

THE ATLANTIC CITY SEWERAGE COMPANY

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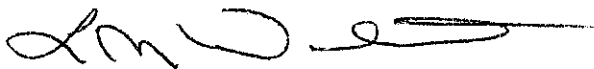
Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, N. J. 08625-0350

**RE: I/M/O the Board's Review of the Applicability and Calculation
of a Consolidated Tax Adjustment Generic Proceeding
BPU Docket No. EO12121072
Notice of Opportunity to Provide Additional Information**

Dear Ms. Izzo:

Enclosed please find Atlantic City Sewerage Company's responses to the Notice of Opportunity to Provide Additional Information.

Very Truly Yours



Louis M. Walters
President and General Manager

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NJBPU-a.

Please provide a copy of any tax sharing agreement relation to the filing of a consolidated income tax return.

RESPONSE:

Attached hereto as Schedule NJBPU-a is the Tax Sharing Agreement between SR Utility Holding Corp. and The Atlantic City Sewerage Company.

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NJBPU-b.

Please provide the year in which the utility was first included in a consolidated tax return.

RESPONSE:

The Atlantic City Sewerage Company was first included in a consolidated tax return in 1988.

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NJBPU-c.

Please provide the total amount paid by the utility to its parent company for federal income taxes in each year since 1991.

RESPONSE:

Tax Year	Consolidated Tax	SR Utility Holding Corp.	Atlantic City Sewerage Company*
2012	\$587,504	(\$31,132)	\$618,636
2011	\$895,115	(\$31,670)	\$926,785
2010	\$189,146	(\$28,645)	\$217,791
2009	\$448,677	(\$20,441)	\$469,118
2008	\$143,148	(\$61,950)	\$205,098
2007	\$335,470	(\$20,876)	\$356,346
2006	\$399,802	(\$20,604)	\$420,406
2005	\$463,810	(\$20,587)	\$484,397
2004	\$838,994	(\$20,347)	\$859,341
2003	\$333,941	(\$15,799)	\$349,740
2002	\$419,057	(\$597)	\$419,654
2001	\$455,708	\$569	\$455,139
2000	\$264,742	(\$248)	\$264,990
1999	\$327,480	(\$49,430)	\$376,910
1998	\$2,356,241	(\$76,250)	\$2,432,491
1997	\$348,311	(\$97,181)	\$445,492
1996	\$174,617	(\$139,615)	\$314,232
1995	\$392,088	(\$154,184)	\$546,272
1994	\$729,549	(\$162,573)	\$892,122
1993	\$199,803	(\$163,027)	\$362,830
1992	(\$147,090)	(\$230,455)	\$83,365
1991	\$585,782	(\$195,067)	\$780,849

*-paid by ACSC to the parent

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NJBPU-d.

Please provide the total amount paid by all members of the consolidated income tax group to the parent company relating to federal income taxes, in each year since 1991.

RESPONSE:

Tax Year	Consolidated Tax	SR Utility Holding Corp.	Atlantic City Sewerage Company*
2012	\$587,504	(\$31,132)	\$618,636
2011	\$895,115	(\$31,670)	\$926,785
2010	\$189,146	(\$28,645)	\$217,791
2009	\$448,677	(\$20,441)	\$469,118
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1994	\$729,549	(\$162,573)	\$892,122
1993	\$199,803	(\$163,027)	\$362,830
1992	(\$147,090)	(\$230,455)	\$83,365
1991	\$585,782	(\$195,067)	\$780,849

*-Paid to the Parent

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NJBPU-e.

Please provide the total amount paid to each loss company by the parent, in each year since 1991.

RESPONSE:

Tax Year	Consolidated Tax	SR Utility Holding Corp. *	Atlantic City Sewerage Company
2012	\$587,504	(\$31,132)	\$618,636
2011	\$895,115	(\$31,670)	\$926,785
2010	\$189,146	(\$28,645)	\$217,791
2009	\$448,677	(\$20,441)	\$469,118
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1994	\$729,549	(\$162,573)	\$892,122
1993	\$199,803	(\$163,027)	\$362,830
1992	(\$147,090)	(\$230,455)	\$83,365
1991	\$585,782	(\$195,067)	\$780,849

* Bracketed amounts received from the Parent Company.

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NJBPU-f.

Please provide the total amount paid by the consolidated entity to the IRS for federal income taxes in each year since 1991.

RESPONSE:

Tax Year	Consolidated Tax*	SR Utility Holding Corp.	Atlantic City Sewerage Company
2012	\$587,504	(\$31,132)	\$618,636
2011	\$895,115	(\$31,670)	\$926,785
2010	\$189,146	(\$28,645)	\$217,791
2009	\$448,677	(\$20,441)	\$469,118
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1994	\$729,549	(\$162,573)	\$892,122
1993	\$199,803	(\$163,027)	\$362,830
1992	(\$147,090)	(\$230,455)	\$83,365
1991	\$585,782	(\$195,067)	\$780,849

*-paid to the IRS

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NJBPU-g.

Please provide the amount of bonus depreciation taken by each member of the consolidated income tax group in each year since 1991.

RESPONSE:

The amount of bonus depreciation (as defined by IRC Section 179) reported on the consolidated income tax return by each member of the consolidated income tax group since 1991:

Tax Year	Consolidated Bonus Depreciation	SR Utility Bonus Depreciation	ACSC Bonus Depreciation
2012	\$0	\$0	\$0
2011	\$0	\$0	\$0
2010	\$0	\$0	\$0
2009	\$0	\$0	\$0
2008	\$0	\$0	\$0
2007	\$0	\$0	\$0
2006	\$0	\$0	\$0
2005	\$0	\$0	\$0
2004	\$0	\$0	\$0
2003	\$0	\$0	\$0
2002	\$0	\$0	\$0
2001	\$0	\$0	\$0
2000	\$0	\$0	\$0
1999	\$0	\$0	\$0
1998	\$0	\$0	\$0
1997	\$0	\$0	\$0
1996	\$0	\$0	\$0
1995	\$0	\$0	\$0
1994	\$0	\$0	\$0
1993	\$0	\$0	\$0
1992	\$0	\$0	\$0
1991	\$0	\$0	\$0

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NJBPU-h.

Please provide the amount of Alternative Minimum Taxes paid by the consolidated income tax group in each year since 1991.

RESPONSE:

Tax Year	Consolidated AMT
2012	\$0
2011	\$0
2010	\$0
2009	\$0
2008	\$1,503
2007	\$0
2006	\$0
2005	\$0
2004	\$0
2003	\$0
2002	\$0
2001	\$0
2000	\$0
1999	\$0
1998	\$0
1997	\$0
1996	\$27,438
1995	\$0
1994	\$0
1993	\$30,086
1992	\$0
1991	\$0

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NJBPU-i.

Please provide the amount of any tax loss carryforward available to the consolidated group and the period(s) over which these tax loss carryforwards are available to be used by the consolidated group.

RESPONSE:

There are NO tax loss carryforwards available to the consolidated income tax group.

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NJBPU-j.

Please provide a brief description of each company included in the consolidated income tax group since 1991, along with an indication of whether each company is regulated or non-regulated.

RESPONSE:

The Atlantic City Sewerage Company ("ACSC") is a wholly-owned, regulated subsidiary of SR Utility Holding Corporation ("SR"). ACSC operates a wastewater collection system serving approximately 7,650 customers in its franchised area of Atlantic City. SR is a non-regulated holding company and ACSC is its only subsidiary.

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NJBPU-k.

Please provide the reason why a company that was previously included in the consolidated income tax group is no longer included in the group.

RESPONSE:

Not applicable.

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NJBPU-I.

Please provide all workpapers and calculations relating to the calculation of the CTA as requested in the Notice.

RESPONSE:

If the CTA were imposed, the net reduction to rate base for the CTA would be \$1,540,109.

Tax Year	SR Utility Holding Corp. Tax Savings
2012	(\$31,132)
2011	(\$31,670)
2010	(\$28,645)
2009	(\$20,441)
2008	(\$61,950)
2007	(\$20,876)
2006	(\$20,604)
2005	(\$20,587)
2004	(\$20,347)
2003	(\$15,799)
2002	(\$597)
2001	\$569
2000	(\$248)
1999	(\$49,430)
1998	(\$76,250)
1997	(\$97,181)
1996	(\$139,615)
1995	(\$154,184)
1994	(\$162,573)
1993	(\$163,027)
1992	(\$230,455)
1991	(\$195,067)
Total	<u><u>(\$1,540,109)</u></u>

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NJBPU-m.

Please provide the federal income taxes (both current and deferred) reported by the consolidated income tax group on the parent company's Annual Report, by year since 1991.

RESPONSE:

SR Utility Holding Corp. does not prepare an annual report. However, the consolidated federal income taxes (both current and deferred) by year since 1991 are:

Tax Year	Consolidated Fed Income Taxes (Current & Deferred)
2012	\$811,394
2011	\$709,732
2010	\$582,340
2009	\$544,054
2008	\$564,395
2007	\$522,264
2006	\$563,474
2005	\$585,834
2004	\$451,437
2003	\$551,730
2002	\$639,352
2001	\$606,825
2000	\$444,814
1999	\$566,413
1998	\$562,091
1997	\$574,090
1996	\$445,611
1995	\$562,955
1994	\$205,560
1993	\$264,574
1992	(\$6,827)
1991	\$300,204

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NJBPU-n.

Please provide the federal income taxes (both current and deferred) by the utility, by year since 1991.

RESPONSE:

Tax Year	Atlantic City Sewerage Company
2012	\$842,526
2011	\$741,402
2010	\$610,985
2009	\$564,495
2008	\$626,345
2007	\$543,140
2006	\$584,078
2005	\$606,421
2004	\$471,784
2003	\$567,529
2002	\$639,949
2001	\$606,256
2000	\$445,062
1999	\$615,843
1998	\$638,341
1997	\$671,271
1996	\$585,226
1995	\$717,139
1994	\$368,133
1993	\$427,601
1992	\$223,628
1991	\$495,271

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT is dated this 13 day of JUNE, 1988 between SR UTILITY HOLDING CORP., a corporation of the State of New Jersey ("SR") and THE ATLANTIC CITY SEWERAGE COMPANY, a corporation of the State of New Jersey regulated as a public utility pursuant to Title 48 of the New Jersey Statutes (~~"ACSC"~~) (hereinafter collectively referred to as "the Group Members").

WHEREAS, the Group Members are members of an affiliated group of corporations, of which SR is the common parent; and

WHEREAS, the Group Members will file a consolidated Federal Income Tax Return for the taxable year ended December 31, 1988 under the Internal Revenue Code of 1986 (the "Code"), and intend to file such returns in future years, which returns may include additional and/or successor group members; and

WHEREAS, the Group Members desire to provide an equitable method for reimbursing Group Members with net operating losses for losses incurred during the consolidated tax years of the Group Members; and

WHEREAS, the Group Members desire to set forth an agreed upon manner by which an allocation formula shall be applied to the consolidated Federal Income Tax liability of the Group Members for the taxable years of their consolidation;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the Group Members hereby agree as follows:

I. Application of Tax Sharing Formula

All computations of the allocation of tax liability between Group Members for the taxable year ended December 31, 1988 and all future years shall be made in accordance with Treasury Regulation §1.1502-33(d)(2)(ii), in conjunction with the method described in Treasury Regulation §1.1552-1(a)(2). The percentage to be used pursuant to Treasury Regulation §1.1502-33(d)(2)(ii)(b) is 100 percent. Any credit to a Group Member made under this allocation shall become an obligation of the debiting Group Member and a receivable of the crediting Group Member as of December 31 of each year and shall be paid promptly after the end of such year. Interim payments may be made quarterly during the year upon the results of quarterly financial statements; however, if interim payments are made between Group Members during the year in excess of the final determination of credit for such year, the excess amount shall be returned to the debiting Group Member.

II. Effect of Agreement

As between Group Members, the provisions of this Agreement shall fix the liability of each to the other as to the matters covered hereunder, even if such provisions are not controlling for tax or other purposes (including, but not limited to, the computation of earnings and profits for Federal income tax purposes).

III. Determination

All determinations with respect to the application of this Agreement shall be made by SR and shall be binding upon all Group Members unless they are both arbitrary and unreasonable. Such determination shall be modified by the results of any tax audit.

IV. Regulatory Conditions

For regulatory rate making purposes it is recognized that ACSC, as a group member is subject to regulation pursuant to the jurisdiction of the New Jersey Board of Public Utilities granted by Title 48 of the New Jersey Statutes and is further subject to the requirements of Title 14 of the New Jersey Administrative Code inclusive of but not limited to applicability of the Uniform System of Accounts.

V. Amendment of Agreement

This Agreement may not be amended, supplemented or discharged, except by an instrument in writing signed by all parties hereto.

VI. Binding Effect

This Agreement shall be binding upon, and shall inure to the benefit of the Group Members and their respective successors and assigns, including any and all additional member(s) of the group that may be added after the date of this Agreement, upon execution of this document agreeing to and accepting the terms thereof. A copy of such Agreement and acceptance shall be supplied to all Group Members.

SR is hereby authorized to execute any statements, agreements and/or elections necessary to effectuate this Agreement for Federal income tax purposes.

IN WITNESS WHEREOF, and intending to be legally bound, the Group Members have executed this Agreement as of the date first above written.