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Luly E. Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

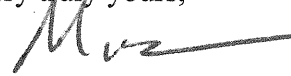
In Re: Review of Block Island Power Company's Revenue Requirement
under R.I.G.L. § 39-3-11 in light of the Tax Cuts and Jobs Act
Docket No. 4793

Dear Luly:

Enclosed for filing in this matter are an original and nine copies of Block Island Power Company's Responses to the Public Utilities Commission's 1st Set of Data Requests.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc/tmg

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF BLOCK ISLAND POWER COMPANY'S
REVENUE REQUIREMENT UNDER R.I. Gen. Laws § 39-3-11
IN LIGHT OF THE TAX CUTS & JOBS ACT

Docket No. 4793

BLOCK ISLAND POWER COMPANY'S RESPONSES TO THE PUBLIC UTILITIES
COMMISSION'S FIRST SET OF DATA REQUESTS DIRECTED TO
BLOCK ISLAND POWER COMPANY
Issued January 24, 2018

1. Please confirm that Block Island Power Company (BIPCo) is still an investor owned utility. If so, what type of corporation is BIPCo? Who are the current shareholders? Please provide a list of the current Board of Directors.

RESPONSE:

- **As of the filing of this data response, BIPCO is still an investor owned utility.**
- **BIPCo is structured for tax purposes as "C" corporation and files a form 1120 each year. BIPCo holds a legislative charter.**
- **There are two shareholders of BIPCo, Sara McGinnes (1/3) and the Town of Shoreham (2/3).**
- **The current Board of Directors are Nancy Dodge, Ken Lacoste and Jeff Wright (Interim Director).**

Prepared by Jeffery Wright & David Bebyn CPA

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2. Please calculate the effect on the company's most recently approved revenue requirement the results from the changes to the tax code made in The Tax Cuts & Jobs Act, specifically showing results from the change in the corporate tax rate from 35% to 21%.

RESPONSE:

See attached calculation.

Prepared by David Bebyn CPA

Calculation of Tax Saving
from Changes in New Tax Law
 Block Island Power Company

Tax expense at current cap	\$ 21,348 (A)
Tax expense at new 2018 cap of 21%	\$ 20,202 (B)
Tax Savings	<u>\$ 1,146</u>

**Tax expense provided in
 most recently approved revenue requirement (Docket # 3900)**

Taxable Income Base	\$ 75,999	Per Docket # 3900 Order *
Tax Expense	<u>\$ 21,348</u>	Per Docket # 3900 Order *
Taxable Income	<u>\$ 97,347</u>	

Current Corporate Tax Tables for 2017

		Taxable Income	Tax Expense
0-50k	0.15	\$ 50,000	\$ 7,500
50k-75k	0.25	\$ 25,000	\$ 6,250
75k-100k	0.34	\$ 22,347	\$ 7,598
		<u>\$ 97,347</u>	<u>\$ 21,348 (A)</u>

Tax expense for 2018 based upon new Tax Cuts & Job Act

Taxable Income Base	\$ 75,999	Per Docket # 3900 Order *
Tax Expense	<u>\$ 20,202</u>	
Taxable Income	<u>\$ 96,201</u>	

Flat rate of 21% per new Tax Cuts & Jobs Act

		Taxable Income	Tax Expense
0-50k	0.21	\$ 50,000	\$ 10,500
50k-75k	0.21	\$ 25,000	\$ 5,250
75k-100k	0.21	\$ 21,201	\$ 4,452
		<u>\$ 96,201</u>	<u>\$ 20,202 (B)</u>

* Calculation of Income Tax expense from last approved Rate filing
 (See Attachment to COMM 1-1 Page 2)

Calculation of Income Tax Expense
from last approved Rate Filing (Docket #3900)
 Block Island Power Company

Attachment to COMM 2-1
 Page 2

FEDERAL TAX CALCULATION
 BLOCK ISLAND POWER COMPANY

Schedule WEE-15
 Compliance Schedules

Net Utility Profit	\$	231,158	WEE-12
Less: Interest Expense		<u>155,159</u>	
Net Income after Interest	\$	<u>75,999</u>	
Taxable Income		97,347	
Federal Income Tax Rate		<u>34%</u>	
Income Tax Expense at Rate in Bracket		33,098	
Lower Tax Bracket Credit		(11,750)	
Net Income Tax Expense		<u><u>21,348</u></u>	

Taxable Income Base	\$	75,999
Lower Bracket Credit		(11,750)
Adjusted Taxable income Base		64,249
(1 - Tax Rate)	1-34%	66%
(Base / (1 - Tax Rate))	\$	97,347

Taxable Income	\$	97,347
Less Federal Income Tax		<u>21,348</u>
Net Income after Interest	\$	<u><u>75,999</u></u>

Marginal Tax Rate	<u>34%</u>	<u>39%</u>
Bottom of the Bracket	75,000	100,000
Tax at Full Rate	25,500	39,000
Actual Tax at Bracket Bottom	13,750	22,250
Lower Bracket Credit	11,750	16,750

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3. Please calculate the effect of the response to number one on the company's rate schedules.

RESPONSE:

The calculation begins with the annual savings of \$1,146 which is set forth on the attachment for the response to COMM 1-2. This amount was then divided by the \$2,370,192 which is the total revenues available for an across the board increase from Compliance Schedule WEE-17 from Docket #3900. This would result in a 0.0484% across the board decrease in rates. As an example, the rate for the monthly residential customer charge of \$12.38 would decrease by \$0.01 to \$12.37.

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4. BIPCo's fiscal year ends May 31, 2018. Five months of the fiscal year fall within the 2018 calendar year for tax purposes. Please provide the projected savings related to the reduction in the corporate tax rate from 35% to 21% for Fiscal Year 2018.

RESPONSE:

The prorated saving for the five months of the fiscal year which falls within the calendar year 2018 would be \$477.50.

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5. Short of a rate reduction, does BIPCo have any proposal regarding how the savings resulting from the recent changes to the tax code might be used for the benefit of ratepayers. If so, please provide a proposal to the PUC for consideration.

RESPONSE:

Given the de minimis amount of savings, it would not make much sense for BIPCo to propose a rate reduction. The savings itself might even be absorbed by rounding in setting the rates for just this one item. BIPCo believes the best way to benefit the ratepayers would be to apply this savings to the balance due to BIPCo regarding the credit balance in the DSI fund. The DSI fund had been used to purchase the replacement meters for BIPCo. Currently BIPCo has a credit balance of \$125,274.86 which this DSI surcharge rate is repaying during the summer months. BIPCo proposes that this savings in tax should be applied to reduce the credit balance of the DSI fund.

Prepared by David Bebyn CPA