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August 23, 2018

NHPLIC 23AUG18PM3:25

Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

RE: DW 18-112 Atkinson Area Waste Water Recycling, Inc.
Exemption from Commission Order No. 26,096 in Docket IR 18-001
Staff Recommendation for Approval

Dear Ms. Howland:

The purpose of this letter is to provide Staff's recommendation regarding Atkinson Area Waste Water Recycling, Inc.'s ("Atkinson Waste" or "Company") Petition for Exemption ("Petition") from Commission Order No. 26,096 in Docket IR 18-001. Atkinson Waste's petition was assigned Docket DW 18-112. As discussed and outlined below, Staff recommends that Atkinson Waste be exempt from Commission Order No. 26,096 and further participation in Docket IR 18-001.

At the end of December 2017, the United States Congress voted, and the President signed into law, major federal tax changes, commonly known as the Tax Cuts and Jobs Act of 2017 ("Tax Act"). The Tax Act is effective for tax years beginning in 2018 and, among other items, substantially reduces the Federal Corporate Income Tax Rate from a maximum 35% to a flat 21%. The change in the Federal Corporate Income Tax Rate also affects any Accumulated Deferred Income Tax (ADIT) on a company's books. In addition to the Tax Act, the State of New Hampshire also changed two specific taxes. It lowered the NH Business Enterprise Tax ("BET") from .72% to .675% and lowered the NH Business Profits Tax ("BPT") from 8.2% to 7.9%.

Subsequently, the Commission issued Order No. 26,096 in Docket IR 18-001 requiring each public utility regulated by the Commission to record the estimated reductions in the Federal Corporate Income Tax and State BET and BPT as a deferred liability in an appropriate account on their books using the specific methodology outlined in the Commission's order. Additionally, each regulated utility was instructed to calculate its excess Accumulated Deferred Income Tax ("ADIT"), or Excess Deferred Income Tax ("EDIT"), and to recognize such as a deferred liability and reduction in their respective revenue requirements. Each utility was to file a proposal with the Commission by no later than April 1, 2018 to address the effects of the Federal and State tax law changes.

Atkinson Waste submitted its petition on July 30, 2018. In its petition, Atkinson Waste indicated it was a wholly owned subsidiary of Atkinson Farm, Inc. which is not regulated by the Commission. As such, any taxable income or loss from Atkinson Waste is incorporated into the Federal and State Tax Returns of Atkinson Farm, Inc. Therefore, the tax changes will have minimal impact, if any, on the Company.

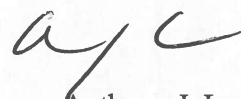
Staff reviewed Atkinson Waste's petition and adds the following information. Atkinson Waste's last Permanent Rate Case was in Docket DW 07-131 where permanent rates were approved by Commission Order No. 24,917. In that case, Atkinson Waste's approved revenue requirement and rates only included a provision for the NH Business Profits Tax of 8.5%. In addition, as evidenced by the 2015, 2016, and 2017 NH PUC Annual Reports, Atkinson Waste reported \$0 Federal and State Income Tax Expense for those years. Staff also notes that during that three year time frame, Atkinson Waste averaged a negative 15.6% Rate of Return (-15.6%) as compared to its authorized 7.4% Rate of Return. Accordingly, there is currently no income tax expense for the Company to adjust. Additionally, with regard to ADIT, according to Atkinson's 2015, 2016, and 2017 Annual Reports, the Company recorded no ADIT, thus, there is currently no EDIT to calculate.

Staff corroborates that Atkinson Waste is a regulated sewer utility, and according to its 2017 NH PUC Annual Report, is a wholly owned subsidiary of Atkinson Farm. Atkinson Waste currently has managerial and labor agreements with and operates out of the same physical address as an affiliated, regulated water utility, Hampstead Area Water Corporation (HAWC), at HAWC's main office of 54 Sawyer Ave, Atkinson, NH. In addition, Atkinson Waste has only one customer who is also affiliated; the Atkinson Country Club, which shares the same physical address with the owner of Atkinson Waste (Atkinson Farm) of 85 Country Club Drive, Atkinson, NH.

In conclusion, after reviewing Atkinson's most recent revenue requirement calculation, it's most recent NH PUC Annual Reports, and the affiliate relationship between both the owner and the sole customer, Staff recommends the Commission exempt Atkinson Waste from Commission Order No. 26,096 as well as further participation in Docket IR 18-001.

Thank you for your assistance and attention regarding this matter. If you have any questions, do not hesitate to contact me.

Respectfully,



Anthony J. Leone
Utility Analyst

cc: Service List

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

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21 S. FRUIT ST, SUITE 10
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- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**