



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

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://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	)	ORDER
	)	
	)	DOCKET NO. AX18010001
	)	
IN THE MATTER OF THE PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC. WITH CALCULATION OF RATES UNDER THE TAX CUTS AND JOBS ACT OF 2017	)	DOCKET NO. WR18030233
	)	
	)	

(SERVICE LIST ATTACHED)

**Parties of Record**

**Ira G. Megdal, Esq., Cozen O'Connor, PC**, on behalf of New Jersey-American Water Company, Inc.  
**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:<sup>1</sup>

This Board Order addresses the interim rate changes to be effective April 1, 2018 that are proposed in the petition filed by New Jersey-American Water Company Inc. ("NJAWC" or "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")<sup>2</sup>, directing the affected utilities<sup>3</sup> 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").

<sup>1</sup> Commissioner Richard S. Mroz recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

<sup>2</sup> 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).

<sup>3</sup> 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. The Company's filing and proposed Tariffs include an across-the-board rate reduction reflecting the reduction in the corporate tax rate from 35% to 21%. As a result, the impact on an average NJAWC 5/8-inch residential customer using 6,000 gallons per month and 72,000 gallons per year will be a reduction of approximately 5.90%. The monthly rate will be decreased by (\$2.99) per month going from \$50.80 to \$47.81. The impact on an average Shorelands 5/8-inch residential customer using 6,000 gallons per month and 72,000 gallons per year will be a reduction of approximately 2.25%. The monthly rate will be decreased by (\$1.01) per month going from \$42.64 to \$41.63.

## **DISCUSSION AND FINDINGS:**

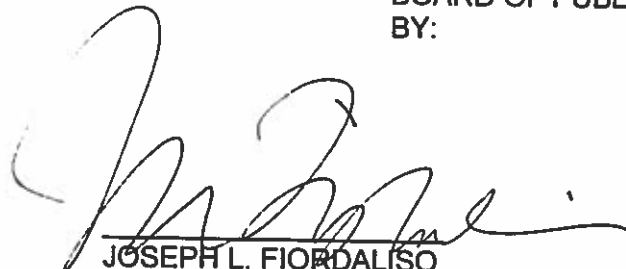
The Board has reviewed the proposed plan filed by NJAWC, and **HEREBY DIRECTS** that the plan will be reviewed in the instant proceeding, in accordance with the schedule set forth in the Board's January 31, 2018 Order.

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 this Order.

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

DATED: 3/26/18

BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



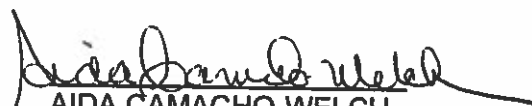
MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
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 PETITION OF NEW JERSEY-AMERICAN WATER  
COMPANY, INC. WITH CALCULATION OF RATES UNDER THE TAX CUTS AND JOBS  
ACT OF 2017  
DOCKET NO. WR18030233**

**SERVICE LIST**

Ira G. Megdal, Esq.  
Cozen O'Connor  
457 Haddonfield Road, Suite 300  
P.O. Box 5459  
Cherry Hill, NJ 08002  
[Imegdal@cozen.com](mailto:Imegdal@cozen.com)

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[sbrand@rpa.nj.gov](mailto:sbrand@rpa.nj.gov)

Patricia Krogman  
Deputy Attorney General  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101-45029  
[Patricia.Krogman@law.njoag.gov](mailto:Patricia.Krogman@law.njoag.gov)

Alex Moreau, Esquire  
Deputy Attorney General  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101-45029  
[alex.moreau@law.njoag.gov](mailto:alex.moreau@law.njoag.gov)

**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625

Aida Camacho-Welch  
Secretary of the Board  
[aida.camacho@bpu.nj.gov](mailto:aida.camacho@bpu.nj.gov)

Maria L. Moran, Director  
Division of Water  
[maria.moran@bpu.nj.gov](mailto:maria.moran@bpu.nj.gov)

Andrea Hart, Esq.  
Legal Specialist  
[andrea.hart@bpu.nj.gov](mailto:andrea.hart@bpu.nj.gov)

Noreen Giblin, Esq.  
Chief Counsel  
[noreen.giblin@bpu.nj.gov](mailto:noreen.giblin@bpu.nj.gov)

Paul Flanagan, Esq.  
Executive Director  
[paul.flanagan@bpu.nj.gov](mailto:paul.flanagan@bpu.nj.gov)