



MIDDLESEX WATER COMPANY

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CASE MANAGEMENT

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

August 1, 2018
(Via Federal Express)

Honorable Aida Camacho-Welch
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
Trenton, NJ 08625-0350

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 New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017 – Compliance Filing of Middlesex Water Company – BPU Docket No. WR18030242

Dear Secretary Camacho-Welch:

Enclosed herewith for filing please find the executed Stipulation of Settlement in the above-referenced docket numbers. The parties to this Stipulation are requesting Board approval of the enclosed Stipulation at its August 29, 2018 Agenda Meeting if that can be accommodated.

Kindly stamp "filed" on the extra copy of the Petition enclosed herewith and return it in the enclosed self-addressed stamped envelope.

EMS
M. Dupre, Esq.
C. Vashin, Esq.
K. O'Rourke

Very truly yours,

Jay L. Kooper
Vice President, General Counsel & Secretary

JLK:rk
Enclosures

cc (via e-mail): New Jersey Division of Rate Counsel
New Jersey Department of Law
New Jersey Board of Public Utilities Staff – Water Division

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

Middlesex Water Company NASDAQ: MSEX 1500 Ronson Road, Iselin, NJ 08830-3020 www.middlesexwater.com
(732) 634-1500 Tel. (732) 638-7515 Fax

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

RECEIVED
MAIL ROOM

AUG 01 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STIPULATION OF SETTLEMENT

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 NEW
JERSEY BOARD OF PUBLIC
UTILITIES' CONSIDERATION OF
THE TAX CUTS AND JOBS ACT OF
2017 – COMPLIANCE FILING OF
MIDDLESEX WATER COMPANY

BPU DOCKET NO. WR18030242

APPEARANCES:

Jay L. Kooper, Esq., Vice President, General Counsel & Secretary, on behalf of Middlesex Water Company

Renee Greenberg, Deputy Attorney General (Gurbir S. Grewal, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

Debra F. Robinson, Esq., Deputy Rate Counsel, and Susan McClure, Esq., Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel (Stefanie A. Brand, Director)

TO THE HONORABLE COMMISSIONERS OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement resolves all issues raised in BPU Docket Nos. AX18010001 and WR18030242 concerning the adjustment of Middlesex Water Company's ("Middlesex" or the "Company") rates to reflect the effects of the Tax Cuts and Jobs Act of 2017 ("2017 Tax Cut Act"). The Signatory Parties to this Stipulation of Settlement are Middlesex, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Staff").

BACKGROUND

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

On January 31, 2018, the Board issued the Generic Tax Order¹ in BPU Docket No. AX18010001, captioned *In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, concerning the effects of the corporate tax rate change from 35% to 21% and other adjustments as set forth in the 2017 Tax Cut Act. Based on the Board's review of the 2017 Tax Cut Act, the changes to the Tax Code will provide savings to New Jersey public utilities and result in an over-collection of tax revenue by the public utilities that will not be paid in federal income taxes. *Id.* at 2. The Board stated: "To ensure that ratepayers receive the appropriate benefit from the reduction in taxes collected in

¹ See Order, *In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, BPU Dkt No. AX10010001 (Jan. 31, 2018)("Generic Tax Order").

rates that will no longer be paid, it is necessary for rates to be adjusted so that utility rates reflect the effective federal corporate tax rate.” *Id.*

Pursuant to the Generic Tax Order, New Jersey utilities, including Middlesex, were directed to calculate and defer with interest the adjustment to rates from January 1, 2018 through March 31, 2018 and to change rates effective April 1, 2018 on an interim basis (“Phase One”). Further, utilities were directed to comply with the provisions of the Generic Tax Order by including other adjustments in final rates by July 1, 2018 (“Phase Two”).

On March 5, 2018, the Board initiated BPU Docket No. WR18030242, captioned *In the Matter of the New Jersey Board of Public Utilities’ Consideration of the Tax Cuts and Jobs Act of 2017- Compliance Filing of Middlesex Water Company*, a companion docket to BPU Docket No. AX18010001 to address Middlesex’s compliance with requirements of the Generic Tax Order.

On March 26, 2018, the Board issued an Order Adopting Initial Decision/Settlement (“Middlesex Rate Case Order”) in BPU Docket No. WR17101049, Middlesex’s most recent base rate case.² This Order adopted a Stipulation of Settlement (“Rate Case Stipulation”) executed by the Signatory Parties to this Stipulation. Under the Rate Case Stipulation, the Signatory Parties agreed that the Company included in the Rate Case Stipulation the effect on Middlesex’s rates of both phases of the required calculations as set forth in the Board’s Generic Tax Order.³ This included \$500,000 for Phase Two adjustments accounted for as a result of an analysis performed

² See Order Adopting Initial Decision/Settlement. In the Matter of 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 Dkt No. WR17101049 (Mar. 26, 2018).

³ See Rate Case Stipulation at p. 11, ¶13.

by the Company and reviewed by the Signatory Parties.⁴ The Signatory Parties further agreed in the Rate Case Stipulation to continue to review any calculations associated with the Company's Phase Two adjustments on an ongoing basis, and to resolve any issues if they were to arise.⁵ In addition, the Company agreed that in the event the Phase Two adjustment resulted in less than the \$500,000 returned to customers with the Board's approval of the Rate Case Stipulation, no further adjustment would be made.⁶

With these provisions, the Signatory Parties to the Rate Case Stipulation stipulated and agreed that all issues and requirements set forth in the Generic Tax Order as applied to Middlesex were resolved.⁷ Consistent with the Middlesex Rate Case Order and the terms of the Rate Case Stipulation, Middlesex's new rates, including the return to customers of their benefits associated with both phases of the Generic Tax Order, took effect on April 1, 2018.⁸

On June 6, 2018, the Signatory Parties, in accordance with the Rate Case Stipulation, convened a meeting by teleconference and confirmed that no further adjustments to the Company's Phase Two calculation from the \$500,000 already returned to customers in the Middlesex Rate Case Order were necessary.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Middlesex Rate Case Order at 7.

SETTLEMENT TERMS

As a result of the foregoing, the Signatory Parties hereby **STIPULATE AND AGREE** that:

1. Paragraph 13 of the Rate Case Stipulation, as subsequently approved by the Board in the Middlesex Rate Case Order, and as summarized supra on pages 2 through 4 of this Stipulation, is hereby incorporated by reference as if set forth fully herein.

2. Middlesex has fulfilled all of its requirements set forth by the Board in BPU Docket Nos. AX18010001 and WR18030242 and jointly request the Board to issue an Order confirming this finding, closing BPU Docket No. WR18030242, and grant such other relief deemed just and proper by the Board in relation to this joint request.

3. This Stipulation is the product of extensive negotiations by the Signatory Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Signatory Parties have stipulated herein. The Signatory Parties agree that the within Stipulation reflects mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Signatory Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Signatory Party hereto materially affected thereby shall not be bound to proceed under this Stipulation.

4. This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

July 31, 2018
Date:

By: Jay Kooper
Jay L. Kooper
Vice President, General Counsel & Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

Date:

By: _____
Renee Greenberg
Deputy Attorney General

STEFANIE A. BRAND, ESQ.
DIRECTOR - RATE COUNSEL

Date:

By: _____
Susan McClure, Esq.
Assistant Deputy Rate Counsel

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MIDDLESEX WATER COMPANY

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By: Jay Kooper
Jay L. Kooper
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GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

July 31, 2018
Date:

By: Renee Greenberg
Renee Greenberg
Deputy Attorney General

STEFANIE A. BRAND, ESQ.
DIRECTOR - RATE COUNSEL

7/31/2018
Date:

By: Susan McClure
Susan McClure, Esq.
Assistant Deputy Rate Counsel