



Control Number: 48197



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RECEIVED

APPLICATION OF AQUA TEXAS,
INC., AQUA UTILITIES, INC., AND
AQUA DEVELOPMENT, INC. DBA
AQUA TEXAS FOR A MINOR TARIFF
CHANGE (FEDERAL TAX CREDIT
RIDER)

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BEFORE THE PUBLIC UTILITY COMMISSION
COMMISSION OF TEXAS
PUBLIC UTILITY COMMISSION
FILED CLERK

**JOINT MOTION TO ADMIT EVIDENCE AND
PROPOSED NOTICE OF APPROVAL**

COME NOW Staff of the Public Utility Commission of Texas (Staff), representing the public interest, together with Aqua Texas, Inc., Aqua Utilities, Inc. (including its subsidiaries Harper Water Company, Inc. and Kerrville South Water Company, Inc.), and Aqua Development, Inc. d/b/a Aqua Texas (Aqua) (collectively, Parties), and file this Joint Motion to Admit Evidence and Proposed Notice of Approval. In support thereof, the Parties show the following:

I. BACKGROUND

On March 26, 2018, Aqua filed an application with the Commission for approval to implement a new Federal Tax Change Credit Rider (FTCCR or Credit Rider), effective May 1, 2018, as a minor tariff change applicable to each of its filed tariffs under the Commission's original ratemaking jurisdiction pursuant to 16 Texas Administrative Code (TAC) § 24.21(b)(2)(A)(v). On July 6, 2018, Staff recommended approval of the Application. The Notice Granting Request for Extension gave the Parties until August 20, 2018 to file proposed findings of fact, conclusions of law, and ordering paragraphs. Accordingly, this pleading is timely filed.

II. JOINT MOTION TO ADMIT EVIDENCE

The Parties respectfully request that the Administrative Law Judge (ALJ) issue an order admitting the following into evidence: (a) Aqua's March 26, 2018 FTCCR Application (AIS No. 1, filed March 26, 2018); (b) Staff's Recommendation on Sufficiency of Application (AIS No. 4,

filed on April 25, 2018); (c) Notice Approving Interim Rate and Establishing Procedural Schedule (AIS No. 6, filed on May 1, 2018); (d) Commission Staff's Final Recommendation and attachments thereto (AIS No. 7, filed July 6, 2018); (e) Affidavit of Notice to customers dated July 10, 2018 (AIS No. 8, filed July 10, 2018); and (f) Commission Staff's Tariff Filing (AIS No. ____, filed August 20, 2018).

III. PROPOSED NOTICE OF APPROVAL

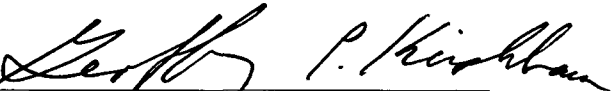
The Parties provide the attached Joint Proposed Notice of Approval for the ALJ's and Commission's consideration. The Joint Proposed Notice of Approval would grant Aqua's Application to implement its FTCCR effective May 1, 2018.

IV. CONCLUSION

The Parties respectfully request that the Commission admit the evidence as requested and approve the attached Joint Proposed Notice of Approval.

Respectfully submitted,

By: _____




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**ATTORNEYS FOR AQUA TEXAS, INC.,
AQUA UTILITIES, INC., AND AQUA
DEVELOPMENT, INC. D/B/A AQUA TEXAS**

CERTIFICATE OF SERVICE

I hereby CERTIFY that on August 20, 2018, a true and complete copy of the above was sent to all counsel of record in accordance with P.U.C. PROC. R. 22.74


Geoffrey P. Kirshbaum

TARIFF CONTROL NO. 48197

APPLICATION OF AQUA TEXAS, INC., AQUA UTILITIES, INC., AND AQUA DEVELOPMENT, INC. DBA AQUA TEXAS FOR A MINOR TARIFF CHANGE (FEDERAL TAX CREDIT RIDER)	§ § § § § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS
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JOINT PROPOSED NOTICE OF APPROVAL

This Notice of Approval addresses the application of Aqua Texas, Inc., Aqua Utilities, Inc., and Aqua Development, Inc. d/b/a Aqua Texas (collectively, Aqua or Applicant) for approval of an application to implement a new Federal Tax Change Credit Rider (FTCCR) as a minor tariff change (Application). Commission Staff recommended approval of the Application. The Application is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History/FTCCR Filing Details

1. On March 26, 2018, Aqua filed an Application with the Commission for approval to implement a new Federal Tax Change Credit Rider (FTCCR), effective May 1, 2018, as a minor tariff change applicable to each of its filed tariffs under 16 Texas Administrative Code (TAC) § 24.21(b)(2)(A)(v).
2. Aqua has also filed FTCCR approval requests in each municipality within which it serves, but Aqua's municipal FTCCR applications are not decided in this Notice of Approval.
3. The proposed FTCCR gives effect to the Tax Cuts and Jobs Act of 2017 (TCJA), which changed the federal corporate tax rate from 35% to 21%, by using budgeted net income for each rate division to determine approximate estimated rate-division specific 2018 tax

savings amounts expressed as percentages to be applied to each customer's monthly service bill.

4. Aqua's application states that a more precise tax savings calculation based on a recalculation of Aqua's approved tariff rates using the new 21% federal income tax rate is not possible because Aqua's rates have mostly been approved through "black box" settlements.
5. Aqua's FTCCR calculations are reasonable and the resulting FTCCR percentages are downward rate adjustments that approximately reconcile Aqua's rates with expected post-TCJA actual federal income tax expense costs.
6. The Commission adopted an accounting order on January 25, 2018, amended February 15, 2018 ("Accounting Order"), which in pertinent part imposed a regulatory liability on Class A water and sewer utilities in response to the TCJA.
7. With regard to the tax expense, Aqua would have a zero balance in the regulatory liability and there would be no amount to record in the regulatory liability on an ongoing basis for the tax expense. Aqua's FTCCR filing does not address the accounting and ratemaking treatments of excess accumulated deferred federal income tax (ADFIT) arising from changes to federal tax law in the TCJA as it plans to address those issues in Aqua's next comprehensive major rate proceeding.
8. On April 25, 2018, Commission Staff filed its sufficiency recommendation which recommended that the Commission find Aqua's Application administratively complete and approve Aqua's FTCCR percentages as interim rates effective May 1, 2018.
9. On May 1, 2018, the Commission issued a Notice Approving Interim Rate and Establishing Procedural Schedule, which deemed the Application administratively complete, directed

Aqua to provide customer notice with certain text, approved the FTCCR percentages as interim rates effective May 1, 2018, and set a schedule for this proceeding.

10. The procedural schedule established June 29, 2018 as the deadline for intervention.
11. On July 6, 2018, Commission Staff filed its final recommendation and recommended that the Application be approved.
12. On August 20, 2018, the parties filed a joint motion to admit evidence and proposed notice of approval.
13. On August ___, 2018, the Commission issued an order admitting the following evidence into the record of this proceeding: (a) Aqua's March 26, 2018 FTCCR Application (AIS No. 1, filed March 26, 2018); (b) Staff's Recommendation on Sufficiency of Application (AIS No. 4, filed on April 25, 2018); (c) Notice Approving Interim Rate and Establishing Procedural Schedule (AIS No. 6, filed on May 1, 2018); (d) Commission Staff's Final Recommendation and attachments thereto (AIS No. 7, filed July 6, 2018); (e) Affidavit of Notice to customers dated July 10, 2018 (AIS No. 8, filed July 10, 2018); and, (f) Commission Staff's Tariff Filing (AIS No. ___, filed August 20, 2018).

Notice

14. Beginning on May 1, 2018, Aqua's FTCCR notice was provided by bill insert mailed to each customer. Each customer received a correct copy of the notice for each customer's respective rate region in the bills sent out during Aqua's regular May billings.
15. On July 10, 2018, Aqua filed an affidavit attesting to the provision of notice to customers.

Informal Disposition

16. More than 15 days have passed since completion of the notice provided in this docket.
17. No person filed a protest or hearing request in response to the public Application notices.

18. No person filed a request to intervene in this proceeding by the June 29, 2018 deadline.
19. No hearing was requested in this matter.

II. Conclusions of Law

1. Aqua is a retail public utility as defined in Texas Water Code (TWC) § 13.002(19) and 16 TAC § 24.3(59).
2. Aqua is a “water and sewer utility,” “public utility,” and “utility” as defined in TWC § 13.002(23) and 16 TAC § 24.3(51), (75), and (76).
3. The Commission has jurisdiction over the Application under TWC §§ 13.041, 13.042 and 13.181, and 16 TAC § 24.21(b)(2)(A)(v).
4. Aqua’s FTCCR percentages are credit rates compliant with the requirements of TWC §§ 13.182 and 13.183 and 16 TAC § 24.21(b)(2)(A)(v).
5. Aqua provided notice of the Application that was consistent with 16 TAC §24.21(b), and the Commission’s May 1, 2018 Notice Approving Interim Rate and Establishing Procedural Schedule.
6. The Commission processed the Application consistent with the TWC and Commission rules.
7. The requirements for informal disposition pursuant to 16 TAC § 22.35 have been met in this proceeding.
8. Aqua’s FTCCR percentages are just and reasonable rates.
9. Aqua’s FTCCR percentages are rates that are not unreasonably preferential, prejudicial, or discriminatory, but that are sufficient, equitable, and consistent in application to each class of consumers.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. Aqua's Application is approved.
2. Aqua's FTCCR percentages reflected in the revised tariff documents attached hereto, previously approved as interim rates effective May 1, 2018, are approved as final rates effective May 1, 2018 and shall remain in effect until Aqua's rates are adjusted in a future major rate proceeding or the Commission orders otherwise. With regard to the tax expense, Aqua would have a zero balance in the regulatory liability and there would be no amount to record in the regulatory liability on an ongoing basis for the tax expense.
3. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS on the day of _____, 2018.

PUBLIC UTILITY COMMISSION OF TEXAS
ADMINISTRATIVE LAW JUDGE