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CASE MANAGEMENT



NEW JERSEY
AMERICAN WATER

AUG 30 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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Handwritten signature
9/14/18

August 24, 2018

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AUG 30 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Via E-mail and Regular Mail

Hon. Aida Camacho-Welch
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Fl., Suite 314
Trenton, New Jersey 08625

**Re: New Jersey-American Water Company, Inc. Distribution System Improvement Charge
("DSIC") Foundational Filing – Revised Appendices C&D
BPU Docket No. WR17111183**

Dear Secretary Camacho-Welch:

Enclosed herewith are revised Appendices C and D. These appendices are being submitted as requested by both Staff and Rate Counsel from the conference call discussions held on Tuesday, August 14th. In addition, please find a supplemental Appendix which includes all projects previously approved, but not initiated, under the BPU-approved 2015 Foundational Filing. Since these projects are approved and eligible for inclusion in a future DSIC recovery period filing, it is the Company's intention to utilize the projects listed in the supplemental Appendix in the future as either substitute projects or as DSIC-eligible projects initiated under any future gap period, as set forth in, *inter alia*, N.J.A.C. 14:9-10.4.

Very truly yours,

Robert Brabston

RB:dlc
Enclosures

cc: Service list (via email, w/enc.) ✓

Handwritten initials
CMS
M. Lopez Esq.

**I/M/O the Petition of New Jersey American Water Company, Inc. for Authorization to
Implement a Tariff Supplement Establishing a Distribution System Improvement Charge
BPU Docket No. WR17111183
Service List**

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**I/M/O the Petition of New Jersey American Water Company, Inc. for Authorization to
Implement a Tariff Supplement Establishing a Distribution System Improvement Charge
BPU Docket No. WR17111183
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BOARD OF PUBLIC UTILITIES
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NJAWC Proposed DSIC Assessment 1
Note: Includes Gap period of April 2018 through September 2018)

Total Proposed DSIC Additions (Nov 2018-Apr 2019)	\$ 138,018,000
Less: Base Expenditures (Nov 2018-Apr 2019)	(8,000,000)
Eligible Investment (Qualified DSIC Additions to UPIs During DSIC Period)	130,018,000 (A)
Less: Accum Depr	(498,428) (B)
Less: Deferred Tax	(168,368) (C)
Eligible Net Investment (net DSIC Additions to UPIs During DSIC Period)	129,351,204
Times Pre-Tax ROR	X 8.84% (D)
Pre-Tax Return on Investment	11,433,524
Add Depreciation	1,993,712
Revenue Recovery	13,427,335
Revenue Factor	1,170,197 (E)
DSIC Revenue Requirement Recovery Amount - Annual	15,712,533 (F)
DSIC Revenue Requirement Recovery Amount - Monthly	\$1,309,386

(A) - Includes 6-months actual DSIC eligible projects closed to UPIs during DSIC Period

(B) - Accumulated Depreciation:
DSIC Eligible projects closed to UPIs
Composite Depreciation rate
Depreciation Expense
1/2 Year Convention (for first 6-months)

\$130,018,000
1.53%
1,993,712
498,428

(C) - Deferred Taxes:

DSIC Eligible projects closed to UPIs
MACRS rate for 1st Year Water Plant
Tax Depreciation 1st Year
Book Depreciation
Tax Depr Greater than Book
Deferred Taxes at 21%

\$130,018,000
4.00%
1,300,180
498,428
801,752
\$168,368

(D) - Pre-Tax Rate of Return:

Long Term Debt
Common Equity
Subtotal Return on Rate Base

RATIOS	COST RATE	WEIGHTED AVG COST of CAPITAL	Pre-Tax ROR
46.00%	4.95%	2.28%	2.28%
54.00%	9.60%	5.18%	6.56%
100.00%		7.46%	8.84%

(E) - Revenue Factor:

Dollar of Revenue
Less: GRT Tax
Less: Bad Debts & Reg Assessments
Less: BPU Assessment
Less: DRC Assessment
Revenue remaining after taxes, bad debts, and assessments
Revenue (Gross-up) Factor

\$1,00000	(0.1376832) (per WR17090985 As Filed)
(0.0049000)	(per WR17090985 As Filed)
(0.0023461)	(per most recent assessment)
(0.0005141)	(per most recent assessment)
\$0.854557	
\$1.170197	

(F) - Revenue Requirement:

Please note that the revenue requirement is limited by the DSIC-cap described above. For example if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC-cap would be calculated as follows:

Total annual revenues from most recent base rate case of \$100,000,000 X 5.00% = \$5,000,000
The Company's revenue requirement in the above example can not be greater than \$5,000,000 per year.

Monthly cost per 5/8th Inch Meter - Typical Residential Customer -
DSIC Revenue as a % of total Water Revenue \$695,578,418

\$1.52
2.28%

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NJAWC Proposed DSIC Assessment 2

Total Proposed DSIC Additions (May 2019-Oct 2019)
 Less: Base Expenditures (May 2019-Oct 2019) 102,806,313
 Less: Base Expenditures (Nov 2018-Apr 2019) (28,424,313)
Total Proposed DSIC Additions (Nov 2018-Apr 2019) 138,018,000
 Less: Base Expenditures (Nov 2018-Apr 2019) (8,000,000)
Eligible Investment (Qualified DSIC Additions to UPIs During DSIC Period) 204,400,000 (A)
 Less: Accum. Depr. (1,780,429) (B)
 Less: Deferred Tax (801,425) (C)
Eligible Net Investment (net DSIC Additions to UPIs During DSIC Period) 202,018,145 (D)
 Times Pre-Tax ROR X 8.54% (E)
Pre-Tax Return on Investment 17,856,807
 Add Depreciation 3,194,294
Revenue Recovery 20,991,101
 Revenue Factor 1,170,917 (E)
DSIC Revenue Requirement Recovery Amount - Annual 24,553,732 (F)
DSIC Revenue Requirement Recovery Amount - Monthly \$2,046,978

(A) - Includes 6-months actual DSIC eligible projects closed to UPIs during DSIC Period

(B) - Accumulated Depreciation:

1st 6-Months	2nd 6-Months	Total
\$130,018,000	74,382,000	\$204,400,000
1.53%	1.53%	1.53%
1,993,712	1,140,583	3,134,294
\$1,495,284	\$285,146	\$1,780,429

(C) - Deferred Taxes:

1st 6-Months	2nd 6-Months	Total
\$130,018,000	\$74,382,000	\$204,400,000
4.00%	4.00%	4.00%
3,900,540	743,820	4,644,360
1,495,284	285,146	1,780,429
2,403,256	458,674	2,863,931
\$505,104	\$96,322	\$601,426

(D) - Pre-Tax Rate of Return:

RATIOS	COST RATE	WEIGHTED AVG COST OF CAPITAL	Pre-Tax ROR
Long Term Debt	46.00%	4.95%	2.28%
Common Equity	54.00%	9.60%	5.18%
Subtotal Return on Rate Base	100.00%	7.46%	8.94%

(E) - Revenue Factor:

Dollar of Revenue	\$1,000,000
Less: GRT Tax	(0.1376832) (per WRI17090985 As Filed)
Less: Bad Debts & Reg Assessments	(0.0049000) (per WRI17090985 As Filed)
Less: BPU Assessment	(0.0023461) (per most recent assessment)
Less: DRC Assessment	(0.0005141) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	\$0.854557
Revenue (Gross-up) Factor	\$1.170197

(F) - Revenue Requirement:
 Please note that the revenue requirement is limited by the DSIC-cap described above. For example if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC-cap would be calculated as follows:

Total annual revenues from most recent base rate case of \$100,000,000 X 5.00% = \$5,000,000
 The Company's revenue requirement in the above example can not be greater than \$5,000,000 per year.

Monthly cost per 5/8th Inch Meter - Typical Residential Customer -

DSIC Revenue as a % of total Water Revenue \$695,578,418	\$2.38
	3.53%

NAJAWC Proposed DSIC Assessment 3

Total Proposed DSIC Additions (Nov 2019-Apr 2020)	\$ 104,312,000
Less: Base Expenditures (Nov 2019-Apr 2020)	(18,212,000)
Total Proposed DSIC Additions (May 2019-Oct 2019)	102,806,313
Less: Base Expenditures (May 2019-Oct 2019)	(28,424,313)
Total Proposed DSIC Additions (Nov 2018-Apr 2019)	138,018,000
Less: Base Expenditures (Nov 2018-Apr 2019)	(8,000,000)
Eligible Investment (Qualified DSIC Additions to UPIs During DSIC Period)	\$ 290,500,000 (A)
Less: Accum Depr	(3,677,643) (B)
Less: Deferred Tax	(1,242,301) (C)
Eligible Net Investment (net DSIC Additions to UPIs During DSIC Period)	285,580,056
Times Pre-Tax ROR	X 8.84% (D)
Pre-Tax Return on Investment	25,243,019
Add Depreciation	4,454,562
Revenue Recovery	29,697,581
Revenue Factor	1,170,197 (E)
DSIC Revenue Requirement Recovery Amount - Annual	34,752,032 (F)
DSIC Revenue Requirement Recovery Amount - Monthly	\$2,896,003

(A) - Includes 6-months actual DSIC eligible projects closed to UPIs during DSIC Period

(B) - Accumulated Depreciation:

DSIC Eligible projects closed to UPIs	1st 6-Months	2nd 6-Months	3rd 6-Months	Total
Composite Depreciation rate	130,018,000	74,382,000	\$86,100,000	\$290,500,000
Depreciation Expense	1,53%	1,53%	1,53%	1,53%
1/2 Year Convention (for first 6-months)	1,993,712	1,140,583	1,320,288	4,454,582
	\$2,492,140	\$895,437	\$330,067	\$3,677,643

(C) - Deferred Taxes:

DSIC Eligible projects closed to UPIs	1st 6-Months	2nd 6-Months	3rd 6-Months	Total
MACRC rate for 1st Year Water Plant	\$730,018,000	\$74,382,000	\$86,100,000	\$290,500,000
Tax Depreciation 1st Year	4,00%	4,00%	4,00%	4,00%
Book Depreciation	6,500,900	2,231,460	861,000	9,593,360
Tax Depr Greater than Book	2,492,140	895,437	330,067	3,677,643
Deferred Taxes at 21%	4,008,760	1,376,023	530,933	5,915,717
	\$941,040	\$288,985	\$111,496	\$1,242,301

(D) - Pre-Tax Rate of Return:

Long Term Debt	RATIOS	WIGHTED AVG COST OF CAPITAL	Pre-Tax ROR
Common Equity	46.00%	4.95%	2.28%
Subtotal Return on Rate Base	54.00%	9.60%	5.18%
	100.00%	7.46%	8.84%

(E) - Revenue Factor:

Dollar of Revenue	\$1,000,000
Less: GRT Tax	(0.1376832) (per most recent base rate case)
Less: Bad Debts & Reg Assessments	(0.0049000) (per most recent base rate case)
Less: BPU Assessment	(0.0023461) (per most recent assessment)
Less: DRC Assessment	(0.0005141) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	\$0.854557
Revenue [(Gross-up) Factor]	\$1.170197

(F) - Revenue Requirement:

Please note that the revenue requirement is limited by the DSIC-cap described above. For example if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC-cap would be calculated as follows:

Total annual revenues from most recent base rate case of \$100,000,000 X 5.00% = \$5,000,000
The Company's revenue requirement in the above example can not be greater than \$5,000,000 per year.

Monthly cost per 5/8th Inch Meter - Typical Residential Customer -
DSIC Revenue as a % of total Water Revenue \$695,578,418

\$3.37
5.00%

NJAWC Proposed DSIC Assessment 4

Total Proposed DSIC Additions (May 2020-Oct 2020) \$ 21,012,313

Less: Base Expenditures (May 2020-Oct 2020) (18,212,313)

Total Proposed DSIC Additions (Nov 2019-Apr 2020) 104,312,000

Less: Base Expenditures (Nov 2019-Apr 2020) (18,212,000)

Total Proposed DSIC Additions (May 2019-Oct 2019) 102,805,313

Less: Base Expenditures (May 2019-Oct 2019) (28,424,313)

Total Proposed DSIC Additions (Nov 2018-Apr 2019) 138,018,000

Less: Base Expenditures (Nov 2018-Apr 2019) (8,000,000)

Eligible Investment (Qualified DSIC Additions to UPIIS During DSIC Period) \$ 293,300,000 (A)

Less: Accum Depr (5,915,658) (B)

Less: Deferred Tax (1,998,297) (C)

Eligible Net Investment (net DSIC Additions to UPIIS During DSIC Period) 285,386,044

Times Pre-Tax ROR X 8.84% (D)

Pre-Tax Return on Investment 25,225,870

Add Depreciation 4,497,497

Revenue Recovery 29,723,367

Revenue Factor 1,170197 (E)

DSIC Revenue Requirement Recovery Amount - Annual 34,782,207 (F)

DSIC Revenue Requirement Recovery Amount - Monthly \$2,998,517

(A) - Includes 6-months actual DSIC eligible projects closed to UPIIS during DSIC Period

(B) - Accumulated Depreciation:

1st 6-Months	2nd 6-Months	3rd 6-Months	4th 6-Months	Total
\$130,018,000	\$74,382,000	\$86,100,000	\$2,800,000	\$293,300,000
1.53%	1.53%	1.53%	1.53%	1.53%
1,993,712	1,140,583	1,320,268	42,936	4,497,497
\$3,488,995	\$1,425,728	\$990,201	\$10,734	\$5,915,658

(C) - Deferred Taxes:

1st 6-Months	2nd 6-Months	3rd 6-Months	4th 6-Months	Total
\$130,018,000	\$74,382,000	\$86,100,000	\$2,800,000	\$293,300,000
4.00%	4.00%	4.00%	4.00%	4.00%
9,101,260	3,719,100	2,583,000	28,000	15,431,360
3,488,995	1,425,728	990,201	10,734	5,915,658
5,612,265	2,293,372	1,592,799	17,266	9,515,702
\$1,178,576	\$461,808	\$334,488	\$3,026	\$1,988,297

(D) - Pre-Tax Rate of Return:

RATIOS	COST RATE	WEIGHTED AVG COST of CAPITAL	Pre-Tax ROR
Long Term Debt	4.95%	2.28%	2.28%
Common Equity	64.00%	9.80%	6.58%
Subtotal Return on Rate Base	100.00%	7.48%	8.84%

(E) - Revenue Factor:

Dollar of Revenue	\$1,000,000
Less: GRT Tax	(0.1376832) (per WRS17090995 As Filed)
Less: Bad Debts & Reg Assessments	(0.0049900) (per WRS17090995 As Filed)
Less: BPU Assessment	(0.0023461) (per most recent assessment)
Less: DRC Assessment	(0.0005141) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	\$0.884657
Revenue (Gross-up) Factor	\$1.170197

(F) - Revenue Requirement:

Please note that the revenue requirement is limited by the DSIC-cap described above. For example if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC-cap would be calculated as follows:

Total annual revenues from most recent base rate case of \$100,000,000 X 5.00% = \$5,000,000

The Company's revenue requirement in the above example can not be greater than \$5,000,000 per year.

Monthly cost per 6/8th Inch Meter - Typical Residential Customer -

DSIC Revenue as a % of total Water Revenue \$695,578,418	\$3.37
	5.00%

**Composite Depreciation Rate DSC -
Based on WR17090985 - Settlement**

	A		B		C		D		A+D
	Balance	Weight	Depr Rate	Weighted Rate	Annual Depr	Taxable CIAC Amort	NT CIAC Amort	CIAC Total	DSC CASE
TD Mains Not Classified	497,874,376	18.71%	0.80%	0.150%	3,982,995				21,360,453
TD Mains 4in & Less	44,223,231	1.66%	2.76%	0.046%	1,220,561				10,220,520
TD Mains 6in to 8in	744,347,636	27.96%	1.64%	0.459%	12,207,301				4,176,233
TD Mains 10in to 16in	480,558,516	18.05%	1.11%	0.200%	5,334,200				
TD Mains 18in & Gtr	220,299,524	8.28%	1.26%	0.104%	2,775,774				
Subtotal - T&D Mains	1,987,303,283	74.66%		0.959%	25,520,831			(4,190,373)	
Services	529,946,031	19.91%	2.09%	0.416%	11,075,872			(155,312)	
Hydrants	144,462,515	5.43%	2.92%	0.158%	4,218,305			(45,010)	
Total	2,661,711,829	100.00%		1.53%	40,815,008			(4,390,695)	

Monthly DSIIC Charge Based on Meter Size and % Increase (b)

Meter Size	5/8" Equivalent (A)	Monthly DSIIC Charge Based on Meter Size and % Increase (b)							
		0.50%	1.00%	1.50%	2.00%	3.00%	4.00%	5.00%	
5/8	1.0	\$ 0.34	\$ 0.67	\$ 1.01	\$ 1.35	\$ 2.02	\$ 2.70	\$ 3.37	
3/4	1.5	\$ 0.51	\$ 1.01	\$ 1.52	\$ 2.02	\$ 3.04	\$ 4.05	\$ 5.06	
1	2.5	\$ 0.84	\$ 1.69	\$ 2.53	\$ 3.37	\$ 5.06	\$ 6.75	\$ 8.43	
1-1/2	5.0	\$ 1.69	\$ 3.37	\$ 5.06	\$ 6.75	\$ 10.12	\$ 13.49	\$ 16.87	
2	8.0	\$ 2.70	\$ 5.40	\$ 8.10	\$ 10.80	\$ 16.19	\$ 21.59	\$ 26.99	
3	15.0	\$ 5.06	\$ 10.12	\$ 15.18	\$ 20.24	\$ 30.36	\$ 40.48	\$ 50.60	
4	25.0	\$ 8.43	\$ 16.87	\$ 25.30	\$ 33.74	\$ 50.60	\$ 67.47	\$ 84.34	
6	50.0	\$ 16.87	\$ 33.74	\$ 50.60	\$ 67.47	\$ 101.21	\$ 134.95	\$ 168.68	
8	80.0	\$ 26.99	\$ 53.98	\$ 80.97	\$ 107.96	\$ 161.94	\$ 215.91	\$ 269.89	
10	100.0	\$ 33.74	\$ 67.47	\$ 101.21	\$ 134.95	\$ 202.42	\$ 269.89	\$ 337.37	
12	125.0	\$ 42.17	\$ 84.34	\$ 126.51	\$ 168.68	\$ 253.02	\$ 337.37	\$ 421.71	
16	200.0	\$ 67.47	\$ 134.95	\$ 202.42	\$ 269.89	\$ 404.84	\$ 539.78	\$ 674.73	

(A) Based on American Water Works Association ("AWWA") flow rates. A 5/8-inch meter is equivalent to one (1) unit, whereas a 1-inch meter is equivalent to 2.5 units based on the amount of water that will flow through the meter size.

(B) Please note that the DSIIC surcharge will be implemented on a monthly basis, after the approval of the Foundational Filing listing all of the projects; the completion of approved projects that are providing utility service to the customer; and the submission of the semi-annual filing documenting the completion, location, timing, and cost of the individual project. The maximum surcharge is 5.0%; however the surcharge will be implemented in semi-annual increments as the approved projects are placed in service. The Company may never reach the allowed maximum amount of 5.0%, and if it does, it will most likely take 24 - 36 months to do so.

DISC SURCHARGE BILL IMPACT

NEW JERSEY AMERICAN WATER COMPANY

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size	S&S Equivalent	GMS			Resale			Exempt			Total	
		Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting**	Number of Meters	Weighting	Number of Meters	Weighting	
5/8	1.0	547,801	547,801	1	1	18	14	547,818	547,818			
3/4	1.5	18,377	27,491	0	0	2	3	18,329	27,494			
1	2.5	44,030	110,075	2	5	4	0	44,039	110,089			
1-1/2	5.0	4,219	21,095	0	0	0	0	4,219	21,095			
2	8.0	12,154	97,232	3	24	8	55	12,165	97,311			
3	15.0	729	10,935	0	0	3	39	740	10,984			
4	25.0	789	19,850	18	450	5	38	799	19,888			
6	50.0	184	9,200	28	1,400	2	86	184	9,200			
8	80.0	65	5,200	13	1,040	0	414	65	5,200			
10	100.0	28	2,800	2	200	2	172	28	2,800			
12	125.0	4	500	0	0	0	0	4	500			
16	200.0	0	0	0	0	1	172	0	0			
Total		628,521	854,429	71	3,180	49	1,072	628,841	859,081			

*Meter Count as of 01/30/2017
 **Weighting deducts impact of GRAFT

PROOF OF REVENUE (Monthly Change)

Meter Size	5/8" Equivalent	Change	GMS Change x Meters	Resale Change	Exempt Change	Total
5/8	1.0	\$3.37	\$1,848,082	\$3.37	\$	\$1,848,142
3/4	1.5	8.43	152,743	3.06	4.36	158,752
1	2.5	8.43	371,187	8.43	7.57	378,764
1-1/2	5.0	16.87	71,167	10.87	14.55	85,722
2	8.0	28.59	328,027	28.59	23.27	351,304
3	15.0	50.80	47,518	50.80	43.64	94,162
4	25.0	84.34	64,288	84.34	72.73	157,021
6	50.0	168.68	32,724	168.68	145.46	374,148
8	80.0	297.89	17,543	297.89	232.73	530,622
10	100.0	357.37	8,772	357.37	290.82	648,157
12	125.0	421.71	1,697	421.71	303.64	725,372
16	200.0	674.73	*	674.73	601.83	1,276,563
Total			\$2,983,897	\$10,728	\$3,016	\$2,997,641

Notes: (a) Total Base Water Revenue - Settlement (Included PWAC) 665,578,418

5% Cap \$34,778,921