

DW 18-123

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August 1, 2018

Debra A. Howland
Executive Director
State of New Hampshire
Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, NH 03301-2429

NHPUC 3AUG'18PM12:01

Re: IR 18-001, Investigation to Determine Rate Effect of Federal and State Tax Reductions

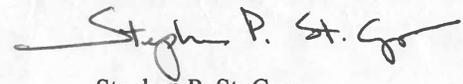
Dear Ms. Howland:

Please be advised that West Swanzey Water Company ("West Swanzey" or "Company") is a C corporation subject to federal income and state business taxes. A review of the settlement schedules in DW 17-103 indicates that the income taxes included in the revenue requirement amounted to \$4,702 (See Sch. 3, column 8, line 38). Under the FEWC method, the income tax / revenue adjustment is as follows:

Income Tax	\$4,702
2018 Tax Rate Factor	.37440
2017 Tax Rate Factor	.28156
2018 Factor / 2017 Factor	1.32973
Adjusted Income Tax Expense	\$6,252 (\$4,702 x 1.32973)
Revenue Adjustment	\$1,550 (\$6,252 - \$4,702)

The change in the federal income and state business tax rates represents about a 33% increase in tax expense. Given the relatively high increase, it is worth having a discussion with the PUC about how best to proceed and how to incorporate the increase in taxes into rates. If you have any questions or comments, please let me know.

Sincerely,


Stephen P. St. Cyr

Cc: Sally Brown