

**SAUL EWING  
ARNSTEIN  
& LEHR<sup>LLP</sup>**

Courtney L. Schultz  
Phone: (215) 972-7717  
Fax: (215) 972-1839  
Courtney.Schultz@saul.com  
www.saul.com

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CASE MANAGEMENT

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

August 22, 2019

VIA OVERNIGHT DELIVERY

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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MAIL ROOM

AUG 23 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

Re: In The Matter Of The Petition Of The Atlantic City Sewerage Company To  
Decrease The Level Of Its Purchased Sewerage Treatment Adjustment Clause  
BPU Docket No. WR19080949

Dear Secretary Camacho-Welch:

Enclosed for filing please find an original and ten (10) copies of a Petition, submitted on behalf of Atlantic City Sewerage Company ("Petitioner"), initiating the above-referenced matter. Additionally, I have enclosed an extra copy of this filing. Kindly stamp this copy "filed" and return it to me in the enclosed self-addressed, stamped envelope.

Please contact me if you have any questions regarding this proceeding. Thank you for your attention to this matter.

CMS

Legal  
DAG  
RPA  
M. Kammer  
M. Lupo  
WATER(3)

Respectfully submitted,

  
Courtney L. Schultz

Enclosures

cc: Service List (as indicated)

AUG 23 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF THE : PETITION  
ATLANTIC CITY SEWERAGE COMPANY TO :  
DECREASE THE LEVEL OF ITS : BPU DOCKET NO.  
PURCHASED SEWERAGE TREATMENT : WR19 \_\_\_\_\_  
ADJUSTMENT CLAUSE :

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AUG 23 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

1. The Atlantic City Sewerage Company (“ACSC”), a public utility corporation of the State of New Jersey, with its principal office at 1200 Atlantic Avenue, Atlantic City, New Jersey 08404, hereby files this Petition with this Honorable Board (“Board”) pursuant to N.J.A.C. 14:97.1, et. seq., seeking authority to decrease the level of its Purchased Sewerage Treatment Adjustment Clause (“PSTAC”). In support thereof, Petitioner states as follows:

2. ACSC operates a sewage collection and transmission system within its defined service territory, consisting of the City of Atlantic City, New Jersey. Within its service territory, ACSC serves approximately 7,600 customers.

3. ACSC purchases its sewage treatment from the Atlantic County Utilities Authority (“ACUA”); this cost is ACSC’s single largest expense, representing nearly one-half of its total operating expenses in any given year. These services are provided pursuant an agreement, as amended (the “Joinder Agreement”) between ACSC and the ACUA, which is attached hereto as Exhibit 1.

4. It is important to note that the implementation of this PSTAC request will not result in any additional profit or loss to the Company. Rather, it allows the Company to recover

the treatment costs that are invoiced to ACSC by the ACUA; in that regard, these are pass-through charges.

5. By Order dated December 30, 1992 in BPU Docket No. WR9205032J (the “Initial PSTAC Order”), the Board approved the establishment by the Company of a PSTAC, to be implemented effective on January 1, 1994. Under the framework established within that Order, changes in the PSTAC level are to be reflected through changes in ACSC’s Volumetric Treatment Charge. The 2019 Volumetric Treatment Charge was adopted through a Board Order dated December 18, 2018 in BPU Docket No. WR18091077 (the “2018 Order”), which is attached hereto as Exhibit 2. In the 2018 Order, a 2019 Volumetric Treatment Charge of \$24.610 per thousand cubic foot (“Mcf”) was approved, based upon a net expense level of \$8,138,982. Because the rate became effective January 1, 2019, no adjustment for compression was necessary.

6. The Petition is submitted to establish the PSTAC level and resultant Volumetric Treatment Charge for 2020.

7. ACSC is proposing that the Volumetric Treatment Charge be reduced from the current rate of \$24.610 per Mcf to \$22.940 per Mcf for 2020, based upon an estimated treatment expense level of \$7,885,796 (which is derived from estimated 2020 ACUA treatment expenses of \$7,930,761, offset by a 2019 net PSTAC over-recovery of \$48,087, and recovery of filing costs (shard 50/50 with ratepayers) of \$3,122, inclusive of a true-up of prior year filing costs). This 6.8% decrease in the Volumetric Treatment Charge will result in a \$15.53 (or 2.8%) decrease in the average customer’s annual sewerage bill.

8. The 2020 PSTAC rate is based on an estimate of the 2020 charges that ACUA will invoice to ACSC, less an estimate of the net over-recovered PSTAC amount from 2019, and

ACSC's estimate of 2020 metered flows. The estimated metered flows reflect management's judgment, based on present conditions, and are based on the 2019 billed flows, adjusted for any significant new customer additions or losses. Currently, ACSC does not anticipate any new large customers in the year 2020.

### **Explanation of the 2020 PSTAC Costs & Rate**

9. Attached hereto as Exhibit 3 are schedules supporting the calculation of the 2020 PSTAC rate. Each of the schedules, Schedules ACSC-1 through ACSC-7, are explained in further detail below. Schedule ACSC-1 is the summary calculation of the proposed PSTAC rate for 2020. It includes the under-collection for 2019 from Schedule ACSC-3, the adjustment for the 2019 actual ACUA treatment billings from Schedule ACSC-5, interest due to the timing of the over-recovery during 2019 from ACSC-3, the 2020 estimated ACUA treatment costs, the estimated 2020 ACUA flow true-up shown in Schedule ACSC-4 and the Company's estimate of legal, accounting and filing costs shared equally between Customers and the Company from Schedule ACSC-7, which includes a true-up of the prior year's actual filing costs as required pursuant to the 2018 Order (at footnote 4). These components are summed totaling \$7,885,796 (see Line 10) and divided by the projected usage for 2020 of 343,759.4 Mcf (see Line 13) to determine the resultant Volumetric Treatment Rate that should apply to all bills for 2020 usage. For 2020, this calculation results in a proposed Volumetric Treatment Rate for 2020 of \$22.940 per Mcf (see Line 14).

10. Schedule ACSC-2 shows how the projections of 2020 Mcf usage are established. The monthly volumes for 2019 are used to estimate 2020 volumes, as adjusted for any known new customers, one-time events, or retirements. The Company's estimated billings in any given year, are based upon water volumes furnished to the Company from Atlantic City's water

supplier for usage in the prior year, *i.e.* 2020 billings will be based on 2019 actual customer usage.

11. In accordance with the Initial PSTAC Order, ACSC accounts for net cumulative over-recoveries and under-recoveries resulting from the PSTAC on a monthly basis, utilizing an average balance for each month. Interest on net cumulative monthly over-recoveries are credited to the PSTAC at an interest rate equal to the return on rate base utilized in ACSC's last completed rate case. The PSTAC Clause Year is the calendar year. If at the end of the Clause Year interest is due to the PSTAC, interest is credited to the PSTAC. Schedule ACSC-3 sets forth the methodology used to calculate the monthly over or under collection balances for the 2019 PSTAC Clause Year. There is an under-recovery for 2019 of \$117,506, and while ACSC is in a net under recovered position at the end of the year, interest of \$2,226 is payable to customers due to the timing of over and under recoveries throughout the year.

In order to assist in a review of Schedule ACSC-3, explanations of the columns are provided below:

- Billing Month: The month in which ACSC sends a bill to customers for each of the eight (8) months, January to August. The bill in each case covers the current 12-month period. The 12-month bills are billed in advance and are based on estimated usage. The estimated usage is simply the actual usage from the prior 12-month period, as provided by the water purveyor. Thus, the usage that will be billed in 2020 is the actual metered 2019 usage, adjusted for new customers, if applicable.
- Column (1) - PSTAC Approved Mcf: This represents the approved PSTAC volumes (in Mcf) from the December 2018 Order.
- Column (2) - Treatment Rate: The 2019 treatment rate is approved PSTAC rate per Mcf from the December 2018 Order.
- Column (3) - Approved Treatment Revenues: This represents the projected treatment revenues based upon the approved PSTAC Mcf. The 2019 treatment revenue is the product of Columns (1) and (2) and equals the revenue which the PSTAC would recover in 2019 at the approved PSTAC Mcf level of usage.

- Column (4) - Billed 2019 Mcf: This equals the actual 2018 metered usage, plus the billed Mcf associated with new customers added in 2019.
- Column (5) - Billed Treatment Revenues: The represents the 2019 treatment revenue, which is the product of multiplying Column (4) by the approved rate in effect when the bills were rendered (from January to August 2019, at a rate of \$24.610/Mcf).
- Column (6) – Supplemental Billings 2019 PSTAC: This represents the supplemental billings resulting from rate changes during the year. Since 2018 bills included estimated usage for 2019 as part of the 12-month billing process, any rate change will result in a surcharge or credit to the customer.
- Column (7) - Monthly Over (Under) Collection: This is equal to Column (5) plus Column (6) less Column (3) and shows the difference between the billed PSTAC revenues and the Approved Treatment revenues.
- Column (8) - Prior Year Adjustment (Mcf) to Actual: The prior year Mcf adjustment is equal to Column (4), less the actual Mcf billed. For 2019, this represents 2018 billed usage, as shown in Column (11), less new accounts billed for the first time in 2019. The new accounts billed information is shown on Schedule ACSC-6.
- Column (9) - Prior Year Treatment \$'s: The prior year treatment adjustment is equal to the product of Column (8) and the PSTAC rate for 2018 (\$26.103/Mcf). The purpose of this prior year adjustment is to reflect the fact that customers' bills are trued-up on an individual basis, pursuant to the tariff, such that in 2019 customers paid (or were credited) for the difference between actual and projected 2018 usage on a customer-by-customer basis on their individual bills. This payment (or credit) included the PSTAC charge, as well as the other volumetric tariff component.

The usage associated with new accounts added in 2019 is subtracted from the calculated difference between actual metered 2018 usage and billed 2018 usage in the prior year adjustment Mcf in Column (8) because customers added in 2019 had no usage in 2018, though their billed usage is included in Column (4) 2018 billed Mcf. Therefore, the prior year treatment adjustment for the 2020 PSTAC filing is reflected as a net credit back to customers in the amount of \$13,696.

- Column (10) - Net Monthly Cumulative Balance Over (Under) Collection: This is the sum of Columns (7) and (9) expressed on a cumulative basis for each month of the year and reflects net revenues over- or under-collected.

12. Schedule ACSC-4 calculates the projected 2020 ACUA treatment costs, as well as any anticipated flow or other (credits or) charges. For 2020, the estimated gross ACUA

treatment cost is not expected to change from the 2019 level of \$8,357,955, based on preliminary discussions with ACUA management during their mid-year wastewater customer meeting on August 12, 2019. Further, due to the continued decrease in ACSC's flows relative to other ACUA customers' flows, a net flow credit of \$427,194 is being projected by the ACUA at this time.

13. Schedule ACSC-5 calculates the 2019 treatment billings adjustment by subtracting the 2019 actual treatment billing from the 2019 BPU-approved estimated treatment billing. Because the 2018 flow credit from the ACUA was higher than the anticipated credit amount included in the approved 2019 PSTAC rate, an adjustment of \$163,367 will be credited to customers in the 2020 PSTAC rate (see ACSC-1, Line 2).

14. Schedule ACSC-6 shows the annual bills associated with new accounts billed in 2019, by billing month. Since these accounts have no prior billed usage, the associated Mcf must be subtracted in Column (8) of Schedule ACSC-3 in order to properly calculate the prior year's true-up adjustment.

15. Schedule ACSC-7 shows a schedule of projected expenses associated with this filing, reflecting a 50/50 sharing between the Company and ratepayers. In addition, Line 7 provides a true-up of the actual costs incurred with the prior year filing, as required by the 2018 Order (at footnote 4). This expense has been amortized over the one-year period between PSTAC cases, and rolled into the Volumetric Treatment Charge. It will affect rates by 0.9¢ per Mcf (\$3,122 / 343,759.4 Mcf).

16. On a regular basis each year, the Company meets with the senior management and the Board of Commissioners of the ACUA, which meetings include advocacy on behalf of ACSC's customers. These meetings include a mid-year budget review (usually in July/August),

a detailed review of the next year's proposed budget (usually in early December) and attendance at the ACUA's monthly Board meetings. In addition, the Company attended the ACUA's Public Hearing on the approval of the 2019 wastewater budget and publicly encouraged the Board of the ACUA to be mindful of the impact of any budget increases that result in increases to the customers of the Company. Please note that the ACUA has only increased its rates a total of 4% over the last decade, while continuing to maintain the same high-level services the Company and its customers have come to expect. In addition, the Company continues to monitor the metering devices of the ACUA to insure ACSC's reported flows to the ACUA are accurate.

17. Attached hereto as Exhibit 4 is ACSC's existing 2019 PSTAC tariff, and a proposed 2020 PSTAC tariff which incorporates the prospective Volumetric Treatment Rate for 2020.

18. Because ACSC is requesting a decrease in the level of its PSTAC rate, there is no public hearing requirement, and ACSC respectfully requests that this matter therefore be retained by the Board.

19. All correspondence related to this Petition should be sent to:

Courtney L. Schultz, Esquire  
Saul Ewing Arnstein & Lehr LLP  
Centre Square West, 38th Floor  
1500 Market Street  
Philadelphia, PA 19102

Thomas S. Kavanaugh, President  
Atlantic City Sewerage Company  
1200 Atlantic Avenue  
Atlantic City, NJ 08404

20. The Company reserves the right to amend this Petition and exhibits as necessary.

21. Two copies of this Petition have been served upon (i) the Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, New Jersey 08625, and




(ii) the Division of Law for the Attorney General, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07102.

WHEREFORE, ACSC respectfully requests that the Board approve the requested PSTAC rate for 2020, effective for service rendered on and after January 1, 2020, and grant such other relief as shall appear just and reasonable.

Respectfully submitted,

SAUL EWING ARNSTEIN & LEHR, LLP

By:   
Courtney L. Schultz, Esquire  
1500 Market Street  
Centre Square West, 38th Floor  
Philadelphia, PA 19102  
(215) 972-7717

*Counsel for Atlantic City Sewerage  
Company*

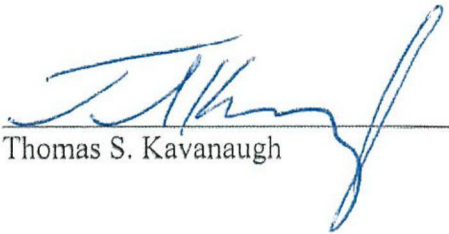
Dated: August 22, 2019

VERIFICATION

STATE OF NEW JERSEY )  
 )  
COUNTY OF Atlantic )

I, Thomas S. Kavanaugh, of full age, being duly sworn according to law, upon my oath, deposes and says:

1. I am President of The Atlantic City Sewerage Company, the Petitioner in this matter, and am authorized to make this verification on its behalf.
2. I have reviewed the within Petition and Exhibits thereto and the information contained therein is 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.



Thomas S. Kavanaugh

Sworn to and subscribed before me  
this 21<sup>st</sup> day of August, 2019

Barbara S Bruckler  
Notary Public

*Barbara S. Bruckler*  
*Notary Public of New Jersey*  
*My Commission Expires October 2, 2021*