



STATE OF DELAWARE

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April 27, 2018

TO: The Chair and Members of the Commission

FROM: Connie S. McDowell, Senior Regulatory Policy Administrator

SUBJECT: IN THE MATTER OF THE REQUEST OF TIDEWATER UTILITIES, INC. FOR AUTHORITY TO REVISE ITS WATER SERVICE TARIFF TO ALLOW FOR AN INCOME TAX LIABILITY GROSS-UP PAYMENT ASSOCIATED WITH CONTRIBUTION IN AID OF CONSTRUCTION (FILED APRIL 2, 2018) - PSC DOCKET NO. 18-0208

Application:

On April 2, 2018, Tidewater Utilities, Inc. ("Tidewater" or the "Company") filed an application ("Application") requesting Delaware Public Service Commission ("Commission") approval to amend its tariff to include the income tax liability payment associated with Contributions-In-Aid of Construction ("CIAC") fees.

Staff's Review:

Staff performed a review of the Company's Application and supporting documents. The Tax Cuts and Jobs Act of 2017, which was enacted December 22, 2017, made CIAC taxable for utilities.

In Commission Regulations, "2001 Minimum Standards Governing Service Provided By Public Water Companies," Section 3.8.6 provides: "[a] CIAC will consist of an amount equal to the entire estimated cost, including the utility's standard overhead costs, of constructing the Facilities Extension. If any portion of property contributed by the contractor, builder, developer, municipality, homeowner, or other project sponsor is deemed taxable income to the utility, the utility shall be permitted to gross up the amount of the CIAC to include such tax liability."

Staff's Recommendation:

Staff has reviewed the Application, determined that the proposed language changes to the Company's tariff are in compliance with the Commission's Regulation, and therefore recommends that the Commission approve PSC Order No. 9219.