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e-File

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

Re: Tax Cuts and Jobs Act of 2017 ("TCJA")
M-2018-2641242

Dear Secretary Chiavetta:

On March 9, 2018, Pennsylvania-American Water Company (the "Company") filed responses to the data requests that accompanied the Secretarial Letter dated February 12, 2018.

In reviewing the Company's responses to the data request it was determined that Scranton Wastewater Exhibit No. 1 Page 7 of 8 was mislabeled as "Wastewater Operations Excluding Scranton" and the "Commission Allowed Revenues" amount included \$237,426 of other operating revenue. This correction changes the Scranton Wastewater Projected Percentage Differential show on Exhibit No. 1 page 1 of 8 from 5.42% to 5.47%.

The Company is submitting the enclosed update labeled Revised Exhibit No. 1 page 1 of 8 and page 7 of 8 to reflect this update.

Sincerely,


Susan Simms Marsh

Enclosure

**Pennsylvanian American Water
M-2018-2641242**

Summary - Projected TCJA Differential
Based on a fully projected future test year ending 12/31/18
Docket No. R-2017-2595853

	<u>Projected TCJA Differential</u>	<u>Commission Allowed Revenues *</u>	<u>Projected Percentage Differential</u>
Water	\$ 44,159,256	\$ 650,770,004	6.79%
Wastewater Excluding Scranton	2,008,087	26,162,255	7.68%
Scranton Wastewater	1,333,856	24,387,517 **	5.47%
TCJA Impact	\$ 47,501,199	\$ 701,319,776	6.77%

* Adjusted to eliminate contract sales and other water revenue

**Revised from initial submission to remove \$237,426 of Other Water Revenues

Effect of Tax Cuts and Jobs Act (TCJA) on Rates

**Scranton Wastewater Operations
M-2018-2641242**

<u>Pre TCJA Taxes</u>	<u>Net Tax Effect</u>
Federal- Current (Page 1, Column 4, Line 23)	\$ 2,612,163
Federal- Deferred	2,174,009
<u>Less: Post TCJA Taxes</u>	
Federal- Current (Page 1, Column 4, Line 24)	\$ 1,567,298
Federal- Deferred	779,106
Effect of TCJA On Income (A)	\$ 1,044,865
Change in ADIT	\$ 1,394,904
Comission Approved Rate of Return	6.91% *
Effect of ADIT Change on Income (B)	\$ 96,388
Earnings Excess (Line A - Line B)	\$ 948,477
Complement of Tax Rate	0.711079
Revenue Excess	\$ 1,333,856
Commission Allowed Revenues	\$ 24,387,517 ** & ***
Percent Decrease Per Bill	-5.47%

* Base rate case resulted in a black box settlement, ROR of 6.91% was used to scale back initial filing to settlement amount

** Operating Revenues Page 1	\$ 26,941,943
Less: Act 11 Transfer of Wastewater Rev. Requirement to Water	2,317,000
Commission Allowed Revenues	24,624,943
Less: Other Operating Revenues	237,426
Commission Allowed Revenues (Wastewater Sales)	<u>\$ 24,387,517</u>

*** Revised from initial submission (\$24,624,943) to remove \$237,426 of Other Water Revenues

VERIFICATION

I, John R Cox, hereby declare that I am the Director of Rates and Regulations for Pennsylvania-American Water Company; that, as such, I am authorized to make this verification on its behalf; that the facts set forth in the foregoing responses to Tax Cuts and Jobs Act of 2017 Data Requests are true and correct to the best of my knowledge, information and belief; and that I make this verification subject to the penalties of 18 Pa. C.S. §4904 pertaining to false statements to authorities.

4-16-18
Date

John R Cox
[NAME]