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April 6, 2018

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

**RE: HERMAN OIL & GAS RESPONSE TO DATA REQUESTS REGARDING THE
TAX CUTS AND JOBS ACT OF 2017
DOCKET NO. M-2018-2641242**

Dear Secretary Chiavetta:

Enclosed on behalf of Herman Oil & Gas are the data requests regarding the impact of the Tax Cuts and Jobs Act of 2017.

If you have any questions, please do not hesitate to contact me.

Regards,

James L. Crist, P.E.

Herman Oil & Gas Responses

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:

Herman Oil & Gas (“Herman”) is an LLC and not subject to the corporate Federal Income Tax rate as its earning flow to the sold shareholder and company President, Andrew Smith. For many years Herman has been unprofitable. It is impossible to predict at this point what the profitability and the impact of the TCJA individual tax rate changes will be in 2018.

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:

Federal Income Tax expenses are recovered in base rates and must be recovered through a base rate case process. It is uncertain if Herman would realize any reduced tax obligation and if so it is unlikely that any reduction would be minor in comparison to the cost of conducting a base rate case, which is currently not contemplated by Herman.

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:

As the Herman distribution system is relatively old with several areas in need of repair any tax savings would first be applied to increased distribution system repair.

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:

Financial statements ending 12/31/17 show a loss. Because there is no income tax obligation the TCJA has no impact.

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:

Herman has no deferred tax liabilities. There is no impact of the TCJA.

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

Response:

Herman has no riders/surcharges resultant from the TCJA.

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

Response:

There are no other changes made in the TCJA that will impact Herman.

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

Response:

Herman anticipates no impact of the TCJA in 2018. If the Commission mandated that Herman submit a base rate filing, the test year should be based upon a projected twelve-month period starting with the anticipated effective date of the change in rates.

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

- a. Docket Number
- b. Date filed
- c. Approved Rate of Return
- d. Approved Increase in Annual Revenues
- e. Allocation of Approved Increase Among Major Customer Classes
- f. Effective Date of new rates

Response:

- a. R-2014-2414379 and C-2014-2419761
- b. March 28, 2014
- c. Black box settlement
- d. \$420,000
- e. \$380,000 Residential
\$40,000 Medium General Service
- f. Three year phase-in 8/1/15, 8/1/16, 8/1/17

As explained in the data request responses presented in Attachment B, there are no significant changes in financial position due to the TCJA, therefore the tables of Attachment C are not provided.