STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu

REVENUE AND RATES

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE GROSS RECEIPTS TAX ON WATER AND SEWER UTILITIES – NEW JERSEY-AMERICAN WATER COMPANY	))))	ORDER APPROVING STIPULATION DOCKET NO. WR25050321

Parties of Record

Stephen R. Bishop, Esq., New Jersey-American Water Company, Inc.
Brian O. Lipman, Esq., Director, Division of Rate Counsel

BY THE BOARD:

On May 30, 2025, New Jersey-American Water Company, Inc. ("NJAWC" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval of deferred accounting treatment of the Gross Receipts Tax ("GRT") on water and sewer revenues, as well as the related reduction of the excise tax levied ("Petition"). By this Decision and Order, the Board considers a Stipulation of Settlement ("Stipulation") executed by NJAWC, Board Staff ("Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") intended to resolve the requests in the Petition.

Background/Procedural History

In November 2024, NJAWC was notified by the New Jersey Department of Treasury, Division of Taxation ("Taxation") that an error was discovered in August 2024 and that as a result of the error, the charges to NJAWC for excise taxes had been charged at a rate of seven-and-one-half percent (7.5%), rather than the statutory rate of seven percent (7%) ("November 2024 Letter").[1]

By the November 2024 letter, Taxation indicated that it would issue refunds of the additional tax remitted to rectify the over-collection, and that such refunds would be issued within forty-five (45) days for payments that were due on and after August 15, 2022. Taxation also indicated that, since it became aware of the rate discrepancy in August 2024, Taxation would treat the August 15, 2020, tax payment as being in statute for the purposes of a refund. To receive a refund for

[1] Pursuant to N.J.S.A. 54:30A-54(b), every sewerage and water corporation using or occupying the public streets, highways, roads, or other public places in New Jersey shall pay an annual excise tax "at the rate of 7% upon the gross receipts of such taxpayer for the preceding calendar year from its business over, on, in, through or from its lines or mains in the State of New Jersey."

the additional two (2) years of payments due between August 15, 2020, and May 15, 2022, the affected company was directed to complete a claim for refund. Taxation additionally directed companies to remit at the seven percent (7%) tax rate beginning with tax payments due on and after November 15, 2024, unless there is a legislative amendment in the future.

By Order dated March 19, 2025, the Board directed affected utilities to defer the effects of the required reduction on its books and records effective immediately.[2] The deferral shall be the difference between a GRT rate of seven-and-one-half percent (7.5%) and seven percent (7%), including both the refunds from Taxation and the difference in GRT expenses included in rates.

Petition

According to the Petition the Company received $17,926,195 in total refunds from Taxation. NJAWC stated that the Company deferred the refunds as a regulatory liability ("Regulatory Liability").

As the current rates charged to customers were developed using the erroneous tax rate, since being notified of the error, NJAWC has calculated the differential between the amount paid by customers at the erroneous rate and the amount that would have been paid under the correct rates and has deferred the difference as the Regulatory Liability. According to the Company, starting in January 2025, NJAWC began calculating the differential based upon current revenues for the month and deferred this amount to the Regulatory Liability. As of April 30, 2025, the Company indicated that the total regulatory liability balance was $15,586,662.

STIPULATION

Following a review of the Petition, conducting discovery, and discussions among the Parties, the Parties executed the Stipulation, which provides for the following:[3]

1. The Company's regulatory liability balance as of June 30, 2026 was $22,922,202, and is forecasted to be $24,622,511 at the end of the suspension period in its current pending rate case, as provided in Exhibit A to the Stipulation.

2. The Parties agree that the amount of the Regulatory Liability that will be returned to customers will be determined in the Company's pending general rate case proceeding at Docket No. WR26010010.[4] The Parties reserve their right to take any position on the Regulatory Liability balance, including whether it is appropriate to recover the Reed Smith fees from customers.

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[2] In re the New Jersey Board of Public Utilities' Consideration of the Gross Receipts Tax on Water and Sewer Utilities, Docket No. WX25020086, March 19, 2025 ("March 2025 Order"). The affected utilities are Atlantic City Sewerage Company, Aqua New Jersey, Inc., Gordon's Corner Water Company, Middlesex Water Company, NJAWC and Veolia Water New Jersey.

[3] Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of the Order. Paragraphs are numbered to coincide with the Stipulation.

[4] In re the Petition of New Jersey-American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Wastewater Service and Other Tariff Modifications, BPU Docket No. WR26010010; OAL Docket No. PUC 03132-26.

3. The Parties agree that the Company will continue to defer the difference between payments made at the correct rate and at the erroneous rate and will continue to record this difference to the Regulatory Liability until the effective date of the Order in the Company's pending general rate case proceeding.

4. Compliance. In its next base rate case, for water and sewer, respectively, the Company shall update the GRT rate to reflect the correct rate of seven percent (7.0%) in the calculation of the base rates. The Company shall use its best efforts to review the annual GRT calculation provided by Taxation to ensure that future amounts reflect the appropriate rate of tax.

DISCUSSIONS AND FINDINGS

Based on the Board's review and consideration of the record in this proceeding, including the Petition and the Stipulation, the Board **HEREBY** **FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company. Therefore, the Board **HEREBY** **ADOPTS** the Stipulation in its entirety, and **HEREBY** **INCORPORATES** its terms and conditions as though fully set forth herein.

As a result of the Stipulation, as of this time, the total amount to be returned to customers is $22,922,202 and is forecasted to be $24,622,511 at the end of the suspension period in its current pending rate case. Additionally, the amount of the Regulatory Liability that will be returned to customers will be determined in the Company's pending general rate case proceeding in Docket No. WR26010010.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective September 9, 2026.

DATED: September 9, 2026

BOARD OF PUBLIC UTILITIES
BY:

BEN HERTZ-SHARGEL
PRESIDENT

CHRISTINE GUHL-SADOVY
COMMISSIONER

MICHAEL BANGE
COMMISSIONER

EMMA REBHORN
COMMISSIONER

JOSEPH COVIELLO
COMMISSIONER

ATTEST:

SHERRI L. LEWIS
BOARD SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE GROSS RECEIPTS TAX ON WATER AND SEWER UTILITIES – NEW JERSEY-AMERICAN WATER COMPANY

BPU DOCKET NO. WR25050321

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August 27, 2026

<u>Via Electronic Mail</u>
Hon. Sherri L. Lewis, Secretary
Board of Public Utilities
44 S. Clinton Ave., 1st Floor
Trenton, N.J. 08625

Re: In the Matter of the New Jersey Board of Public Utilities' Consideration of the Gross Receipts Tax on Water and Sewer Utilities

BPU Docket No. WR25050321

Dear Secretary Lewis:

Enclosed herewith for the Board's consideration is a signed stipulation, representing the parties' settlement of the above-captioned matter.

Please do not hesitate to contact me should you have any questions or concerns.

Respectfully,

Stephen R. Bishop

SRB:dlc
Enc.

c: Attached service list (via email, w/enc.)

WE KEEP LIFE FLOWING®

Stephen R. Bishop
Vice President & General Counsel
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In the Matter of the New Jersey Board of Public Utilities' Consideration of the Gross Receipts Tax on Water and Sewer Utilities
BPU Docket No. WR25050321

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In the Matter of the New Jersey Board of Public Utilities' Consideration of the Gross Receipts Tax on Water and Sewer Utilities
BPU Docket No. WR25050321

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE GROSS RECEIPTS TAX ON WATER AND SEWER UTILITIES - NEW JERSEY-AMERICAN WATER COMPANY, INC.	:	**STIPULATION OF SETTLEMENT**
	:	**BPU Docket No. WR25050321**

APPEARANCES:

Stephen R. Bishop, Esq., Vice-President and General Counsel, and **Teresa K. Harrold**, Director, Corporate Counsel, for Petitioner New Jersey-American Water Company, Inc.

Christine Juarez, Esq., Deputy Rate Counsel, on behalf of the Division of Rate Counsel (**Brian O. Lipman, Esq.,** Director)

Meliha Arnautovic, Esq., Deputy Attorney General, on behalf of the Staff of the Board of Public Utilities (**Jennifer Davenport**, Attorney General of New Jersey)

TO THE HONORABLE COMMISSIONERS OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES:

On May 30, 2025, New Jersey-American Water Company, Inc. ("NJAWC" or "Company") submitted a petition with the New Jersey Board of Public Utilities ("Board") seeking authority to defer, on its books, the reduction in the gross revenue conversion factor ("GRCF") for the revenue requirement resulting from a partial refund of the gross receipts tax ("GRT") by the New Jersey Department of the Treasury, Division of Taxation ("Taxation") ("GRT Petition").[1]

The Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "Parties") have agreed to a negotiated resolution of this matter.

[1] The gross revenue conversion factor used to gross-up costs consist of factors for state gross receipts and franchise taxes, federal income taxes, uncollectible expense, and for the Board/Rate Counsel assessments.

BACKGROUND AND PROCEDURAL HISTORY

1. In November 2024, Taxation informed NJAWC, as well as other New Jersey water and wastewater utilities, that it had over-collected the GRT from water and wastewater utilities at a rate of seven- and one-half percent (7.5%) as opposed to the statutory rate of seven percent (7%).[2] Taxation directed the utilities to submit a claim for refund for the impacted tax periods. NJAWC indicated that its total refund received from Taxation was $17,926,195.

2. Beginning with tax payments due on and after November 15, 2024, the utilities were instructed to calculate their GRT at a seven percent (7%) tax rate. NJAWC's payment to Taxation on November 15, 2024, was recalculated and paid at the correct tax rate in accordance with the refund calculation for 2024.

3. On March 19, 2025, the Board issued an Order with an effective date of March 26, 2025, which directed utilities to (a) defer the GRT reduction on their books and records immediately, and (b) file a petition with the Board by no later than June 1, 2025, including appropriate calculations and a proposal to return the difference between the seven- and one-half percent (7.5%) and seven percent (7%) to customers.[3]

4. In its subsequent GRT Petition, NJAWC sought: a) approval of NJAWC's request for authority to continue to record and defer on its books the revenue associated with the GRT reduction in the GRCF; and b) authority to defer and maintain this regulatory liability on the Company's books until the effective date of the Order in the Company's next general rate case proceeding ("Regulatory Liability").

[2] N.J.S.A. 54:30A-54(b).

[3] In re the New Jersey Board of Public Utilities' Consideration of the Gross Receipts Tax on Water and Sewer Utilities, BPU Docket No. WX25020086, Order dated March 19, 2025.

5. Following submission of NJAWC's GRT Petition, Rate Counsel and Staff served interrogatories on NJAWC, which were responded to in full by the Company.

6. As a result of a review of the GRT Petition, discovery responses, and settlement discussions, the Parties reached a stipulation of settlement ("Stipulation"), the provisions of which are set forth below.

STIPULATION OF SETTLEMENT

1. The Company's regulatory liability balance as of June 30, 2026 was $22,922,202, and is forecasted to be $24,622,511 at the end of the suspension period in its current pending rate case, as provided in Exhibit A to the Stipulation.

2. The Parties agree that the amount of the Regulatory Liability that will be returned to customers will be determined in the Company's pending general rate case proceeding at Docket No. WR26010010. The Parties reserve their right to take any position on the Regulatory Liability Balance, including whether it is appropriate to recover the Reed Smith fees from customers.

3. The Parties agree that the Company will continue to defer the difference between payments made at the correct rate and at the erroneous rate and will continue to record this difference to the Regulatory Liability until the effective date of the Order in the Company's pending general rate case proceeding.

4. Compliance. In its next base rate case, for water and sewer, respectively, the Company shall update the GRT rate to reflect the correct rate of seven percent (7.0%) in the calculation of the base rates. The Company shall use its best efforts to review the annual GRT calculation provided by Taxation to ensure that future amounts reflect the appropriate rate of tax.

5. This Stipulation shall be binding on the Parties upon approval hereof by the Board. This Stipulation shall bind the Parties in this matter only and shall not be considered precedential in any other proceeding involving the Parties hereto.

6. This Stipulation contains terms each of which are interdependent with the others and essential to the signing of this Stipulation. Each term is vital to the agreement, since the Parties individually and collectively state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the Parties hereto is entitled to certain procedures described below.

7. If any modification is made to the terms of this Stipulation, the Parties must be given the right to be placed in the position in which each Party was before this Stipulation was executed. It is essential that each Party be given the option to modify its own position, to accept the proposed change(s), or to resume the proceeding as if no agreement had been reached.

8. The Parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.

9. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

JENNIFER DAVENPORT
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the
Board of Public Utilities

By: Meliha Arnautovic DAG
Meliha Arnautovic, Esq.
Deputy Attorney General

Dated: 08272026

BRIAN O. LIPMAN, DIRECTOR
DIVISION OF RATE COUNSEL

By: ______________________
Christine Juarez, Esq.
Deputy Rate Counsel

Dated: August 27, 2026

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By: ______________________
Stephen R. Bishop, Esq.
Vice-President and General Counsel

Dated: August 20, 2026

Exhibit A

New Jersey-American Water Company, Inc.
GRT Rate Reduction Amortization - Workpaper 1
Exhibit P-2, Schedule 8-5a_12&0 Update

Month	Balance	Projected deferral	Cumulative Balance	
06/30/26			($22,922,202)	
07/31/26	($22,922,202)	($425,077)	(23,347,279)	
08/31/26	(23,347,279)	(425,077)	(23,772,356)	
09/30/26	(23,772,356)	(425,077)	(24,197,434)	
10/31/26	(24,197,434)	(425,077)	(24,622,511)	A
Amortization Period - Months			24	B
Monthly Amortization			($1,025,938)	C = A / B
Annual Amortization			($12,311,255)	D = C * 12