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June 8, 2018

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Tax Cuts and Jobs Act of 2017
PPL Electric Utilities Corporation
Docket No. R-2018-3000775**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) is the Petition for Reconsideration/Amendment (“Petition”) of Order Entered May 17, 2018 (“Order”), in the above-referenced proceeding.

In the enclosed Petition, PPL Electric respectfully requests **expedited** review and approval by the Pennsylvania Public Utility Commission (“Commission”). Specifically, the Company requests that the Commission approve the proposed revisions to the Order’s calculation of the surcharge rate at the Commission’s public meeting scheduled for June 14, 2018, or in the alternative, no later than June 20, 2018.

Such expedited review and approval is necessary and appropriate because the surcharge is set to become effective July 1, 2018, and the Company needs to begin to test billing of the surcharge no later than June 20, 2018.

Copies will be provided as indicated on the Certificate of Service.

Rosemary Chiavetta, Secretary

June 8, 2018

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Devin Ryan', with a long horizontal flourish extending to the right.

Devin Ryan

DTR/jl

Enclosures

cc: Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Tax Cuts and Jobs Act of 2017 – :
PPL Electric Utilities Corporation : Docket No. R-2018-3000775

**PETITION FOR RECONSIDERATION/AMENDMENT OF
ORDER ENTERED MAY 17, 2018**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by its counsel, hereby petitions the Pennsylvania Public Utility Commission (“Commission”), pursuant to 52 Pa. Code § 5.572, to reconsider/amend its Order entered on May 17, 2018, in the above-captioned docket (the “*PPL Electric Compliance Order*”), to recalculate the surcharge rate to be effective July 1, 2018, from -0.56% to -7.05%. PPL Electric further requests that the Commission approve these proposed revisions at its public meeting scheduled for June 14, 2018, or in the alternative, no later than June 20, 2018, so that the Company can implement the revised surcharge in a timely and accurate manner. In support of this Petition for Reconsideration/Amendment (“Petition”), PPL Electric represents as follows:

I. BACKGROUND AND EXPLANATION OF PROPOSED REVISIONS TO ORDER

1. By Secretarial Letter dated February 12, 2018, at Docket Number M-2018-2641242, the Commission directed PPL Electric and other major jurisdiction utilities to file certain data concerning the effects of the Tax Cuts and Jobs Act (“TCJA”).

2. On March 9, 2018, PPL Electric filed the required information and completed Attachment C of the Secretarial Letter, reflecting a calculation of a negative surcharge to be

applied to customer bills in accordance with the formula set forth in Attachment C. This filing by PPL Electric indicated a negative surcharge of -0.5594%. Attached hereto as **Appendix A** are pages 1 and 2 of the originally-filed Attachment C.

3. On further review of the calculations contained in the Attachment C filed on March 9, 2018, PPL Electric believes that the calculations contained therein do not fully reflect the tax reductions intended by the Commission.

4. In its Order entered May 17, 2018, at Docket No. M-2018-2641242, the Commission stated that if a utility had an objection to its individual order on the basis of accuracy of the computation, the utility should file a petition for reconsideration to allow Commission staff to review and address computation errors. See *Tax Cuts and Jobs Act of 2017*, Docket No. M-2018-2641242, p. 19 (Order entered May 17, 2018) (“*Temporary Rates Order*”).

5. With regard to the information supporting the -0.56% surcharge set forth in Attachment C, PPL Electric notes that the data used to calculate the surcharge was for the period ending December 31, 2017. See **Appendix A**, p. 2. However, the *PPL Electric Compliance Order* noted that “the tax savings from TCJA commenced on January 1, 2018” and directed PPL Electric “to record on its books the tax savings associated with the TCJA for the January 1, 2018 through June 30, 2018 time period.” *PPL Electric Compliance Order*, p. 4.

6. PPL Electric submits that it is necessary and appropriate to update the data underlying the surcharge calculated in the *PPL Electric Compliance Order* using forecasted data from 2018, to reflect the actual savings that occurred once the TCJA became effective. The current surcharge is based upon year ending December 31, 2017 data that does not reflect PPL Electric’s operations under the effects of the TCJA. PPL Electric provides an updated Attachment C, attached hereto as **Appendix B**, which updates this data to reflect forecasted 2018

values. *See Temporary Rates Order*, p. 17 (“The negative surcharge will be based upon the net tax savings due to the TCJA and will rely upon the projected 2018 data as set forth in the utility’s response to the Commission’s Data Requests.”).

7. With regard to the reductions in taxes to be reflected in the surcharge, the formula used reflects the change in current income tax payments under the TCJA of \$4,082,000 (\$10,206,000 - \$6,124,000). The Attachment C originally filed by PPL Electric does not show a reduction in taxes for the annual provision for deferred income taxes (“ADIT”), but PPL Electric’s verified response to Data Request 1 in Attachment B states that the deferred tax expense for 2018 would be reduced by approximately \$20,000,000 and is forecasted to be approximately \$20,000,000 in subsequent tax years. In addition, the Attachment C originally filed by PPL Electric does not show the effect of the TCJA on ADIT calculated by the Company.

8. As such, the formula and PPL Electric’s filing do not reflect a reduction to the annual provision for deferred taxes or an increase in ADIT in the calculation of the negative surcharge.¹ *See Appendix A.*

9. The updated data contained in **Appendix B**, however, shows that the formula and PPL Electric’s filing should reflect a reduction to the annual provision for deferred taxes in the amount of \$21,705,000 (\$22,249,000 - \$544,000) for a total tax reduction of \$53,059,000. Furthermore, **Appendix B** reflects an increase in ADIT of \$21,705,000 in 2018.

10. Based upon the 2018 data and the above-described adjustment for deferred income taxes, PPL Electric submits that the surcharge ordered in the *PPL Electric Compliance Order* should be adjusted and amended to -7.05%, as reflected in **Appendix B**.

¹ The annual provision for deferred income taxes is accumulated and deducted from rate base in base rate proceedings as accumulated deferred income taxes. Therefore, the reduced provision of annual deferred income taxes will result in a higher rate base in the future.

II. REQUEST FOR EXPEDITED RELIEF

11. PPL Electric respectfully requests that the Commission approve these proposed revisions at its public meeting scheduled for June 14, 2018, or in the alternative, no later than June 20, 2018.

12. The surcharge is set to become effective July 1, 2018.

13. Accordingly, the Company needs to begin to test billing of the surcharge no later than June 20, 2018, to ensure that the surcharge is implemented accurately and in a timely manner.

14. Thus, expedited review and approval of PPL Electric's proposed revisions is necessary and appropriate.

III. CONCLUSION

WHEREFORE, PPL Electric respectfully requests that the Commission reconsider/amend its Order of May 17, 2018, entered at Docket No. R-2018-3000775, and revise such Order at its public meeting scheduled for June 14, 2018, or in the alternative, no later than June 20, 2018, to provide that PPL Electric's negative surcharge to reflect the effects of this TCJA shall be -7.05% as calculated in **Appendix B** to this Petition.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Date: June 8, 2018

Attorneys for PPL Electric Utilities Corporation

APPENDIX “A”

PPL Electric Utilities Corporation
Calculation of State and Federal Income Taxes

Attachment C
Page 1

Line No.	DESCRIPTION	Last Commission Approved		Proposed Adjusted	
		Rate Case	Actual Results 12/31/17	Rate-making Adjustments	12/31/17
1	Operating Revenues	\$ 1,026,153	\$ 1,053,916	\$ 2,271	\$ 1,056,187
2	Less: O&M Expenses	474,237	469,164	(7,818)	461,346
3	Book Depreciation	178,518	209,812	19,638	229,450
4	Interest Expense	78,586	77,113	121	77,234
5	Operating Income before Taxes Total	\$ 294,812	\$ 297,827	\$ (9,670)	\$ 288,157
6	Depr- Straight Line- Remaining Life (Incl COR)	181,361	209,812	19,638	229,450
7	Book Depreciation Capitalized	2,855	4,003		4,003
8	Contributions In Aid of Construction	11,771	10,425		10,425
9	Environmental Liabilities	760	(92)		(92)
10	Reacquired Debt Costs	6,781	6,731		6,731
11	Deferred Compensation	365	54		54
12	Storm Damage	5,324	(4,443)		(4,443)
13	Storm Deferrals		15,511		15,511
14	Taxable Meals & Entertainment		279		279
15	Rate Case Expenses		928		928
16	Total	\$ 209,217	\$ 243,208	\$ 19,638	\$ 262,846
	Deduct				
17	Tax Depreciation	(153,050)	(337,872)		(337,872)
18	Cost of Removal	(22,798)	(25,876)		(25,876)
19	Tax Gains/(Losses) on Plant Dispositions	(1,214)	(18,663)		(18,663)
20	Pension	(310)	(2,627)		(2,627)
21	Post Retirement and Employment benefits	(672)	463		463
22	Vacation Liabilities	(851)	(127)		(127)
23	Bad Debt	(11,285)	(4,546)		(4,546)
24	Other 263A and Repair Allowance	(41,047)	(80,885)		(80,885)
25	RAR Adjustments	(536)	(476)		(476)
26	ESOP dividends	4,740	(4,319)		(4,319)
27	Prepalds	(1,026)	(141)		(141)
28	Variable Pay	(598)	(637)		(637)
29	Clearing	-	(438)		(438)
30	Obsolete Inventory	-	(96)		(96)
31	Service Company Costs	-	(24,332)		(24,332)
32	Severance Pay	-	(43)		(43)
33	Total	\$ (228,647)	\$ (500,615)	\$ -	\$ (500,615)
34	Taxable Income Before State Adjustments	\$ 275,382	\$ 40,420	\$ 9,968	\$ 50,388
35	Add: State Tax Adjustments				
35	Bonus Depreciation Adjustment	(29,038)	162,102		162,102
36	State NOL Carryforward/(Utilization)	(52,591)	-		-
37	State Taxable Income	\$ 193,753	\$ 202,522	\$ 9,968	\$ 212,490
	State Income At:				
38	Historic, Future and Fully Projected At 9.99%	\$ 19,356	\$ 20,232	\$ 996	\$ 21,228
39	Federal Taxable Income Before NOL	256,026	20,188	8,972	29,160
40	Federal NOL Carryforward/(Utilization)	(68,884)	-		-
41	Income Subject to Federal Income Tax After NOL	\$ 187,142	\$ 20,188	\$ 8,972	\$ 29,160
42	Federal Income Tax at 35%	\$ 65,500	\$ 7,066	\$ 3,140	\$ 10,206
43	Federal Income Tax at 21%	\$ 39,300	\$ 4,239	\$ 1,884	\$ 6,124

** Attachment C is adjusted to be consistent with PPL Electric's previous and expected future rate case filings. The information provided in the last Commission Approved Rate Case is modified due to the black box settlement as mentioned above. In addition, the information represented in 2017 includes the tax impacts of bonus depreciation. The tax impact of bonus depreciation, or lack thereof, should be considered when computing a rate reduction due to the disallowance of bonus depreciation for regulated public utilities starting in 2018 as a result of the TCJA.

PPL Electric Utilities Corporation
Effect of Tax Cuts and Jobs Act (TCJA) on Rates

Attachment C
Page 2

<u>Pre TCJA Taxes</u>	<u>Net Tax Effect</u>
Federal- Current (Page 1, Column 4, Line 43)	\$ 10,206
Federal- Deferred	\$ 993,666
<u>Less: Post TCJA Taxes</u>	
Federal- Current (Page 1, Column 4, Line 44)	\$ 6,124
Federal- Deferred	\$ 993,666
Effect of TCJA On Income (A)	\$ 4,082
Change in ADIT Comission Approved Rate of Return	\$ -
Effect of ADIT Change on Income (B)	\$ -
Earnings Excess (Line A - Line B)	\$ 4,082
Complement of Tax Rate	0.711079
Revenue Excess	\$ 5,741
Commission Allowed Revenues	\$ 1,026,153
Base Distribution Percent Decrease Per Bill	-0.5594%

APPENDIX “B”

PPL Electric Utilities Corporation
 Calculation of State and Federal Income Taxes

Line No.	DESCRIPTION	Last Commission Approved	
		Rate Case	Forecast 2018
1	Operating Revenues	\$ 1,026,153	\$ 1,060,630
2	Less: O&M Expenses	474,237	473,876
3	Book Depreciation	178,518	234,972
4	Interest Expense	78,586	51,875
5	Operating Income before Taxes Total	\$ 294,812	\$ 299,907
6	Depr- Straight Line- Remaining Life (Incl COR)	181,361	234,972
7	Book Depreciation Capitalized	2,855	
8	Contributions In Aid of Construction	11,771	
9	Environmental Liabilities	760	
10	Reacquired Debt Costs	6,781	5,449
11	Deferred Compensation	365	
12	Storm Damage	5,324	
13	Taxable Meals & Entertainment		300
14	Rate Riders		2,300
15	Total	\$ 209,217	\$ 243,021
	Deduct		
16	Tax Depreciation	(153,050)	(175,665)
17	Cost of Removal	(22,798)	(24,004)
18	Tax Gains/(Losses) on Plant Dispositions	(1,214)	
19	Pension	(310)	6,441
20	Post Retirement and Employment benefits	(672)	
21	Vacation Liabilities	(851)	
22	Bad Debt	(11,285)	
23	Other 263A and Repair Allowance	(41,047)	(98,823)
24	RAR Adjustments	(536)	
25	ESOP dividends	4,740	(4,300)
26	Prepays	(1,026)	
27	Variable Pay	(598)	
28	Service Company Costs	-	(1,282)
29	Total	\$ (228,647)	\$ (297,633)
30	Taxable Income Before State Adjustments	\$ 275,382	\$ 245,295
	Add: State Tax Adjustments		
31	Bonus Depreciation Adjustment	(29,038)	(31,669)
32	State NOL Carryforward/(Utilization)	(52,591)	
33	State Taxable Income	\$ 193,753	\$ 213,626
	State Income At:		
34	Historic, Future and Fully Projected At 9.99%	\$ 19,356	\$ 21,341
35	Federal Taxable Income Before NOL	256,026	223,954
36	Federal NOL Carryforward/(Utilization)	(68,884)	
37	Income Subject to Federal Income Tax After NOL	\$ 187,142	\$ 223,954
38	Federal Income Tax at 35%	\$ 65,500	\$ 78,384
39	Federal Income Tax at 21%	\$ 39,300	\$ 47,030

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

<u>Pre TCJA Taxes</u>	<u>Estimate 2018 Net Tax Effect</u>
Federal Tax - Current (Page 1, Line 38)	\$ 78,384
Federal Tax - Deferred	\$ 22,249
Total Federal Tax Expense	<u>\$ 100,633</u>
<u>Less: Post TCJA Taxes</u>	
Federal Tax - Current (Page 1, Line 39)	\$ 47,030
Federal Tax - Deferred	\$ 544
Total Federal Tax Expense	<u>\$ 47,574</u>
Effect of TCJA On Income (A)	\$ 53,059
Cumulative ADIT (beginning balance)	\$ -
Change in ADIT (current year)	\$ 21,705
Total ADIT	<u>\$ 21,705</u>
Comission Approved Rate of Return	7.29%
Effect of ADIT Change on Income (B)	\$ 1,582
Earnings Excess (Line A - Line B)	\$ 51,476
Complement of Tax Rate	0.711079
Revenue Excess	\$ 72,392
Commission Allowed Revenues	\$ 1,026,153
Percent Decrease Per Bill	-7.05%

VERIFICATION

I, BETHANY L. JOHNSON, being the Manager- Regulatory Operations at PPL Electric Utilities Corporation, 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 PPL Electric Utilities Corporation 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.

Date:

June 8, 2018

Bethany L. Johnson

CERTIFICATE OF SERVICE

Docket No. R-2018-3000775

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

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Date: June 8, 2018



Devin T. Ryan