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BOARD OF PUBLIC UTILITIES
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April 12, 2019
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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VIA EMAIL and FEDERAL EXPRESS

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

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APR 15 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Re: In the Matter of the Joint Petition for Approval of SUEZ Water New Jersey Inc.
for Approval of a Pilot Program to Facilitate the Replacement of Lead Service
Lines and a Related Cost Recovery Mechanism
BPU Docket No. WO19030381

Dear Secretary Camacho-Welch:

This firm represents SUEZ Water New Jersey ("SWNJ" or the "Company") in the above-referenced matter, which was filed with the Board of Public Utilities ("BPU" or "Board") on March 22, 2019.

This letter is a response to the letter filed by the New Jersey Division of Rate Counsel ("Rate Counsel") on April 11, 2019, which opposes several aspects of our Petition which requests action by the Board at its agenda meeting currently scheduled for Thursday, April 18.

The Company respectfully requests that the Board, at its regularly scheduled agenda meeting next week, initially approve the commencement of the Company's suggested pilot program to deal with its lead service lines ("LSL"s), assigns a Commissioner to supervise the discussions and conducts whatever proceedings are deemed necessary and appropriate, and authorizes deferred accounting on the costs of the program. As both Rate Counsel and the Company noted, due to the need to commence the program to replace at least 7% of its connections each year for LSLs, and since Staff and Rate Counsel resisted our suggested pilot program's offer on the customer-side of the LSL at this time, the Company has agreed to put that decision off pending the discussions and proceedings which we have asked the BPU to conduct.

In its letter, Rate Counsel opposes deferred accounting treatment for the costs of the pilot program, in spite of the fact that the current regulations contained in 40 C.F.R. § 141.80 et. seq.

CMST
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require significant additional testing, action, and investment to be taken by SWNJ since its last base rate case.

The Company believes these required actions, and the entire lead service line issue, do indeed constitute "extraordinary circumstances," and even under that construct identified by Rate Counsel, should be eligible for deferred accounting treatment. Regardless of whether we agree or not with that construct, we believe the public concerns increasingly raised by the industry, regulators, on the record comments by legislators, and other governmental officials, all point to serious and extraordinary public policy issues which should be considered and addressed by appropriate governmental entities.

The Company's request for deferred accounting treatment for the costs of the LSL program merely puts all parties on an equal footing so that, should the Board determine any unrecovered legitimate costs related to the LSL program, those costs can be recovered by the Company without facing arguments from Rate Counsel regarding whether those costs occurred, for example, outside of a test year or post-test year period, and which then might be argued as ineligible for recovery.

Rate Counsel's statement in its letter (at page 2), that the request for deferred accounting 'appears' to be moot is simply incorrect. Their letter proceeds to complain that the Company did not generate details about the costs of a program which does not yet exist, but which will be better determined as the pilot moves ahead. If all costs of the pilot program are otherwise recovered, there is nothing to fear from deferred accounting. However, if there are unrecovered costs, with deferred accounting, those are precisely what the BPU can later determine as recoverable or not. Without deferred accounting, the BPU may not be able to fully incent the companies to balance these public policy needs with the costs required to protect its customers, after hearing any of Rate Counsel's arguments.

Of course, SWNJ fully anticipates a thorough exploration of the pilot program and its costs from both Rate Counsel and Staff, through both discovery and discussions, meetings and/or hearings, and we anticipate that process to occur over the next several months under the supervision of whichever Commissioner we hope the BPU will appoint.

We hope this response to Rate Counsel's letter provides more clarity on our request for BPU action, including deferred accounting treatment, at the Board's agenda meeting of April 18, 2019.

Respectfully submitted,



Stephen B. Genzer

SBG/jg
cc: Attached Service List (via email only)

SERVICE LIST

In the Matter of the Petition of
SUEZ Water New Jersey Inc. for Approval of a Pilot Program to Facilitate the
Replacement of Lead Service Lines and a Related Cost Recovery Mechanism
BPU Docket No. WO19030381

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