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JUN 12 2019

BOARD OF PUBLIC UTILITIES
June 10, 2019 TRENTON, NJ

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

Ira G. Megdal

2019 JUN 14 A 8:56
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BOARD OF PUBLIC UTILITIES
TRENTON, NJ
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 Environmental Disposal Corporation with Calculation of Rates Under the Tax Cuts and Jobs Act of 2017
BPU Docket No. WR18030235

Dear Secretary Camacho-Welch:

This firm represents Environmental Disposal Corporation ("EDC") in the referenced matter. On behalf of EDC 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)

EMS
L. Tompsett, Esq. *S. Petrucci, Esq.*
A. Bator *C. Vachier, Esq.*
K. O'Consey

LEGAL\41547744\1

RECEIVED
CASE MANAGEMENT

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 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 ENVIRONMENTAL DISPOSAL CORPORATION WITH CALCULATION OF RATES UNDER THE TAX CUTS AND JOBS ACT OF 2017 : **BPU DOCKET NO. WR18030235**
: **PARTIAL STIPULATION**

APPEARANCES:

Ira G. Megdal, Esquire (Cozen O'Connor) for Petitioner Environmental Disposal Corporation.

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.

This Partial Stipulation is made as of June 7, 2019 by and among Environmental Disposal Corporation ("EDC"), 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, EDC filed a petition (“TCJA Filing”) under the TCJA Order in Docket Nos. AX1801001 and WR18030235.

5. The TCJA Filing described the impact of the TCJA on EDC and included proposed tariffs reflecting a proposed revenue reduction of \$191,801, including gross-up because of the reduction in the corporate tax rate. As a result, the TCJA Filing proposed to implement an across-the-board rate decrease of approximately 3.44%.

6. In accordance with the TCJA Order, EDC 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 23, 2018, EDC updated its proposed revenue reduction to \$180,535, including gross-up to correct the calculation of the revenue requirement using a 34% federal income tax rate, EDC's actual tax rate.

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

11. Rate Counsel agreed with EDC's corrected revenue reduction of \$180,535.

12. Rate Counsel also stated that EDC made a \$50 error citing a discrepancy between the revenues set forth in Exhibits A and C of the TCJA Filing.

13. EDC submitted reply comments on June 5, 2018.

14. EDC stated in its reply that the \$50 difference in Exhibits A and C is likely the result of miscellaneous operating revenues that should reasonably be disregarded for rate design purposes.

15. EDC has received and responded to all discovery requests that have been propounded in this proceeding.

16. 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 EDC collected in rates during the stub period and hereto stipulate as follows:

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

17. The Signatory Parties agree that the revenue reduction resulting from the reduction in EDC's corporate tax rate from 34% to 21% is \$180,535, including gross up, or 3.23%.

18. For the stub period, EDC deferred with interest the effect of the TCJA on its books and records at a rate reduction of \$180,535, including gross up, or 3.23% (the "stub period

amount”).

19. The Signatory Parties agree that EDC will credit the amounts deferred as a one-time credit within 60 days of the effective date of a Board Order approving this Partial Stipulation and will continue to accrue interest at its short-term debt rate during the 60-day period.

20. The Signatory Parties stipulate that EDC will calculate interest on the amounts deferred using its applicable monthly short-term interest rate.

21. EDC will calculate the credits in accordance with Exhibit A attached hereto.

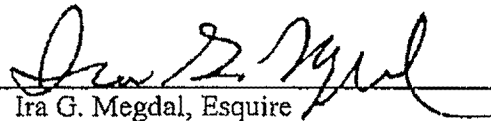
22. The Signatory Parties agree that within 10 days of the effective date of a Board Order approving this Partial Stipulation, EDC will file revised tariff pages effective as of the date of a Board Order approving this Partial Stipulation. The revised tariff pages, which reflect the rate design and the corrected revenue reduction of \$180,535 set forth in Exhibit A, are attached hereto as Exhibit B.

II. MISCELLANEOUS

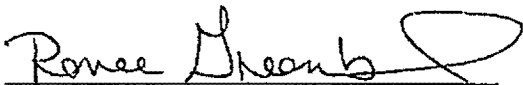
23. This Partial Stipulation shall be binding on the Signatory Parties on approval of the Board. This Partial Stipulation shall bind the Signatory Parties in this matter only and shall have no precedential value.

24. This Partial Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Partial Stipulation. Each term is vital to the agreement as a whole, as the Signatory Parties expressly and jointly state that they would not have signed the agreement had any term been modified in any way. Since the Signatory Parties have compromised in numerous areas, each is entitled to certain procedures in the event that any modifications whatsoever are made to this Partial Stipulation.

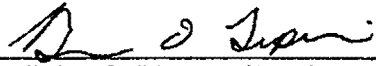
ENVIRONMENTAL DISPOSAL CORPORATION

By: 
Ira G. Megdal, Esquire

GURBIR GREWAL
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR STAFF OF THE NEW JERSEY
BOARD OF PUBLIC UTILITIES

By:  dated: June 7, 2019
Andrew Kuntz, Esquire
Deputy Attorney General
Rence Greenberg, DAG on behalf of

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Brian O. Lipman, Esquire
Litigation Manager

Dated: June 7, 2019

NEW JERSEY-AMERICAN WATER COMPANY
 CALCULATION OF STUB PERIOD DEFERRAL AND INTEREST

Interest Rate	2018	January	1.7339%	0.1445%
		February	1.7841%	0.1487%
		March	2.0647%	0.1721%
		April	2.3466%	0.1956%
		May	2.3224%	0.1935%
		June	2.3587%	0.1966%
		July	2.3951%	0.1996%
		August	2.3883%	0.1990%
		September	2.3516%	0.1960%
		October	2.3966%	0.1997%
		November	2.5428%	0.2119%
		December	2.7784%	0.2315%
	2019	January	2.8416%	0.2368%
		February	2.8369%	0.2364%
		March	2.8043%	0.2337%
		April	2.7777%	0.2315%
		May**	2.8000%	0.2333%
		June**	2.8000%	0.2333%

EDC:		<u>Monthly</u>					<u>Ending</u>
		<u>Accrual</u>	<u>Balance</u>	<u>FIT</u>	<u>Interest bearing</u>	<u>Interest*</u>	<u>Balance</u>
2018	Jan	\$15,045	\$15,045	(\$3,159)	\$11,886	\$17	\$15,062
2018	Feb	\$15,045	30,106	(6,322)	23,784	\$35	30,141
2018	Mar	\$15,045	45,186	(9,489)	35,697	\$61	45,247
2018	Apr	\$0	45,247	(9,502)	35,745	\$70	45,317
2018	May	\$0	45,317	(9,517)	35,800	\$69	45,386
2018	Jun	\$0	45,386	(9,531)	35,855	\$70	45,456
2018	Jul	\$0	45,456	(9,546)	35,910	\$72	45,528
2018	Aug	\$0	45,528	(9,561)	35,967	\$72	45,600
2018	Sep	\$0	45,600	(9,576)	36,024	\$71	45,671
2018	Oct	\$0	45,671	(9,591)	36,080	\$72	45,743
2018	Nov	\$0	45,743	(9,606)	36,137	\$77	45,820
2018	Dec	\$0	45,820	(9,622)	36,198	\$84	45,904
2019	Jan	\$0	45,904	(9,640)	36,264	\$86	45,990
2019	Feb	\$0	45,990	(9,658)	36,332	\$86	46,076
2019	Mar	\$0	46,076	(9,676)	36,400	\$85	46,161
2019	Apr	\$0	46,161	(9,694)	36,467	\$84	46,245
2019	May	\$0	46,245	(9,711)	36,534	\$85	46,330
2019	Jun	\$0	46,330	(9,729)	36,601	\$85	46,415
2019	Jul	(\$46,415)	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

ENVIRONMENTAL DISPOSAL CORP.
BPU NO. 1 - SEWER

Eighth Revised Sheet No. 31
Superseding Seventh Revised Sheet No. 31

RATE SCHEDULE NO.1- FRANCHISE SERVICE

Applicable to Use of Service for:

Residential and Commercial Use

Character of Service:

Continuous

Rates:

Monthly Billing- Flat Rate:

Residential:	DETACHED and SEMI-DETACHED SINGLE FAMILY and TWO-FAMILY (per unit)	\$68.95 per month
	TOWNHOUSE and CONDOMINIUM	\$57.43 per month
Commercial:	Per Unit	\$68.95 per month

Commercial Unit:

One Unit is based on design criteria of 235 gallons per day demand capacity.

Terms of Payment:

Bills will be rendered monthly in advance.

All bills will be prorated for the establishment and termination of service.

Date of Issue: March 22, 2019
Issued by: Cheryl Norton, President

Effective: _____

Filed Pursuant to Order of the Board of Public Utilities entered in Docket No. WR18030235 dated
_____.

ENVIRONMENTAL DISPOSAL CORP.
BPU NO. 1 - SEWER

Fourth Revised Sheet No. 32
Superseding Third Revised Sheet No. 32

RATE SCHEDULE NO.2- BULK USER SERVICE

Applicable to Use of Service for: BULK USER Customers

Character of Service: Continuous

Monthly Billing- Usage Rate

Rates:

Rates for treatment of sewage of BULK USER Customers delivered by said customers to the EDC treatment facility as set forth in this Tariff Sheet shall supersede the contractual rates and terms set forth in each of the Amended and Restated Sewer Allocation and Bulk User Agreements Between Environmental Disposal Corp. and the Boroughs of Bedminster, Far Hills, and Peapack and Gladstone ("Bulk User Agreements"), respectively.

Rate for BULK USER Customers: \$7.74 per 1000 gallons

Date of Issue: March 22, 2019
Issued by: Cheryl Norton, President

Effective: _____

Filed Pursuant to Order of the Board of Public Utilities entered in Docket No. WR18030235 dated
_____.