



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

NOTICE OF FILING AND PUBLIC HEARING

D.P.U. 18-15-2

May 23, 2018

Investigation by the Department of Public Utilities, on its own Motion, into the Effect of the Reduction in Federal Income Tax Rates on the Rates Charged by Electric, Gas, and Water Companies.

On February 2, 2018, the Department of Public Utilities (“Department”) opened an investigation pursuant to G.L. c. 164 §§ 76, 93, 94 and G.L. c. 165, §§ 2, 4, into the effect of the Tax Cuts and Jobs Act of 2017 (“Act”) on the rates charged by the investor-owned electric, gas, and water companies in Massachusetts. The Department docketed this matter as D.P.U. 18-15.

Among other things, the Act reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. The reduction in the federal corporate income tax rate results in both a lower tax expense on current income and booked accumulated deferred income taxes (“ADIT”). In D.P.U. 18-15, at 4-5, the Department found that the reduction in the federal corporate income tax rate constitutes evidence that the rates being charged by certain identified companies may no longer be just and reasonable as of January 1, 2018. To address this issue, the Department directed the companies, as of January 1, 2018, to account for any revenues associated with the difference between the previous and current corporate income tax rates. In addition, the Department directed the companies to account for excess recovery in rates of ADIT resulting from the lower federal corporate income tax rate. The Department directed the identified companies to file proposals to address the effects of the Act, including an adjustment of rates going forward and also a timely refund of revenues associated with the lower tax expense on current income and excess ADIT.

On May 2, 2018, Aquarion Water Company of Massachusetts, Inc. (“Company”) filed its compliance filing in D.P.U. 18-15. The Department docketed the Company’s filing as D.P.U. 18-15-2. The Company has a pending base distribution rate proceeding for rates effective November 1, 2018 (D.P.U. 17-90). The Company proposes to incorporate the current corporate income tax rate in its new base distribution rates for effect November 1, 2018. The Company maintains that it has not and will not collect excess taxes for the period January 1, 2018 through November 1, 2018, because its effective tax rate for this period will be zero. Finally, the Company proposes to amortize excess ADIT of

\$2.84 million over 26.24 years. Instead of returning these amounts to ratepayers, the Company proposes to use these amounts to fund a proposed water reliability improvement mechanism, currently under consideration in D.P.U. 17-90.

The Attorney General, through the office of ratepayer advocacy, may intervene, appear and participate in Department proceedings on behalf of any group of consumers in connection with any matter involving rates of an electric company or gas company. On January 25, 2017, the Attorney General submitted a notice of intervention on behalf of the Company's ratepayers in this case. Further, pursuant to G.L. c. 12, § 11E(b), the Attorney General filed a notice of retention of experts and consultants to assist in her investigation of the Company's filing. The Attorney General has requested Department approval to spend up to a total of \$150,000 in D.P.U. 18-15 for all affected companies. Pursuant to G.L. c. 12, § 11E(b), the costs incurred by the Attorney General relative to her retention of experts and consultants may be recovered by the Company in rates. Any person who seeks to intervene in this matter or desires to comment on the Attorney General's notice of retention of experts and consultants must file such comments no later than the close of business (5:00 p.m.) on **June 11, 2018**.

The Department will conduct a public hearing to receive comments on the Company's filing. The hearing will take place at **2:00 p.m. on Monday, June 18, 2018**, at the Department's offices, One South Station 5th Floor, Boston, Massachusetts 02110. A procedural conference will take place immediately following the public hearing. Any person who desires to comment may do so at the time and place noted above, or submit written comments to the Department not later than the close of business (5:00 p.m.) on **June 18, 2018**.

Any person who desires to participate in the evidentiary phase of this proceeding must file a written petition for leave to intervene with the Department not later than the close of business (5:00 p.m.) on **June 11, 2018**. A petition for leave to intervene must satisfy the timing and substantive requirements of 220 CMR 1.03. Receipt by the Department, not mailing, constitutes filing and determines whether a petition has been timely filed. A petition filed late may be disallowed as untimely, unless good cause is shown for waiver under 220 CMR 1.01(4). To be allowed, a petition under 220 CMR 1.03(1) must satisfy the standing requirements of G.L. c. 30A § 10.

An original and two (2) copies of all written comments or petitions to intervene must be filed with Mark D. Marini, Secretary, Department of Public Utilities, One South Station – 5th Floor, Boston, Massachusetts 02110 not later than the close of business (5:00 p.m.) on the dates noted above.

All documents should also be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to dpu.efiling@state.ma.us and to the Hearing Officer, Shane Early, at shane.early@state.ma.us; or (2) on a CD-ROM. The text of the e-mail or CD-ROM must specify: (1) the docket number of the proceeding (D.P.U. 18-15-2); (2) the name of the person or company submitting the filing; and (3) a

brief descriptive title of the document. The electronic filing should also include the name, title, and telephone number of a person to contact in the event of questions about the filing. The electronic file name should identify the document, but should not exceed 50 characters in length. All documents submitted in electronic format will be posted on the Department's website, <http://web1.env.state.ma.us/DPU/FileRoom/dockets/bynumber> (enter "18-15").

A copy of the Company's filing is available for public viewing during regular business hours at the Department, One South Station – 5th Floor, Boston, Massachusetts 02110. The filing is also available on the Department's website, <http://web1.env.state.ma.us/DPU/FileRoom/dockets/bynumber> (enter "18-15"). To request materials in accessible formats (braille, large print, electronic files, audio format), contact the Department's ADA Coordinator at DPUADACoordinator@state.ma.us or (617) 305-3642.

For further information regarding the Company's filing, please contact counsel for the Company, Danielle C. Winter, Esq., at 617-951-1400. For further information regarding this notice, please contact Shane Early, Hearing Officer, Department of Public Utilities, at (617) 305-3500.



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DEPARTMENT OF PUBLIC UTILITIES

ORDER OF NOTICE

D.P.U. 18-15-2

May 23, 2018

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Aquarion Water Company of Massachusetts, Inc. (“Company”) shall publish the attached Notice of Filing and Public Hearing (“Notice”) on or before **May 28, 2018** in either The Boston Globe or the Boston Herald. In addition, the Company shall serve by first-class mail a copy of the Notice on or before **May 28, 2018** on: (1) the service list in D.P.U. 17-90; (2) the Attorney General of the Commonwealth of Massachusetts; and (3) any person who has filed a request for notice with the Company. Finally, the Company shall prominently display the notice on its website from three business days following receipt through **June 18, 2018**. The Company shall make return of service at the public hearing.

By Order of the Department,

/s/

Mark D. Marini, Secretary