



Control Number: 48245



Item Number: 19

Addendum StartPage: 0

DOCKET NO. 48245

RECEIVED

2018 DEC 20 PM 3:54

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

PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

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)¹. The Commission approves the rider and grants SJWTX's requests related to requirements ordered in Project No. 47945.²

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

I. Findings of Fact

Applicant

1. SJWTX is a Texas 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 and in Hays and Travis counties pursuant to an acquisition of another system that was approved by the Commission on November 29, 2018 in Docket No. 47888.

Application

3. On April 19, 2018, SJWTX filed an application requesting the following:
 - a. Approval of the proposed FTCC rider;

¹ 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).

² *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).

- b. Confirmation that the Commission will not require SJWTX to file a rate case before 2021; and
 - 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 collected had the existing rates been set using the recently approved federal income tax rates; and (2) the balance of excess 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, because that transaction is not regulated by the Commission;
 - b. One customer who is not billed for water service, because 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, because 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 ADFIT 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 Commission has the authority to approve the FTCC under 16 TAC § 24.25(b)(2)(A)(v).
5. The Commission has the authority to implement the approved FTCC as a pass-through provision under 16 TAC § 24.25(b)(2)(C).
6. The notice provided to customers complies with 16 TAC § 24.25(b)(2)(F).
7. The application complies with the order in Project No. 47945.
8. The Commission processed the application in accordance with the TWC and Commission rules.
9. The rates established by this Order are just and reasonable under TWC § 13.182(a).
10. 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.
11. 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 ADFIT 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 must address, in SJWTX's next rate case, the regulatory liability required by the Accounting Order in Docket No. 47945 for the balance of ADFIT that exists because of the decrease in the federal income tax rates.
6. 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*.
7. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 20th day of December 2018.

PUBLIC UTILITY COMMISSION OF TEXAS


DEANN T. WALKER, CHAIRMAN


ARTHUR C. D'ANDREA, COMMISSIONER


SHELLY BOTKIN, COMMISSIONER