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CASE MANAGEMENT

MAR 27 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

JWB
4/2/18



State of New Jersey
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MAR 27 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STEFANIE A. BRAND
Director

March 23, 2018

Via Email & First Class Mail

Ira G. Megdal, Esq.
Cozen O'Connor
457 Haddonfield Road - Suite 300
Cherry Hill, New Jersey 08002

Re: I/M/O the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017 - BPU Docket No. AX18010001 Atlantic City Sewerage Company's Petition with Calculation of Rates under the Tax Cuts and Jobs Act of 2017 BPU Docket No. WR18030234

Dear Mr. Megdal:

Enclosed please find the Division of Rate Counsel's discovery requests **RCR-ACSC-POL-1 through RCR-ACSC-POL-5** in connection with the above referenced matter.

Pursuant to N.J.A.C. 1:1-10.4, please respond to the discovery requests and submit copies of the documents requested herein within fifteen (15) days or submit a schedule of reasonable compliance within fifteen (15) days from receipt of this letter.

Please note that all discovery requests are of a continuing nature and should be updated or corrected, if necessary, over the course of the proceeding as soon as the information becomes available. Also, provide a designation on each response identifying the witness sponsoring the answer. Please provide the responses on three-hole punched paper.

Thank you for your attention to this matter.

Very truly yours,

Stefanie A. Brand, Esq.
Director, Division of Rate Counsel

By: _____

Susan E. McClure
Susan E. McClure, Esq.
Assistant Deputy Rate Counsel

SEM/kah

cc: Service list ✓

*Receives all correspondence except discovery.

AMS

I/M/O the New Jersey Board of Public
Utilities' Consideration of the Tax Cuts and
Jobs Act of 2017 --

BPU Docket No. AX18010001
Atlantic City Sewerage Company's Petition
with Calculation Of Rates under the Tax
Cuts and Jobs Act of 2017
BPU Docket No. WR18030234

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**I/M/O the New Jersey Board of Public Utilities' Consideration of the Tax
Cuts and Jobs Act of 2017 - BPU Docket No. AX18010001
Atlantic City Sewerage Company's Petition with Calculation of Rates
under the Tax Cuts and Jobs Act of 2017**

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Division of Rate Counsel Discovery Requests

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

- RCR-ACSC-POL-1. With regard to Atlantic City Sewerage Company's ("ACSC") Exhibit A, Schedule TSK-3, Excess Deferred Income Taxes, ACSC provided balances for its calculated Accumulated Deferred Income Taxes ("ADIT") for Excess Protected and Excess Unprotected as of December 31, 2017. Please provide the following information:
- a. The name of the income tax program that ACSC utilizes to calculate the ADIT balances. (i.e., PowerTax, etc.);
 - b. Copies of all supporting documentation, including reports from ACSC's income tax program, auditor/tax consultant, etc., which supports the ADIT balances for December 31, 2017, if not previously provided; and
 - c. Copies of all supporting documentation, including reports from ACSC's income tax program, auditor/tax consultant, which reflect the separation of the ADIT balances for December 31, 2017 grouped by tax jurisdiction (Federal, State, and Other Jurisdictions).
- RCR-ACSC-POL-2. With regard to ACSC's total ADIT balances reflected on its annual report to the Board of Public Utilities ("BPU"), please provide the following information:
- a. A "detailed" list of all ADIT components/items, by BPU account(s), for December 31, 2016 and 2017, including amounts, (estimated if actuals are not known yet for 2017); and
 - b. For each ADIT component/item listed in sub-part (a) please provide the category to which ACSC assigned (Protected, Unprotected, and Other), including a "detailed" explanation for ACSC's basis for each categorization.
- RCR-ACSC-POL-3. With regard to ACSC's ADIT balances for December 31, 2017, please address the following:
- a. Verify whether ACSC had any other timing differences of expense recognition between (i) books and ratemaking purposes and (ii) income tax purposes than those listed on Exhibit A, Schedule TSK-3.

**I/M/O the New Jersey Board of Public Utilities' Consideration of the Tax
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Division of Rate Counsel Discovery Requests

- b. If yes, please provide a detailed explanation for not including the change in income tax rate (35% to 21%) impacts for those ADIT balances which resulted due to those timing differences.

RCR-ACSC-POL-4.

With regard to the March 16, 2018 e-mail from Cozen O'Connor, PC, representing ACSC, item 4, please provide the following:

- a. A detailed explanation for the belief that the average rate assumption method ("ARAM") method for determination of the appropriate annual amount of Protected Excess to refund is required per the IRS; and
- b. A detailed explanation for the belief that ACSC would not qualify for the "Alternative Method for Certain Taxpayers" as delineated in the TCJA of 2017. (An example might be the Reverse South Georgia Method ("RSGM")) (See quote from Public Law No. 115-97 below).

(2) ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.- If, as of the first day of the taxable year that includes the date of enactment of this Act-

- (A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and
- (B) the taxpayer's books and underlying records did not contain vintage account data necessary to apply the average rate assumption method,

the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public property that is subject to regulatory authority of that jurisdiction.

RCR-ACSC-POL-5.

Please provide a copy of ACSC's 2016 BPU Annual Report.