



Agenda Date: 3/26/18
Agenda Item: 2F

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/

Energy

IN THE MATTER OF THE NEW JERSEY BOARD OF)	ORDER
PUBLIC UTILITIES' CONSIDERATION OF THE TAX)	
CUTS AND JOBS ACT OF 2017)	DOCKET NO. AX18010001
)	
IN THE MATTER OF THE PETITION OF NEW JERSEY)	AND
NATURAL GAS COMPANY FOR THE ADJUSTMENT)	
OF BASE RATES AND REFUNDS ASSOCIATED WITH)	DOCKET NO. GR18030224
THE TAX CUTS AND JOBS ACT OF 2017)	

(SERVICE LIST ATTACHED)

Parties of Record:

Andrew K. Dembia, Esq. for New Jersey Natural Gas 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 New Jersey Natural Gas Company ("NJNG" or "Company") in response to an order issued by the New Jersey Board of Public Utilities ("Board") on January 31, 2018 ("January 31, 2018 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").

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

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.

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 1, 2018, the Company filed its petition pursuant to the January 31, 2018 Order, including proposed tariffs as well as a proposed plan. Specifically, NJNG requested the following: (1) a reduction in base rates of \$19.70 million effective April 1, 2018; (2) a refund to customers for the difference in the proposed rate and rates between January 1, 2018 and March 31, 2018; and (3) a refund of \$20.10 million (without sales and use tax ("SUT")) in the unprotected Accumulated Deferred Income Taxes ("ADIT").

The Company represented that the one (1) time refunds will be adjusted with interest at the Company's short-term debt rate and the SUT. The estimated refund is approximately \$9.7 million and results in a one-time refund of \$14.84 (1.4%) to a typical residential heating customer. Additionally, a refund is planned for unprotected ADIT of an estimated \$21.4 million (with SUT) which results in a \$31.99 one-time refund to the typical residential heating customer. Combined, these estimated refunds total \$46.83 or 4.4 percent. NJNG plans to have this refund applied to customer accounts by the end of May 2018. The \$19.70 million reduction was calculated on the base rate revenue and the Safety Acceleration and Facility Enhancement Extension Program and New Jersey Reinvestment in System Enhancements Program revenues. The revenue factor was reduced to 1.3972 as a result of the 2017 Act.

The Company indicated that other impacts as a result of the 2017 Tax Act include a \$148.88 million regulated liability from the rate base (resulting in a \$3.59 million annual regulatory liability related to the deferred income taxes); and an increase of NJNG's Pro-Forma Operating income to \$76.17 million.

NJNG also requested two (2) waivers associated with this filing. The Company first requested a waiver of the thirty (30) day notice requirement for a tariff change, per N.J.A.C. 14:1-5.11(a)4, in order for the refund and rate decrease to be effective April 1, 2018. Secondly, NJNG requested a waiver of the procedural schedule previously determined by the Board in the January 31, 2018 Order so this matter can be considered at the Board's April 25, 2018 agenda meeting and to permit the Company to execute the refund in May 2018.

NJNG indicated that it will address any changes to rider and rider deferred balances in upcoming annual filings as appropriate. Additionally, NJNG requested that true-up to the deferred income tax balances be addressed in its next base rate case, which is to be filed no later than November 2019.

The Company's proposed tariffs, include an across the Board rate reduction reflecting the reduction in the corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). As a result, an average residential heating customer using 1,000 (therms) per year will receive

an annual decrease of \$31.30 or three percent (3.0%). The combined rate reduction and refund impacts to the same customer will be \$78.13 or 7.4% for the year.

The January 31, 2018 Order set the deadline for the filing of motions to intervene or participate on February 20, 2018. No party filed a motion seeking to intervene or participate in this proceeding prior to the expiration of the February 20, 2018 deadline.

DISCUSSION AND FINDINGS:

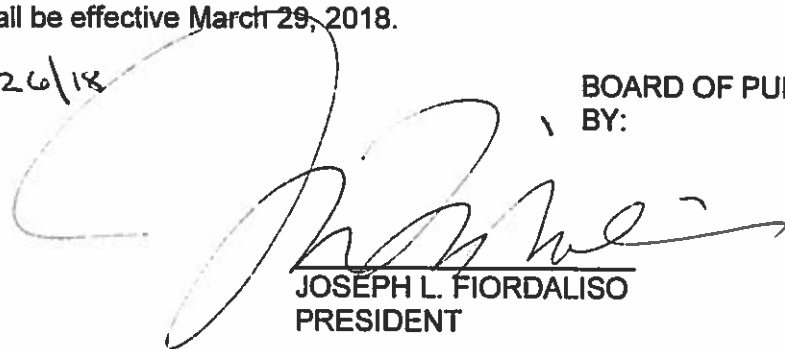
The Board has reviewed the proposed plan filed by the Company, and **HEREBY DIRECTS** that the plan will be reviewed in the instant proceeding, in accordance with the schedule set forth in the Board's January 31, 2018 Order. The Board believes that a waiver of the previously ordered procedural schedule is not necessary at this time. If the parties can expeditiously reach a resolution, a stipulation can be proposed, notwithstanding the procedural schedule.

The Company's proposed tariffs, include an across the Board rate reduction reflecting the reduction in the corporate tax rate from thirty-five percent (35%) to twenty-one (21%). As a result of the proposed rate modification, an average residential heating customer using 1,000 (therms) per year will see an annual decrease of \$31.30 or three percent (3.0%). Having reviewed the proposed tariffs, the Board **HEREBY DIRECTS** new tariffs to be filed by the Company by April 1, 2018 relating to the across the board rate reduction for services to be rendered on or after April 1, 2018. The rates set forth in the tariffs are on an interim basis, subject to refund, pending the outcome of this proceeding.

This Order shall be effective March 29, 2018.

DATED: 3/26/18

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



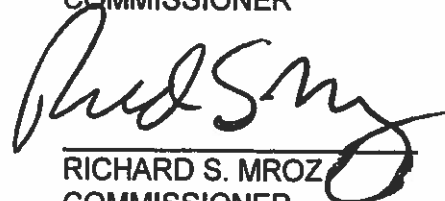
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DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
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RICHARD S. MROZ
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ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

**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 PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR THE
ADJUSTMENT OF BASE RATES AND REFUNDS ASSOCIATED WITH THE TAX CUTS AND
JOBS ACT OF 2017
DOCKET NO. GR18030224**

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