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UTILITIES COMMISSION

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Attorney for the Staff of the  
Idaho Public Utilities Commission

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE INVESTIGATION )  
INTO THE IMPACT OF FEDERAL TAX CODE ) **CASE NO. GNR-U-18-01**  
REVISIONS ON UTILITY COSTS AND ) **REPORT OF THE**  
RATEMAKING ) **COMMISSION STAFF RE:**  
 ) **RESORT WATER COMPANY,**  
 ) **INC.**  
 )

The Staff of the Idaho Public Utilities Commission submits this report about the impact of the federal Tax Cuts and Jobs Act of 2017 (the “TCJA”) on Resort Water Company, Inc. (the “Company”), as directed by Order No. 33965.

**BACKGROUND**

On December 22, 2017, the President signed the TCJA into law. Effective January 1, 2018, the TCJA decreased the federal corporate tax rate from 35% to 21%. In response, the Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities that benefit from the reduced tax rate. *See* Order No. 33965. The Commission directed all rate-regulated utilities—except for small water companies with less than 200 customers, and the small electric utility, Atlanta Power—to immediately account for the tax benefits as a regulatory liability, and to report on how the tax changes affected them, and how resulting benefits could be passed on to customers. *See id.* at 1-2.

The Company filed a response on March 30, 2018, estimating a \$400 reduction in income tax expense associated with the new tax rates under the TCJA.

**STAFF ANALYSIS**

Staff has reviewed the Company’s response and its 2017 Annual Report filed on April 16, 2018. Based upon its review, Staff believes the Company will not benefit from the TCJA.

Prior to the TCJA, the corporate income tax rate was blended based on the tax brackets shown in Table 1 below. With the passage of the TCJA, the corporate tax rate changed to a flat rate of 21%.

**Table 1: Marginal Corporate Income Tax Rates (2005-2017)**

<b>Income</b>	<b>Tax</b>
\$0 - \$50,000	15%
\$50,001 - \$75,000	\$7,500 + 25% of any amount over \$50,000
\$75,001 - \$100,000	\$13,750 + 34% of any amount over \$75,000
\$100,001 - \$335,000	\$22,250 + 39% of any amount over \$100,000
\$335,001 - \$10,000,000	\$113,900 + 34% of any amount over \$335,000
\$10,000,001 - \$15,000,000	\$3,400,000 + 35% of any amount over \$10,000,000
\$15,000,001 - \$18,333,333	\$5,150,000 + 38% of any amount over \$15,000,000
\$18,333,334+	35% flat rate

In its Annual Report, the Company reported net income of \$42,499 for 2017 that qualifies for 15% tax rate under the 2017 tax brackets. The same level of income in 2018 would be taxed at 21%, thus increasing the Company’s income tax expense.

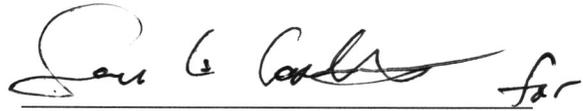
**STAFF RECOMMENDATION**

Staff recommends that the Commission acknowledge that the Company will not benefit from the TCJA, and close this case as it relates to Resort Water Company, Inc.

Respectfully submitted this

*4/26*

day of June 2018.

A handwritten signature in cursive script, appearing to read "Karl T. Klein", written over a horizontal line.

Karl T. Klein  
Deputy Attorney General

Technical Staff: John Nobbs

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 4<sup>TH</sup> DAY OF JUNE 2018, SERVED THE FOREGOING **REPORT OF THE COMMISSION STAFF RE: RESORT WATER COMPANY**, IN CASE NO. GNR-U-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

TIM ELSEA PE DIRECTOR  
RESORT WATER CO INC  
165 VILLAGE LANE  
SANDPOINT ID 83864

  
\_\_\_\_\_  
SECRETARY