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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Before Commissioners: Stephen McAlpine, Chairman
Paul F. Lisankie
Rebecca L. Pauli
Robert M. Pickett
Janis W. Wilson

In the Matter of the Consideration of the Impact
of the Tax Cut and Jobs Act of 2017 on Alaskan) I-18-002
Public Utilities)
)

**OFFICE OF THE ATTORNEY GENERAL'S PETITION TO OPEN AN
INVESTIGATION INTO THE IMPACT OF THE TAX CUTS AND JOBS ACT
ON UTILITY AND PIPELINE CARRIER REVENUE REQUIREMENTS**

I. Introduction

The Office of the Attorney General, Regulatory Affairs & Public Advocacy
Section (RAPA) petitions the Commission to open an investigation into the tax
allowances included in the revenue requirements of utilities and pipeline carriers.
RAPA's request is prompted by the passage of the Tax Cuts and Jobs Act (the 2017 Tax
Act) (signed into law by President Trump on December 22, 2017 with many provisions
effective January 1, 2018), including importantly, a lowering of the Federal corporate
income tax rate from a maximum rate of thirty-five percent to a new flat rate of
twenty-one percent.¹ Although the corporate income tax rate is decreasing, resulting

¹ An act to provide for reconciliation pursuant to titles II and V of the concurrent
resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, § 13001(a), 131 Stat
2054 (Dec. 22, 2017). The reduction from thirty-five percent to twenty-one percent is a
forty percent reduction in Federal income tax expense for utilities that are organized as
C-corporations for Federal income tax purposes.

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1 income tax savings to utilities and pipeline carriers could be further changed by other
2 impacts of the 2017 Tax Act, including: treatment of excess and deferred taxes, changes
3 to bonus tax depreciation, changes in exceptions to taxability of contributions in aid of
4 construction, modification of the net operating loss deduction, and a new deduction for
5 pass-through income.
6

7 An investigation is necessary because rates for Alaska investor-owned utilities
8 and pipeline carriers with taxable income in excess of \$50,000 have been based on the
9 higher twenty-five to thirty-five percent Federal income tax rate and have not been
10 adjusted for the new twenty-one percent rate or other impacts of the 2017 Tax Act.
11 RAPA believes ratepayers should receive the benefit of any over-collections.²
12

13 II. Discussion

14 A. The reduction in the Federal income tax rate will have a major 15 impact on utility and pipeline carrier revenue requirements.

16 The 2017 Tax Act reduces the Federal income tax rate for corporations to a new
17 flat rate of twenty-one percent. Before the new law, corporate Federal income tax rates
18 were graduated, starting at fifteen percent for taxable income up to \$50,000, with rates
19 at twenty-five percent for taxable income between \$50,001 and \$75,000, thirty-four
20 percent for taxable income between \$75,001 and \$10 million, and thirty-five percent for
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24 ² RAPA is currently reviewing the impact of the 2017 Tax Act using the recently
25 approved (Docket U-16-066) revenue requirement for ENSTAR Natural Gas Company.
26 RAPA will supplement this filing to show the likely impacts.

1 taxable income above \$10 million.³ The reduction in the Federal income tax rate will
2 have a major impact on utility revenue requirements for utilities and pipeline carriers
3 with taxable income in excess of \$50,000. The Commission should require
4 investor-owned utilities and pipeline carriers with taxable income in excess of \$50,000
5 to file using the procedures discussed below.
6

7 A cursory review shows the list of utilities affected appears to be Alaska Electric
8 Light & Power, Alaska Power Company, Doyon Utilities, TDX North Slope
9 Generating, ENSTAR Natural Gas Company, Cook Inlet Natural Gas Storage Alaska,
10 Golden Heart Utilities, Inc., and College Utilities Corp. Most pipeline carriers have
11 variable tariff methodology ("VTM") settlements that allow annual adjustments for tax
12 rate changes. Those pipeline carriers with effective VTM tariffs need not file the
13 information discussed below in Section III at this time. Kenai Beluga Pipeline, Kenai
14 Pipeline, and Tesoro Alaska Pipeline do not have VTM settlements and their revenue
15 requirements appear to be affected by the 2017 Tax Act, so they should be required to
16 file.
17

18 **B. The Commission opened an investigation in 1987 to address the Tax**
19 **Reform Act of 1986.**

20 The Tax Reform Act of 1986, which became law in October 1986 and went into
21 effect eight months later, also significantly reduced the Federal corporate income tax
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25 ³ <https://www.irs.gov/pub/irs-pdf/i1120.pdf> at 18.

1 rate.⁴ In response to its enactment, the Commission opened Docket R-87-002 to analyze
2 the impacts on utilities and put plans in effect prior to the effective date of the Act.⁵ By
3 R-87-002(General Order 15), issued March 12, 1987, the Commission set out a process
4 to pass through to ratepayers savings it believed would accrue as a result of the Tax
5 Reform Act of 1986:
6

7 The Commission anticipates that most utilities will see a net
8 reduction in tax-related expenses as a result of the [TRA86]. The
9 Commission further believes that any cost savings from such
10 reductions should be identified and flowed through to consumers.
11 However, because of the varying effects, both upward and
12 downward, on cost of service of the other provisions of the
13 [TRA86], the Commission does not believe that it is sufficient or
14 appropriate to simply adjust rates to reflect the new rates. Rather,
15 the overall impact of the [TRA86] on individual utilities must be
16 evaluated to determine individual rate modifications.⁶

17 Also, the Commission evaluated the materiality of the tax rate reduction against
18 the cost of complying with the information requests set out in the Order. The
19 Commission found that material benefits to ratepayers were only likely to occur at a
20 taxable income level in excess of \$100,000.⁷

21 _____
22 ⁴ The provisions of TRA86 included a reduction in the corporate income tax rate
23 from forty-six percent to thirty-four percent effective July 1987.

24 ⁵ R-87-002 (15) at 1. Later, by consolidated Order P-82-004(11)/P-82-006(16)/
25 P-84-003(6)/P-85-001(5)/P-85-002(15)/P-85-003(8)/P-86-002(15)/P-87-003(1)/
26 P-87-004(1) the Commission applied the effect of R-87-002(General Order 15) to
pipeline carriers certificated under AS 42.06.

⁶ R-87-002(General Order 15) at 2.

⁷ See generally R-87-002(General Order 15) at 3-4.

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C. The Commission should open an investigation to address several aspects of the 2017 Tax Act.

Although the Commission generally examines a utility's revenue requirement comprehensively, tax reform of this magnitude requires a different approach. The Federal government's decision to modify corporate tax burdens should not become a windfall for certain utilities and pipeline carriers simply because that entity is between rate cases. Rather, the Commission should require the relevant utilities and pipeline carriers to capture—and flow back to ratepayers—the impacts of the new law to the extent possible.

To RAPA's knowledge twenty-nine states and the District of Columbia have initiated proceedings to address 2017 Tax Act issues and over half of those states have ordered tracking or deferral of the savings associated with the new lower Federal income tax rate.⁸ For example, the New Jersey Board of Public Utilities (BPU) issued an order January 31, 2018 requiring deferral accounting treatment and interim rates.⁹

Discussed below are several aspects of the new tax law that could affect the revenue requirements of utilities and pipeline carriers.

1. Reduction of corporate Federal income tax rates.

The Act reduces the rate for corporations to a new flat rate of twenty-one percent. As discussed above, before January 1, 2018, corporate tax rates were

⁸ <http://ipu.msu.edu/taxreform>.

⁹ Attachment A, BPU Audits Order Docket No. AX18010001.

1 graduated, starting at fifteen percent for taxable income up to \$50,000, with rates at
2 twenty-five percent for income between \$50,001 and \$75,000, thirty-four percent for
3 income between \$75,001 and \$10 million, and thirty-five percent for income above
4 \$10 million.¹⁰

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6 **2. Excess and deferred taxes.**

7 Accumulated Deferred Income Taxes (ADIT) must be revalued at the new
8 corporate rate. All non-property related ADIT (FERC account 190 and 283 for electric
9 utilities) will be reduced. To ensure that these benefits are passed on to customers, the
10 reduction could be deferred in a net regulatory liability account.

11 Additionally, property related ADIT (FERC account 282) will also need to be
12 revalued at the new corporate tax rates. IRS normalization requirements will apply to
13 the portion of the property related ADIT that relates to the use of accelerated tax
14 depreciation (including bonus tax depreciation). This will result in "protected" (i.e.,
15 subject to the normalization requirements) and "unprotected" property related excess
16 ADIT. The 2017 Tax Act provides that the average rate assumption method (ARAM)
17 must be used for the protected portion. The flow back of the unprotected portion of the
18 excess ADIT will presumably be up to the discretion of the Commission. Unprotected
19 ADIT is not subject to normalization requirements and will be revalued at the lower
20 twenty-one percent tax rate, creating balances of excess unprotected ADIT that can be
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25 ¹⁰ <https://www.irs.gov/pub/irs-pdf/i1120.pdf> at 18.

1 flowed back to customers over amortization periods to be determined by the
2 Commission.

3 **3. Bonus Tax Depreciation.**

4 Generally, public utility property will no longer be eligible for bonus tax
5 depreciation after September 27, 2017. However, it is unclear at this time whether utility
6 property that was under construction as of September 27, 2017 and that is placed into
7 service in 2017 or 2018 will qualify for fifty percent bonus tax depreciation, per the
8 rules that were in effect prior to the 2017 Tax Act. One interpretation would appear to
9 allow public utility property that was under construction as of September 27, 2017 and
10 that is placed into service in 2017 or 2018 to qualify for fifty percent bonus tax
11 depreciation, at least with respect to the costs that were incurred up to
12 September 27, 2017.
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15 **4. Contributions to Capital/Contributions in Aid to Construction**
16 **(CIAC).**

17 The 2017 Tax Act narrows the previously available exceptions to the taxability
18 of CIAC. Cash or other property contributed as CIAC was generally treated as taxable
19 income to the receiving corporation, but there were some exceptions to what was
20 considered CIAC for Federal income tax purposes. Under the old law, taxable CIAC did
21 not include the value of land or other property contributed to a corporation by a
22 governmental unit or a civic group for the purpose of inducing the corporation to
23 expand its operating facilities. Instead, such contributions were treated as a tax-free
24 contribution to capital rather than as taxable CIAC. In addition, money or property
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1 received as CIAC by a regulated public utility that provided water or sewage disposal
2 services was treated as nontaxable, provided that certain requirements were met. The
3 2017 Tax Act appears to remove these exceptions. Code Section 118(b)(1) and (2) as
4 amended by the 2017 Tax Act indicates that any CIAC or other contribution as a
5 customer or potential customer, and any contribution by any governmental entity or
6 civic group (other than by a shareholder in that capacity) are excluded from the tax-free
7 capital contribution treatment. In addition, the regulated utility exception and a special
8 statute of limitations period that applied for public utility receipt of such contributions
9 have been repealed. These provisions are effective for contributions made after
10 December 22, 2017. The full impact of these changes on public utilities remains
11 unclear. It appears that new contributions received by utilities after December 22, 2017
12 will no longer qualify for the exemptions to taxability that have been eliminated by the
13 2017 Tax Act.

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16 **5. Net Operating Loss (NOL) deduction modified.**

17 After passage of the 2017 Tax Act, generally, NOLs arising in tax years ending
18 after 2017 can only be carried forward, not back. The general two-year carryback rule,
19 and other special carryback provisions, have been repealed. These NOLs can be carried
20 forward indefinitely, rather than expiring after 20 years. Additionally, under the new
21 law, for losses arising in tax years beginning after 2017, the NOL deduction is limited to
22 eighty percent of taxable income, determined without regard to the deduction.
23 Carryovers to other years are adjusted to take account of the eighty percent limitation.
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III. Recommendation

The Commission's Docket R-87-002 approach to tax reform appears reasonable and can be used as a model for addressing impacts of the 2017 Tax Act, with some modifications. The short lead time between the signing of the 2017 Tax Act (December 22, 2017) and the effective date (January 1, 2018 for many provisions including the new twenty-one percent corporate income tax rate) necessitates promptly putting into place at the effected utilities a method of tracking tax expense reductions brought about by the 2017 Tax Act and establishing refundability while the Commission evaluates each utility's revenue requirement.

To address the immediate impacts of the 2017 Tax Act, RAPA proposes that each regulated Alaska public utility and pipeline carrier with taxable income in excess of \$50,000:

- Record the net corporate Federal income tax expense savings resulting from the 2017 Tax Act as a regulatory liability on the books and records from January 1, 2018 forward. This includes amounts of Federal corporate income tax savings associated with the application of the new flat rate of twenty-one percent as opposed to the old graduated Federal income tax rates that reached a maximum rate of thirty-five percent.
- Identify the amount of excess ADIT recorded on its books as of January 1, 2018. "Excess" ADIT is the amount of ADIT that was accumulated using the previously applicable Federal income tax rate versus the amount of ADIT that would exist using the new twenty-one percent flat rate applicable for corporate income taxes starting January 1, 2018. The excess ADIT should be identified for each book-tax timing difference for which ADIT has been accumulated. Excess ADIT related to the use of accelerated tax depreciation (including bonus tax depreciation) should be separately identified. For each component of the excess ADIT, a

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statement should be included concerning whether that component of excess ADIT is subject to IRS normalization requirements (such as the use of the Average Rate Assumption Method (ARAM)). For each component of excess ADIT, a proposal for amortizing the excess should be included.

To accomplish the above recommendations, RAPA recommends the following procedures, which are similar to those employed by the Commission in 1987:¹¹

- If the utility or pipeline carrier has an approved revenue requirement with no pending rate filing and the last approved revenue requirement has been fully adjudicated or stipulated to, that entity should recalculate the revenue requirement incorporating all changes in Federal income taxes that result from the 2017 Tax Act. The recalculated revenue requirement should then be compared to the revenue requirement approved in the last rate case with the difference resulting in either an upward or downward adjustment in rates to reflect the impact of the 2017 Tax Act on the utility or pipeline carrier's Federal income taxes. The new rates and charges will be determined by applying the new percentage rate increase to the permanent rates that were in existence at the time of the last rate case proceeding. Alternatively, a utility or pipeline carrier should be given the option to file a revenue requirement filing pursuant to 3 AAC 48.275(a).
- If a utility or pipeline carrier has a revenue requirement pending before the Commission and there is a revenue requirement study pending before the Commission, that entity should propose proforma adjustments to reflect the impact of the 2017 Tax Act.

¹¹ In R-87-002, where the Commission reviewed impacts of the Tax Reform Act, the Commission found that it would need to review utilities' rates "regardless of the current status before the Commission of its revenue requirement; i.e., whether that revenue requirement has been established by the Commission, is pending determination by the Commission or filing by a utility, or has been in existence since inception." R-87-002(General Order 15) at 4.

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- If a utility or pipeline carrier has no existing revenue requirement set (i.e., inception rates), they should either file a proposed 3 AAC 48.275(a) revenue requirement study or propose an alternate method of flowing the benefits of the 2017 Tax Act through to ratepayers.

IV. Conclusion

The Commission should open an investigation for the purposes of examining the revenue requirement impact of the 2017 Tax Act on utilities and pipeline carriers as described above. Each regulated public utility or pipeline carrier with taxable income in excess of \$50,000 that has had a Federal income tax allowance included in its revenue requirement should track and accumulate in a deferred revenue account, with interest, the reduction in its regulated cost of service that is occurring at the lower corporate Federal income tax rate.

DATED February 12, 2018, at Anchorage, Alaska.

JAHNA LINDEMUTH
ATTORNEY GENERAL

By: 

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Attachment A

___-18-___

February 12, 2018



Agenda Date: 1/31/18
Agenda Item: 1B

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/

AUDITS

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

Parties of Record

- Philip J. Passanante, Esq.**, Atlantic City Electric Company
- Mary Patricia Keefe, Esq.**, Elizabethtown Gas Company
- Greg Eisenstark, Esq.**, Windels Marx Lane & Mittendorf, LLP, on behalf of Jersey Central Power and Light Company
- Andrew Dembla, Esq.**, New Jersey Natural Gas Company
- Hesser G. McBride, Jr., Esq.**, Public Service Electric and Gas Company
- Margaret Comes, Esq.**, Rockland Electric Company
- Stacy Mitchell, Esq.**, South Jersey Gas Company
- Robert MacLean**, New Jersey American Water Company
- Mark McKoy**, Suez Water NJ, Inc.
- Mark McKoy**, Suez Water Toms River
- Dennis W. Doll**, Middlesex Water Company
- John Hildabrant**, AQUA New Jersey, Inc.
- David G. Ern**, Gordon's Corner Water Company
- Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law by President Trump ("the 2017 Act"). The effective date of the 2017 Act is January 1, 2018.

BACKGROUND

The 2017 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 thirty-five percent (35%) to twenty-one percent (21%) taking effect on January 1, 2018. Based upon the New Jersey Board of Public Utilities' ("Board") review of the 2017 Act, it appears that these changes to the Tax Code will provide savings to New Jersey public utilities and will result in an over-

collection of tax revenue by the public utilities that will not be paid in federal income taxes. 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. First, the new tax rate will have a direct impact on the grossing up of the revenue requirement established and approved by the Board in setting rates. In addition, the change in the tax rate may have an impact on other rate factors, including the accumulated deferred income tax.

DISCUSSION

The Board is charged with the authority to ensure that the regulated utilities' rates charged to ratepayers are just and reasonable. To ensure that rates are appropriately set, it is important to understand the implications of the new tax rate and the 2017 Act. When the Board sets rates in base rate cases and in certain annual/periodic clauses, utilities are permitted to gross up their revenue requirement based on the corporate tax rate. In developing the revenue requirement, other ratemaking elements are also affected by the corporate tax rate. In consideration of the reduction in tax rate and benefits from the 2017 Act, the rate revenue resulting from expenses relating to taxes reflected in rates but no longer owed as the result of the 2017 Act shall be passed onto the ratepayers. In reviewing the impacts of the 2017 Act, the Board **HEREBY ADVISES** that the Board will make any rate changes resulting from the 2017 Act effective January 1, 2018, to be consistent with the effective date of the 2017 Act.

To ensure that the ratepayers receive the appropriate reduction in tax expense, the Board **HEREBY DIRECTS** the utilities to defer with interest the effects of the 2017 Act on the books and records effective January 1, 2018, which is consistent with the effective date of the 2017 Act. The interest shall be calculated using the company's short term debt on the deferral related to the revenue requirement adjustment from the tax rate of 35% to the tax rate of 21%. Interest on the deferral related to the accumulated deferred income tax adjustment and other rate factors shall be at the company's overall allowed weighted average cost of capital. This will preserve the effect and ultimately pass the reduction in the revenue requirement to ratepayers for expenses relating to taxes reflected in rates but no longer owed. The deferral shall be the difference between a tax rate of 35% and 21% and its impact on both expense and on the flowback of excess accumulated deferred taxes. This will allow the Board to fully examine the full effect of the 2017 Act.

Therefore, the Board **HEREBY COMMENCES** a proceeding to examine the impact resulting from the 2017 Act on the utilities and the current rates under the Board's jurisdiction to determine the appropriate level and mechanism by which rates must be adjusted to reflect the benefits resulting from the 2017 Act as well as the interest rate calculation on the deferred account. Each affected public utility is **HEREBY DIRECTED** to submit to the Board no later than March 2, 2018, a Petition with a detailed calculation of the impact resulting from the 2017 Act on the revenue requirement by comparing the latest Board approved test year data and supporting data attached to settlements under the old and new tax laws, and on the revenue requirements collected through annual/periodic clauses comparing the annual data under the old and new tax laws. The affected utilities are **FURTHER DIRECTED** to base the calculation upon the following items:

1. The effects resulting from the 2017 Act shall be deferred upon the books and records of affected utilities as of January 1, 2018 with interest at the company's overall allowed weighted average cost of capital on the portion related to the accumulated deferred income taxes and at the company's short term debt on the portion related to the

- adjustment for grossing up the revenue requirement at the new rate of 21% as opposed to the old tax rate of 35% so that the effects can be passed onto the ratepayers.
2. Provide the tariff rates reflecting the new tax rate at 21% to be effective on April 1, 2018. These rates will be on an interim basis until a final review is complete. In addition, provide the detailed workpapers showing how each rate was developed using the last approved rate design on an inter- and intra-class basis. This April 1, 2018 rate change is intended to stop the continued over-collection of revenues at the old corporate tax rate.
 3. The calculation of the effects from the 2017 Act including the deferral related to the accumulated deferred income taxes and other factors, and the associated calculation of interest as set forth above and the deferral related to the adjustment for grossing up the revenue requirement at the new rate of 21% and the associated calculation of the interest as set forth above. Also, the rate mechanism related to refunding the deferrals to ratepayers.
 4. The calculation of the deferred account on the portion related to the adjustment for grossing up the revenue requirement shall be computed by comparing income tax expense during the base period defined as the last Board approved rate case or clause orders for the utility to the tax expense results from the provisions of the 2017 Act. The calculation of the deferred account on the accumulated deferred income tax balances and other rate impacts should be based on December 31, 2017 financial results.
 5. All work papers and supporting documentation regarding the calculations shall be submitted with the calculations. All documentations shall also be provided in a PDF as well as an excel spreadsheet, with formulas so the Board, its Staff, the Division of Rate Counsel and any other stakeholder intervening or participating in this proceeding may examine the formulas for each line item in the spreadsheets. The calculation shall not be limited to a base rate revenue requirement comparison but shall include a comparison calculation of all rate clauses and other cost recovery mechanisms currently set to reflect the old tax law and recover the federal tax rate of 35% and compared to a revenue requirement using the new tax law and rate of 21% deferring the difference. The calculation shall be shown from the regulated utilities perspective.
 6. The utilities shall also identify the proposed treatment of changes, if any, from the 2017 Act to the following areas and provide the underlying calculations:
 - a. Tax rate reduction;
 - b. Expense and Interest deductions;
 - c. Contribution/advances in aid for construction;
 - d. Depreciation;
 - e. Excess accumulated deferred taxes;
 - f. Investment tax credits;
 - g. Alternative minimum tax; and
 - h. Other elements of the rate affected by the changes in the 2017 Act.
 7. As part of the submittal, the affected utilities shall provide rate and tariff design proposals to reflect the revenue requirement changes and any clause changes including proof of revenues, and a bill impact analysis supported by the appropriate back-up data, calculations and rationale for the proposed revenue allocation. The rate design and allocation of the dollar amount adjustment shall be consistent with the inter- and intra-class rate design approved when current rates were established and approved by the Board.

In an effort to develop a full understanding of the effects of the 2017 Act, and the calculations provided by the affected utilities, and for a timely completion of this proceeding, the Board

HEREBY SETS FORTH the following procedural schedule which includes a period of time for discovery and comments by interested stakeholders:

- Motions to Intervene: 02/20/18
- Filing of Petitions with Calculation: 03/02/18
- First Round of Discovery: 03/23/18
- Responses: 04/09/18
- Technical Conference: 04/16/18
- Follow-up Discovery: 04/20/18
- Responses: 05/03/18
- All Comments: 05/17/18
- Reply Comments: 05/24/18
- Settlement Conference: 05/29/18
- Settlement Conference: 05/31/18

The parties are free to examine the amounts of the deferrals and rate adjustment mechanism and the appropriateness of applying the allowed overall weighted average cost of capital on the portion of the deferral related to the accumulated deferred income taxes and short term debt on the portion related to the revenue requirement not being adjusted as of January 1, 2018.

The decision to defer adjustment to rates between January 1, 2018 and March 31, 2018, to defer the adjustment to rates related to the Accumulated Deferred Income Tax and to change rates effective April 1, 2018, is an appropriate manner in which to address the changes from the 2017 Act. The immediate change to rates will stop the continued over-collection of tax revenue while interested stakeholders have the opportunity to examine the calculations of the deferrals so that an accurate additional adjustment to rates can be determined in time for a July 1, 2018 effective date or as soon thereafter as the Board deems appropriate. This approach will ensure that ratepayers receive a timely and equitable treatment of the benefits associated with the 2017 Act. It also minimizes the amount that utilities must maintain as deferred during the pendency of this proceeding. As noted above, the deferral mechanism with the appropriate carrying cost interest allows for additional rate changes.

The proposed interim rate reduction and deferral outlined herein is in the best interests of the public and ratepayers and affected utilities and provides for due process. It allows for ratepayers to ultimately be compensated for the reduction in the tax rate. Any delay in reducing the tax rate would be unfair to ratepayers, however the final process makes ratepayers whole by requiring the deferral to include interest, alleviating concerns regarding the time value of compensation. Setting interim rate reductions will reduce the amount unnecessarily collected, the amount of potential refunds, and the amount deferred by utilities. The anticipated July 1, 2018 effective date for final rates resulting from this proceeding will be made in a timely fashion. Additionally, a company should not enjoy windfall profits during the review period set forth above. Use of the proposed deferred accounting with an interim rate reduction would provide no incentive to delay. Therefore, a deferred accounting approach with an interim rate reduction is the Board's best alternative. It also addresses the issue of timeliness through the calculation of interest and at the same time identifies the proceedings in which the rate adjustments should be made and sets forth a date by which all rate adjustments shall be made. It provides for due process and for the establishment of an accurate rate adjustment.

Now, therefore, the Board, **HEREBY ORDERS** the following:

1. 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. Each affected utility shall file a petition no later than March 2, 2018 including appropriate calculations as set forth above, proposed interim rates to be effective April 1, 2018, and tariff pages. Additionally, affected utilities shall file proposed final rates, effective July 1, 2018 incorporating all other effects of the 2017 Act.
2. The effects of the 2017 Act shall be deferred upon the books and records of affected utilities as of January 1, 2018 with interest at the company's approved overall weighted cost of capital on the portion related to the accumulated deferred income taxes and at the company's short term debt on the portion related to the adjustment for grossing up the revenue requirement at the new rate of 21% as opposed to the old tax rate of 35% so that the effects can be passed onto the ratepayers.
3. Each affected utility shall provide the tariff rates reflecting, the new tax rate at 21% to be effective on April 1, 2018. These rates will be on an interim basis until a final review is complete. In addition, the utility shall provide the detailed workpapers showing how each rate was developed using the last approved rate design on an inter- and intra-class basis. This April 1, 2018 rate change is intended to stop the continued over-collection of revenues at the old corporate tax rate.
4. Both portions of the effects of the 2017 Act being deferred should continue until the effective date of final rates anticipated to be effective July 1, 2018. Utilities shall submit, with its calculations of the effect of the 2017 Act, the mechanism by which the deferrals will be returned to ratepayers.
5. All documents required to be submitted to the Board, including the March 2, 2018 Petitions and calculations shall be filed with the Board's Secretary and shall also be submitted in electronic and reviewable form including Excel Spreadsheets with formulas to the Directors of the Board's Divisions of Energy, Water and Wastewater and Audits. Additionally, all documents filed with the Board shall also be provided concurrently to Rate Counsel both electronically (and in hard copy if requested).

The Board **HEREBY DIRECTS** that all entities seeking to intervene or participate in this matter file the appropriate application with the Board by February 20, 2018. All such motions to intervene or participate will be considered, in this proceeding as well as in consideration of the individual petitions filed by the utilities pursuant to this Order. As such, any party making such a motion **SHALL**, along with the motion, indicate in which utility's proceeding the party is seeking to intervene or participate.

The Board **HEREBY DIRECTS** that the schedule set forth above shall apply to each of the Petitions filed by the affected utilities pursuant to this Order on or before March 2, 2018.

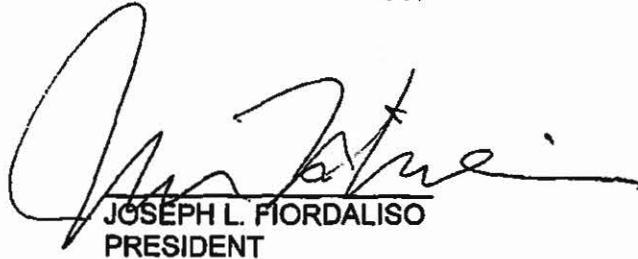
The Board **HEREBY DIRECTS** that this Order be posted on the Board website and a copy of the Order be circulated to the service list electronically.

In the interest of economy, all parties are **HEREBY DIRECTED** to serve all documents electronically, while still providing hard copies to the Board for those documents which must be filed with the Board, and to any party upon request.

This Order shall be effective February 10, 2018.

DATED: 1/31/18

BOARD OF PUBLIC UTILITIES
BY:

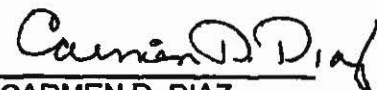

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PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


RICHARD S. MROZ
COMMISSIONER

ATTEST: 
CARMEN D. DIAZ
ASSISTANT BOARD 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**

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