



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

April 11, 2018

Honorable Rosemary Chiavetta
Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, Pennsylvania 17105-3265

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 March 12, 2018 for Pike County Light Power Company Gas 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, light-colored signature line.

Firouzeh Sarhangi
Chief Financial Officer
Pike County Light and Power County

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-2013-2397353 as follows:

Service Class	Allocation of Increase
Residential	95%
Commerical	5%
	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 fund pipe replacement program to replace cast iron and bare steel distribution pipe.

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:

Tax Cuts and Jobs Act of 2017

Pike County Light and Power Company					
Gas Division					
Calculation of State and Federal Income Taxes		(1)	(2)	(3)	(4)
Line No.	Description	Last Commission Approved Rate Case*	Actual Results 12/31/2017	Ratemaking Adjustments	Proposed Adjusted 12/31/2017
1	Operating Revenues		1,269,175.65		1,269,175.65
2	Less O&M Expenses		938,692.03		938,692.03
3	Book Depreciation		83,545.48		83,545.48
4	Interest Expense		75,167.72		75,167.72
	Operating Income before Taxes Total		171,770.42		171,770.42
6	Add: Premature Property Loss/Amortization		312,105.13		312,105.13
7	Depreciation Straight Line (Including COR)		83,545.48		83,545.48
8	Taxable Meals and Entertainment		-		-
9	Total		395,650.61		395,650.61
	Deduct				
10	Tax Depreciation		(205,673.51)		(205,673.51)
11	MACRS on Post 1986 Assets		-		-
12	Cost of Removal		-		-
13	Total		(205,673.51)		(205,673.51)
14	State Taxable Income		361,747.52		361,747.52
15	State Income at				
16	Historic, Future and Fully Projected at 9.9%		36,138.58		36,138.58
17	Taxable Income after State Income Tax		325,608.94		325,608.94
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 Amortization				
22	Income Subject to Federal Income Tax				
23	Federal Income Tax at 35%		113,963.13		113,963.13
25	Federal Income Tax at 21%		68,377.88		68,377.88

*Docket No. R-2013-2397353 was a settlement Agreement Line Item detail not available

Tax Cuts and Jobs Act of 2017

Effect of Tax Cut and Jobs Act (TCJA) on Rates		
Pre TCJA Taxes		
Federal Current (Page 1 Column 4 Line 23)		113,963.13
Federal Deferred Protected	42,744.81	
Federal Deferred Unprotected	(109,236.80)	(66,491.99)
		47,471.14
Post TCJA Taxes		
Federal Current (Page 1 Column 4 Line 24)		68,377.88
Federal Deferred Protected	25,646.89	
Federal Deferred Unprotected	(65,542.08)	(39,895.19)
		28,482.69
Effect TCJA on Income (A)		18,988.46
Change in ADIT		
Protected	17,097.92	
Unprotected	(43,694.72)	
Commission Approved Rate of Return*		8.21%
Effect ADIT on Income (B)		(2,183.60)
Earnings Excess (Line A-B)		21,172.05
Complement of the Tax Rate		0.711029
Revenue Excess		29,776.64
Commission Allowed Revenues		1,616,100.00
Percent Decrease Per Bill		1.84%
*Docket No. R-2013-2397353 was a settlement Agreement no specific Rate of Return was identified. Assume rate of return filed by Pike in its original filing		