



Agenda Date: 8/29/18  
Agenda Item: 5A

**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	) ) ) ) )	DECISION AND ORDER ADOPTING STIPULATION OF SETTLEMENT
IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017-COMPLIANCE FILING OF MIDDLESEX WATER COMPANY	) ) ) ) )	DOCKET NO. AX18010001  DOCKET NO. WR18030242

**Parties of Record:**

**Jay L. Kooper, Esq.**, Middlesex Water Company  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

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

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("2017 Tax Cut Act") was signed into law with an effective date of January 1, 2018. The 2017 Tax Cut Act sets forth changes to the Federal Internal Revenue Tax Code ("Tax Code"). One significant change is the reduction in the maximum corporate tax rate from 35% to 21% which took effect January 1, 2018.

On January 31, 2018, the Board issued the Generic Tax Order<sup>2</sup> in BPU Docket No. AX18010001, captioned In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, concerning the effects of the corporate tax rate charge from 35% to 21% and other adjustments as set forth in the 2017 Tax Cut Act. Based on the Board's review of the 2017 Tax Cut Act, the changes to the Tax Code will provide savings to New Jersey public utilities and result in an over-collection of tax revenue by the public utilities that will not be paid in federal income taxes. Id. at 2. The Board stated, "To ensure that ratepayers receive the appropriate benefit from the reduction in taxes collected in rates that will no longer be paid, it is necessary for rates to be adjusted so that utility rates reflect the effective federal corporate tax rate." Id.

Pursuant to the Generic Tax Order, New Jersey utilities, including Middlesex Water Company ("Middlesex"), were directed to calculate and defer with interest the adjustment to rates from

<sup>1</sup> Commissioner Robert M. Gordon did not participate.

<sup>2</sup> See, In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, BPU Dkt No. AX10010001 (Jan. 31, 2018) ("Generic Tax Order").

January 1, 2018 through March 31, 2018 and to change rates effective April 1, 2018 on an interim basis ("Phase One"). Further, utilities were directed to comply with the provisions of the Generic Tax Order by including other adjustments in the final rates by July 1, 2018 ("Phase Two").

On March 26, 2018, the Board issued an Order Adopting Initial Decision/Settlement ("Middlesex Rate Case Order") in BPU Docket No. WR17101049, Middlesex's most recent base rate case.<sup>3</sup> This Order adopted a Stipulation of Settlement ("Rate Case Stipulation") executed by Middlesex, the New Jersey Division of Rate Counsel and Board Staff ("Parties"). Under the Rate Case Stipulation, the Parties agreed that the Company included in the Rate Case Stipulation the effect on Middlesex's rates of both phases of the required calculations as set forth in the Board's Generic Tax Order.<sup>4</sup> This included \$500,000 for Phase Two adjustments accounted for as a result of an analysis performed by the Company and reviewed by the Parties.<sup>5</sup> The Parties further agreed in the Rate Case Stipulation to continue to review any calculations associated with the Company's Phase Two adjustments on an ongoing basis, and to resolve any issues if they were to arise.<sup>6</sup> In addition, the Company agreed that, in the event the Phase Two adjustment resulted in less than the \$500,000 returned to customers with the Board's approval of the Rate Case Stipulation, no further adjustment will be made.<sup>7</sup>

On June 6, 2018, the Parties, in accordance with the Rate Case Stipulation, convened a meeting by teleconference and confirmed that no further adjustments to the Company's Phase Two calculation from the \$500,000 already returned to customers in the Middlesex Rate Case Order were necessary.

On August 1, 2018, the Parties filed with the Board a fully executed Stipulation of Settlement ("July 2018 Stipulation"),<sup>8</sup> which incorporated by reference the Rate Case Stipulation. The July 2018 Stipulation also indicated that Middlesex had fulfilled all of its requirements set forth by the Board in Docket Nos. AX18010001 and WR18030242. Therefore, the Parties requested that the Board accept the July 2018 Stipulation and close Docket No. WR18030242.

## **DISCUSSION AND FINDINGS**

The Parties have stipulated and agreed that all issues and requirements set forth in the Generic Tax Order as applied to Middlesex are resolved.<sup>9</sup> Consistent with the Middlesex Rate Case Order and the terms of the Rate Case Stipulation, Middlesex's new rates, including the return to customers of the benefits associated with both phases of the Generic Tax Order, took effect on April 1, 2018.<sup>10</sup>

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<sup>3</sup> See, In the Matter of Middlesex Water Company for Approval of an Increase in its Rates for Water Service and Other Tariff Changes, and for an Order Authorizing Special Accounting Treatment of Income Tax Refund Proceeds and Future Income Tax Deductions, BPU Dkt No. WR17101049 (Mar. 26, 2018).

<sup>4</sup> See Rate Case Stipulation at p. 11, ¶13.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> Although described in the Order at some length, should there be any conflict between this summary and July 2018 Stipulation, the terms of the July 2018 Stipulation control, subject to the findings and conclusions in this Order.

<sup>9</sup> Id.

<sup>10</sup> Middlesex Rate Case Order at 7.

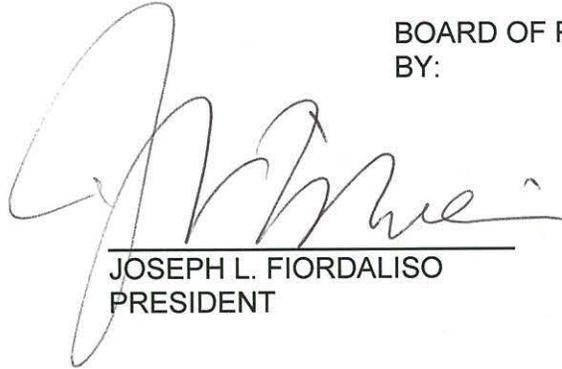
The Board has reviewed the July 2018 Stipulation and **FINDS** that Middlesex has fulfilled all of its requirements set forth by the Board in BPU Docket Nos. AX18010001 and WR18030242.

The Board **HEREBY ADOPTS** the July 2018 Stipulation, which makes the interim rates from the Rate Case Stipulation permanent, and closes Docket No. WR18030242.

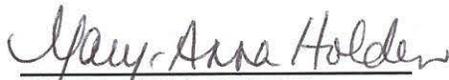
This Order shall be effective on September 8, 2018.

DATED: 8/29/18

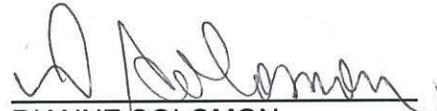
BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



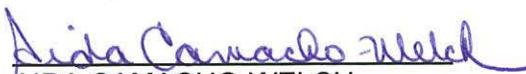
MARY-ANNA HOLDEN  
COMMISSIONER



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 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 NEW JERSEY BOARD OF PUBLIC UTILITIES'  
CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017 - COMPLIANCE  
FILING OF MIDDLESEX WATER COMPANY  
DOCKET NO. WR18030242**

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