



Public Service Commission

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March 5, 2018

Mr. Chris Parker
Director, Division of Public Utilities
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Re: *Investigation into Appropriate Regulatory Action for Water or Sewer Utilities holding a CPCN from the PSC, and the Impacts on those Utilities from New Federal Legislation;*
Docket No. 18-999-04

Dear Mr. Parker:

The Public Service Commission of Utah (PSC) reviewed the Action Request response filed by the Division of Public Utilities (DPU) on February 28, 2018. This response presents the DPU's investigation of whether any regulatory action is appropriate with respect to water and sewer utilities regulated by the PSC as a result of the new federal legislation titled: "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018 (Federal Tax Reform Act)."

The DPU evaluated the impact of the Federal Tax Reform Act on the 26 water utilities and one sewer utility regulated by the PSC. The DPU concludes: 1) the 12 water utilities registered as Non-Profit organizations have no corporate income tax obligations and are unaffected by the new corporate tax rates; 2) 13 water utilities and one sewer utility with taxable incomes of less than \$50,000 may pay more corporate income taxes (an increase from 15% to 21%), but the tax increase will be relatively nominal and have an insignificant effect on their revenue requirements; and 3) one water utility with 2016 earnings marginally greater than \$50,000 will have a potential federal income tax increase of about 4%, but the effect of this increase will be minimal. Accordingly, the DPU recommends the PSC take no regulatory action.

The PSC appreciates the DPU's efforts to investigate this matter, and the PSC does not intend to initiate any further regulatory action on this issue at this time.

Sincerely,

/s/ Gary L. Widerburg
PSC Secretary
DW#300559