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NHPUC 20CT18PM3:20

October 2, 2018

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

RE: DW 18-116 Tioga River 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 Tioga River Water Company's ("Tioga" or "Company") Petition for Exemption ("Petition") from Commission Order No. 26,096 in Docket IR 18-001. Tioga's petition was assigned Docket No. DW 18-116. As discussed and outlined below, Staff recommends that Tioga 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 lowered the New Hampshire Business Enterprise Tax ("BET") from .72% to .675% and the New Hampshire Business Profits Tax ("BPT") from 8.2% to 7.9%.

Subsequently, the Commission issued Order No. 26,096 in Docket No. IR 18-001. That Order required each Commission-regulated public utility 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 by the Commission. 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 no later than April 1, 2018, addressing the effects of the federal and state tax law changes.

Tioga submitted its petition for exemption on July 30, 2018, indicating that it files income taxes as part of a Controlled Group where its taxable income (loss) is included in affiliated Federal Income Tax and New Hampshire Business Tax returns. Tioga stated the changes to the federal and state income taxes will have minimal impact, if any, on the Company.

Staff reviewed Tioga's petition and adds the following information. The Commission approved Tioga's last permanent rates, Docket No. DW 10-217, in Order No. 25,322 on January 30, 2012. Tioga's previously approved revenue requirement and rates did not include a provision for either federal or state income taxes. Staff also reviewed the Company's 2012 through 2017 NHPUC Annual Reports, filed subsequent to its last rate proceeding. Those reports indicated the Company earned less than \$50,000 in gross annual receipts and has operated at a loss in each of those years. Tioga's response to Staff Data request 1-12 in DW 10-217 further substantiates that Tioga did not file a separate federal or state income tax return.

Accordingly, there is currently no federal or state income tax component encompassed in the Company's rates to adjust. The Company did not record an ADIT, thus there is currently no EDIT to calculate.

In conclusion, after reviewing Tioga's Petition, its most recent revenue requirement calculation, and most recent permanent rate case Order, Staff recommends the Commission approve Tioga's request for exemption from Commission Order No. 26,096 and 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

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**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**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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- 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.**