

RECEIVED
CASE MANAGEMENT

JUN 12 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

June 10, 2019

VIA EMAIL AND FIRST CLASS MAIL

Aida Camacho-Welch
Secretary
Board of Public Utilities
44 South Clinton Ave.
3rd Floor, Suite 314
PO Box 350
Trenton, NJ 08625-0350

FORWARD
CASE MANAGEMENT

2019 JUN 14 A 10:00

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

 **COZEN
O'CONNOR**
A Pennsylvania Professional Corporation

Ira G. Megdal
Direct Phone 856-910-5007
Direct Fax 877-259-7984
imegdal@cozen.com

RECEIVED
MAIL ROOM

JUN 12 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

**Re: In the Matter of the New Jersey Board of Public Utilities' Consideration of
the Tax Cuts and Jobs Act of 2017
BPU Docket No. AX18010001**

**In the Matter of the Petition of New Jersey-American Water Company, Inc. with
Calculation of Rates Under the Tax Cuts and Jobs Act of 2017
BPU Docket No. WR18030233**

Dear Secretary Camacho-Welch:

This firm represents New Jersey-American Water Company ("NJAWC") in the referenced matter. On behalf of NJAWC we are enclosing with this letter a fully executed Stipulation.


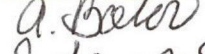

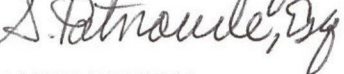
Thank you for your attention to this matter.

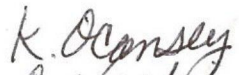

Respectfully,

COZEN O'CONNOR, PC


By: Ira G. Megdal

IGM/kn
Enclosure
cc: Service List (via email)

LEGAL\41547337\1

JUN 12 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

RECEIVED
MAIL ROOM

JUN 12 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE NEW JERSEY : BPU DOCKET NO. AX18010001
BOARD OF PUBLIC UTILITIES' :
CONSIDERATION OF THE TAX CUTS :
AND JOBS ACT OF 2017 :

IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. WR18030233
NEW JERSEY-AMERICAN WATER :
COMPANY, INC. WITH CALCULATION : PARTIAL STIPULATION
OF RATES UNDER THE TAX CUTS AND :
JOBS ACT OF 2017 :

APPEARANCES:

Ira G. Megdal, Esquire (Cozen O'Connor) for Petitioner New Jersey American-Water Company, Inc.

Brian O. Lipman, Esquire, Litigation Manager, New Jersey Division of Rate Counsel (Stefanie A. Brand, Director).

Andrew Kuntz, Esquire and Emma Xiao, Esquire, Deputy Attorneys General, (Gurbir Grewal, Attorney General of New Jersey) on behalf of the Staff of the Board of Public Utilities ("Board Staff").

This Partial Stipulation is made as of June 7, 2019 by and among New Jersey-American Water Company, Inc. ("New Jersey-American Water"), the Staff of the New Jersey Board of Public Utilities ("Board Staff") and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Signatory Parties").

1. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law with an effective date of January 1, 2018. The TCJA sets forth changes to the Federal Internal Revenue Tax Code, one of which is the reduction in the maximum corporate tax rate from 35% to 21% effective January 1, 2018.

2. On January 31, 2018, the New Jersey Board of Public Utilities (the "Board")

issued an Order (the “TCJA Order”) which set all affected utility rates as interim and established a proceeding to consider the implications of the TCJA. *See I/M/O New Jersey Board of Public Utilities’ Consideration of the Tax Cuts and Jobs Act of 2017*, BPU Docket No. AX18010001 (Jan. 31, 2018).

3. The TCJA Order directed each affected public utility to defer, with interest, the effects of the TCJA on its books and records effective January 1, 2018 and file amended tariffs reflecting a reduction in rates resulting from the reduction in the maximum corporate tax rate effective April 1, 2018, as well as a plan to address other rate factors and to refund any over-collection in rates.

4. On March 2, 2018, New Jersey-American Water filed a petition (“TCJA Filing”) under the TCJA Order in Docket Nos. AX1801001 and WR18030233.

5. The TCJA Filing described the impact of the TCJA on New Jersey-American Water and included proposed tariffs reflecting a rate reduction resulting from the TCJA. As a result, the TCJA Filing proposed a rate reduction of 5.88%.

6. In accordance with the TCJA Order, New Jersey-American Water deferred, as of January 1, 2018 with interest at its short-term debt rate, the difference between rate recovery made utilizing the tax expense calculated at 35% and the tax expense calculated at 21% for the period January 1, 2018 through March 31, 2018 (the “stub period”).

7. The TCJA Filing also included proposals related to the effects of the TCJA on accumulated deferred income taxes (“ADIT”) which effects will be addressed at a later stage of this proceeding.

8. On March 26, 2018, the Board adopted the proposed tariffs as interim to be effective April 1, 2018, subject to refund pending the outcome of this proceeding.

9. On May 25, 2018, Rate Counsel filed comments in this matter.

10. Regarding New Jersey-American Water's proposed rate reduction, Rate Counsel disagreed with New Jersey-American Water's calculation methodology and proposed a rate reduction of 6.12%.

11. New Jersey-American Water submitted reply comments on June 5, 2018 in which it agreed to Rate Counsel's proposed rate reduction of 6.12%.

12. On June 15, 2018, New Jersey-American Water implemented provisional rates pursuant to N.J.A.C. 14:1-5.12(f)(3) pending a final Order in its then pending base rate case. The provisional rates incorporated the reduced maximum federal corporate tax rate. The over collection generated by those provisional rates has been returned with interest.

13. New Jersey-American Water has received and responded to all discovery requests that have been propounded in this proceeding.

14. The Signatory Parties engaged in settlement discussions in this matter. Because of these discussions, the Signatory Parties agree to a resolution of the issue related to the refund of the federal income taxes that New Jersey-American Water collected in rates during the stub period and hereto stipulate as follows:

I. FEDERAL INCOME TAX DIFFERENTIAL TO BE DEFERRED AND RETURNED WITH INTEREST

15. For the stub period, New Jersey-American Water deferred with interest the effect of the TCJA on its books and records at a rate reduction of 6.12% (the "stub period amount").

16. New Jersey-American Water also deferred the difference between the originally implemented rate decrease of 5.88% and the agreed upon rate decrease of 6.12% for the period April 1, 2018 through June 14, 2018.

17. The Signatory Parties agree that New Jersey-American Water will credit the

NEW JERSEY AMERICAN WATER COMPANY
 CALCULATION OF STUB PERIOD REFUND
 Docket No. AX18010001
 Docket No. WR18030233

NJAW Base:

Customer Group, at 1/31/2019	Amount
Metered Water Customers	615,842
Resale/Contract Customers	57
Sewer Customers	39,051
Private Fire Services	9,501
Private Fire Hydrants	2,180
Public Fire Hydrants	44,320
Total customers/connections	710,951
Total Refund	9,520,605
Refund per customer/connection	\$ 13.39

NJAW DSIC:

Customer Group, at 1/31/2019	Amount
Metered Water Customers	615,842
Resale/Contract Customers	46
Total customers	615,888
Total Refund	969,407
Refund per customer/connection	\$ 1.57

SHORELANDS:

Customer Group, at 1/31/2019	Amount
Metered Water Customers	10,981
Resale/Contract Customers	2
Private Fire Services	132
Private Fire Hydrants	188
Public Fire Hydrants	842
Total customers/connections	12,145
Total Refund	52,933
Refund per customer/connection	\$ 4.36

*For applicable metered water/resale customers, DSIC and NJAW base rate refunds will be combined into a single cu

** Customer/connection counts are as of January 31, 2019

SHORELANDS:		<u>Monthly</u> <u>Accrual</u>	<u>Balance</u>	<u>FIT</u>	<u>Interest bearing</u>	<u>Interest*</u>	<u>Ending</u> <u>Balance</u>
2018	Jan	\$17,163	\$17,163	(\$3,604)	\$13,559	\$20	\$17,183
2018	Feb	\$15,379	32,562	(6,838)	25,724	\$38	32,600
2018	Mar	\$18,931	51,531	(10,821)	40,710	\$70	51,601
2018	Apr	\$0	51,601	(10,836)	40,765	\$80	51,681
2018	May	\$0	51,681	(10,853)	40,828	\$79	51,760
2018	Jun	\$0	51,760	(10,870)	40,890	\$80	51,840
2018	Jul	\$0	51,840	(10,886)	40,954	\$82	51,922
2018	Aug	\$0	51,922	(10,904)	41,018	\$82	52,004
2018	Sep	\$0	52,004	(10,921)	41,083	\$81	52,085
2018	Oct	\$0	52,085	(10,938)	41,147	\$82	52,167
2018	Nov	\$0	52,167	(10,955)	41,212	\$87	52,254
2018	Dec	\$0	52,254	(10,973)	41,281	\$96	52,350
2019	Jan	\$0	52,350	(10,993)	41,357	\$98	52,448
2019	Feb	\$0	52,448	(11,014)	41,434	\$98	52,546
2019	Mar	\$0	52,546	(11,035)	41,511	\$97	52,643
2019	Apr	\$0	52,643	(11,055)	41,588	\$96	52,739
2019	May	\$0	52,739	(11,075)	41,664	\$97	52,836
2019	Jun	\$0	52,836	(11,096)	41,740	\$97	52,933
2019	Jul	(\$52,933)	0	0	0	\$0	0

*Interest should be net of tax, as Reg Liability is not part of rate base, and is treated as taxable income for tax purposes.

** To be updated with the actual short-term interest rate