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<b>President</b> Kert Sloan HBA of Berks County	<b>Vice President</b> Maria Coutts Wayne-Pike BIA	<b>Associate Vice President</b> Betsy Dupuis BA of Central PA	<b>Treasurer</b> Joseph Harcum Wayne-Pike BIA	<b>Secretary</b> Jon Sukonik HBA of Bucks-Mont.	<b>Immediate Past President</b> Andrew Kaye HBA of Bucks/Mont.
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PA PUC  
SECRETARY'S BUREAU

July 6, 2018

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Pennsylvania American Water Supplement No. 6 to Tariff Water-Pa P.U.C. No. 5  
Docket No. R-2018-3002504

Dear Secretary Chiavetta:

The Pennsylvania Builders Association (the "PBA") supports Supplement No. 6 to Tariff Water-Pa P.U.C. No. 5 ("Supplement No. 6") for Pennsylvania American Water Company ("PAWC" or the "Company") filed at Docket No. R-2018-3002504 and its proposed treatment of the tax effect of Contributions in Aid of Construction ("CIAC"). Supplement No. 6 addresses the impact of the Federal Tax Cuts and Jobs Act (the "TCJA") on the requirement for water and sewer authorities to recognize Customer Advances for Construction ("CAC"), CIAC, and certain customer deposits (collectively, "Contributions and Advancements") as taxable income. The TCJA recently eliminated the exemption for water and sewer utilities from recognizing Contributions and Advancements as taxable income. The Company filed Supplement No. 6 to affirm and memorialize how these Contributions and Advances will be calculated and recovered in rates in light of these changes in Federal law.

Specifically, PAWC has proposed to adopt the "no gross-up" method of billing and accounting for CIAC and CAC. Under this method, the Company will pay the necessary taxes on Contributions and Advancements. Such income taxes will be segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Under the Company's proposal, income tax associated with Contributions and Advancements will not be charged to the specific depositor/contributor of the capital.

The PBA is a professional trade organization representing nearly 5,000 members located throughout Pennsylvania, including many in the service territory of PWAC. PBA's members are involved in the building industry, primarily as builders, land developers, remodelers, material suppliers, subcontractors, and consultants. The concept of CIACs includes payments made by developers for main extensions. In addition, PBA's primary mission is to facilitate conditions for the construction of safe and affordable housing in the State. As such, the PBA has a substantial and direct interest in this issue.

The PBA strongly supports PAWC's proposal. Importantly, under the Company's proposal, the income tax consequences of CIAC will be included in the overall calculation of income tax expense and, consequently, developers and other homebuilders will not have to assume a new financial





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obligation in paying for the construction of main extensions. The PBA submits that the Company's proposal is consistent with reasonable ratemaking policy and is consistent with the methods used by other Pennsylvania utilities with taxable CIACs. As noted by the Company in its Supplement No. 6 filing, the Commission, in its approval of the no-gross up method for other utilities with taxable CIACs, has already determined the no-gross up method to be just, reasonable, lawful and nondiscriminatory. See e.g. Columbia Gas of Pennsylvania, Inc., Tariff Gas – Pa. P.U.C. No 9, Rule 8.2.5 Taxes on Deposits for Construction & Customer Advances, page 49a; see also York Wager Company, Tariff Water – Pa. P.U.C. 14, Rule 3.11.8 Taxes on Deposits for Construction & Customer Advances, page 15.

As such, the PBA strongly urges the Commission to approved PAWC's Supplement No. 6 filing. Thank you for your consideration.

Respectfully submitted,

Daniel E. Durden, Esq.  
Chief Executive Officer

cc: Loudon L. Campbell, Esq.  
Kert Sloan

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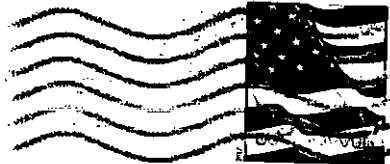


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