



September 4, 2020

VIA FEDERAL EXPRESS AND E-MAIL

Honorable Jacob S. Gertsman
Administrative Law Judge
Office of Administrative Law
Quakerbridge Plaza, Bldg. 9
3444 Quakerbridge Road
Mercerville, New Jersey 08619

Re: In the Matter of the Petition of New Jersey-American Water Company Inc. for
Approval of Increased Tariff Rates and Charges for Water and Wastewater
Service and Other Tariff Modifications
OAL Docket No. PUC 17894-2019 S
Agency Docket No. WR19121516

In the Matter of the Petition of New Jersey-American Water Company, Inc.
Distribution System Improvement Charge (“DSIC”) Foundational Filing
OAL Docket No. PUC 04828-2020
Agency Docket No. WR20030256

Dear Judge Gertsman:

Enclosed please find, on behalf of New Jersey-American Water Company, Inc. the Surrebuttal
Testimony of Charles B. Rea in the above-referenced, consolidated proceedings:

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Bruce V. Miller
NJ Bar ID: 244242017

BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF
NEW JERSEY-AMERICAN WATER COMPANY, INC.
FOR APPROVAL OF INCREASED TARIFF RATES AND
CHARGES FOR WATER AND WASTEWATER SERVICE, AND
OTHER TARIFF MODIFICATIONS

OAL Docket No. PUC 17894-2019 S

BPU Docket No. WR19121516

Surrebuttal Testimony of

CHARLES B. REA

Exhibit P-10SR

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **1. Q. Please state your name and business address.**

2 A. My name is Charles B. Rea. My business address is 5201 Grand Avenue,
3 Davenport, IA 52801.

4 **2. Q. By whom are you employed and in what capacity?**

5 A. I am employed by the American Water Works Service Company, Inc.
6 (“AWWSC”). My title is Director, Rates & Regulatory.

7 **3. Q. Are you the same Charles B. Rea who filed direct testimony on behalf of New**
8 **Jersey-American Water Company (“NJAWC” or “the Company”)_ on**
9 **December 16, 2019 in this proceeding, marked as Exhibit P-10,**
10 **Supplemental Direct Testimony on April 28, 2020 in this proceeding, marked**
11 **as Exhibit P-10S, and Rebuttal Testimony on August 13, 2020 in this**
12 **proceeding, marked as Exhibit P-10R?**

13 A. Yes, I am.

14 **4. Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

15 A. The purpose of my Surrebuttal Testimony is to address issues related to the
16 Company’s cost of service analysis raised by OIW Customer Coalition witness
17 Steven Gabel, specifically as those issues relate to the use of data used by the
18 Company in determining peaking factors for the various customer classes in the
19 cost of service analysis.

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1 **5. Q. What foundational data did the Company use in its cost of service analysis**
2 **to determine peaking factors for the different customer classes in its cost of**
3 **service analysis?**

4 A. Maximum daily and maximum hourly consumption values for each customer
5 class, from which peaking factors were derived, were estimated based on daily
6 and hourly consumption data collected via Advanced Metering Infrastructure
7 (“AMI”) meter data. For Sales for Resale customer classes, maximum daily
8 consumption values were estimated based on AMI data collected for those
9 customers where data exists, with estimated data used for resale customers where
10 AMI data is not available. For other classes, maximum daily and hourly
11 consumption were estimated based on samples of customers from the Company’s
12 Missouri-American Water Company affiliate in St. Louis County Missouri.
13 These samples, which are selected by customer class and subgroups within each
14 class, are selected such that the customers in each customer class sample have
15 monthly usage characteristics that are nearly identical to monthly usage
16 characteristics for NJAWC customers, thus providing consistency between the
17 usage characteristics.

18 **6. Q. What concerns does Mr. Gabel raise in his rebuttal testimony regarding the**
19 **foundational data used by the Company in determining peaking factors?**

20 A. Mr. Gabel disagrees that use of this proxy load data from Missouri is necessary
21 or appropriate in this case, and states that the Missouri-American water system
22 data is not representative of the OIW and GMS customers classes.

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1 7. **Q. What specific concerns does Mr. Gabel raise concerning load data for the**
2 **OIW class?**

3 A. Mr. Gabel states that because the industrial customers used in the cost of service
4 analysis take service under a rate (MAWC Rate J) with different usage
5 requirements than the OIW tariff, there is insufficient basis to consider the
6 resulting load data used in the cost of service study to be representative of the
7 OIW group, and as such it is more appropriate to use the peaking factors from the
8 last NJAWC rate case in 2017.

9 8. **Q. What specific concerns does Mr. Gabel raise concerning load for the GMS**
10 **class?**

11 A. Mr. Gabel raises two concerns regarding load data used for the GMS class. The
12 first is that the Company's justification for using proxy data representative of the
13 GMS class, namely the match of monthly usage characteristics of proxy data to
14 NJAWC GMS customers, is not indicative of whether the underlying daily and
15 hourly load profiles are similar for the proxy data and the GMS customer class.

16 The second is his claim that the resulting peaking factors developed from the
17 proxy data are materially different from those used by the Company in previous
18 rate cases. These values, Mr. Gabel claims, were used by all parties that
19 addressed cost of service studies in those cases. Mr. Gabel states that the load
20 factor allocators used in the 2017 rate case were based on the judgment of
21 NJAWC's witness Paul Herbert, "after review of the system peak day, the extra
22 capacity factors used in previous studies and monthly usage data for the classes."

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1 Mr. Gabel states that for these two reasons, the maximum day and maximum hour
2 load factor allocators used by NJAWC in the 2017 rate case (and prior cases)
3 should be used in this case as more representative of the NJAWC GMS customer
4 class than the proxy data from the Missouri-American system.

5 **9. Q. How do you respond to Mr. Gabel's concerns regarding the load data used**
6 **for the OIW class?**

7 A. Simply because the usage requirements for the tariff under which the proxy group
8 was served and the usage requirements for the OIW tariff are different is not a
9 reason to assume that the underlying daily and hourly usage patterns are different,
10 especially when the proxy group has monthly usage patterns that match those of
11 the OIW group. As I state later in this testimony, considering monthly usage
12 patterns is indeed an appropriate way to ensure that the underlying daily and
13 usage patterns and resulting peaking factors are consistent. For the proxy data in
14 this case to be considered lacking, one would have to assume that the underlying
15 daily and hourly usage characteristics were different between the two groups even
16 though the higher-level monthly usage characteristics were nearly the same.
17 There is no reason to conclude that in this case, and there is no reason therefore
18 to assume that the proxy data used by the Company in its cost of service analysis
19 is inadequate for reflecting OIW load characteristics.

20 **10. Q. How do you respond to Mr. Gabel's concerns regarding the load data used**
21 **for the GMS class?**

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1 A. Again, analyzing and matching monthly usage patterns is indeed an appropriate
2 way to ensure that the underlying daily and usage patterns and resulting peaking
3 factors are consistent between the proxy group and the actual GMS customer
4 class. Despite Mr. Gabel's claim that the match of monthly usage characteristics
5 of proxy data to NJAWC GMS customers is not indicative of whether the
6 underlying daily and hourly load profiles are similar for the proxy data and the
7 GMS customer class, he later uses former NJAWC witness Herbert's
8 consideration of monthly usage data in the 2017 rate case as a justification for
9 why the peaking factors from the 2017 rate case should be used instead. This is
10 not a consistent argument. There is no reason to assume that residential and
11 commercial customers in New Jersey use water in fundamental different ways
12 than residential and commercial customers in Missouri, especially when the
13 monthly usage patterns for those two groups of customers are the same.
14 Therefore, there is no reason to assume that the load data from the proxy group
15 is not representative of the GMS group.

16 **11. Q. How do you respond to Mr. Gabel's concern that the peaking factors derived**
17 **in this case are too different from those used in past cases to be relied upon?**

18 A. The primary difference in methodology in this case from previous cases is the use
19 of actual AMI data representative of GMS customers versus judgment used by
20 the previous witness and his review of peaking factors used in previous studies,
21 which likely did not involve review of actual AMI data. It should not be
22 surprising or concerning that a change from judgment to examination of actual

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1 data would yield different results. The fact that results are different from what
2 they were previously should not be an impediment to using them if the underlying
3 methodology is sound, and better than it was before.

4 **12. Q. Does the Company still believe that the AMI load data used to represent**
5 **daily and hourly water consumption for the GMS and OIW classes is**
6 **appropriate and reflects accurate and realistic peaking factors for these**
7 **classes?**

8 A. Yes. There is no reason to think that the daily and hourly usage characteristics
9 used in this case are not representative of the GMS and OIW classes, especially
10 when the monthly usage characteristics are the same. There is no reason to believe
11 that residential, commercial, and industrial customers are fundamentally different
12 in New Jersey than they are in Missouri when care has been taken in the proxy
13 group to ensure that monthly usage patterns for these groups of customers are the
14 same. The peaking factors used in the Company's cost of service analysis are,
15 therefore, appropriate to use in this case.

16 **13. Q. Does this conclude your Surrebuttal Testimony?**

17 A. Yes.