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August 18, 2014

VIA EMAIL AND FEDERAL EXPRESS

New Jersey Board of Public Utilities
The Honorable Kristi Izzo, Secretary
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: *In the Matter of the Board’s Review of the Applicability and Calculation of a Consolidated Tax Adjustment, Docket No. EO12121072*

Dear Secretary Izzo:

The United Water companies purveying water and sewer services in New Jersey provide this response to the Notice dated June 18, 2014 in the generic proceeding referenced above. The United Water Companies (“UW Companies”) are United Water New Jersey Inc., United Water Toms River Inc., United Water Arlington Hills Sewerage Inc., United Water West Milford Inc., United Water Princeton Meadows Inc., and United Water Matchaponix Inc.

On June 18, 2014, the New Jersey Board of Public Utilities (Board) issued a request for written comments on Staff’s proposed modifications to the Board’s consolidated tax adjustment (CTA) policy. The proposed modification is, in summary, as follows: The current CTA policy would remain in effect except the time period for the computation of the CTA which would look back 5 years from the beginning of the test year in a rate proceeding and 25% of the resulting amount would be allocated to ratepayers and included as a reduction to rate base in said proceeding. In addition, the proposal excluded transmission assets of electric distribution companies.

As stated in response to previous Notices in this docket, the United Water companies continue to believe that utilization of a CTA, as commonly referred to, is inappropriate in the establishment of utility rates and supports the comments made by the New Jersey Utilities Association (“NJUA”) in response this notice. However, the UW Companies believe that, if a CTA is to be applied, it is appropriate to have a defined methodology which produces consist results across electric, gas, and water and wastewater utilities. The proposed modifications meet these needs to a greater degree than before and represent a step in the right direction.

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A change in the proposed look back period and/or allocation percentage would likely produce results which are inconsistent between the various utilities and, if such changes are considered, the contents and proposal set forth in the June 3, 2014 letter from the National Association of Water Companies, New Jersey Chapter (NAWC NJ), the United Water companies, New Jersey American Water Inc., and Aqua New Jersey, Inc., should be considered and adopted thereby establishing an upper boundary of the CTA rate base adjustment for water and wastewater companies.

This response is provided as directed within the Notice of Opportunity to Comment whereby an electronic copy is submitted in WORD format to rule.comments@bpu.state.nj.us and paper copies shall be delivered to the Secretary's office by mail.

Sincerely,

/s/ **James C. Cagle**

James C. Cagle
Vice President, Regulatory Business

JCC/kkp