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March 2, 2018 BOARD OF PUBLIC UTILITIES
RECEIVED TRENTON, NJ
CASE MANAGEMENT

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

MAR -5 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

WR 18030242

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
Middlesex Water Company

Dear Ms. Camacho-Welch:

Please accept this letter filing on behalf of Middlesex Water Company ("Middlesex" or "Company"), a utility under the jurisdiction of the New Jersey Board of Public Utilities ("Board" or "BPU") and subject to the Order issued by the Board on January 31, 2018 ("Generic Tax Order"), in the above captioned matter which required such filing by March 2, 2018 to be effective on or about April 1, 2018.

On October 10, 2017, the Company filed its current Base Rate Case, *I/M/O Middlesex Water Company for Approval of an Increase in its Rates for Water Service and Other Tariff Changes, and for an Order Authorizing Special Accounting Treatment of Income Tax Refund Proceeds and Future Income Tax Deductions*, BPU Docket No. WR17101049, OAL Docket No. PUC 16144-2017S. On February 16, 2018, the parties in this Middlesex base rate case reached an agreement in principle that the Company believes both resolves all issues in that base rate case and all issues and requirements of the Generic Tax Order as applied to Middlesex.

A Stipulation of Settlement reflecting this agreement has been prepared and the parties in the base rate case are very near completion of one final review before its execution and submission to Administrative Law Judge Tricia M. Caliguire in Middlesex's base rate case. Once this Stipulation is executed and submitted to Judge Caliguire in the Middlesex base rate case, the Company will provide a follow-up letter filing in this Generic Tax Order docket that will include the executed Stipulation of Settlement. The Company expects that will occur within the next 3 to 4 business days.

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J. Kane
Legal
DACA

RPA
M. Moran
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WATER(3)

"A Provider of Water, Wastewater & Related Products and Services"

In addition to resolving all issues in the Middlesex base rate case, the Stipulation of Settlement reflects the agreement of the Signatory Parties (comprised of the Company, the Deputy Attorney General on behalf of BPU Staff, the Division of Rate Counsel and the Township of East Brunswick) as to the calculations required relative to the first and second phases of the Board's Generic Tax Order captioned above.

As to fulfillment of the first phase of the Board's Generic Tax Order, the Stipulation of Settlement includes the beneficial effect of the specifically calculated reduction to customers' rates resulting from the reduction in the Federal income tax rate from 35% to 21% effective January 1, 2018, as intended by the requirements of the Generic Tax Order.

As to fulfillment of the second phase of the Board's Generic Tax Order, the Stipulation of Settlement also reduces rates (upon implementation of the Stipulation) by providing an additional reduction in customers' rates of \$500,000, calculated independently within the revenue requirement of the base rate case. Therefore, the Stipulation of Settlement executed in Middlesex's base rate case includes the beneficial effects on customers' rates of both the first and second phases of the required calculations as set forth in the Generic Tax Order and in fact, provides the reduction as a result of the second phase three months earlier than the July 1, 2018 date the Board's Generic Tax Order contemplates.

Middlesex, however, also considered that the Board, in the Generic Tax Order, recognized the challenges associated with calculating, for each utility under its jurisdiction, the exact impact of what we refer to as the "second phase" of the lengthy and complicated Tax Cuts and Jobs Act of 2017. In response, the Board created a schedule to consider that impact on each utility under its jurisdiction.

Thus, in the Stipulation of Settlement, Middlesex offered, and the Signatory Parties agreed, to commit to further adjust the already-included second phase reduction in customers' rates' of \$500,000 should the Board believe that an additional reduction, as applied to Middlesex, is necessitated by the Tax Cuts and Jobs Act of 2017. In the event this further reduction were to be calculated, under the terms of the Stipulation of Settlement, Middlesex will meet with the Signatory Parties, consider the impact of any such calculation and accordingly implement any such additional agreed-upon reduction pursuant to Board action.

Upon Board approval and Company implementation of the resulting tariffs from adoption of the Stipulation of Settlement in its base rate case, Middlesex customers will immediately begin receiving the benefits of the reduced Federal income tax rate. In addition, Middlesex customers will also receive the benefits of the second phase on an accelerated basis, recognizing the Generic Tax Order contemplates that customers would not receive benefits associated with the second phase until July 1, 2018.

The Signatory Parties, therefore, all agree that the Stipulation of Settlement that will imminently be executed in BPU Docket No. WR17101049 and submitted to Judge Caliguire in that docket resolves all issues and requirements of the Generic Tax Order in BPU Docket No. AX18010001, as applied to Middlesex. It is the Company's hope that the Board will approve this Stipulation of Settlement when presented before the Board at its March 2018 agenda meeting as part of BPU Docket No. WR17101049, thus affording customers one rate change reflecting both the results of the full base rate case and the Tax Cuts and Jobs Act of 2017.

For all of the reasons stated above, the Company respectfully requests that the Board find Middlesex to be in full compliance with the requirements of the Generic Tax Order issued in BPU Docket No. AX18010001 through this letter filing and the imminent supplemental filing that will include the executed Stipulation of Settlement in BPU Docket No. WR17101049, and, subject to the ultimate implementation of the Stipulation of Settlement following what the Company hopes will be the Board's approval of same at its March 2018 agenda meeting. Should the Board have any questions with regard to this compliance filing, please do not hesitate to contact me.

Respectfully submitted,



Jay L. Kooper
Vice President, General Counsel & Secretary

cc: Service List – Middlesex Water Base Rate Case (BPU Docket No. WR17101049)