

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Stephen McAlpine, Chair
 Paul F. Lisankie
 Rebecca L. Pauli
 Robert M. Pickett
 Janis W. Wilson

In the Matter of the Consideration of the Impact)
 of the Tax Cuts and Jobs Act of 2017 on) I-18-002
 Alaskan Public Utilities)
 _____)

**OFFICE OF THE ATTORNEY GENERAL’S NOTICE OF FILING
 SUPPLEMENT TO PETITION TO OPEN INVESTIGATION INTO THE
 IMPACT OF THE TAX CUTS AND JOBS ACT ON UTILITY AND
 PIPELINE CARRIER REVENUE REQUIREMENTS**

The Office of the Attorney General, Regulatory Affairs and Public Advocacy Section (RAPA) gives notice of filing this supplement to its original Petition¹, which was filed with the Regulatory Commission of Alaska on February 12, 2018.

The supplement, titled “Impact of TCJA of 2017 on the Income Tax Component of ENSTAR’s Revenue Requirement” is attached to this notice as “Attachment A.”

//

//

//

¹ Office of the Attorney General’s Petition to Open an Investigation into the Impact of the Tax Cuts and Jobs Act on Utility and Pipeline Carrier Revenue Requirements.

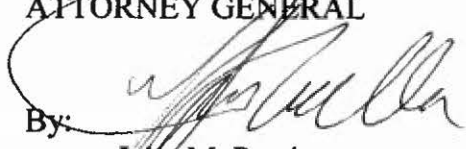
Attorney General
 Regulatory Affairs & Public Advocacy
 1031 West Fourth Avenue, Suite 200
 Anchorage, Alaska 99501
 (907) 334-2394, (907) 269-5100, (907) 375-8282 Fax

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

DATED February 14, 2018, at Anchorage, Alaska.

JAHNA LINDEMUTH
ATTORNEY GENERAL



By: John M. Ptacin
Chief Assistant Attorney General
Office of the Attorney General
1031 West 4th Avenue, Suite 200
Anchorage, Alaska 99501
Phone: (907) 269-5187
Fax: (907) 375-8282
Email: john.ptacin@alaska.gov
Alaska Bar No. 0412106

Attachment A
I-18-002
February 14, 2018

Impact of TCJA of 2017 On the Income Tax Component of ENSTAR's Revenue Requirement

(Does Not Address ADIT)

Description	ENSTAR Compliance Filing Amount	Using New TCJA Rate	Reduction In Income Tax Allowance
	(A)		
Revenues	\$316,900,683	\$316,900,683	
Operating Expense	(277,558,277)	(277,558,277)	
Taxes Other than Income Tax	(4,018,822)	(4,018,822)	
Earnings Before Interest & Taxes	\$35,323,584	\$35,323,584	
Interest Expense			
Long Term Debt	132,094,898		
Cost of Debt	<u>5.06%</u>		
	(6,680,631)	(6,680,631)	
Taxable State Income	\$28,642,953	\$28,642,953	
State Tax Rate	<u>9.40%</u>	<u>9.40%</u>	
	\$2,692,438	\$2,692,438	
Taxable Federal Income	\$25,950,515	\$25,950,515	
Federal Income Tax Rate	<u>35%</u>	<u>21%</u>	
	\$9,082,680	\$5,449,608	
Total Income Tax Allowance	\$ 11,775,118	\$ 8,142,046	\$ 3,633,072

Based on ENSTAR's 10/3/2017 Filing In Compliance with Order U-16-066(19), Schedule O

	ENSTAR Compliance Filing Amount	Using New 21% FIT Rate from TCJA	Revenue Requirement Change (Reduction)
Rate Base	274,139,822	274,139,822	
Rate of Return	<u>8.59%</u>	<u>8.59%</u>	
Return	23,548,466	23,548,466	
Operating Expenses	277,558,277	277,558,279	
Less Gas Cost	(226,941,214)	(226,941,214)	
Ad Valorem & Misc Tax	4,018,822	4,018,824	
Income Tax	<u>11,775,118</u>	<u>8,142,046</u>	(3,633,072)
Revenue Requirement	89,959,469	86,326,401	(3,633,068)
Percentage Reduction In RR if TCJA Rate Applied			4.04%
Pro Forma Revenues W/O GSA	84,148,981	84,148,983	
Revenue Deficiency	5,810,488	2,177,418	(3,633,070)
Revenue Subject to Increase*	<u>82,284,507</u>	<u>82,284,509</u>	
Percentage Increase To Rates	7.06%	2.65%	
Required Rate Reduction			4.42%
*Pro Forma Revenue W/O GSA	84,148,981		
Misc Revenue	<u>(1,864,474)</u>		
Revenue Subject to Increase	82,284,507		

Based on ENSTAR's 10/3/2017 Filing In Compliance with Order U-16-066(19), Attachment A, p. 1 & 4

ENSTAR Federal Income Tax Expense Recalculated at New 21% FIT Rate

	Compliance Filing*	Adjusted to New 21% FIT Rate	Difference
Total Income Tax Expense			
State Income Tax	\$ 2,692,438	\$ 2,692,438	\$ -
Federal Income Tax	\$ 9,082,680	\$ 5,449,608	\$ (3,633,072)
Total Income Taxes	\$ 11,775,118	\$ 8,142,046	\$ (3,633,072)

Calculation of FIT Expense Reduction

	Per Compliance Filing *
Federal Income Tax	\$ 9,082,680
Computed at FIT rate of	35%
New FIT rate per TCJA	21%
Adjusted FIT Expense	\$ 5,449,608
Reduction	\$ (3,633,072)

* From ENSTAR's 10/3/2017 Filing In Compliance with Order U-16-066(19), Attachment A, p. 1 & 4