

**BUREAU OF TECHNICAL UTILITY SERVICES DATA REQUESTS**

**TO PENNSYLVANIA-AMERICAN WATER COMPANY**

**Docket No. A-2017-2606103**

Data Request 1

*Data Requests A-2 through A-13 refer to information provided in the Application's Appendix A-5.*

A-9. Schedule L of HRG's "MACM UVE Model – Final" Excel file uses a 6% state tax rate in Column I. Please explain why HRG utilized 6% as the state tax rate.

**Response:** HRG did not have access to PAWC's internal accounting or tax returns and had to rely on external sources in order to make assumptions relative to taxes generally. The 6% state income tax assumption is based on data used in our valuation of other utilities.

We were unable to establish a specific tax rate for PAWC based on our review of specific data included in PAWC's 2016 Annual Report to the PUC. In particular, we review information on Schedule 419, (page 55) Line 13 – State Income Taxes (Act 409.11) paid. For the year 2016, PAWC indicated no State Income taxes were paid. We could not divide this by their NET INCOME found on Schedule 400 (page 35) of \$9,560,174 in order to arrive at an effective tax rate. We believed that there may have been some income adjustments, tax credits, or carryover credits, so we used a previously calculated percentage of 6.0%.

Responsible Witness: Adrienne M. Vicari, P.E.  
Title: Financial Services Practice Leader, HRG

Date: July 14, 2017