



Control Number: 48245



Item Number: 4

Addendum StartPage: 0

THE JONES LAW FIRM

3724 JEFFERSON ST., SUITE 310

AUSTIN, TEXAS 78731

(512) 391-9292

TELECOPIER: (866) 511-5961

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PUBLIC UTILITY COMMISSION
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May 1, 2018

PUBLIC UTILITY COMMISSION OF TEXAS

Central Records

1701 N. Congress Avenue

Austin, TX 78701

Attn: Shawn Hazard, Manager

Re: PUC Docket No. 48245; Application to Approve SJWTX's Federal Tax Cut Credit Amended and Restated Request for Commission Approval of Federal Tax Cut Credit that Replaces Docket No. 48245_2 filed on April 19, 2018

Dear Commissioners:

SJWTX, Inc., doing business as Canyon Lake Water Service Company and referred to herein as "SJWTX," hereby requests the Public Utility Commission of Texas ("PUC" or "Commission") to approve the implementation of a Federal Tax Cut Credit (FTCC) that will be used to provide SJWTX's customers with a credit as a result of the estimated tax savings to be gained as a result of the Federal Tax Cut and Jobs Act of 2017 ("TCJA"). SJWTX requests that the Commission approve the FTCC as a minor tariff change to SJWTX's tariff under the Commission's original ratemaking jurisdiction pursuant to 16 Texas Administrative Code §24.21(b)(2)(A)(v).

SJWTX proposes to implement the FTCC for water utility charges on bills rendered on or after May 1, 2018. The June 2018 bills will include an additional distribution per meter equivalent of the FTCC that has accrued as a regulatory liability for the difference between the revenues collected under existing rates and the revenues that would have been collected had the rates been revised using the recently approved federal income tax rates in the TCJA for the period beginning on the date of the PUC's initial order; i.e., January 25, 2018, through April 30, 2018. The FTCC will continue to be included in all bills until the effective date of SJWTX's next rate case.

SJWTX also proposes to apply the FTCC as an interim rate to water service customers before final approval so that the customers may experience the resulting lower water utility bills as soon as practical.

SJWTX requests that this application be approved administratively under the Commission's informal disposition rule (16 TAC §22.35).

The Tax Cuts and Jobs Act of 2017 changed the federal corporate tax rate from 35% to 21%. As discussed in the Affidavit of Thomas A. Hodge, President, this proposal represents the most expeditious and efficient means available to SJWTX for providing its customers with the estimated

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amount of savings resulting from the TCJA prior to its next rate filing. In exchange, SJWTX seeks Commission restraint from requiring SJWTX to file a rate case before 2021 (using calendar year 2020 as the test year) and a finding that as to SJWTX the FTCC will effectively eliminate the portion of the Commission's recently ordered requirement for all Class A water and sewer utilities to record as a regulatory liability, in pertinent part, "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" from January 25, 2018 (the date of the initial Order) forward.

The attached Affidavits of Thomas A. Hodge (Attachment 1) and Katherine Wells (Attachment 2) contain supporting details for this FTCC request. SJWTX's FTCC calculations approximate the estimated tax savings and will give credits to all of its retail water customers with the exception of: (1) one customer with a raw water contract; (2) the City of Blanco, which has a wheeling agreement for the transportation of water that it purchases from the Guadalupe Blanco River Authority; (3) a single zero bill customer; and (4) wastewater or reuse water charges.

The transaction with the raw water contract customer is not regulated by the PUC, nor is the transaction with the zero bill customer.

The wheeling/transportation contract between the City of Blanco and Canyon Lake Water Supply Corporation was executed in 2002 and was then assigned to SJWTX in 2006 when it acquired the assets of Canyon Lake Water Supply Corporation. The water supply corporation did not incorporate a profit component in its determination of the wheeling charge.

The wastewater and reuse segment of SJWTX's business has not yielded positive net income and has never had a rate application. The current rates for that business segment were assumed by SJWTX when it acquired a system from Bexar Metropolitan Water District, which was a governmental entity that did not pay federal income tax, and therefore, profit and taxes were not included in its tariff.

Based on those facts, SJWTX has no basis for calculating a credit or including the data for those four (4) business segments in its credit calculations.

Ms. Well's affidavit provides the calculations and information used to support this application. The monthly FTCC will have two components: (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 (ME), with a 5/8 inch meter equal to 1 ME.

SJWTX proposes the FTCC remain in effect until SJWTX's rates are adjusted in a future rate proceeding utilizing all cost of service information (not just tax savings).

PUBLIC UTILITY COMMISSION OF TEXAS

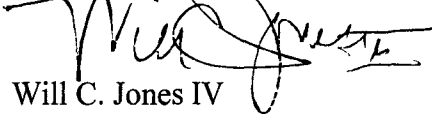
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Should any questions arise regarding the enclosed, please do not hesitate to contact me.
Thank you for your time and attention to this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Will C. Jones IV", written over a horizontal line.

Will C. Jones IV

wjones@thejoneslawfirm.com

Direct: 512-590-9696

Enclosures

- Affidavit of Thomas A. Hodge
- Affidavit of Katherine Wells

cc: Mr. Thomas A. Hodge, P.E., President of SJWTX, Inc.
City of Bulverde, Texas

**AFFIDAVIT
OF
THOMAS A. HODGE**

STATE OF TEXAS §
 §
COUNTY OF COMAL §

BEFORE me, the undersigned authority, personally appeared Thomas A. Hodge, who, being by me duly sworn, deposed as follows:

1. My name is Thomas A. Hodge. I am the President of SJWTX, Inc., a Texas corporation doing business as Canyon Lake Water Service Company ("SJWTX").

2. I swear or affirm that I have personal knowledge of the facts set forth in this Affidavit, and I am authorized to make this Affidavit on behalf of SJWTX. Each fact set forth in this Affidavit is true and correct.

3. I am familiar with the Public Utility Commission of Texas's Project No. 47945, Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 ("TCJA") on the Rates of Texas Investor-Owned Utility Companies, including the Order Related to Changes in Federal Income Tax Rates dated January 25, 2018, and the Amended Order Related to Changes in Federal Income Tax Rates dated February 15, 2018 (collectively, the "Order"). The Order directed Commission Staff to determine appropriate mechanisms to adjust the rates of regulated utilities to reflect the changes under the newly enacted TCJA. The Order also directed investor-owned Class A water and sewer utilities to record as a regulatory liability: (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 rate from 35% to 21%. The recording of the ordered regulatory liability was ordered to commence beginning on January 25, 2018.

4. SJWTX's cost of service for water services was approved and used to set rates for SJWTX's service area by the Texas Commission on Environmental Quality ("TCEQ") in TCEQ Docket No. 37746-R; and SOAH Docket No. 473-14-5145, with final order in PUC Docket No. 42858_106 *Application of SJWTX, Inc., dba Canyon Lake Water Service Company for Water Rate/Tariff Change in Blanco and Comal Counties*. However, SJWTX does not have a retail water rate structure reflecting specific federal income tax amounts; rather it has a "black box" settlement rate structure that was approved as part of the rate case. Its rates are also affected by municipal action on SJWTX's rate applications, and SJWTX has been compelled by both the TCEQ and the Public Utility Commission of Texas ("PUC") to take Seller rate

structures without change in acquisitions as a part of those approved transactions.

5. SJWTX plans to file its next rate case no sooner than 2021 using 2020 as the test year unless costs of service changes significantly. SJWTX infrastructure capital expenditures in 2017 exceeded \$5 million and its budgeted infrastructure capital expenditures in 2018 exceed \$8 million. SJWTX also anticipates infrastructure capital expenditures of over \$8.5 million in 2019. These budgeted expenditures are at least three times the depreciation expense in each respective fiscal year. The next rate case will incorporate the 21% corporate tax rate if it remains effective.

6. In the meantime, SJWTX desires to implement a mechanism to lower its rates so that our customers experience lower water rates immediately. Upon implementation, SJWTX desires to be relieved from part (1) of the regulatory liability described in the Order, and it requests that it be allowed to consider part (2), regarding ADFIT, in its next rate case.

7. The rate mechanism SJWTX proposes is a Federal Tax Cut Credit ("FTCC") to be applied to its tariffs as a minor tariff change pursuant to 16 Texas Administrative Code ("TAC") § 24.21(b)(2)(A)(v). That provision permits "rate adjustments to implement ... downward rate adjustments to reconcile rates with actual costs."

8. SJWTX proposes that its FTCC have two (2) components: approximately 50% through a reduction in the volumetric charges; and approximately 50% through a reduction in the base meter fee on a meter-equivalent basis; i.e., larger meters get a larger credit.

9. The FTCC amounts were determined as described in the Affidavit of Katherine Wells, Regulatory Affairs Manager for SJWTX. Ms. Wells' affidavit also describes how SJWTX proposes to implement the FTCC and presents certain documents as part of SJWTX'S Federal Tax Cut Credit application package.

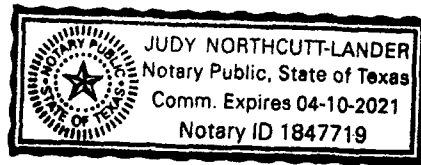
10. Ms. Wells prepared the SJWTX FTCC application package for filing at my direction and under my direct supervision or control. I have personally examined and am familiar with the information submitted in the application. The FTCC application information is true, accurate, and complete.

Further affiant sayeth not.



Thomas A Hodge
President
SJWTX, Inc.
1399 Sattler Road
New Braunfels, TX 78132

SWORN TO and SUBSCRIBED before me by Thomas A. Hodge, on April 30, 2018



Judy Northcutt-Lander
Notary Public in and for the State of Texas

**AFFIDAVIT
OF
KATHERINE WELLS**

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE me, the undersigned authority, personally appeared Katherine Wells, who, being by me duly sworn, deposed as follows:

1. My name is Katherine Wells. I am the Regulatory Affairs Manager of SJWTX, Inc., a Texas corporation doing business as Canyon Lake Water Service Company ("SJWTX").

2 I swear or affirm that I have personal knowledge of the facts set forth in this Affidavit and that I am authorized to make this Affidavit on behalf of SJWTX. Each fact set forth in this Affidavit is true and correct.

3. I am familiar with Public Utility Commission of Texas ("PUC") Project No. 47945, Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 ("TCJA") on the Rates of Texas Investor-Owned Utility Companies, including the Order Related to Changes in Federal Income Tax Rates dated January 25, 2018, and the Amended Order Related to Changes in Federal Income Tax Rates dated February 15, 2018 (collectively, the "Order"). The Order directed Commission Staff to determine appropriate mechanisms to adjust the rates of regulated utilities to reflect the changes under the newly enacted TCJA. The Order also directed investor-owned Class A water utilities to record as a regulatory liability: (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 rate from 35% to 21%. The recording of the ordered regulatory liability was to commence beginning on January 25, 2018. This Application only addresses the requirements raised by (1) above.

4. As discussed in the Affidavit of Thomas A. Hodge, President of SJWTX, I have developed a Federal Tax Cut Credit ("FTCC " or "Credit ") that SJWTX proposes to use for the benefit of its customers until its next rate case. In keeping with the Order we are calculating 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 to determine the Credit amounts for volumetric and base meter fees to approximate the tax savings as a result of recognition of TCJA using the methodology in SJWTX's most recent rate application.

5. SJWTX's most recent rate application is PUC Docket No. 42858; SOAH Docket No. 473-14-5145 – Application of SJWTX, Inc. d/b/a Canyon Lake Water Service Company for Water Rate/Tariff Change in Blanco and Comal Counties. The rates in section X of that rate application are the valid rates and rate structure for the majority of the SJWTX, Inc. water customers.

In addition three other tariffs are in effect for these SJWTX water customers: Saddleridge subdivision

Affidavit of Katherine Wells

PUC Docket No. 48245

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acquired from Comal Water Company, in TCEQ application No. 37496-S, approved 04/10/2013; Rebecca Creek customers who became customers of SJWTX when it acquired the assets of Rebecca Creek Municipal Utility District pursuant to PUC docket No. 42999 approved 03/27/2015; and City of Bulverde, Texas under the City's Resolution No. 217 passed on 02/26/2014. These four tariffs are all very similar in design, rates, and revenue per customer; therefore, the FTCC calculation method and the credit amounts will be the same for the customers under these three other tariffs as they are for customers under the main tariff. The method for determining those credit amounts on SJWTX's customers' bills is as follows:

a. Table V, Income Tax Calculation, in the 2013 rate application filed under PUC Docket 42858_8 and approved under PUC Docket 106 calculated the income tax that was included in the revenue requirement, and is shown in this application at page 1 of Attachment B. The calculation of the revenue requirement reduction as a result of the tax rate decrease from 35% to 21% is shown on page 2 of Attachment B. As a result of the tax rate change SJWTX's revenue requirement has been reduced by \$744,873.

b. Table X, Alternate Method of Rate Design, in the 2013 rate application filed under PUC Docket 42858_8 contains the rate design, base rates by meter size, and meter equivalency factors shown on page 3 of Attachment B. The tariff structure in Table X results in revenues from both volumetric rates and from fixed or base rate charges according to meter sizes. Therefore, SJWTX has structured the FTCC to have those same two components: a volumetric component and a base rate component.

c. The volumetric component of the FTCC was calculated using the following formula: $(\$744,873 * 50 \%) / \text{number of gallons billed in the test year} / 1000$ to determine the credit per 1,000 gallons of water sold. The result is a credit of \$0.37 per 1000 gallons billed, without escalation in the higher usage tiers.

d. The base rate component is calculated on page 3 of Attachment B. The annual bill count per meter size is from WP 4.4.1 of the 2013 rate application. The calculation for the base rate component of the FTCC uses a \$2.50 credit for 1 meter equivalent, and multiplies by the annual bill count for each meter size. This methodology results in higher base meter fee credits for customers with larger meters.

e. Page 4 of Attachment B shows the accumulated FTCC refund amounts accrued from January 25, 2018 through April 30, 2018. The total for this period is \$235,309. The accumulated amount will be refunded to SJWTX water customers in a one-time refund on the June 2018 bills. SJWTX will implement the monthly FTCC on customer bills rendered on or after May 1, 2018.

f. Page 5 of Attachment B reflects the projection of the FTCC for the full year 2018. This work paper includes the actual FTCC accrual through April 2018. May 2018 through December 2018 amounts are projected using growth and seasonal usage estimates based on historical data. The FTCC is expected to reduce water customers' bills by a total of \$1,023,306 for the year 2018.

6. **Attachment A** includes a proposed tariff page addition that includes the FTCC provision.

Attachment B shows SJWTX's calculations described above that support the requested reduction in rates in the form of our proposed Federal Tax Cut Credit. We use the methodology in the most recent rate application to calculate the difference in the revenue requirement calculated as the difference in the income tax using the original 35% rate and the lower 21% rate in the Tax Cuts and Jobs Act of 2017.

Attachment C is the correspondence SJWTX has sent to its customers on April 30, 2018 discussing

Affidavit of Katherine Wells

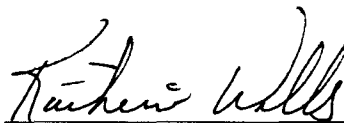
PUC Docket No. 48245

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the FTCC, if approved. SJWTX has made a similar filing with the City of Bulverde, which is the only municipal regulatory authority with original ratemaking jurisdiction over SJWTX, so that all its water customers may experience the benefit of lower rates.

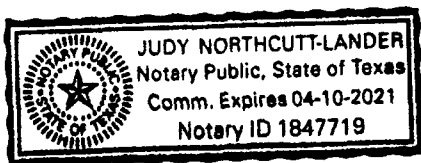
7. There is no specific statutory or regulatory notice requirement for the type of minor tariff change that SJWTX is proposing with its requested FTCC addition. Nor is there any specific process that applies to such a request other than 16 TAC§ 24.21(b) (2) (A) (v). SJWTX is voluntarily making this FTCC proposal to benefit its customers after receiving favorable input from Commission Staff. Therefore, SJWTX respectfully requests that this application be administratively approved pursuant to the informal disposition process under 16 TAC § 22.35 as no hearing should be required for SJWTX to expeditiously lower customer rates through its proposed FTCC implementation.

Further affiant sayeth not.



Katherine Wells
SJWTX, Inc.
1399 Sattler Road
New Braunfels, TX 78132

SWORN TO and SUBSCRIBED before me by Katherine Wells, on April 12, 2018



Notary Public in and for the State of Texas



SJWTX, Inc., dba Canyon Lake Water Service Company

Water Utility Tariff Page No. 4 a

Section 1.0 - RATE SCHEDULE (Continued)

Federal Tax Cut Credit (FTCC)	
Volumetric component	\$0.37 per 1,000 gallons billed
Effective May 1, 2018	

Federal Tax Cut Credit (FTCC)		
Base Rate Component by meter size:	Meter Size	Credit
Effective May 1, 2018	5/8 inch	\$2.50
	3/4 inch	\$3.75
	1 inch	\$6.25
	1 ½ inch	\$12.50
	2 inch	\$20.00
	3 inch	\$37.50
	4 inch	\$62.50
	6 inch	\$125.00
	2 inch Wholesale	\$20.00
	Bulk	\$20.00

Below is an excerpt from the SJWTX, Inc., 2013 rate application, PUC Docket No. 42858_106, page 15.

SECTION V - INCOME TAX CALCULATION - WATER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.

Return - From Table IV. E., Line [H]	[A]	\$3,672,589
Interest Calculation		
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$43,275,686
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box f	[C]	2.17% **
Interest Expense [B]*[C]	[D]	\$940,500
Taxable Income [A] - [D]	[E]	\$2,732,089
Enter Income Tax from Tax Table *	[F]	\$1,471,125 ***

* To Table VI. A., Line [P], Column c

** Intercompany interest is non deductible for FIT purposes and has been excluded from the Section V FIT calculation.

*** This amount reflects a statutory tax rate of SJW Corp of 35% per TWC 13.185(f). Federal Income Tax reflects Taxable Income [E] X 35% Incremental Rate X Gross-Up Factor (computed below).

<u>Gross Up Calculation:</u>	
Total	1.000
Federal Income Tax-Line 5 X 35%	0.350
Net -Line 5 - Line 6	0.650
Gross Up Factor 1 / Line 6	1.538

Below is a calculation of the change in revenue requirement due to reduction in federal income tax rate.

SECTION V - INCOME TAX CALCULATION - WATER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.		Original calculation		Using 21%
Return - From Table IV. E., Line [H]		[A]	\$3,672,589	\$3,672,589
Interest Calculation				
Total Invested Capital - From Table IV. E., Line [F]		[B]	\$43,275,686	\$43,275,686
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box f		[C]	2.17%	2.17%
Interest Expense [B]*[C]		[D]	\$940,500	\$940,500
Taxable Income [A] - [D]		[E]	\$2,732,089	\$2,732,089
Enter Income Tax from Tax Table *		[F]	\$1,471,125	\$726,252

Reduction in Tax using 21% **\$744,873**

Gross Up Calculation:
 Total = 1.00
 Federal Income Tax rate %
 Net (1.00 - tax rate)
 Gross Up Factor 1 / (1.00-tax rate)

in 2013 rate application at 35%	Recalculate at TCJA rate of 21%
1.000	1.000
0.350	0.210
0.650	0.790
1.538	1.266

Calculation of FTCC Volumetric component

Reduction in tax using 21% tax rate, from Attachment B, page 2.	\$744,873
Approximately 50% will be volumetric, and 50% will be to base rates by meter size	
50 % to Volumetric	\$372,437
Total number of gallons billed, from 2013 rate application Table VIII line [D]	998,014,305
Volumetric Credit per 1,000 gallons	\$0.37

Calculation of FTCC base meter fee component from rates requested in application. These are the current tariff.

<u>METERS</u>	<u>Current Tariff</u>	<u>** Annual bill count per meter size</u>	<u>Original data from 2013 rate application</u>
5/8 X 3/4 " Meter	\$44.00	114000	\$5,016,000
3/4 X 3/4 " Meter	\$66.00	7788	\$514,008
1 " Meter	\$110.00	3336	\$366,960
1 1/2 " Meter	\$220.00	576	\$126,720
2 " Meter	\$352.00	636	\$223,872
3 " Meter	\$660.00	144	\$95,040
4 " Meter	\$1,100.00	48	\$52,800
6 " Meter	\$2,200.00	48	\$105,600
* 2" Wholesale meter	\$352.00	12	\$4,224
Bulk Meter	\$352.00	108	\$38,016
* Added wholesale meter included in FTCC		Total bill count (Adds Wholesale)	126696
** Annual bill count is from 2013 rate application, WP 4.4.1.		Annual revenue from base meter fees in 2013 Rate App	\$6,543,240 (a)

<u>METERS</u>	<u>Current Tariff</u>	<u>Meter fee FTCC by Meter equiv</u>	<u>Meter Equivalent Factor</u>	<u>Annual bill count per meter size</u>	<u>Calculation of revenue from base meter fees with FTCC</u>
5/8 X 3/4 " Meter	\$44.00	-\$2.50	1	114000	\$4,731,000
3/4 X 3/4 " Meter	\$66.00	-\$3.75	1.5	7788	\$484,803
1 " Meter	\$110.00	-\$6.25	2.5	3336	\$346,110
1 1/2 " Meter	\$220.00	-\$12.50	5	576	\$119,520
2 " Meter	\$352.00	-\$20.00	8	636	\$211,152
3 " Meter	\$660.00	-\$37.50	15	144	\$89,640
4 " Meter	\$1,100.00	-\$62.50	25	48	\$49,800
6 " Meter	\$2,200.00	-\$125.00	50	48	\$99,600
2" Wholesale meter	\$352.00	-\$20.00	8	12	\$3,984
Bulk Meter	\$352.00	-\$20.00	8	108	\$35,856
		Total bill count (Adds Wholesale)		126696	
		Annual revenue from base meter fees, with FTCC applied.			\$6,171,465 (b)

Reduction of base meter fee revenue with FTCC. **\$371,775 (a - b)**Base meter fee credit per meter equivalent, which yeilds approx 50% reduction needed **\$2.50**

One-Time refund of accrued FTCC			FTCC
FTCC Accrued January 25, 2018 through April 30, 2018	Volumetric Component	Base Rate Component	One-Time Refund
January 25 through 31, 2018	\$ 5,629	\$ 8,109	
February 2018	\$ 28,746	\$ 42,092	
March 2018	\$ 26,397	\$ 42,421	
April 2018	\$ 38,918	\$ 42,997	
FTCC One-Time Refund accrued	\$ 99,690	\$ 135,619	** \$ 235,309

One-time Refund of Accrued amounts at April 30, 2018 by Meter Size	Meter Size	Average Refund per account	Summary by meter size at April 30, 2018
	5/8 inch	\$12.88	\$ 162,449
	3/4 inch	\$20.73	\$ 30,292
	1 inch	\$36.34	\$ 10,901
	1 1/2 inch	\$80.60	\$ 4,836
	2 inch	\$134.73	\$ 8,488
	3 inch	\$259.05	\$ 4,922
	4 inch	\$657.38	\$ 5,259
	6 inch	\$878.50	\$ 1,757
	Wholesale	\$1,605.36	\$ 1,605
	Bulk	\$154.84	\$ 4,800
			** \$ 235,309

Total One-Time Refund to be included on the bills prepared during the month of June 2018. **

Projection of FTCC for the year 2018				FTCC
	Volumetric	Base Rate		Summary
	Component	Component		by Month
January 25 through 31, 2018	\$ 5,629	\$ 8,109		\$ 13,738
February 2018	\$ 28,746	\$ 42,092		\$ 70,838
March 2018	\$ 26,397	\$ 42,421		\$ 68,818
April 2018	\$ 38,918	\$ 42,997		\$ 81,915
May 2018	\$ 43,596	\$ 43,325	*	\$ 86,921
June 2018	\$ 51,118	\$ 43,602	*	\$ 94,720
July 2018	\$ 68,691	\$ 43,864	*	\$ 112,555
August 2018	\$ 76,803	\$ 44,150	*	\$ 120,953
September 2018	\$ 60,897	\$ 44,352	*	\$ 105,249
October 2018	\$ 49,661	\$ 44,434	*	\$ 94,095
November 2018	\$ 44,871	\$ 44,759	*	\$ 89,630
December 2018	\$ 38,894	\$ 44,980	*	\$ 83,874
FTCC Projection for 12 months of 2018	\$ 534,221	\$ 489,085		\$ 1,023,306

The credit amounts for May through December 2018 are estimated. *



**Attachment
C**

April 30, 2018

Dear CLWSC Customer:

SJWTX, Inc., doing business as Canyon Lake Water Service Company (CLWSC) is pleased to notify you that it has sought approval from the Public Utility Commission of Texas (PUC), under Docket No. 48245, and from the City of Bulverde, which is the only municipality with original ratemaking jurisdiction over CLWSC, to implement a Federal Tax Cut Credit (FTCC) effective for bills prepared on or after May 1, 2018. The June water bills will include an additional one-time credit for the accumulated FTCC through April 30, 2018, added to the June monthly FTCC. Thereafter the water bills will include a monthly FTCC amount. The FTCC will immediately lower your monthly bills and will be reflected as a new line item on the utility bills until further notice.

CLWSC has developed the FTCC as the most expeditious way to return to the customers the savings resulting from the federal Tax Cuts and Jobs Act of 2017 (TCJA) corporate income tax rate reduction. The credit will have two components: (1) a volumetric credit of \$0.37 per 1,000 gallons of water usage on retail water bills; and (2) a base rate credit of \$2.50 per meter equivalent (ME), with a 5/8 inch meter equal to 1 ME. While the FTCC remains subject to final regulatory authority approval, CLWSC's proposal includes the immediate implementation of the FTCC on an interim basis to benefit our customers without delay.

Persons who wish to intervene in the proceeding under Docket No. 48245 or comment upon action sought should contact the Public Utility Commission, P.O. Box 13326, Austin, Texas 78711-3326, or call the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing and speech impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136. The deadline for intervention in this proceeding is May 31, 2018. You must send a letter requesting intervention in Docket No. 48245 to the commission which is received by May 31, 2018. If directed by the City of Bulverde, CLWSC will provide customers located within the city limits alternative directions applicable to municipal proceedings concerning the FTCC request.

Please call CLWSC at 830-312-4600 if you have any questions about the Federal Tax Cut Credit.

Thank you for the opportunity to serve you.

Sincerely,

Canyon Lake Water Service Company

A handwritten signature in black ink, appearing to read "Thomas A. Hodge", is written over a horizontal line.

Thomas A. Hodge
President

Canyon Lake Water Service Company

P.O. Box 1742 • Canyon Lake, Texas 78133

(830) 312-4600 / Fax (830) 964-2799

www.clwsc.com