



Control Number: 48245



Item Number: 13

Addendum StartPage: 0

**DeAnn T. Walker**  
Chairman

**Arthur C. D'Andrea**  
Commissioner

**Shelly Botkin**  
Commissioner

**John Paul Urban**  
Executive Director



**Greg Abbott**  
Governor

RECEIVED

2018 NOV 29 PM 3:34

PUBLIC UTILITY COMMISSION  
FILING CLERK

*Public Utility Commission of Texas*

**TO:** DeAnn T. Walker, Chairman  
Arthur D'Andrea, Commissioner  
Shelly Botkin, Commissioner

All Parties of Record

**FROM:** Irene Montelongo *dm*  
Director, Docket Management

**RE:** **Open Meeting of December 20, 2018**  
Docket No. 48245 – *Application of SJWTX, Inc. dba Canyon Lake Water Service Company for a Minor Tariff Change (Federal Tax Cut Credit Rider)*

**DATE:** November 29, 2018

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission is currently scheduled to consider this docket at an open meeting to begin at 9:30 a.m. on Thursday, December 20, 2018, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties shall file corrections or exceptions to the Proposed Order on or before Wednesday, December 12, 2018.

**If there are no corrections or exceptions, no response is necessary.**

\ag  
Q:\CADM\Docket Management\Water\Tariffs\48xxx\48245 po memo.docx

**DOCKET NO. 48245**

**APPLICATION OF SJWTX, INC. DBA § PUBLIC UTILITY COMMISSION  
CANYON LAKE WATER SERVICE §  
COMPANY FOR A MINOR TARIFF § OF TEXAS  
CHANGE (FEDERAL TAX CUT §  
CREDIT RIDER) §**

**PROPOSED ORDER**

This Order addresses the application of SJWTX, Inc. dba Canyon Lake Water Service Company (SJWTX) for approval of a federal tax cut credit (FTCC) rider to pass through estimated tax savings gained as a result of the Tax Cuts and Jobs Act of 2017 (TCJA)<sup>1</sup>. The Commission approves the rider and grants SJWTX’s requests related to requirements ordered in Project No. 47945.<sup>2</sup>

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

**I. Findings of Fact**

**Applicant**

1. SJWTX is a Delaware for-profit corporation registered with the Texas secretary of state under file number 800542934.
2. SJWTX provides water and sewer service under certificate of convenience and necessity numbers 10692 and 20877 in Comal and Blanco counties.

**Application**

3. On April 19, 2018, SJWTX filed an application requesting the following:
  - a. Approval of the proposed FTCC rider;
  - b. Confirmation that the Commission will not require SWJTX to file a rate case before 2021; and

---

<sup>1</sup> Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

<sup>2</sup> *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order (Feb. 15, 2018).

- c. Approval to deviate from the requirement in the order in Project No. 47945 that requires all class A water utilities to record as a regulatory liability beginning on January 25, 2018 the following: (1) the difference between the revenues collected under existing rates and the revenues that would have been collecting had the existing rates been set using the recently approved federal income tax rates; and (2) the balance of accumulated deferred federal income taxes (ADFIT) that now exists because of the decrease in the federal income tax rates.
4. SJWTX's FTCC calculations approximate the estimated tax savings and will give credits to all of its retail water customers, except the following:
  - a. One customer who purchases raw water, since that transaction is not regulated by the Commission;
  - b. One customer who is not billed for water service, since that transaction is not regulated by the Commission;
  - c. The City of Blanco, which has a wheeling agreement with SJWTX for the transportation of water it purchases from the Guadalupe Blanco River Authority that does not include a profit component in its determination of the wheeling charge; and
  - d. The customers who purchase wastewater and reuse services, since the current rates charged for those services were acquired by SJWTX from Bexar Metropolitan Water District, a tax-exempt entity; thus, profit and taxes were not included in the tariff.
5. On May 21, 2018, the administrative law judge (ALJ) deemed SJWTX's application administratively complete.

#### **Notice**

6. On July 3, 2018, SJWTX filed the affidavit of Thomas Hodge, President of SJWTX, attesting to the provision of notice to customers on May 31, 2018 and June 15, 2018.

#### **Interim Rates**

7. On April 19, 2018, SJWTX requested approval to apply the FTCC as an interim rate for its water service customers prior to final Commission approval.
8. In a notice issued on May 21, 2018, the ALJ granted SJWTX's request and approved the FTCC rider on an interim basis.

**Federal Tax Cut Credit Rider**

9. The proposed monthly FTCC for bills for water utility service after May 1, 2018 has two parts: (1) a volumetric credit of \$0.37 per 1,000 gallons of retail water usage; and (2) a base rate credit of \$2.50 per retail meter equivalent, with a 5/8 inch meter equal to 1 meter equivalent.
10. The proposed FTCC reflects the reduction in SJWTX's revenue requirement of \$744,873 in the base year of 2013 and a pro forma reduction in water customers' bills of \$1,023,306 in 2018.
11. The proposed FTCC also includes a one-time distribution made on June 2018 bills on a per meter equivalent basis of the accrued liability under the FTCC for the period of January 25, 2018, through April 30, 2018.
12. The rates established by this Order accurately reflect the federal income tax rate reduction from 35% to 21% on SJWTX's annual federal income tax expenses.
13. The FTCC does not address the accounting and rate-making treatment of excess accumulated deferred federal income tax arising from changes to the federal tax law in the TCJA of 2017.

**Evidentiary Record**

14. In a notice issued on August 2, 2018, the ALJ admitted the following evidence into the record: (a) the application of SJWTX filed on April 19, 2018; (b) the amended application of SJWTX filed on May 1, 2018; (c) Commission Staff's sufficiency recommendation filed on May 11, 2018; (d) the affidavit of proof of notice filed on July 3, 2018; and (e) Commission Staff's final recommendation on the application filed on June 28, 2018.

**Informal Disposition**

15. More than 15 days have passed since the completion of notice provided in this proceeding.
16. Commission Staff and SJWTX are the only parties to this proceeding.
17. No party filed protests or request for hearing; thus, no hearing is necessary.
18. The decision is not adverse to any party.

## II. Conclusions of Law

1. SJWTX is a water and sewer utility as defined in Texas Water Code (TWC) § 13.002(23) and 16 Texas Administrative Code (TAC) § 24.3(76).
2. The Commission has jurisdiction over the application under TWC §§ 13.041, 13.181, and 13.182.
3. SJWTX is a class A utility as defined in TWC § 13.002(4-a) and 16 TAC § 24.3(15).
4. The notice provided to customers complies with 16 TAC § 24.25(b)(2)(F).
5. The application complies with the order in Project No. 47945.
6. The Commission processed the application in accordance with the TWC and Commission rules.
7. The rates established by this Order are just and reasonable under TWC § 13.182(a).
8. In accordance with TWC §13.182(b), the rates established by this Order are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of customer.
9. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

## III. Ordering Paragraphs

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

1. The Commission approves SJWTX's FTCC rider.
2. The approved FTCC rider must remain in effect until SJWTX's next rate case.
3. It is appropriate for SJWTX to defer for future regulatory treatment any amortization of the protected and unprotected excess accumulated deferred federal income taxes that it makes for accounting purposes and reflect such deferred liability amounts in the determination of SJWTX's rates in its next base rate application.
4. SJWTX is not required to file a rate case before 2021.

5. SJWTX is not required to record a regulatory liability for tax savings accrued during the period of January 25, 2018 through April 30, 2018.
6. SJWTX is not required to record a regulatory liability for the balance of ADFIT that now exists because of the decrease in the federal income tax rates until it files its next rate case.
7. Within 10 days of the date of this Order, SJWTX must file a clean copy of the approved FTCC rider for Central Records to stamp *Approved*.
8. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the \_\_\_\_\_ day of December 2018.

**PUBLIC UTILITY COMMISSION OF TEXAS**

---

**DEANN T. WALKER, CHAIRMAN**

---

**ARTHUR C. D'ANDREA, COMMISSIONER**

---

**SHELLY BOTKIN, COMMISSIONER**