



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

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
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Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

|   |   |                       |
|---|---|-----------------------|
| IN THE MATTER OF THE NEW JERSEY BOARD OF<br>PUBLIC UTILITIES' CONSIDERATION OF THE TAX<br>CUTS AND JOBS ACT OF 2017 | ) | ORDER                 |
|   | ) |                       |
|   | ) | DOCKET NO. AX18010001 |
|   | ) |                       |
| GORDON'S CORNER WATER COMPANY<br>COMPLIANCE FILING  | ) | DOCKET NO. WR18030243 |
|   | ) |                       |

(SERVICE LIST ATTACHED)

**Parties of Record**

**Stephen B. Genzer, Esq., Saul Ewing Arnstein & Lehr LLP, on behalf of Gordon's Corner Water 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 Gordon's Corner Water Company ("Gordon's Corner" 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")<sup>1</sup>, directing the affected utilities<sup>2</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").

**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

<sup>1</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>2</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.

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.

The Company responded to the Board's directive on March 2, 2018. The Company stated that it is a very small water utility and with seasonal fluctuations in water consumption and take or pay bulk water purchased water contracts, resulting in operating losses during the first and second quarter of each calendar year. The Company went on to state that it was one of the smallest of the utilities subject to the Board's Order and that it did not have a particularly complicated tax calculation. The Company further stated that its taxable income is not large enough to be taxed at the old 35% rate and that its maximum tax rate would usually be 34% in those years that the Company is able to achieve a fair rate of return. The Company also noted that it did not have any deferred taxes on its balance sheet. Gordon's Corner went on to state that it was about to file a base rate case. In view of the foregoing, Gordon's Corner requested that no rate reduction action be taken now and that all aspects of the 2017 Act be addressed in its soon to be filed base rate case.

Staff directed the Company to comply with the Board's Order and by letter dated March 16, 2018, the Company filed proposed Tariffs that include an across-the-board rate reduction reflecting the reduction in the corporate tax rate from 35% to 21%. As a result, an average customer would receive a decrease of approximately 1.4%.

#### **DISCUSSION AND FINDINGS:**

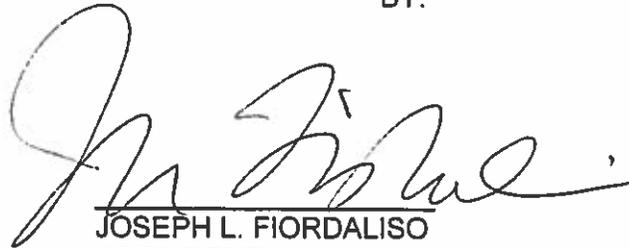
The Board has reviewed the proposed plan filed by Gordon's Corner, and **HEREBY DIRECTS** that the plan will be reviewed in the instant proceeding, in accordance with the schedule set forth in the Board's January 31, 2018 Order.

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.

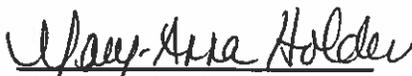
This Order shall be effective March 29, 2018 with rates effective April 1, 2018.

DATED: 3/26/18

BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



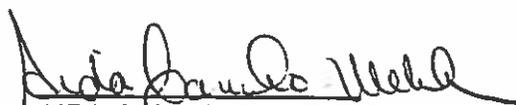
DIANNE SOLOMON  
COMMISSIONER



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. AX180110001**

**GORDON'S CORNER WATER COMPANY COMPLIANCE FILING  
DOCKET NO. WR18030243**

**SERVICE LIST**

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