

# **GENERAL RATE FILING**

**DIRECT TESTIMONY  
OF James C. Cagle**

January 2018

Submitted to:  
State of Rhode Island and Providence  
Plantations Public Utilities Commission

RIPUC Docket No.

Submitted by:

SUEZ Water Rhode Island Inc.

SUEZ WATER RHODE ISLAND INC.  
JAMES C. CAGLE

1 **Q. Please state your name, occupation and business address.**

2 A. My name is James C. Cagle. I am Vice President of Rates and Regulatory  
3 Affairs for SUEZ Water Management and Services, Inc. My business address is  
4 461 From Rd, Paramus, NJ 07652.

5

6 **Q. What are your job responsibilities?**

7 A. As Vice President – Rates and Regulatory Affairs, I am primarily responsible for  
8 the management and direction of rate case filings for SUEZ' regulated operating  
9 utilities. I am also responsible for oversight of certain rate related compliance  
10 and reporting requirements as prescribed by the various regulatory commissions  
11 having jurisdiction over the SUEZ' regulated utilities.

12

13 **Q. Please outline your educational and professional qualifications.**

14 A. I received a Bachelor of Accountancy degree from the University of Oklahoma in  
15 1987. I was initially employed by SUEZ Water M&S as Director, Regulatory  
16 Business in October of 2007 and have held my current position since March  
17 2010. Previous to that, I was employed by Atmos Energy Corporation, a natural  
18 gas utility operating in twelve states, as Manager, Rates and Revenue  
19 Requirements. My tenure at Atmos began in 1989 and continued until coming to  
20 SUEZ Water except for the period from September 1997 through February 1998  
21 when I was employed by GTE (now Verizon) in its Costing department.

22

23 **Q. Have you previously testified before this commission?**

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1 A. No. I have not, however, I have testified before several state commissions on  
2 various regulatory issues. A listing of my regulatory appearances is provided in  
3 Appendix A supplementing this testimony.

4  
5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to describe and support the Petitioner's  
7 adjustments related to the Tax Cuts and Jobs Act ("TCJA") signed into law on  
8 December 22, 2017.

9  
10 **Q. Are you sponsoring any exhibits which support the Company's request?**

11 A. Yes. I am sponsoring certain schedules imbedded in the rate base calculations  
12 including Exhibit 4, Schedules 5A, 5B, 5C and 5D.

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14 **Q. What overall impact does the TCJA have on rates in this case?**

15 A. As more fully described below, the TCJA reduced the Company's requested  
16 increase in this case by approximately \$359k or about 6% of revenues at present  
17 rates.

18  
19 **Q. Please describe the TCJA.**

20 A. On December 22, 2017, the President signed into law the "Tax Cuts and Jobs  
21 Act" ("TCJA") which substantially modifies the Internal Revenue Code and has a  
22 direct impact on SWRI and other regulated utilities. While the Company  
23 continues to analyze all of the provisions of the TCJA, the provision that has an

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1 immediate and measurable impact in this case is the reduction of the corporate  
2 income tax rate from 35% to 21%. This change reduces both current and  
3 deferred Federal Income Tax Expense for SUEZ Water Rhode Island Inc.  
4 (“SWRI” or “Company”) and this change in tax rate reduces the amount of  
5 Accumulated Deferred Income Tax (ADIT) required.

6  
7 **Q. Please describe how the Company reflected the TCJA in its books and**  
8 **records.**

9 A. The Company has made a calculation of the required amount of federal  
10 accumulated deferred income taxes required reflecting the change in income tax  
11 rate from 35% to 21%. The net change resulting from the calculation was  
12 recorded as a regulatory liability. This regulatory liability was then “grossed-up”  
13 to reflect the tax effect at 21% of the regulatory liability. The “gross-up” then  
14 creates an equal and offsetting deferred tax asset which is included in the overall  
15 ADIT of the Company. As a result, the amount of ADIT plus the amount of the  
16 grossed-up regulatory liability is equivalent to the ADIT before reflection of the  
17 effects of the TCJA. These entries were recorded as of December 31, 2017.

18  
19 **Q. How are these balances incorporated into the Company’s filing?**

20 A. As summarized on Exhibit 4, Schedule 5A, the Company’s filing begins with the  
21 December 31, 2017 ADIT balance and includes monthly projections through  
22 September 30, 2019 utilizing the 21% FIT rate. The calculations of the  
23 projections are shown on Exhibit 4, Schedule 5B.

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The Regulatory Liability balance is increased by an estimate of the taxable income by month thru September 30, 2018. As current rates established in the Company's last rate case included income taxes at the then effective FIT rate of 35%, the calculated difference in taxes at the two rates should be included until September 30, 2018 which is the date at which rates should be effective from this case. The filing estimates these monthly amounts by utilizing 2017 monthly per book taxable income. The calculations are shown on Exhibit 4, Schedule 5C. Beginning in October, 2018, the regulatory liability is amortized over a 50 year amortization period. The Company includes this amortization in Exhibit 3, Schedule 21 sponsored by Ms. Gil.

Finally, Exhibit 4, Schedule 5D calculates the ADIT balances related to AFUDC and to Cost of Removal which are also summarized on Schedule 5A

**Q. What is the basis for the amortization period of the regulatory liability?**

A. This is the Company's current estimate of the amortization required under the Normalization Requirements of the TCJA utilizing the "Alternative Method".

**Q. Are the amounts of the Federal ADIT balances as well as the resulting regulatory liabilities "set in stone" at this point?**

A. No. The complexity of the accounting related to the TCJA is such that changes to the Federal ADIT balance and/or the balance of the regulatory liability could

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1 occur as the Company continues to review and analyze its December 2017  
2 entries to record the impact of the TCJA changes. As such, the Company  
3 reserves the option to supplement this and other related testimony to reflect such  
4 updates which are essential to the correct calculation of the impact of the TCJA  
5 on rates in this case.

6

7 **Q. Does this conclude your testimony at this time?**

8 A. Yes it does.

DOCKET	RATE CASE PROCEEDING STYLED AS	TYPE
<b>New York Public Service Commission</b>		
16-W-0130	Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Suez Water New York Inc. for Water Service	Joint Proposal
13-W-0246	Verified Petition of United Water New York Inc. for Implementation of a Long-Term Water Supply Surcharge, And Related Tariff Amendment	Direct and Rebuttal
09-W-0731	In the matter of a Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of United Water New York Inc. for Water Service	Rebuttal
09-W-0824	In the matter of a Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of United Water New Rochelle Inc. for Water Service	Rebuttal
<b>Arkansas Public Utility Commission</b>		
09-030-U	In the Matter of the Application of United Water Arkansas Inc. for Approval of a General Change in Rates and Tariffs	Direct
<b>Pennsylvania Public Utility Commission</b>		
R-2011-2232985	Pennsylvania Public Utility Commission vs. United Water Pennsylvania Inc.	Direct and Rebuttal
R-2009-2122887	Pennsylvania Public Utility Commission vs. United Water Pennsylvania Inc.	Direct and Rebuttal
<b>Delaware Public Service Commission</b>		
10-421	Application of United Water Delaware for a General Increase in Rates	Direct
09-60	Application of United Water Delaware for a General Increase in Rates	Direct
<b>New Jersey Board of Public Utilities</b>		
WR11070428	Petition of United Water New Jersey for approval of an increase in rates for water service and other tariff changes.	Direct
WR09120987	Petition of United Water New Jersey for approval of an increase in rates for water service and other tariff changes.	Direct
WR08090710	Petition of United Water New Jersey for approval of an increase in rates for water service and other tariff changes.	Direct
WR08030139	Petition of United Water Toms River for approval of an increase in rates for water service and other tariff changes.	Direct
<b>Kansas Corporation Commission</b>		
08-ATMG-280-RTS	In the Matter of the Application of Atmos Energy Corporation for Adjustment of its Natural Gas Rates	Direct
03-ATMG-1036-RTS	In the Matter of the Application of Atmos Energy for Adjustment of its Natural Gas Rates in the States of Kansas	Direct and Rebuttal
<b>Tennessee Regulatory Authority</b>		
2007-00105	Petition of Atmos Energy Corporation for Approval of Adjustments of its Rates and Revised Tariffs	Direct

DOCKET	RATE CASE PROCEEDING STYLED AS	TYPE
2005-00258	Petition of the Consumer Advocate to open an investigation to determine whether Atmos Energy Corp. should be required by the Tennessee Regulatory Authority to appear and show cause that Atmos Energy Corp. is not overearning in violation of Tennessee Law and that it is charging rates that are just and reasonable.	Direct and Rebuttal
<b>Kentucky Public Service Commission</b>		
2005-00057	Office of the Attorney General Commonwealth of Kentucky Complaint	Rebuttal
2006-00464	Application of Atmos Energy Corporation for an adjustment of gas rates	Direct
<b>Railroad Commission of Texas</b>		
9670, 9676	Petition for de novo review of the reduction of the gas utility rates of Atmos Energy Corp., Mid-tex division, by the cities of Addison, Benbrook, Blue Ridge, Et Al., and statement of intent filed by Atmos Energy Corp., Mid-tex division to change rates in the company's statewide gas utility system.	Direct
9002 - 9135	Statement of Intent Filed by Energas Company to Increase Rates Charged in the 67 West Texas Cities: Petition by Energas for Review of 67 Municipal Rate Decisions	Direct and Rebuttal
<b>Missouri Public Service Commission</b>		
GR-2006-0387	Atmos Energy Corporation's tariff revision designed to consolidate rates and implement a general rate increase for natural gas service	Direct
<b>Louisiana Public Service Commission</b>		
U-28814	Petition of Trans Louisiana Gas Company, a regulatory division of Atmos Energy Corporation, requesting approval of a Conservation and Consumer Cost Stabilization rider.	Direct
U-21922, U-23508 Consolidated	Louisiana Public Service Commission, ex parte, Consolidated Docket U-21922 and U-23508, In re: Docket No. U-21922, In re: Investigation of the Rates and Charges of Trans Louisiana Gas Company, A Division of Atmos Energy Corp. etc.	Direct and Rebuttal
<b>Georgia Public Utility Commission</b>		
20298-U	Filing of Increased Rates for Natural Gas Service	Direct
<b>Virginia Corporation Commission</b>		
PUE 2003-00507	Atmos Energy Corporation for an increase in rates.	Direct
PUE 000171	Atmos Energy Corporation for an increase in rates.	Direct
<b>Colorado Public Utility Commission</b>		
00S-668G	In the matter of the tariff sheets filed by Greeley Gas Company, a Division of Atmos Energy Corp with Advice Letter No. 419 regarding comprehensive changes to the rates, terms and conditions for natural gas sales, and transportation services	Direct