

Agenda Date: 1/23/13 Agenda Item: 2Q

CNEDOV

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

		ENERGY
IN THE MATTER OF THE BOARD'S REVIEW OF THE APPLICABILITY AND CALCULATION OF A CONSOLIDATED TAX ADJUSTMENT)))	ORDER OPENING A GENERIC PROCEEDING DOCKET NO. E012121072
D. J. (D.)		

Party of Record:

Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

The Board has determined that it is time to review its policies with respect to the use of the consolidated tax adjustment in base rate cases. Under the Board's longtime policy, when a regulated utility is included in the consolidated federal income tax filing of its parent company and, as a result, the parent company and the regulated utility (as well as other subsidiaries) pay less federal income taxes than each would pay if it filed separately, these consolidated tax savings, are to be shared with the regulated utility's customers.

While various methods have been used by the Board over time to calculate the consolidated tax savings adjustment, the methodology utilized in the most recent fully litigated rate case has been used by the Board for approximately twenty years. During that time, the federal income tax laws and the corporate structures of many of the utility companies have changed.

In light of these changes, it is appropriate for the Board to review its consolidated tax savings policy. In addition, in a stipulation recently approved by the Board to settle a base rate case, both Rate Counsel and the utility requested that the Board institute a "generic proceeding" to consider the issues related to the consolidated tax adjustment.

Accordingly, the Board is interested in soliciting input from stakeholders, including the utilities, customers, and the Division of Rate Counsel to determine: 1) the use by the Board of the

¹ In re the Petition of Rockland Electric Company for Approval of Changes in Electric Rates, Its Tariff for Electric Service, Its Depreciation Rates, and for Other Relief, BPU Docket No. ER02100724, Order dated April 20, 2004, In re the Petition of Atlantic City Electric Company for Approval of Amendments to its Tariff to Provide for an Increase in Rates and Charges for Electric Service. Phase II, Docket No. ER90091090J, Order dated October 20, 1992.

consolidated tax savings adjustment policy; 2) how to calculate the amount of savings that arise from filing a consolidated return; 3) how these savings should be equitably shared between the regulated company and the ratepayers; and 4) if a rulemaking proceeding should be undertaken to establish utility-wide or statewide standards with respect to the implementation of a consolidated tax adjustment policy.

Therefore, the Board <u>HEREBY DIRECTS</u> Staff to convene all interested parties to participate in a generic proceeding to review the consolidated tax adjustment issues set forth above. The Board <u>FINDS</u> that until such time as the Board makes a final determination on the consolidated tax adjustment issues, the current consolidated tax savings policy shall apply.

Any member of the service list who wishes to become a party of record or any person or entity who wishes to be added to the service list should make that request in writing to the Secretary of the Board.

The Board HEREBY DIRECTS Staff to post this order on the Board's website.

DATED: 1/23/13

BOARD OF PUBLIC UTILITIES

BY:

ROBERT M. HANNA

PRESIDENT

JEANNE M. FOX

COMMISSIONER

NICHOLAS ASSELTA COMMISSIONER

ATTEST:

KRISTI IZZO SECRETARY SEPH L. FIORDALISO

COMMISSIONER

MARY-ANNA HOLDEN

COMMISSIONER

I HEREBY CERTIFY that the within document is a true copy of the origina in the flee of the Board of Public

In the Matter of the Board's Review of the Applicability and Calculation of a Consolidated Tax Adjustment - Docket No. EO12121072

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