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August 24, 2018

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

RE: DW 18-113 Forest Edge Water Company
Petition for 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 Forest Edge Water Company's ("Forest Edge" or "Company") Petition for Exemption ("Petition") from Commission Order No. 26,096 in Docket IR 18-001. Forest Edge's petition was assigned Docket No. DW 18-113. As discussed and outlined below, Staff recommends that Forest Edge 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") recorded 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 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.

Forest Edge submitted its petition for exemption on July 30, 2018 in which it indicated that it files its Federal Tax Returns as a "Subchapter C" Corporation, but that the Company does not meet the minimum revenue threshold for state business taxes. Forest Edge further stated that a review of the settlement schedules in their last permanent rate case, DW 12-254, indicated there was no Federal or State Tax components reflected in the Company's approved rates. The Company states that in recent years there has been no Federal or State Income Tax recorded on their books. Lastly, Forest Edge stated the changes to the Federal and State income taxes will have minimal impact, if any, on the Company.

Staff reviewed Forest Edge's petition and adds the following information. Forest Edge's last Permanent Rate Case was in Docket DW 12-254 where permanent rates were approved on September 20, 2013 by Commission Order No. 25,575. In that case, Forest Edge's approved revenue requirement and rates did not include a provision for either Federal or State Income Taxes. Staff reviewed the Company's 2012 - 2017 NHPUC Annual Reports filed subsequent to its last rate proceeding. Forest Edge's 2015, 2016 and 2017 Annual Reports indicate that the Company earned \$30,000 or less in annual revenues and that it recorded no federal or state income tax expense each year. The Annual Reports also indicated that the Company recorded no ADIT.

Accordingly, there is currently no Federal or State Income Tax component encompassed in the Company's rates to lower. Additionally, with regard to ADIT, the Company recorded none, thus, there is currently no EDIT to calculate.

In conclusion, after reviewing Forest Edge's Petition, its most recent revenue requirement calculation, and most recent permanent rate case Order, Staff recommends the Commission approve Forest Edge's request for exemption 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:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
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.