

THE STATE OF NEW HAMPSHIRE

CHAIRMAN  
Martin P. Honigberg

COMMISSIONERS  
Kathryn M. Bailey  
Michael S. Giaimo

EXECUTIVE DIRECTOR  
Debra A. Howland



**PUBLIC UTILITIES COMMISSION**  
21 S. Fruit Street, Suite 10  
Concord, N.H. 03301-2429

TDD Access: Relay NH  
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:  
[www.puc.nh.gov](http://www.puc.nh.gov)

July 3, 2018

NHPUC 3JUL'18 10:18

Sarah Brown  
West Swanzey Water Co.  
PO Box 219  
West Chesterfield NH 03466

Re: Docket IR 18-001 – Compliance with Commission Order No. 26,096

Dear Ms. Brown:

On January 3, 2018, the Commission issued Order No. 26,096 in Docket IR 18-001, opening an investigation to determine the rate effects of certain federal and state corporate tax reductions. (See Attached) Specifically, the Commission's order required all regulated utilities in the State of New Hampshire to submit a filing by no later than April 1, 2018, relative to the revenue requirement impacts of the federal "Tax Cuts and Jobs Act of 2017" (2017 Tax Act) as well as reductions in the New Hampshire Business Profits Tax (BPT) and Business Enterprise Tax (BET) that went into effect in 2018.

To date, the Commission has not received a filing from West Swanzey Water Company (West Swanzey) in compliance with the requirements of Commission Order No. 26,096. If West Swanzey does not submit the required compliance filing with the Commission by July 26, 2018, Staff will be making a recommendation to the Commission to open a show cause proceeding for the purpose of considering West Swanzey's failure to comply with Commission Order No. 26,096 as well as the assessment of appropriate fines and penalties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jayson P. Laflamme', written over a horizontal line.

Jayson P. Laflamme  
Assistant Director, Gas-Water Division

Attachment: Commission Order No. 26,096

cc: Debra A. Howland, Executive Director, NHPUC  
Stephen P. Frink, Director, Gas-Water Division  
Alexander F. Speidel, Staff Attorney  
Stephen P. St. Cyr, St. Cyr & Associates

**THE STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**IR 18-001**

**Investigation to Determine Rate Effects of Federal and  
State Corporate Tax Reductions**

**Order Opening Investigation**

**ORDER NO. 26,096**

**January 3, 2018**

At the end of December 2017, the United States Congress voted and the President signed into law major federal tax law changes<sup>1</sup> (“2017 Tax Act”) effective for tax year 2018. Among other things, the 2017 Tax Act substantially reduces the corporate income tax rate from 35 percent to 21 percent, effective this year. It also affects the deferred tax reserve which must be normalized for the benefit of customers. In addition, in 2018 the New Hampshire Business Enterprise Tax (“BET”) rate will fall from 0.72 percent to 0.675 percent, and the Business Profits Tax (“BPT”) will decline from 8.2 percent to 7.9 percent.

Investor-owned public utilities regulated in the State of New Hampshire recover the costs of the applicable federal and state taxes from utility customers through rates established by the Commission in periodic rate cases specific to each utility. These rate cases allow the Commission to fully investigate the costs and revenues required for the prudent operation of each utility. The revenue impacts of the 2017 Tax Act and the changes in New Hampshire’s business taxes, in general, occur outside of a normal rate case,<sup>2</sup> are likely material, and constitute an event outside the control of the utility.

---

<sup>1</sup> H.R.1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.

<sup>2</sup> The two regulated New Hampshire gas distribution utilities as well as certain water utilities have rate cases pending and due to be completed in 2018.

The Commission determines that it is necessary to investigate<sup>3</sup> how the 2017 Tax Act and the reductions to the BPT and BET will affect the expenses of each of the New Hampshire public utilities. If the changes in the tax laws will reduce the tax obligations and increase the net incomes of those utilities, it will then be necessary to determine how those reduced obligations should be reflected in rates.<sup>4</sup>

To that end, the Commission requires all regulated electric, gas, sewer, and water utilities in New Hampshire to record on their books as a deferred liability, in an appropriate account, the estimated reduction in federal income tax resulting from the 2017 Tax Act, as well as the estimated reduction in the State of New Hampshire BET and BPT. The entries for the deferral shall be calculated using the methodology used by the Commission in setting revenue requirements as follows: Each utility shall take the equity currently invested in rate base, multiplied by the last-approved return on equity, to derive an equity return; and then calculate relative to that return the difference between the gross-up for a federal income tax of 35 percent and for a federal income tax of 21 percent and also for the reductions in BET and BPT. The difference shall be entered as a deferred liability until final rates are established for the utility in a general rate case, or until otherwise ordered by the Commission. In addition, each public utility subject to this notice shall calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate, and recognize as a deferred liability the estimated reduction of the utility's revenue requirement.

Each utility shall file a proposal with the Commission no later than April 1, 2018, to address the effects of the changes in tax laws, including financial information that is sufficient to establish a revenue requirement that reflects prospectively the impacts of those changes. The

---

<sup>3</sup> Pursuant to RSA 374:4 (duty to keep informed), RSA 374:3 (general supervisory power), and RSA 365:5 (power to independently investigate).

<sup>4</sup> Pursuant to RSA 374:2 (rates must be reasonable) and RSA 378:7 (power to determine reasonable rates).

filing shall include a calculation of any deferred liability accrued by report date and any liability projected to be accrued until the time when final rates are next issued in accordance with a general rate case. It shall also include a plan for providing periodic reports on the accrual and extinguishment of the deferred liability, including an outline of the financial information the utility would expect to file that would be sufficient to establish a revenue requirement that reflects the impact of the tax law changes.

Several utilities have rate cases being investigated by the Commission. Those utilities shall consider whether a rate reduction associated with the reduced tax obligations of the 2017 Tax Act, BET, and BPT, can be effected within the schedule for those rate cases and shall also comply with the filing requirements described herein.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (“Granite State Electric”) and Until Energy Systems, Inc. (“UES”), concluded rate cases within the last year. Their respective rate agreements contain a provision on the method by which they shall manage exogenous events. While changes in tax law are typically treated as exogenous events, the Commission declines to make that finding pursuant to the two approved rate case settlements at this time, and requires both Granite State Electric and UES to comply no later than April 1, 2018, with the reporting requirements as described in this Order.

The Commission intends to open a separate docket for each of the filings received and will consider appropriate rate impacts in those company-specific dockets. The Commission notes that the Office of Consumer Advocate (“OCA”) made a filing described as a complaint on this subject on January 2, 2018. The OCA has the authority to participate in each of the utility-specific dockets pursuant to RSA 363:28 and all utility filings will be served on the OCA pursuant to Commission rule.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at [www.puc.nh.gov](http://www.puc.nh.gov).

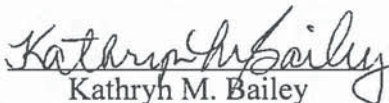
**Based upon the foregoing, it is hereby**

**ORDERED**, all regulated public utilities in the State of New Hampshire shall make filings complying with this Order no later than April 1, 2018.

By order of the Public Utilities Commission of New Hampshire this third day of January, 2018.



Martin P. Honigberg  
Chairman

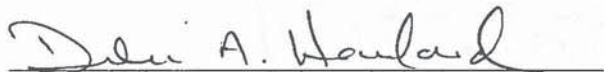


Kathryn M. Bailey  
Commissioner



Michael S. Giaimo  
Commissioner

Attested by:



Debra A. Howland  
Executive Director

**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.**

Executive.Director@puc.nh.gov	
amanda.noonan@puc.nh.gov	jay.kerrigan@pennichuck.com
asimone@intelepeer.com	jayson.laflamme@puc.nh.gov
awalsh@tillotsoncorp.com	jh7452@att.com
brian.buckley@oca.nh.gov	jim.r.ingram@gmail.com
brian_rankin@comcast.com	john@lewisbuilders.com
bstafford@gstnetworks.com	jrichardson@upton-hatfield.com
burnhamcompanyinc@gmail.com	kaminski@nhec.com
Carl.Billek@corp.idt.net	karen.moran@puc.nh.gov
Carmen_Carrion@cabl.comcast.com	karen.turner@h3net.com
carolann.howe@pennichuck.com	kmanwarren@intelepeer.com
chuck.williams@birch.com	kwante@bwtc.net
chunter@broadviewnet.com	larry.goodhue@pennichuck.com
cograilway@adelphia.net	leah@Lakesregionwater.com
dbrown1@ne.rr.com	legal@gsc.tech
donald.kreis@oca.nh.gov	leszek.stachow@puc.nh.gov
donald.ware@pennichuck.com	matthew.fossum@eversource.com
dvaughan@newenglandservicecompany.com	melinda.poore@charter.com
ed.tisdale@ottcommunications.com	mf6962@att.com
epler@unitil.com	mgelfond@mettel.net
gchabot@manchesternh.gov	michael.sheehan@libertyutilities.com
gleighton@mainewater.com	nathaniel1970@gmail.com
james.brennan@oca.nh.gov	norm@gilfordwell.com
jay.dudley@puc.nh.gov	norm3@gilfordwell.com
	ocalitigation@oca.nh.gov

Docket #: 18-001-1 Printed: July 03, 2018

**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  
CONCORD NH 03301-2429
- 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.**

pmchugh@fairpoint.com  
pradip.chattopadhyay@oca.nh.gov  
rachelle.ladwig@tdstelecom.com  
richard.chagnon@puc.nh.gov  
rwh@rathlaw.com  
sbogdan@broadviewnet.com  
scnelson@gsinet.net  
sharyl.fowler@birch.com  
skline@granitenet.com  
stephenpsteyr@yahoo.com  
steve.frink@puc.nh.gov  
suzanne.amidon@puc.nh.gov  
tbattles@dscicorp.com  
tdixon@aquarionwater.com  
tom.frantz@puc.nh.gov  
Tom@lakesregionwater.com  
trina.bragdon@ottcommunications.com  
yankeepumpnh@gmail.com