



November 2, 2020

Via Email

Hon. Aida Camacho-Welch
Board of Public Utilities
44 South Clinton Ave, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

**RE: I/M/O The New Jersey Board of Public Utilities' Response to the COVID-19
Pandemic - Establishment of a Regulatory Asset for Incremental COVID-19
Related Expenses
BPU Docket No. AO20060471**

Dear Secretary Camacho:

Pursuant to the Board's Order dated July 2, 2020, and effective July 12, 2020 in the above-referenced matter, authorizing each of New Jersey's regulated utilities to create a COVID-19-related regulatory asset, New Jersey-American Water Company, Inc. hereby submits its second Quarterly Report, together with a verification of John S. Tomac.

Respectfully submitted,

A handwritten signature in blue ink that reads "Christine Soares".

Christine Soares
Director, Corporate Counsel

CS:dlc

cc: Service list (via email)

New Jersey-American Water Company, Inc.
Quarterly Report of COVID-19 Regulatory Asset
November 2, 2020

I. Background

Starting with New Jersey's first confirmed case on March 4, 2020, New Jersey has taken aggressive public health actions to combat the spread of COVID-19 and to protect the health, safety, and welfare of its residents. On March 9, 2020, Governor Murphy declared a state of emergency and public health emergency in the state both of which remain in place today. Beginning on March 16, 2020, the Governor announced aggressive social distancing measures to mitigate the further spread of COVID-19 in New Jersey. Schools were closed as well as many businesses. On March 21, 2020, Governor Murphy directed all residents to stay at home until further notice and further mandated the closure of all non-essential retail businesses.

Since the COVID-19 public health emergency, NJAWC implemented the following temporary measures to provide additional protection to our customers:

- March 12: Stopped service disconnections for non-payment
- March 12: Stopped sending notices of disconnection
- March 13: Began reconnecting all customers who had previously been disconnected for non-payment
- March 13: Began waiving reconnection fees
- March 16: Stopped applying late fees and interest penalties to past-due accounts
- March 18: Began sending courtesy letters, and making courtesy phone calls, to customers with past-due balances to inform them of the amount of their past due balances, but making no mention of disconnection or late fees and interest penalties

The Company also temporarily waived certain eligibility requirements for its low-income payment and H20 programs to help those customers that have been economically impacted by COVID-19. The Company also continues to comply with the Governor's Executive Order No. 190 issued on October 15, 2020 extending the shut-off moratorium to March 15, 2021.

On July 2, 2020, the New Jersey Board of Public Utilities ("BPU") issued the Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses ("Order") in Docket No. AO20060471. The Order authorized each regulated utility to create a COVID-19 related regulatory asset by deferring on its books and records the prudently incurred incremental costs related to COVID-19 beginning on March 9, 2020 and through September 30, 2021, or 60 days after Governor Murphy ends the public health emergency is no longer in effect, or in the absence of such an order, declaration, proclamation or similar announcement, 60 days from the time the public health emergency automatically terminates pursuant to N.J.S.A. 26:13-3(b), whichever is later. Additionally, the Order required that all deferred incremental COVID-19 related costs be offset by any federal or state assistance that the utility may receive as a direct result of the COVID-19 public health emergency. The Board also ordered all affected utilities to maintain detailed records of all deferred costs and savings during the public health emergency. The Board required each utility to file quarterly reports of the COVID-19 related costs incurred and offsets verified by an authorized representative with the first report due by August 1, 2020 for the period ending June 30, 2020.

Under the Order, all affected utilities must file a petition with the Board by December 31, 2021, or within 60 days of the close of the regulatory asset period, whichever is later. Any potential rate recovery must be addressed in this proceeding, or in the alternative, a utility's future base rate case.

II. Costs Incurred and Savings Realized

NJAWC has incurred and recorded as a regulatory asset totaling \$2,601,445 as of September 30, 2020 associated with the COVID-19 public health emergency. The amount includes the following:

a) Reconnection and Late Fees

The lost revenue associated with reconnection fees during the moratorium period was calculated by multiplying the number of reconnects that were performed during the period by the \$28 reconnection fee. Since NJAWC began waiving the reconnection fee, the Company reconnected 64 customers. NJAWC has foregone the collection of \$1,792 in reconnection fees.

The lost revenue associated with the foregone late charges that were not billed was calculated based on the Company's late fee policy as it would have been applied to past due invoices during the moratorium period. During the moratorium period of March through September 2020, NJAWC has foregone the collection of \$333,372 in late fees.

b) Uncollectible Expense

The incremental uncollectible expense was calculated by first taking the actual uncollectible expense for the state of emergency period, March to September, and comparing to the last authorized uncollectible expense for the same time period resulting in the deferral of \$891,524.

c) Additional Debt Carrying Costs

In March 2020, American Water Capital Corporation ("AWCC") secured a \$750 million term loan facility and borrowed \$500 million under the loan to ensure adequate liquidity to American Water operating subsidiaries. The associated interest related to the portion of the term loan provided to NJAWC and deferred as a regulatory asset is \$887,115 through September 2020.

d) Other Additional Costs

The Company has created a specific tracking number in order to capture certain NJAWC and Service Company increased costs related to COVID-19, such as facility preparedness, PPE, sanitizers, signage, rental equipment, etc. The costs associated with these other additional costs total \$1,040,409.

e) Costs Savings

NJAWC has identified cost savings related to travel and conferences for both NJAWC and Service Company costs that would have been allocated to NJAW. This calculation includes using a comparison of actual costs for expenses related to travel and conferences for the periods of the state of emergency (\$157,511) compared to the same period of the prior year (\$710,278) to determine the cost savings related to travel and conferences for NJAWC and Service Company expenses. The associated savings total \$52,767 for the period of March through September 2020.

III. Lost Demand Revenue

Beginning April 2020, NJAWC began experiencing a decrease in non-residential water usage as mitigation measures were put in place, including the closure of businesses and schools, to stop the spread of COVID-19. At the same time, NJAWC experienced an increase in residential water usage as a result of the stay-at-home and work-from-home mandates. The increase in residential usage partially offset the decrease in non-residential usage in April and May. Beginning in late June and early July, as stay-at-home mandates were being relaxed, NJAWC experienced an increase in non-residential water usage when compared to the lower usage experienced during the stay-at-home mandated period. While non-residential usage continues to be below levels experienced prior to the COVID-19 pandemic, the increase in residential usage from work-from-home activities has mitigated to a large degree the non-residential decrease. NJAWC will continue to monitor customer usage as the pandemic continues, especially with the increase in COVID-19 cases that have occurred in October and are forecasted through the end of the year.

IV. Unanticipated Impacts

NJAWC will continue to track and identify the financial impacts of the COVID-19 public health emergency that the Company must incur to continue to provide safe, reliable and adequate water and wastewater service to its customers during this time. The Company believes that the full scope of incremental COVID-19 costs cannot be known with complete certainty at this time and will continue to update its deferral as more data and information becomes available.

VERIFICATION

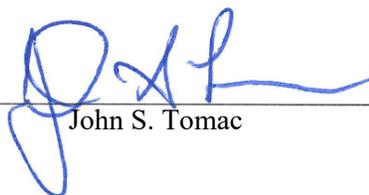
STATE OF NEW JERSEY : SS

COUNTY OF CAMDEN :

John S. Tomac, of full age, being duly sworn, according to law, deposes and says:

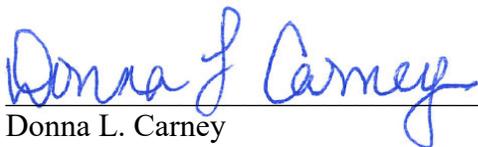
1. I am the Senior Director, Rates and Regulatory for New Jersey-American Water Company, Inc. and authorized to make this Verification on behalf of that Company.

2. I have reviewed the within Quarterly Report, and the information contained therein is true according to the best of my knowledge, information and belief.



John S. Tomac

Sworn to and subscribed this
2nd day of November, 2020



Donna L. Carney
Notary Public



Donna Carney
Notary Public
State of New Jersey
My Commission Expires May 24, 2023