentage change in the GDP-PI value for the quarter ending not more than eight months prior to the advance notice date of the filing of the new annual tariff and the corresponding quarter of the previous year.

In no event shall the PSI_t, excluding the impact of exogenous events, be less than the PSI calculated as of the effective date of the Plan.

If the Department of Commerce should cease or alter the reporting of the GDP-PI during the term of the Plan, then, subject to Commission approval, the Company will substitute an alternative index and make any adjustments to the formula necessary to replicate the current formula as closely as possible.

3. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, ALLTEL PA, the OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments (increases or decreases) impacting the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues actually change;

b. subsequent Generally Accepted Accounting Principles (GAAP), regulatory and legislative changes (state & federal) which affect revenue and/or expenses, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected as measured by GDP-PI and are outside the Company's control.

The institution of a universal service type fund in Pennsylvania and any requirement that ALLTEL PA participate as a customer and/or a recipient shall be a qualifying exogenous event to the extent ALLTEL PA is either a net contributor to or net recipient from such fund. Examples of other exogenous events include the implementation of number portability. Exogenous revenue changes shall be flowed through on a dollar for dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense changes shall be flowed through dollar for dollar on the basis of review of that single expense item for which an exogenous change is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of all related taxes. The "75-day procedure," as recited at Part 3.A.10 below, shall apply to each such exogenous change.

4. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increases/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Windstream ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax rates, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

The companies do not operate under a Simplified Rate Making Plan.

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?

RESPONSE:

The company offers wholesale services pursuant to both Interconnection Agreements ("ICAs") and tariffs. However, no CLECs or CMRS providers are purchasing wholesale services via ICAs. Further, all rates provided within ICAs are mutually agreed upon negotiated rates. Per provisions contained within the ICAs, either party to the ICA can request renegotiation of any and all provisions, including rates, that they believe may be impacted by changes of law. The TCJA has no impact on Windstream's ICA rates.

CLECs and CMRS providers can and sometimes do purchase services from Windstream's intrastate access services tariffs (Windstream Pennsylvania, LLC – PA PUC # 8, Windstream D&E, Inc. - PA PUC # 19, Windstream Buffalo Valley, Inc. – PA PUC # 10 and Windstream Conestoga, Inc. – PA PUC # 13) which they then use for interconnection. These tariffs, including rates, are currently subject to Chapter 30 rules. The TCJA does not have any impact on wholesale services provided pursuant to these tariffs.

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.

RESPONSE:

No. The Chapter 30 plan states that it is "a complete substitution for rate base/rate of return regulation and is the exclusive basis upon which the Company's noncompetitive service rates are regulated on and after the date of Commission approval of this Plan." Competitive services shall not be regulated on any basis except quality of service. According to the Plan, the company may price competitive services at its discretion.

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.

RESPONSE:

No. Windstream does not have any interconnection agreements, commercial or otherwise, that are not on file with the Commission. As noted in our response to Question 9, all rates provided within ICAs are mutually agreed upon negotiated rates. Per provisions contained within the ICA, either party to the ICA can request renegotiation of any and all provisions, including rates, that they believe may be impacted by changes of law. The TCJA has no impact on Windstream's ICA rates.

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.

RESPONSE:

No. Where interconnection is involved, Windstream treats its affiliates the same as non-affiliated companies. ICAs with affiliated entities contain the same provisions and negotiated rates as do ICAs with non-affiliated entities. As noted in our answer to Questions 9 and 11, all rates provided within ICAs are mutually agreed upon negotiated rates. Per provisions contained within the ICA, either party to the ICA can request renegotiation of any and all provisions, including rates, that they believe may be impacted by changes of law. The TCJA has no impact on Windstream's ICA rates.

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.

RESPONSE:

Windstream files a Consolidated Federal Income Tax Return and does have a NOL carryforward balance at the holding company level as of 12/31/17. The balance is not allocated. The presence of a Net Operating Loss has no impact on the Company's intrastate regulated 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.

RESPONSE:

Yes, Windstream has a net deferred tax liability balance at the holding company level. The balance is not allocated at the operational nor the jurisdictional level. The presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

Please see response to Item 1.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Windstream ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

Yes. While the Company submits that the operations of its affiliates in other states are matters beyond the Commission's jurisdiction and are neither relevant nor material to the Commission's consideration of the effects of the TCJA on the tax liabilities of Pennsylvania telecommunications carriers, the Company provides the following information regarding the telecom-inclusive dockets that have been opened in states where Windstream has an ILEC affiliate:

State Commission	Docket	Rate Methodology	Action
Mississippi Public Service Commission	18-AD-12	Rate regulation plan	Pending
New Mexico Public Regulation Commission	18-00016-UT	Current rates were derived under price cap regulation	Pending
New York Public Service Commission	17-M-0815	Modified rate of return	Pending
Ohio Public Utilities Commission	18-47-AU-COI	Price cap	Pending
South Carolina Public Service Commission	2017-381-A	Alternative regulation	Pending

VERIFICATION

I, Jeanne Shearer, Vice President State Government Affairs of Windstream, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

Jeanne Shearer

Jeanne Shearer

Yukon-Waltz Telephone Company

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Yukon-Waltz Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company has no estimate of the impact TCJA may have on 2018 and subsequent years. Federal corporate income taxes are prepared on a consolidated basis, including operations of subsidiaries. To prepare a response to this question, the Company would need to prepare projected 2018 (and beyond) financial statements and pro-forma tax returns. While the Company prepares projected financial statements, it does not prepare pro-forma tax returns and thus is not in a position to provide the requested impact of the TCJA.

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.

RESPONSE:

As a result of TCJA, in accordance with generally accepted accounting principles, the Company's parent or holding company reduced the Deferred Income Taxes Liability in the balance sheet as of December 31, 2017 to reflect the impact of this rate reduction, which resulted in an estimated deferred income tax credit of approximately $778,000. Of this total credit, approximately $82,000 was estimated to apply to the Company. The Company's current and deferred federal income taxes will be reduced in 2018 and beyond due to the lower federal income tax rate. Furthermore, the current income federal income taxes will be reduced due to the reinstatement of the 100% bonus depreciation through 2022. However, it should be noted that the positive impact of the TCJA would apply to the interstate jurisdiction since it's our position that the Company is operating at a loss with respect to its intrastate operations. In order to provide more specific information would require an extensive study and analysis of the impact of the TCJA.

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.

RESPONSE:

As explained in the response to DR-1, the Company has no estimate of the impact of TCJA on its tax obligation beyond 2017. Please see the comments of the Pennsylvania Telephone Association ("PTA Comments") for more information on the requirements to pass through any tax savings to customers. Additionally, as noted in the response to DR-2, it's our position that the tax savings associated with the TCJA apply to the interstate jurisdiction, and thus the Company would not be required to pass such savings along to customers.

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.

RESPONSE:

See Response to DR-3. The Company does not intend to flow through to its customers a reduction in its tax obligation under the TCJA, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

Moreover, the Company has neither sought nor received a competitive classification under Section 3016 of the Public Utility Code, 66 Pa.C.S. § 3016, for any intrastate services it provides in Pennsylvania.

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.

RESPONSE:

The traditional concept of retained savings from tax rate reductions is not applicable under the Company's alternative form of rate regulation pursuant to Chapter 30 of the Public Utility Code.

Nevertheless, the Company intends to use any savings/benefits resulting from the TCJA (and, to reiterate the responses to the previous DRs, it is our position that such savings or benefits are related to the interstate jurisdiction) in the following ways:

- Reinvestment in wireline and broadband infrastructure across portions of the Company's service area to continue the ongoing development and deployment of advanced telecommunications capabilities to Pennsylvania consumers.

- To the extent the Company is able to continue to operate profitably, any savings resulting from the TCJA will enable the Company to continue its policy of implementing annual pay raises for its employees as well as its policy to continue to provide excellent benefits (i.e., medical, dental, short-term and long-term disability, etc.), including contributions to a 401(k) and Profit Sharing Plan on behalf of its employees.

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.

RESPONSE:

The Company operates under Chapter 30 Alternative Regulation Plan which contains an exogenous events clause. As a preliminary matter, the first question presupposes that the TCJA is the type of substantial change that would qualify as an exogenous event. As explained in the PTA Comments, TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail.

For a **qualifying** exogenous event, the clause applies to items having either a positive and negative effect on the Company.

The Company's Chapter 30 Plan, as amended, was most recently approved on June 23, 2005, at Docket Number P-00981443.

A copy of the relevant exogenous events provisions from the Company's most recent Chapter 30 plan in effect is attached.

ATTACHMENT - see question #6

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF YUKON-WALTZ TELEPHONE COMPANY FOR APPROVAL OF A STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN	:	Docket No. P-00981443F1000

AMENDED STREAMLINED FORM OF REGULATION AND NETWORK MODERNIZATION PLAN OF YUKON-WALTZ TELEPHONE COMPANY

This Chapter 30 Plan was filed pursuant to the Pennsylvania Public Utility Commission Opinions and Orders entered January 20, 2000, March 30, 2000, and December 20, 2000, at Docket Nos. P-00981425, et al., and is amended in accordance with Section 3014 of Act 183 of 2004.

Dated: June 30, 2000, as modified January 22, 2001, as amended March 18, 2005

shall be deemed Commission-made. This procedure, as specified in this paragraph, is hereinafter referred to as the "75-day procedure." An additional fifteen (15) days shall be provided to allow time for hearings, if specifically requested by the OCA, the OTS, the OSBA, a customer, or any other party to the Chapter 30 proceeding at Docket No. P-00981425, et al., made at the time of complaint or intervention. In addition, if the proposed impact of the filing on local service rates for residential one-party service is an increase greater than $3.50 per month, then the additional allowance of time for hearings shall be 45 calendar days, rather than 15 calendar days[4]

11. Except as otherwise noted, any changes or events within the Company's control are excluded as exogenous events. Notwithstanding any other limitation specified herein, the Company, OTS, OCA, OSBA, or other parties in interest may request the Commission to make special revenue adjustments beyond the scope of the PSI to recognize exogenous events ("Z"), including but not limited to the following:

a. jurisdictional shifts in cost recovery where interstate revenues or costs actually change;

b. subsequent regulatory and legislative changes (state & federal) which affect revenues and/or costs, to the extent not captured in GDP-PI; and

c. unique changes in the telephone industry which are not reflected in the overall inflation factor as measured by GDP-PI and are outside the Company's control.

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[4]The term "local service" is identical to the set of services generically defined as "universal services" by the Commission, including calling within a local area, touch tone and access to emergency services. The rates for such local services to which the $3.50 is applicable include all associated charges, such as basic local service, extended area service, touch tone, mileage, rate bands, measured local calling and similar rate elements. Restructuring of various rates within the residential class, (e.g., roll-in of mileage charges into basic local service rates) shall not be included in the calculation of the $3.50 increase for purposes of this sub-part.

The institution of a universal service type fund in Pennsylvania and any requirement that the Company participate as a contributor and/or a recipient shall be a qualifying exogenous event to the extent the Company is either a net contributor to or net recipient from such fund. Conversion of the Company from average schedule settlements to a cost-based or other format shall be qualifying exogenous events. Any changes to Generally Accepted Accounting Principles ("GAAP") that are reflected as changes in regulatory accounting requirements for cost determination and ratemaking purposes that will result in cost changes are an exogenous event. Other examples of exogenous events include the implementation of number portability and IntraLATA presubscription.[5] Exogenous revenue events shall be flowed through on a dollar-for-dollar basis, utilizing the most recent per book revenue levels, without any investigation or review of earnings. Exogenous expense events shall be flowed through dollar-for-dollar on the basis of review of that single expense item for which an exogenous event is sought without any investigation or review of earnings, utilizing the most recent per book level of such expense. Results shall be adjusted to recognize the impact of any related taxes. The "75-day procedure," as recited above in paragraph 10, shall apply to such exogenous events.

12. Any revenue shortfall or cost incurred, including administrative costs, less other related revenue increase/cost decreases, if any, associated with a Commission-mandated implementation of new calling scope services such as EAS or extension of basic local exchange services may be recovered by the Company

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[5]See paragraph 13, infra.

Further, the Company will also abide with any Commission policy established regarding toll imputation in the design of its intraLATA toll rates. However, the Company shall not be required to pass any imputation test, unless all toll carriers operating in the same service area agree or are required to comply with the exact imputation test for its serving area as may be imposed on the Company.

7. The regulatory and market changes which will result from TA-96 and applicable regulations have not been incorporated into this Plan B. Nothing herein shall be construed to preclude the Company from fully and completely exercising its rights under TA-96, which rights are preserved.

8. The Company may also propose tariff rate changes to implement the results of Commission Orders involving generic industry issues.

9. The Company may, on or before May 1st (or the closest Commission working day thereafter) of any subsequent year, shift to Plan A with the index under the PSM set at 100 based upon the Company's existing rates at the time of the shift. The Company making such election must provide the Commission, OTS, OCA and OSBA advance notice thereof forty-five (45) days prior to such Plan A filing. Once the Company shifts to Plan A it may not return to Plan B.

B.(B) Exogenous Events

1. In addition to any SRP filing, the Company, OTS, OCA, OSBA or other parties in interest may request that the Commission make rate changes to reflect specific revenue adjustments at any time to recognize exogenous events as previously defined in Plan A herein.

2. The procedure applicable to revenue neutral SRP filings shall apply to any request to reflect an exogenous event.

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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.

RESPONSE:

The Company reflects changes in certain, specific state tax **rates**, up or down, while operating under authority of its Chapter 30 Plan. This is done in compliance with 52 Pa. Code § 69.51 which permits the recovery of portions of Capital Stock Tax, Corporate Net Income Tax and Gross Receipts Tax and the Public Utility Realty Tax through a surcharge on the rates charged to customers ("STAS"). As further described in the PTA Comments, this mechanism would not apply to changes in federal taxes. *See* PTA Comments for more detail.

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.

RESPONSE:

While the Company operates under a Simplified Ratemaking Plan ("SRP") streamlined form of regulation approved by the Commission in the Company's Chapter 30 Plan, the SRP is a complete substitution for traditional rate base/rate of return regulation set forth in Chapter 13 of the Public Utility Code and is the exclusive basis upon which the Company's noncompetitive rates are regulated. While the Company has the ability to make a simplified ratemaking filing due to an exogenous event, the TCJA is not a qualifying exogenous event. *See* PTA Comments for more detail. Consequently, the Company will not be making a simplified ratemaking filing to incorporate the effect of the tax changes from the TCJA for its regulated intrastate services, nor is it appropriate to require the Company to do so in light of Chapter 30 of the Public Utility Code and the Company's Commission-approved alternative regulation plan.

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?

RESPONSE:

Yes, the Company provides wholesale services pursuant to ICAs and/or tariffs. The ICAs/tariffs, however, are not cost-based.

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.

RESPONSE:

No. None of the Company's jurisdictional services that are subject to regulation by the Commission are cost-based.

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.

RESPONSE:

N/A. The Company does not have any "commercial interconnection agreements" that have not been filed with the Commission under applicable law.

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.

RESPONSE:

No. The Company does not expect the TCJA tax cut to modify rates applicable between the Company and any affiliated entities.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Yukon-Waltz Telephone Company ("Company")

Docket No. M-2018-2641242

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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.

RESPONSE:

The Company does not have a Net Operating Loss as of December 31, 2017. As a further note, the presence of a Net Operating Loss has no impact on the Company's intrastate regulated 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.

RESPONSE:

As indicated in the response to DR-2, the Company has a Deferred Tax Liability as of December 31, 2017. However, the presence of a Deferred Tax Liability has no impact on the Company's intrastate regulated services and operations.

15. Are there any other changes made in the TCJA that will impact the company? If yes, please explain.

RESPONSE:

See PTA Comments.

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.

RESPONSE: No.

Tax Cuts and Jobs Act of 2017
Pennsylvania Public Utility Commission ("Commission") Data Requests

Responses of Yukon-Waltz Telephone Company ("Company")

Docket No. M-2018-2641242

VERIFICATION

I, James J. Kail, President & CEO of Yukon-Waltz Telephone Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 25, 2018

James J. Kail