

Morgan Lewis

Anthony C. DeCusatis

Of Counsel

+1.215.963.5034

anthony.decusatis@morganlewis.com

May 23, 2018

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Tax Cuts and Jobs Act - Pennsylvania-American Water Company –
Wastewater Division
Docket No. R-2018-3000725**

Dear Secretary Chiavetta:

Enclosed for filing in the above-referenced matter is the **Petition for Reconsideration of Pennsylvania-American Water Company to the Order of the Pennsylvania Public Utility Commission entered May 17, 2018.**

Copies have been served on the persons and in the manner indicated on the attached Certificate of Service.

Very truly yours,



Anthony C. DeCusatis

ACD/tp
Enclosures

c: Per Certificate of Service (w/encls.)

Morgan, Lewis & Bockius LLP

1701 Market Street
Philadelphia, PA 19103-2921
United States

T +1.215.963.5000
F +1.215.963.5001

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

TAX CUTS AND JOBS ACT - :
PENNSYLVANIA-AMERICAN WATER : **Docket No. R-2018-3000725**
COMPANY – WASTEWATER DIVISION :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Petition for Reconsideration of Pennsylvania-American Water Company to the Order of the Pennsylvania Public Utility Commission entered May 17, 2018** on the following persons, in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC AND FIRST CLASS MAIL

Tanya J. McCloskey
Acting Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
tmccloskey@paoca.org

Richard Kanaskie
Director
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
rkanaskie@pa.gov

John R. Evans
Small Business Advocate
Office of Small Business Advocate
Commerce Tower, Suite 202
300 North Second Street
Harrisburg, PA 17101
jorevan@pa.gov

Respectfully submitted,



Anthony C. DeCusatis
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
215.963.5034 (bus)
215.963.5001 (fax)
anthony.decusatis@morganlewis.com

Dated: May 23, 2018

*Counsel for Pennsylvania-American
Water Company*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

TAX CUTS AND JOBS ACT – :
PENNSYLVANIA-AMERICAN WATER : **DOCKET NO. R-2018-3000725**
COMPANY – WASTEWATER DIVISION :

**PETITION FOR RECONSIDERATION OF
PENNSYLVANIA-AMERICAN WATER COMPANY – WASTEWATER DIVISION**

Pursuant to 52 Pa.C.S. § 5.572, Pennsylvania-American Water Company (“PAWC” or the “Company”) petitions the Pennsylvania Public Utility Commission (the “Commission”) to reconsider its Order entered May 17, 2018 in the above-captioned proceeding (“TCJA Wastewater Surcharge Order”). The TCJA Wastewater Surcharge Order directed PAWC to file a tariff or tariff supplement no later than June 15, 2018 to establish either a TCJA Temporary Surcharge or a TCJA Voluntary Surcharge (collectively, “TCJA Surcharge”) for its entire Wastewater Division of (7.68%), i.e., a bill credit of 7.68%, to reflect the impact of the reduction in the Federal corporate income tax rate from 35% to 21% made by the Tax Cuts and Jobs Act (“TCJA”).

PAWC’s Wastewater Division consists of its Wastewater Operations Excluding Scranton and its Scranton Wastewater Operations. The TCJA Surcharge that the Commission directed PAWC to establish is correct for the Company’s Wastewater Operations Excluding Scranton but is not correct for the Company’s Scranton Wastewater Operations, for which the TCJA Surcharge should be (5.47%), i.e., a credit of 5.47%, as shown on the calculation of the effects of the TCJA PAWC filed with the Commission on April 16, 2018, a copy of which is attached as Appendix A.

PAWC requests that the Commission grant reconsideration and revise its TCJA Wastewater Surcharge Order to provide that PAWC establish a TCJA Surcharge of (7.68%) for

its Wastewater Operations Excluding Scranton and (5.47%) for its Scranton Wastewater Operations. In further support this Petition, PAWC states as follows:

1. On February 12, 2018, the Commission issued a Secretarial Letter seeking comments on whether it should adjust utility rates to reflect the reduction in the Federal corporate income tax rate made by the TCJA and the associated impact on utilities' Pennsylvania Corporate Net Income Tax liability. In addition, the Commission requested verified responses to detailed data requests regarding the revenue requirement effect of the TCJA tax rate changes.

2. On March 9, 2018, PAWC filed a response to the Commission's Secretarial Letter that included verified responses to the Commission's data requests for its Water Division and for its Wastewater Operations Excluding Scranton and Scranton Wastewater Operations.¹ The Company's response showed that, employing the methodology provided by the Commission, there would be a Projected TCJA Differential, expressed as a percentage, for its Water Division of (6.79%), for its Wastewater Operations Excluding Scranton of (7.68%) and for its Scranton Wastewater Operations of (5.42%).

3. On April 16, 2018, PAWC filed a revision to its verified response to the Commission data requests for its Scranton Wastewater Operations. (*see* Appendix A to this Petition). The revision corrected the label of the verified response to clearly indicate that it pertained to PAWC's Scranton Wastewater Operations and also corrected the calculation shown thereon, which changed the Projected Percentage Differential from (5.42%) to (5.47%).

4. As previously explained, the Commission issued the TCJA Wastewater Surcharge Order on May 17, 2018, and, in that Order, directed PAWC to establish a TCJA Surcharge of

¹ The Company's verified responses corresponded to the three separate revenue requirement studies PAWC prepared and filed in its 2017 base rate at Docket No. R-2018-2595853, which was concluded the Commission's Final Order entered December 7, 2017.

(7.68%) for its entire Wastewater Division. In fact, that TCJA Percentage Differential is for PAWC's Wastewater Operations Excluding Scranton and, as explained above, the correct TCJA Percentage Differential, which the Commission should have used for PAWC's Scranton Wastewater Operations, is (5.47%).

5. PAWC requests that the Commission correct the oversight reflected in its TCJA Wastewater Surcharge Order identified above and revise that Order to indicate that the TCJA Surcharge of (7.68%) applies only to PAWC's Wastewater Operations Excluding Scranton and that the TCJA Surcharge applicable to PAWC's Scranton Wastewater Operations is (5.47%).

6. PAWC's Petition for Reconsideration meets the standard for reconsideration expressed in *Duick v. Pennsylvania Gas and Water Co.*, 56 Pa. P.U.C. 553 (1985) because it raises an issue that has been "overlooked or not addressed by the Commission." As previously noted, the issue raised by PAWC is an oversight by the Commission and, now that it has been brought to the Commission's attention, should be corrected to conform to the verified response that PAWC previously provided to the Commission.

WHEREFORE, for the reasons set forth above, the Commission should grant reconsideration of the TCJA Wastewater Surcharge Order and correct that Order to provide that the TCJA Surcharge applicable to PAWC's Scranton Wastewater Operations is (5.47%).

Respectfully submitted,



Susan Simms Marsh (Pa. No. 44689)
Deputy General Counsel
Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033
717.531.3208 (bus)
susan.marsh@amwater.com

Anthony C. DeCusatis (Pa. No. 25700)
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
215.963.5034 (bus)
215.963.5001 (fax)
anthony.decusatis@morganlewis.com

*Counsel for Pennsylvania-American Water
Company*

Dated: May 23, 2018

APPENDIX A

PAWC'S APRIL 16, 2018 VERIFIED RESPONSE TO THE COMMISSION'S DATA REQUESTS FOR ITS SCRANTON WASTEWATER OPERATIONS



Susan Simms Marsh

Deputy General Counsel
800 West Hersheypark Drive
Hershey, PA 17033

P 717-531-3208

F 717-531-3399

E susan.marsh@amwater.com

I www.amwater.com

April 16, 2018

e-File

Rosemary Chiavetta, Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Tax Cuts and Jobs Act of 2017 ("TCJA")
M-2018-2641242

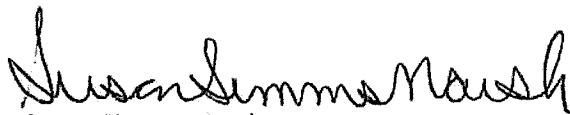
Dear Secretary Chiavetta:

On March 9, 2018, Pennsylvania-American Water Company (the "Company") filed responses to the data requests that accompanied the Secretarial Letter dated February 12, 2018.

In reviewing the Company's responses to the data request it was determined that Scranton Wastewater Exhibit No. 1 Page 7 of 8 was mislabeled as "Wastewater Operations Excluding Scranton" and the "Commission Allowed Revenues" amount included \$237,426 of other operating revenue. This correction changes the Scranton Wastewater Projected Percentage Differential show on Exhibit No. 1 page 1 of 8 from 5.42% to 5.47%.

The Company is submitting the enclosed update labeled Revised Exhibit No. 1 page 1 of 8 and page 7 of 8 to reflect this update.

Sincerely,



Susan Simms Marsh

Enclosure

Pennsylvanian American Water
M-2018-2641242

Summary - Projected TCJA Differential
 Based on a fully projected future test year ending 12/31/18
 Docket No. R-2017-2595853

	<u>Projected TCJA Differential</u>	<u>Commission Allowed Revenues *</u>	<u>Projected Percentage Differential</u>
Water	\$ 44,159,256	\$ 650,770,004	6.79%
Wastewater Excluding Scranton	2,008,087	26,162,255	7.68%
Scranton Wastewater	1,333,856	24,387,517 **	5.47%
TCJA Impact	\$ 47,501,199	\$ 701,319,776	6.77%

* Adjusted to eliminate contract sales and other water revenue

** Revised from initial submission to remove \$237,426 of Other Water Revenues

Scranton Wastewater Operations
M-2018-2641242

<u>Pre TCJA Taxes</u>	<u>Net Tax Effect</u>
Federal- Current (Page 1, Column 4, Line 23)	\$ 2,612,163
Federal- Deferred	2,174,009
<u>Less: Post TCJA Taxes</u>	
Federal- Current (Page 1, Column 4, Line 24)	\$ 1,567,298
Federal- Deferred	779,106
Effect of TCJA On Income (A)	\$ 1,044,865
Change in ADIT	\$ 1,394,904
Commission Approved Rate of Return	6.91% *
Effect of ADIT Change on Income (B)	\$ 96,388
Earnings Excess (Line A - Line B)	\$ 948,477
Complement of Tax Rate	0.711079
Revenue Excess	\$ 1,333,856
Commission Allowed Revenues	\$ 24,387,517 ** & ***
Percent Decrease Per Bill	-5.47%
* Base rate case resulted in a black box settlement, ROR of 6.91% was used to scale back initial filing to settlement amount	
** Operating Revenues Page 1	\$ 26,941,943
Less: Act 11 Transfer of Wastewater Rev. Requirement to Water	2,317,000
Commission Allowed Revenues	24,624,943
Less: Other Operating Revenues	237,426
Commission Allowed Revenues (Wastewater Sales)	<u>\$ 24,387,517</u>

*** Revised from initial submission (\$24,624,943) to remove \$237,426 of Other Water Revenues

VERIFICATION

I, John R Cox, hereby declare that I am the Director of Rates and Regulations for Pennsylvania-American Water Company; that, as such, I am authorized to make this verification on its behalf; that the facts set forth in the foregoing responses to Tax Cuts and Jobs Act of 2017 Data Requests are true and correct to the best of my knowledge, information and belief; and that I make this verification subject to the penalties of 18 Pa. C.S. §4904 pertaining to false statements to authorities.

4-16-18
Date

John R Cox
[NAME]