



Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691

www.aquanewjersey.com

May 3, 2013

Via Overnight Delivery & Electronic Mail

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

Re: I/M/O the Board's Review of the Applicability and Calculation of a
Consolidated Tax Adjustment
BPU Docket No. EO12121072

Dear Secretary Izzo:

Aqua New Jersey, Inc. ("Aqua") appreciates this opportunity to provide comments to the Board of Public Utilities (the "Board") in connection with the Board's consideration of its current policy on Consolidated Tax Adjustments ("CTA"). In Aqua's view, use of the CTA, and particularly the Board's current "rate base" methodology, raises a number of important public policy questions that must be fully and carefully examined. To facilitate the Board's review of the CTA, Aqua has joined with several other member companies of the New Jersey Utilities Association ("NJUA") to prepare general responses to the Board's four questions and a background paper discussing aspects of the CTA, including its use in other jurisdictions. Aqua respectfully requests that those materials be considered by the Board in conjunction with the company-specific responses set out below.

1. Please explain your company's position on whether the Board should utilize CTAs.

Response: Please refer to the question responses and background paper separately filed by the NJUA. Additionally, Aqua would note that it does not support the use of CTAs, and believes the Board's current CTA methodology is unfair to the Company and its shareholders, and is inconsistent with current federal tax law. Aqua urges the Board to adopt a new policy which expressly rejects the use of CTAs in New Jersey.

2. If the Board continues the use of the CTA, please describe and detail what changes to CTA methodology, if any, should be adopted by the Board.

Response: Consistent with the prior answer, please refer to the question responses and background paper separately filed by the NJUA. As previously discussed, Aqua believes the CTA should be rejected in its entirety. Barring that approach, at a minimum, the calculation methodology used for any CTA must be consistent with federal tax law. The Board's current methodology is not consistent with tax law and results in the calculation of purported "tax benefits" that do not exist, but are then used unfairly to adjust Aqua's rate base.

3. Please calculate a CTA for your company utilizing the current Board methodology set forth in the Board's April 20, 2004 Order, *I/M/O the Verified Petition of Rockland Electric Company for Recovery of its Deferred Balances and the Establishment of Non-Delivery Rates Effective August 1, 2003* and *I/M/O the Verified Petition of Rockland Electric Company for Approval of Changes in Electric Rates, its Tariff for Electric Service, its Depreciation Rates, and for Other Relief*, BPU Docket Nos. ER02080614 and ER02100724.

Response: In its most recent base rate case (BPU Docket No. WR11120859), Aqua provided data which could be used to perform a CTA calculation. See Data Response RCR-A-93. While CTA was extensively discussed, a specific CTA calculation was not memorialized in the proceeding.

4. If applicable, please provide the actual amount of the CTA included in your company's last base rate case.

Response: Aqua cannot quantify the amount of the CTA reflected in its current rates. All of the Company's recent base rate proceedings have been resolved through a "black box" stipulation of settlement. In certain cases, the stipulation expressly stated that the settlement amount reflected consideration of a CTA, but did not specify the amount of that CTA. Thus, parties to those settlements are free to argue their respective positions about the amount of the CTA included in those settlements.

Conclusion

Aqua appreciates this opportunity to provide to the Board its views on the CTA. The Board's current CTA approach has a significant negative impact on Aqua and several other New Jersey utilities. Therefore, Aqua respectfully requests that the Board complete this generic proceeding in an expeditious manner, and adopt a policy rejecting the application of the CTA in future base rate proceedings.

Respectfully submitted,



William C. Packer
Regional Controller – PA/NJ