



Pike County Light & Power Co.
330 West William Street
Corning, NY 14830

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

Re: Docket M-2018-2641242 Tax Cuts and Jobs Act of 2017

Dear Secretary Chiavetta

Please find attached responses to questions in your letter dated February 12, 2018 for Pike County Light & Power Company Electric Division. In accordance with your directive I provide the following response:

I, Firouzeh Sarhangi, 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).

Yours Truly ,

A handwritten signature in black ink, appearing to read "Firouzeh Sarhangi", is written over a faint, illegible printed name.

Firouzeh Sarhangi
Chief Financial Officer
Pike County Light & Power Company

1. How does the reduction in the corporate Federal Income Tax rate from 35% to 21% affect your 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.

Response:

The Company estimates that the reduction for 2018 will approximate the 2017 calculation requested by the Commission.

2. If a reduced tax obligation is passed through to ratepayers, explain the methodology to be used to compute the reduction, the rate mechanism to accomplish the reduction, and the allocation among customer classes.

Response:

The Company would use the 2017 operating results as the basis to determine any reduction. The allocation among customer class would be consistent with the rate allocation used in Pike's settlement agreement in Docket R-2013-2397237 as follows:

	Allocation Per Settlement
SC-1 Residential	60%
SC-2 Secondary Demand Billed (commerical)	34%
SC-2 Secondary Non-Demand Billed (commerical)	2%
SC-2 Primary (commerical)	2%
SC-3 (Municipal Lighting)	2%
SC-4 (Private Lighting)	1%
	100%

3. If any of the potential tax savings from the reduced federal corporate tax rate can be used for purposes other than to reduce customer rates, provide details on how and where those tax savings can be used.

Response

The potential tax savings from the reduced federal corporate tax rate can be used to offset customers deferred balances such as deferred storm costs as well as required system reliability projects

4. Does the company have any Net Operating Losses (NOL) as of 12/31/17? Please quantify the impact of the Tax Cuts and Jobs Act (TCJA).

Response

None

5. Does the company have any Deferred Tax Liabilities as of 12/31/17? Please quantify the impact of the Tax Cuts and Jobs Act (TCJA).

Response

The requested information is detailed below:

Deferred Tax Liabilities	35% Rate	21% Rate	Change
Protected (1)	395,366.90	237,220.14	(158,146.76)
Unprotected*	432,649.18	259,589.51	(173,059.67)
	828,016.08	496,809.65	(331,206.43)
(1) Tax depreciation benefit normalized that must be passed back over life of the tax life			
* Allocated 85% Electric and 15% Gas			

6. Are there any impacts on riders/surcharges resultant from the TCJA? If so, please explain.

Response:

None

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

Response:

None

8. What test year should be used to quantify the new the 21% federal corporate tax rate to be effective 1/1/18?

Response:

The Company would use the 2017 operating results as the basis to determine any reduction

9. Please provide the following information regarding your last Commission approved rate case:

- a. Docket Number: **Docket No. R-2013-2397237**
- b. Date filed: **January 17, 2014**
- c. Approved Rate of Return :**Settlement Agreement cannot be determined**
- d. Approved Increase in Annual Revenues: **\$1,250,000**
- e. Allocation of Approved Increase Among Major Customer Classes:
See response to question 2 above
- f. Effective Date of new rates: **September 2014**

Pike County Light and Power Company
Electric Division
Calculation of State and Federal Income Taxes

Line No.	Description	(1) Last Commission Approved Rate case*	(2) Actual Results 12/31/2017	(3) Ratemaking Adjustments	(4) Proposed Adjusted 12/31/2017
1	Operating Revenues		8,533,166		8,533,166
2	Less O&M Expenses		6,564,548		6,564,548
3	Book Depreciation		419,339		419,339
4	Interest Expense		435,765		435,765
	Operating Income before Taxes Total		1,113,514		1,113,514
6	Add: Premature Property Loss /Amortization		491,021		491,021
7	Depreciation Striaght Line (including COR)		419,339		419,339
8	Taxable Meals and Entertainment		-		-
9	Total		910,360		910,360
	Deduct				
10	Tax Depreciation		(1,548,959)		(1,548,959)
11	MACRS on Post 1986 Assets		-		-
12	Cost of Removal		-		-
13	Total		(1,548,959)		(1,548,959)
14	State Taxable Income		474,915		474,915
15	State Income at				
16	Historic, Future and Fully Projected at 9.99%		47,017		47,017
17	Taxable Income after State Income Tax		427,898		427,898
18	Add: cost of Removal Non ADR Property		-		-
19	ACRS on Post 1980 Assets		-		-
20	MACRS On Post 1980 Assets		-		-
21	Deduct SLRL on Post 1980 Assets and Amotization		-		-
22	Income Subject to Federal In come Tax		427,898		427,898
23	Federal Income Tax at 35%		149,764		149,764
24	Federal Income Tax at 21%		89,859		89,859

* Docket R-2013-23972737 was a Settlement Agreement lime item detail not available

Effect of Tax Cuts and Jobs Act (TCJA) on Rates							
Pre TCJA Taxes							
Federal Current (Page 1 Column 4 Line 23)			149,764				
Federal Deferred Protected	395,367						
Federal Deferred UnProtected	(171,857)						
Less Post Pre TCJA Taxes							
Federal Current (Page 1 Column 4 Line 24)			89,859				
Federal Deferred Protected	237,220						
Federal Deferred UnProtected	(103,114)						
Effect TCJA on Income (A)			(59,906)				
Change In ADIT			89,404				
Protected	158,147						
Unprotected	(68,743)						
Commission Approved Rate of Return *			8.21%				
Effect od ADIT Change on Income (B)			7,340				
Earnings Excess (Line A-Line B)			(52,566)				
Complement of Tax Rate			0.711079				
Revenue Excess			(73,923.9)				
Commission Allowed Revenues			11,031,200				
Percent Decrease Per Bill			-0.67%				

* Docket R-2013-23972737 was a Settlement Agreement no specific Rate of Return was identified. Assumes rate of return filed by Pike in its original filing