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November 16, 2017

Via Hand Delivery

Hon. Irene Kim Asbury
Secretary
Board of Public Utilities
44 South Clinton Ave, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

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By CMS

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BOARD OF PUBLIC UTILITIES
MAIL ROOM

Re: New Jersey-American Water Company, Inc. Distribution System Improvement Charge
("DSIC") Foundational Filing
BPU Docket No. WR1711 **1183**

Dear Secretary Asbury:

On behalf of New Jersey American Water Company ("NJAWC"), enclosed herewith are an original and three (3) copies of the filing in the referenced matter. The filing consists of the required Foundational Filing pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-10.1 *et seq.*, and such statutes, regulations and Board orders that may be deemed by the Board to be applicable, for approval to file and implement a Distribution System Improvement Charge ("DSIC") for the renewal of water distribution system assets. The Company is also supplying eight (8) additional copies of the entire filing on individual disks. Additional hard copies will be forwarded at the request of Board Staff.

Please stamp one of the copies of the filing as "Received" and return it to the Company representative serving the filing.

Respectfully submitted,

Suzana Duby

SD:dlc
Enc.

c: Maria Moran, Director, Division of Water and Wastewater (via hand delivery)
Stefanie A. Brand, Director, Division of Rate Counsel (via hand delivery)
Mona Mosser, Bureau Chief, Conservation and Engineering (via hand delivery)

CMS
J. Kane
DAG
RPA
M. Moran
M. Kammer
M. Mosser

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NOV 17 2017

BOARD OF PUBLIC UTILITIES
MAIL ROOM

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF
NEW JERSEY-AMERICAN WATER
COMPANY, INC. FOR AUTHORIZATION
TO IMPLEMENT A DISTRIBUTION
SYSTEM IMPROVEMENT CHARGE

:
: BPU Docket No. WR1711____
:
:
: **PETITION**
:
:

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, New Jersey-American Water Company, Inc. (“NJAWC” or “Company”), a duly organized and existing public utility corporation of the State of New Jersey, with its principal office at 1025 Laurel Oak Road, Voorhees, New Jersey 08043, hereby petitions the Board of Public Utilities (“Board”) of the State of New Jersey, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-10.1 et seq., and such statutes, regulations and Board orders that may be deemed by the Board to be applicable, for approval to file and implement an automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (“DSIC” or “Surcharge”) for the renewal of water distribution system assets for the period of 2018 through 2020. The proposed rates in this Petition, if approved, would increase annual revenues in increments occurring at approximately six-month intervals over a period of approximately 24-36 months, commencing approximately eight months after approval of this filing, as infrastructure is renewed or replaced, placed in service, and is used for providing service to customers, by no more than approximately \$41,394,000¹ or 5%, the maximum

¹ The final cap number is expected to be set in the Company’s current base rate case proceeding, Docket No. WR17090985.

DSIC revenue allowable under N.J.A.C. 14:9-10.1, et seq., over the time covered by the Company's Foundational Filing (attached).

In support of this Petition, NJAWC states as follows:

1. NJAWC is a regulated public utility corporation engaged in the production, treatment and distribution of water, and collection and treatment² of wastewater within its defined service territory within the State of New Jersey. Said service territory includes portions of the following counties: Atlantic; Bergen, Burlington; Camden; Cape May; Essex; Gloucester; Hunterdon; Middlesex; Mercer; Monmouth; Morris; Ocean; Passaic; Salem; Somerset; Union; and Warren. As of December 31, 2016, NJAWC serves approximately 631,000 water and fire service customers and 41,000 sewer service customers in 18 counties throughout the state.

2. In support of this Petition, NJAWC submits the attached Foundational Filing, consisting of the following:

- a) An engineering evaluation report ("Engineering Report") of the water utility's distribution system that:
 - i. Identifies the rationale for the work needed to be accelerated for the water utility to properly sustain its water distribution network; and
 - ii. Demonstrates that the plan proposed to accelerate the renewal of the distribution network is the most cost effective plan; and
 - iii. To the extent that elements of the distribution network are failing, identifies what mechanisms are causing the failures; and
 - iv. Identifies what is being done to extend the life of the water utility's assets.

² Currently, NJAWC treats wastewater at its Haddonfield, Pottersville, Deep Run, and former AWWM facilities.

- b) DSIC project information for the upcoming DSIC-period that includes the following:
 - i. Aggregate information capturing blanket type DSIC-eligible infrastructure to be rehabilitated or replaced (e.g., number of valves, number of hydrants, or number of service lines replaced) and the estimated annual cost of such blanket type replacement programs (see Section 2 of the Engineering Report);
 - ii. Vintage, condition, and other similar relevant, reasonably available information about the eligible infrastructure that is being rehabilitated or replaced (see Sections 3 through 6 of the Engineering Report);
 - iii. The nature, location, estimated duration of project work (including estimated in-service dates) and a description and reason for project necessity (see Sections 3 through 6 of the Engineering Report and Appendix C);
 - iv. A list of projects with project identification numbers, DSIC-eligible asset class or category, and estimated project costs (see Appendix C);
 - v. Other such relevant and appropriate information to assist in making an informed decision regarding any given project.
- c) The expected amount of NJAWC's base spending, including underlying detail documenting that the base spending has been made on the appropriate types of infrastructure; a proposed DSIC assessment, calculated in accordance with subsection N.J.A.C. 14:9-10.8; and work papers showing the detailed calculations supporting the proposed assessment schedule. (see Appendix D)

3. In BPU Docket No. WO10090655, the Board approved a Distribution System Improvement Charge (DSIC), which was published in the New Jersey Register on June 4, 2012 and effective on that date. The DSIC rules were adopted as an amendment and addition to the New Jersey Administrative Code (N.J.A.C.) as Section 14:9-10.1 et seq. The DSIC rules were amended and readopted, effective August 7, 2017. The rule sets forth the conditions and procedures pursuant to which regulated water utilities may seek recovery of eligible capital investments through monthly surcharges, set semi-annually, on customer bills.

4. The present Petition is filed in accordance with N.J.A.C. 14:9-10.1 et seq. and 14:1-5.1 et seq.

5. If implemented in the semi-annual increments described above, over the time period the Foundational Filing is expected to be in effect, (approximately 24-36 months) the maximum allowable monthly surcharge under N.J.A.C. 14:9-10.1, et seq., would be approximately \$4.02 per month for a five-eighths inch (5/8") meter at the end of the time period covered by the Foundational Filing. This estimated maximum monthly surcharge is an approximate number only and may be higher or lower depending on many factors, including changes in the number of customers served by the Company and changes in interpretation of the DSIC rules. Surcharges on meters of other sizes will be calculated as set forth in the rule. Such surcharges will be implemented incrementally, after semi-annual DSIC filings, as set forth in N.J.A.C. 14:9-10.5, 10.8 and 10.9, and may not generate revenues that exceed the DSIC cap as defined in N.J.A.C. 14:9-10.2 and described above.

6. With respect to N.J.A.C. 14:9-10.4, to reach the 5.0% maximum DSIC revenue cap of \$41,394,000 the Company's eligible capital spending above base spending would be approximately \$356,000,000 over the effective time period of this Foundational Filing.

7. Notice of this filing, and the effect thereof, will be served by mail upon the clerks of municipalities within the Petitioner's service area, upon the Clerks of the Boards of Chosen Freeholders within Petitioner's service area, and upon the County Executives within Petitioner's service area, at least twenty (20) days prior to the date set for the public hearing, which notice shall include and specify the time and place of said hearing.

8. Customers will be notified of this filing and the effect thereof as well as the time and place of the public hearing by publication of the Public Notice at least twenty (20) days prior to the date set for the public hearing, in newspapers of general circulation within Petitioner's service territory.

9. Notice of this filing and three (2) copies thereof have been served upon the Director, Division of Rate Counsel, 140 East Front Street, Trenton, New Jersey .

10. Notice of this filing and two (2) copies of the filing have been served upon the Department of Law & Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07101.

11. Proof of Service of the Notice as previously referred to herein will be filed with the Board.

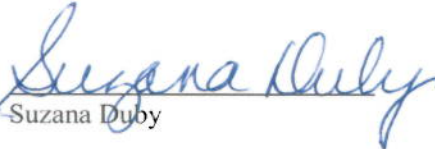
12. Petitioner respectfully submits that the investments proposed and rates requested by it herein are just and reasonable in all respects.

WHEREFORE, Petitioner respectfully requests that the Board find and determine as follows:

1. That the investments proposed and subsequent rates set forth in this Foundational Filing, are just and reasonable; and
2. That the Petitioner's Foundational Filing is approved in all respects.

Respectfully submitted,

NEW JERSEY-AMERICAN
WATER COMPANY, INC.


By: Suzana Duby

Dated: November 16, 2017

Communications addressed to Petitioner
in this case should be sent to:

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