



Agenda Date: 3/26/18
Agenda Item: 5F

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE NEW JERSEY BOARD OF)
PUBLIC UTILITIES' CONSIDERATION OF THE TAX)
CUTS AND JOBS ACT OF 2017)
)
IN THE MATTER OF THE ATLANTIC CITY)
SEWERAGE COMPANY'S PETITION WITH)
CALCULATION OF RATES UNDER THE TAX CUTS)
AND JOBS ACT OF 2017)

ORDER
DOCKET NO. AX18010001

DOCKET NO. WR18030234

(SERVICE LIST ATTACHED)

Parties of Record

Ira G. Megdal, Esq., Cozen O'Connor, PC, on behalf of The Atlantic City Sewerage Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

This Board Order addresses the interim rate changes to be effective April 1, 2018 that are proposed in the petition filed by the Atlantic City Sewerage Company ("Company") in response to an Order issued by the New Jersey Board of Public Utilities' ("Board") on January 31, 2018 ("January 31, 2018 Board Order")¹, directing the affected utilities² to file petitions proposing new rates reflecting the impacts from the Federal Tax Cuts and Jobs Act signed into law on December 22, 2017 (the "2017 Act").

¹ See In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 (Order dated January 31, 2018).
² The affected utilities are investor-owned gas, electric, water and wastewater companies under the jurisdiction of the Board. In addition, affected utilities shall be those with 2017 revenues equal to or greater than \$4.5 million.

BACKGROUND

The effective date of the 2017 Act is January 1, 2018. The 2017 Act sets forth changes to the Federal Internal Revenue Tax Code ("Tax Code"), including a reduction in the maximum corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). The Board is charged with the authority to ensure that the regulated utilities' rates charged to ratepayers are just and reasonable. When the Board sets rates in base rate cases and in certain annual/periodic clauses, utilities are permitted to gross up their revenue requirement as well as set other rate factors, including, the accumulated deferred income tax, based on the then existing thirty-five percent (35%) corporate tax rate.

The Board issued the January 31, 2018 Order which set all affected utility rates as interim and established a proceeding to consider the implications of the 2017 Act. Based upon the Board's review of the 2017 Act, the Board found in its January 31, 2018 Order that the changes to the Tax Code will provide savings to the affected utilities and will result in an over-collection of tax revenue by the affected utilities that will not be paid in federal income taxes. The affected utilities were required to file amended tariffs reflecting a reduction in rates resulting from the reduction in the corporate tax rate effective April 1, 2018, as well as a plan to address other rate factors and to refund any over-collection in rates.

On March 2, 2018, the Company filed its Petition pursuant to the January 31, 2018 Order, including proposed Tariffs as well as a proposed plan. Specifically, the Company calculated the impact of the 2017 Act on its revenue requirement. The result is a revenue reduction of \$472,838, including gross-up. However, the last rate case was a black-box settlement and the income tax expense was not specified thus the Company used its 12+0 update for the calculation. The Company then recalculated the income tax expense under the old rate and the new rate. The result of the calculation is an income tax expense reduction of \$319,945. The Company applied the gross up factor to reach the revenue reduction of \$472,838. The Company proposes to implement the revenue reduction through both its fixed and volumetric customers proportionately to provide the benefits of the 2017 Act equally among customers. The Company proposes to record a deferral of the over-collection evenly from January 1 through March 31, 2018 utilizing 1/12 of \$472,838 or \$39,403 each month.

The Company's proposed Tariffs include an across-the-board rate reduction reflecting the reduction in the corporate tax rate from 35% to 21%. As a result, an average 5/8-inch residential customer will experience a decrease in annual rates of approximately 1.97%.

DISCUSSION AND FINDINGS:

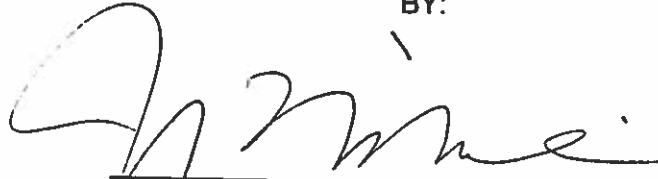
The Board has reviewed the proposed plan filed by the Company, and **HEREBY DIRECTS** that the plan will be reviewed in the instant proceeding, in accordance with the schedule set forth in the Board's January 31, 2018 Order.

Having reviewed the proposed Tariffs, the Board **HEREBY ADOPTS** the Tariffs to be effective April 1, 2018. The rates set forth in the Tariffs are interim, subject to refund, pending the outcome of this proceeding. The Company must file tariff pages complying with this Order within five (5) days of the effective date of the Order.

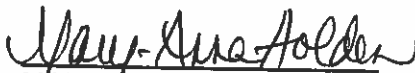
This Order shall be effective March 29, 2018 with rates effective April 1, 2018.

DATED: 3/26/18

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



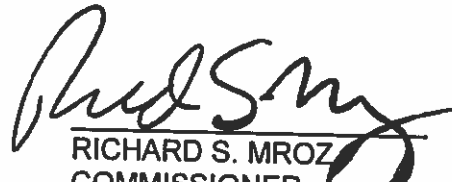
MARY-ANNA HOLDEN
COMMISSIONER



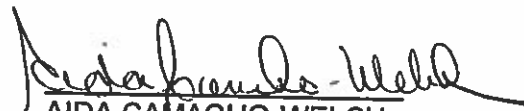
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



RICHARD S. MROZ
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

**IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION
OF THE TAX CUTS AND JOBS ACT OF 2017
DOCKET NO. AX18010001**

**IN THE MATTER OF THE ATLANTIC CITY SEWERAGE COMPANY'S PETITION WITH
CALCULATION OF RATES UNDER THE TAX CUTS AND JOBS ACT OF 2017
DOCKET NO. WR18030234**

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