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DEC 21 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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Stefanie A. Brand,
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140 East Front Street, 4th
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P.O. Box 003
Trenton, NJ 08625

**Re: IN THE MATTER OF THE PETITION OF AQUA NEW JERSEY, INC.
FOR APPROVAL OF AN INCREASE IN RATES FOR WATER SERVICE
AND OTHER TARIFF CHANGES (2018)**

Docket No. WR1812 (35)

Dear Ms. Brand, Ms. Vachier & Ms. Moran,

In addition to the hard copies of the above-referenced filing made on behalf of Aqua New Jersey, Inc. with the New Jersey Board of Public Utilities today, enclosed you will also find a thumb drive containing an electronic copy of the filing.

Also enclosed is a copy of Aqua's Pre-Filing Guidelines (which has also been included electronically on the thumb drive).

Should you have any questions, please do not hesitate to contact me.

Sincerely,


Courtney L. Schultz

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CASE MANAGEMENT

DEC 21 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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

IN THE MATTER OF THE PETITION	:	
OF AQUA NEW JERSEY, INC.	:	PETITION
FOR APPROVAL OF AN INCREASE	:	
IN RATES FOR WATER SERVICE	:	BPU DKT. NO. WR1812_____
AND OTHER TARIFF CHANGES	:	
(2018)	:	

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Petitioner, Aqua New Jersey, Inc. (hereinafter "Petitioner," "Aqua" or the "Company"), respectfully submits this Petition pursuant to N.J.S.A. 48:2-21, and N.J.A.C. 14:1-5.12, and related statutes and regulations and shows that:

1. Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities (the "Board"). Petitioner's principal business office is located at 10 Black Forest Road, Hamilton, New Jersey 08691.

2. Petitioner is engaged in the business of collecting, treating and distributing water for retail service to approximately 53,000 customers.¹ The Company's customers are located in several municipalities in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Ocean, Sussex, Gloucester and Atlantic Counties, New Jersey. The Company has organized its business by the following Divisions: Northern Division (based in Phillipsburg), Central Division (based in Hamilton), Eastern Division (based in Berkeley) and the Southern Division (based in Blackwood).

¹ Petitioner is also engaged in the wastewater collection, treatment and transmission business and currently serves approximately 6,000 wastewater customers. Rates for wastewater service are not the subject of this Petition.

3. The primary purpose of this Petition is to seek an increase in base rates for water service. The Company's request is driven by several factors including: continuing increases in operating expenses, and the significant capital expenditures required to continue to provide safe, adequate and proper water service and to comply with state and federal regulations. As will be discussed in greater detail in the testimony supporting this Petition, increased expenses, coupled with increased capital expenditures and a trend of declining revenues, have reduced the Company's earnings. Consequently, Petitioner's present rates for water service are not adequate to meet those increased expenses, support the required capital improvement programs, and provide Petitioner with a reasonable return on its investment in utility plant.

4. Petitioner proposes to increase rates for the purpose of producing additional revenues of approximately \$7,201,793 or approximately 18.7% above the adjusted annual level of revenues for the test year ending April 30, 2019. The additional revenues requested herein are required to enable the Company to maintain a satisfactory credit position, preserve its financial integrity, permit proper maintenance and improvement of the utility plant required to furnish safe, adequate and proper service to its customers, encourage continued good management and provide an incentive for efficiency, prevent confiscation or diminution of its property, and to earn a reasonable return upon the fair value of its property used and useful in the public service.

5. In addition to the proposed increase in base rates for water service, Petitioner also seeks the Board's review and approval of the following requests:

- a. To reset to zero its current Distribution System Improvement Charge pending the filing and approval of a new Foundational Filing;
- b. To authorize an acquisition adjustment associated with the Company's purchase of the water systems serving Byram and Cliffside Park;
- c. To implement a new depreciation rate for Transportation Equipment;

- d. To revise the Company's tariffs to reflect the above requests and to make other tariff changes, including the elimination of its Economic Development Program Rider ED;
- e. To implement a new program to assistance low-income residential customers with paying for their water, wastewater or both water and wastewater service; and
- f. To seek special accounting treatment related to the Internal Revenue Service's Repair Election.

Distribution System Improvement Charge

6. Pursuant to N.J.A.C. 14:9-10.1 et seq., the Company previously obtained the Board's approval of a Foundational Filing (in BPU Dkt. No. WR16010089) which authorized Aqua to implement a Distribution System Improvement Charge ("DSIC") to recover certain costs related to investments in DSIC-eligible plant. Since the Board's July 29, 2016 approval in that proceeding, the Company has imposed a DSIC and eventually reached its cap on DSIC-eligible spending.

7. Consistent with N.J.A.C. 14:9-10.6(c), the Company intends to use this base rate proceeding to roll DSIC rates into base rates and to reset the DSIC rate to zero. The Company will obtain approval of a new DSIC Foundational Filing in a separately filed proceeding. Aqua is presently preparing its next DISC Foundational Filing and anticipates making that filing in early 2019.

Cost Recovery Related to Acquisitions

8. Since its last base rate case, Aqua has acquired the assets of the water systems formerly known as the Byram Homeowners Association Water Company, Inc. (“Byram”)² and the Cliffside Park Association, Inc. (“Cliffside”).³ In this proceeding, the Company seeks to reflect an acquisition adjustment as well as the organizational costs associated with these acquisitions, just as the Company has done with prior acquisitions of troubled small water systems. Prior to their purchase by Aqua, these systems both experienced serious environmental problems and had reached a point at which their long-term economic viability was in question. Byram, for example, had experienced a Combined Uranium level in excess of the allowed Maximum Contaminant Level, and did not have the financial resources to install needed uranium treatment facilities. Similarly, Cliffside was required by the New Jersey Department of Environmental Protection (“NJ DEP”) to seal and decommission one of its wells, but informed the NJ DEP that it did not have the financial resources to comply with the NJ DEP’s order. By acquiring these troubled systems and making needed capital, technical and managerial investments, Aqua is helping to insure that the customers of these systems will receive safe, adequate and proper utility service, and that the systems are in compliance with applicable NJ DEP regulations. Therefore, Aqua believes it is appropriate to reflect on its books the full cost of these acquisitions. This issue is discussed in additional detail in the Direct Testimony of Mr. Hildabrant and Mr. Packer.

² In the Matter of the Petition of Aqua New Jersey, Inc. for Approval of a Municipal Consent to Provide Water Service to a Portion of Byram Township and Other Related Approvals, BPU Dkt. No. WE15080957, Order Adopting Stipulation of Settlement (effective May 7, 2016).

³ In the Matter of the Petition of Aqua New Jersey, Inc. for Approval of Municipal Consents to Provide Water Service to Portions of the Township of Mansfield and the Township of Washington, and Other Related Approvals, BPU Dkt. No. WE16040307, Order of Approval (effective September 3, 2016).

Revised Depreciation Rate for Transportation Equipment

9. Pursuant to N.J.A.C. 14:1-5.7, the Company requests that the depreciation rate applicable to Transportation Equipment be changed from 0.69% to 20%. The current depreciation rate was determined using the Company's most recent depreciation study. The Company's proposed depreciation rate reflects the fact that subsequent to our most recent depreciation study, the Company transitioned from a policy of leasing Transportation Equipment to purchasing, and believes that a 5-year life for such equipment is appropriate. The impact of this proposed change on the Company's operating revenue deductions and operating income are estimated to be \$413,018. The Company seeks approval of this revised depreciation rate in this proceeding, and proposes to implement it upon approval of the revised rate by the Board in this matter.

Public and Private Fire Charges

10. Over its last several rate cases, the Company has taken steps to recognize, and mitigate to the extent possible, increases in charges for fire protection services. In particular, the Company has attempted to mitigate increases to public fire charges in recognition of the impact of these charges on the municipalities and fire districts the Company serves. In addition, the Company has attempted to address the disparity in public fire charges between municipalities. In this proceeding, the Company generally proposes to increase fire charges (private and public fire combined) by approximately 16.1% and to increase the fire charges for some municipalities so that they are closer to the overall system average public fire rate. As discussed in greater detail in Mr. Franceski's testimony, the Company believes that this proposal will not create undue hardship, will assist Aqua's municipalities and fire districts, and will better align its rates to the customers benefitting from the services they receive.

Revised Tariff

11. Attached as Exhibit P-5 is a proposed revised tariff. In this revision, the Company has conducted a comprehensive review of its tariff to insure that it is fully compliant with existing Board regulations. In addition, the Company has made changes to some sections of its tariff to make the language clearer to its customers. Finally, the Company has eliminated its Rider ED - Economic Development Program tariff because there has been very limited interest in the program and no customers have received service pursuant to the program. Therefore, the Company proposes to eliminate this provision.

Low-Income Assistance Program

12. As described in greater detail in Mr. Hildabrant's Direct Testimony, the Company proposes to implement a program to provide assistance to low-income residential customers who are having difficulty paying their Aqua water, wastewater or both water and wastewater bills. Customers with household incomes up to 200% of the Federal Poverty Guidelines would be potentially eligible for the program. The program would be funded by voluntary contributions from customers and would be administered by a charitable organization. Aqua hopes to commence the program as soon as possible and seeks the Board's approval of the program, to the extent such approval is required.

Special Accounting Treatment

13. As explained in detail in Mr. Packer's Direct Testimony, Aqua is presently considering the Internal Revenue Service's Repair Election. In this case, Aqua seeks authority to use "flow through" accounting, and to amortize any retroactive "catch-up" deductions over ten (10) years should Aqua determine to make the Repair Election.

Notices

14. Petitioner hereby notifies the Board that, for the reasons stated above, it seeks approval to increase its rates for water service, as provided in the proposed tariffs in Exhibit P-5 attached hereto, for service rendered on and after January 21, 2019, which date is at least thirty (30) days after the filing of this Petition. The Petitioner also notifies the Board that it intends to implement the proposed rates on September 21, 2019, on an interim basis pursuant to law, if the Board has suspended the effective date of the new rates pursuant to N.J.S.A. 48:2-21, but has not finally determined a just and reasonable tariff schedule prior to that date.

15. Annexed hereto and made a part hereof as if fully set forth herein are the following exhibits [NB: Exhibit numbers P-16, P-18, P-19 and P-24 are not used in this filing]:

Exhibit P-4 - Present Tariff.

Exhibit P-5 - Proposed Revised Tariff including Rate Schedules.

Exhibit P-6 - Proposed Form of Notice.

Exhibit P-7 - Balance Sheet Assets.

Exhibit P-8 - Balance Sheet Liabilities.

Exhibit P-9 - Income Statement.

Exhibit P-10 - Detail of O&M Expenses.

Exhibit P-11 - Most Recent Balance Sheet.

Exhibit P-12 - Most Recent Income Statement.

Exhibit P-13 - Income Statement under Present and Proposed Rates.

Exhibit P-14 - Calculation of Cost of Capital and Rate of Return.

Exhibit P-15 - Rate Increase Calculation.

Exhibit P-17 – Operating Revenues - Metered Sales, Summary and Detail.

Exhibit P-20 - Summary of Operations and Maintenance Expenses.

Exhibit P-21 – Summary of Taxes Other Than Income.

Exhibit P-22 - Federal Income Tax Calculation.

Exhibit P-23 – Amortization Adjustments.

Exhibit P-25 - Interest Expense.

Exhibit P-26 - Rate Base Summary and Rate of Return.

Testimonies:

PT-1 John Hildabrant

PT-2 Kaitlyn B. Vitt

PT-3 William C. Packer

PT-4 Susan T. Rauth

PT-5 Dylan D'Ascendis

PT-6 Daniel T. Franceski

16. The Company intends to supplement this Petition as needed and will furnish such other and additional information and testimony as may be required by the Board or by the processing of this application.

17. In addition to the Secretary of the Board, notices of this filing and all annexed exhibits are being served upon the State of New Jersey, Division of Rate Counsel and the Office of the Attorney General. Notice of the filing will be furnished to Petitioner's customers by placing a line on customers' bills including a website address at which customers may access copies of this filing, by prominently posting this filing on the Company's website, and by a notice placed in newspapers published and circulated in Petitioner's service areas pursuant to the rules of the Board after the Parties have concurred on its substance. Proof of service of the notices referred to herein will be filed with the Board in accordance with the Board's regulations.

Copies of an approved form of Notice and the proposed tariffs will be served upon the respective municipalities and counties pursuant to the Board's regulations.

18. Correspondence in this matter should be addressed to the following:

Colleen A. Foley, Esq.
Saul Ewing Arnstein & Lehr LLP
One Riverfront Plaza, 15th Floor
Newark, New Jersey 07102

Courtney L. Schultz, Esq.
Saul Ewing Arnstein & Lehr LLP
Centre Square West
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Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, New Jersey 08691

Susan T. Rauth
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, New Jersey 08691

William C. Packer
Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010

Kimberly A. Joyce, Esq.
Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010

WHEREFORE, Petitioner, Aqua New Jersey, Inc., respectfully requests that the proposed increase in rates be approved pursuant to N.J.S.A. 48:2-21, and that the additional relief requested be granted, and that such other relief as described herein be granted by the Board.

Respectfully submitted,

By: Colleen A. Foley
Colleen A. Foley
Saul Ewing Arnstein & Lehr LLP
Attorneys for Aqua New Jersey, Inc.


Dated: December 21, 2018

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF MONTGOMERY)

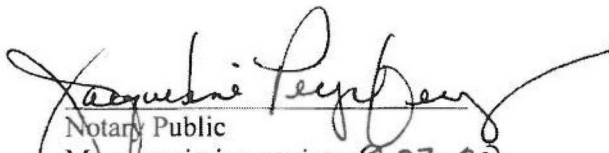
WILLIAM C. PACKER, of full age, being duly sworn, upon his oath
deposes and says:

1. I am Vice President - Controller for Aqua Pennsylvania, Inc., and
in that capacity I am authorized to make this Verification on behalf of Aqua New Jersey, Inc. in
this matter.
2. I have reviewed the within Petition and exhibits thereto, and the
same are true and correct to the best of my knowledge, information and belief.
3. I certify that the foregoing statements made by me are true. I am
aware that if any of the foregoing statements made by me are willfully false, I am subject to
punishment.



William C. Packer

Sworn to and subscribed before me
this 19th day of December, 2018.


Notary Public
My commission expires: 8-27-20

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Jacqueline Peyreferry, Notary Public
Lower Merion Twp., Montgomery County
My Commission Expires Aug. 27, 2020
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES