



May 14, 2021

Via Electronic Filing

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

Re: New Jersey-American Water Company, Inc. Distribution System Improvement Charge
("DSIC") Foundational Filing
BPU Docket No. WR20030256

Dear Secretary Camacho-Welch:

Enclosed for filing on behalf of New Jersey-American Water Company, Inc. (the "Company" or "NJAWC") in the above-referenced matter (the "Fourth DSIC Foundational Filing"), please find the Company's Distribution System Improvement Charge ("DSIC") calculation for the July 1, 2020 to April 30, 2021 DSIC Recovery Period, which includes the gap period of July 1, 2020 through October 31, 2020, as well as the Company's Tenth Revised Tariff Sheet No. 37.

The filing consists of Schedule A, the calculation of the first surcharge under the Fourth DSIC Foundational Filing; Schedule B, the DSIC surcharge bill impact and the proof of revenue; Schedule B1, the DSIC surcharge reconciliation calculation for the prior period; Schedule C, the detailed main replacement and rehabilitation list; and Schedule D, the breakdown of blanket valves, hydrants and services, unscheduled main replacements, and the plant comprising the base spending for the recovery period.

Please do not hesitate to contact me if you have any questions or require any additional information regarding this filing.

Respectfully submitted,

Christine Soares

CS:cma

Enc.

cc: Service list (w/enc., via e-mail)

DSIC Surcharge Filing #1	
<u>7/1/2020 to 4/30/2021</u>	
Total Proposed DSIC Additions	\$ 141,560,088
Less: Base Expenditures	<u>(18,331,883)</u>
Eligible Investment (Qualified DSIC Additions to UPIS During DSIC Period)	123,228,205 (A)
Less: Accum Depr	(798,416) (B)
Less: Deferred Tax	<u>(263,631) (C)</u>
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	122,166,158
Times Pre-Tax ROR	X 8.3958% (D)
Pre-Tax Return on Investment	10,256,826
Add: Depreciation	<u>1,916,199</u>
Revenue Recovery	12,173,025
Revenue Factor	<u>\$1.167243 (E)</u>
DSIC Revenue Requirement Recovery Amount - Annual	14,208,872
Deduct: over-collection from prior DSIC period (Sch. B1)	<u>(\$466,130)</u>
Total DSIC Surcharge Recovery Amount - Annual	<u>13,742,742</u>
DSIC Revenue Requirement Recovery Amount - Monthly	\$1,145,229

UPIS ADDITIONS SUMMARY

(A) - Includes actual DSIC eligible projects closed to UPIS during DSIC Period

Asset Category	7/1/2020 to 4/30/2021	Schedule
Main Replacements & Rehab	75,950,499	Schedule C
Blanket Hydrant & Valve Replacements	14,000,871	Schedule D
Blanket Service Replacements	24,262,524	Schedule D
Unscheduled Main Replacements	9,014,311	Schedule D
Base Spend	<u>18,331,883</u>	Schedule D
Subtotal	\$141,560,088	

(B) - Accumulated Depreciation:

<u>7/1/2020 to 4/30/2021</u>	
DSIC Eligible projects closed to UPIS	\$123,228,205
Composite Depreciation rate	1.555%
Annual Depreciation Expense	<u>1,916,199</u>
Cumulative Depreciation Expense	<u>798,416</u>

(C) - Deferred Taxes:

DSIC Eligible projects closed to UPIS	\$123,228,205
MACRS Rate	4.00%
Annual Tax Depreciation	<u>4,929,128</u>
Cumulative Tax Depreciation	2,053,803
Less: Book Depreciation	<u>798,416</u>
Tax Depr Greater than Book	<u>1,255,387</u>
Deferred Taxes at 21%	<u>\$263,631</u>

(D) - Pre-Tax Rate of Return:

	Ratios	Cost Rate	Weighted Average Cost of Capital	Pre-Tax ROR
Long Term Debt ¹	45.44%	3.89%	1.7657%	1.7657%
Common Equity	54.56%	9.60%	5.2378%	6.6301%
Subtotal Return on Rate Base	<u>100.00%</u>		<u>7.0035%</u>	<u>8.3958%</u>

¹ Cost Rate of Long Term Debt as of 4/30/2021

(E) - Revenue Factor:

Dollar of Revenue	\$1.000000
Less: GRT Tax	(0.136306)
Less: Bad Debts & Reg Assessments	(0.004285)
Less: BPU Assessment	(0.002154)
Less: DRC Assessment	<u>(0.000535)</u>
Revenue remaining after taxes, bad debts, and assessments	<u>0.856720</u>
Revenue [Gross-up] Factor	\$1.167243

(F) - Revenue Requirement:

Please note that the revenue requirement is limited by the DSIC-cap. For example if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC-cap would be calculated as follows:

Total annual revenues from most recent base rate case of \$100,000,000 X 5.00% = \$5,000,000
 The Company's revenue requirement in the above example can not be greater than \$5,000,000 per year

Monthly cost per 5/8th Inch Meter - Typical Residential Customer -
 DSIC Revenue as a % of total Water Revenue \$764,877,189

\$1.29
1.80%

DSIC Surcharge Bill Impact

New Jersey-American Water									
Basis for Allocating Meter Costs to Customer Classifications									
Meter Size	5/8" Equivalent	GMS		Resale		Exempt		Total	
		Number of Meters*	Weighting	Number of Meters*	Weighting	Number of Meters*	Weighting**	Number of Meters*	Weighting
5/8	1.0	565,119	565,119	2	2	11	10	565,132	565,131
3/4	1.5	17,911	26,867	0	0	2	3	17,913	26,870
1	2.5	44,937	112,343	2	5	4	9	44,943	112,357
1-1/2	5.0	4,397	21,985	0	0	0	0	4,397	21,985
2	8.0	12,541	100,328	3	24	6	41	12,550	100,393
3	15.0	948	14,220	4	60	2	26	954	14,306
4	25.0	896	22,400	17	425	6	130	919	22,955
6	50.0	206	10,300	26	1,300	1	43	233	11,643
8	80.0	82	6,560	12	960	2	138	96	7,658
10	100.0	33	3,300	2	200	4	345	39	3,845
12	125.0	3	375	1	125	2	216	6	716
16	200.0	0	0	0	0	0	0	0	0
Total		647,073	883,797	69	3,101	40	961	647,182	887,859

(c)

*Meter Count as of 4/30/2021
 **Weighting deducts impact of GRAFT of .8636939

Proof of Revenue (Monthly Charge)								
Annual Revenue		\$13,742,742	(a)					
Monthly Revenue		1,145,229	(b)=(a)/12					
Weighted No of Meters		887,859	(c)					
5/8" Meter Monthly Charge		\$1.29	(d)=(b)/(c)					
Meter Size	5/8" Equivalent	GMS		Resale		Exempt		Total Revenue
		Charge	Charge x Meters	Charge	Charge x Meters	Charge	Charge x Meters	
5/8	1.0	\$1.29	\$728,933.77	\$1.29	\$2.58	\$1.11	\$12.21	\$728,948.56
3/4	1.5	1.93	34,654.47	1.93	0.00	1.67	3.34	34,657.81
1	2.5	3.22	144,907.96	3.22	6.45	2.79	11.16	144,925.57
1-1/2	5.0	6.45	28,357.94	6.45	0.00	5.57	0.00	28,357.94
2	8.0	10.32	129,410.74	10.32	30.96	8.91	53.46	129,495.16
3	15.0	19.35	18,342.05	19.35	77.39	16.71	33.42	18,452.86
4	25.0	32.25	28,893.24	32.25	548.20	27.85	167.10	29,608.53
6	50.0	64.49	13,285.73	64.49	1,676.84	55.70	55.70	15,018.27
8	80.0	103.19	8,461.59	103.19	1,238.28	89.12	178.24	9,878.11
10	100.0	128.99	4,256.59	128.99	257.98	111.41	445.64	4,960.21
12	125.0	161.23	483.70	161.23	161.23	139.26	278.52	923.46
16	200.0	257.98	0.00	257.98	0.00	222.81	0.00	0.00
Total			\$1,139,987.77		\$3,999.91		\$1,238.79	\$1,145,226.47

(a) Per Schedule A, DSIC Revenue Requirement Recovery Amount - Annual

New Jersey - American Water Company, Inc.
4th Foundational Filing - WR20030256
DSIC Surcharge Reconciliation Calculation - Prior Period

Schedule B1

Effective Date	DSIC Surcharge	Approved Amount ¹	Monthly Amount	Months in Place	Allowed Revenues
7/1/2019	Filing #1	\$14,990,681	\$1,249,223	6	\$7,495,340
1/1/2020	Filing #2	\$24,656,577	\$2,054,715	6	\$12,328,289
6/29/2020	Filing #3	\$34,777,379	\$2,898,115	4	\$11,592,460
Total Allowed Revenue					\$31,416,089
Total Billed - 7/1/19 through 12/30/20					\$31,866,814
Total DSIC Shortfall / (Overage)					(\$450,725)
		<u>Annual</u>		<u>Daily</u>	
Weighted Average Cost of Capital		7.0035%		0.0192%	
Interest per day				(\$87)	
Total Interest for period January 1, 2021 through June 28, 2021					(\$15,404)
Total DSIC (Overage) with Interest - Credit against Surcharge					(\$466,130)

¹ Approved Amount excludes any reconciliation amounts

Valve & Hydrant Replacements				
Project	District	UPIS	# Valves	# Hydrants
R18-01F2	Large Valves	\$1,812,571	15	-
R18-12F1	Atlantic / Cape May	1,294,068	81	78
R18-13F1	Burlington / Camden	1,410,099	65	44
R18-15F1	Essex / Passiac	3,914,254	125	44
R18-17F1	Hunterdon / Warren	130,957	19	5
R18-18F1	Monmouth	1,562,152	15	323
R18-19F1	Ocean / Middlesex	220,860	5	22
R18-25F1	Somerset/ Mercer	731,026	22	27
R18-26F1	Union	2,924,885	75	113
Total Valve & Hydrants Replacements		\$14,000,871	422	656

Service Replacements			
Project	District	UPIS	# Services
I18-260120	Central (Hillside) LSL Replacements - Ph 1	\$2,217,806	225
R18-12H1	Atlantic / Cape May	2,200,491	792
R18-13H1	Burlington / Camden	1,280,221	438
R18-15H1	Essex / Passiac	4,235,842	287
R18-17H1	Hunterdon / Warren	273,782	10
R18-18H1	Monmouth	1,986,062	591
R18-19H1	Ocean / Middlesex	845,945	68
R18-25H1	Somerset/ Mercer	1,161,933	78
R18-26H1	Union	10,035,435	756
R18-33H1	Shorelands	25,007	23
Total Service Replacements		\$24,262,524	3,268

Unscheduled Main Replacements			
Project	District	UPIS	Feet of Main
R18-12H1	Atlantic / Cape May	\$213,787	93
R18-13H1	Burlington / Camden	417,963	83
R18-15H1	Essex / Passiac	2,853,847	255
R18-17H1	Monmouth	74,696	-
R18-18H1	Monmouth	1,868,072	45
R18-19H1	Ocean / Middlesex	313,448	35
R18-25H1	Somerset/ Mercer	740,960	145
R18-26H1	Union	2,531,537	96
Total Unscheduled Main Replacements		\$9,014,311	752

"Base" Utility Plant in Service		
Project	District	UPIS
R18-12A1	Atlantic / Cape May	\$470,875
R18-15A1	Essex / Passiac	4,162,220
R18-18A1	Monmouth	598,632
R18-19A1	Ocean / Middlesex	1,723,044
R18-25A1	Somerset/ Mercer	554,312
R18-26A1	Union	634,881
I18-190047	Lakewood MUA Interconnection	153,182
I18-180067	Glendola RW Main	4,189,871
10662	Cold Hill Rd. Ph 1, Mendham	1,037,960
10670	Heritage Drive, Chatham	429,342
10672	Riverwood & Wildewood Ave. Bedminis	526,875
10688	Franklin Court, Berkeley Heights	93,056
10173	Hulses Road - Howell	53,276
10631	Van Ness, Oxford	121,630
10659	Toby Drive, Roxbury Ph1	527,484
10660	Toby Lane Ph2, Roxbury	812,921
10684	GOOSENECK PT RD - OP	419,728
10685	SHORE DRIVE - OP	363,326
10686	OCEAN PLACE - AH	167,555
N/A	Bay Head - Woodlawn & Grove	13,977
10713	Lakewood - Cherry St (RT88-HLK198)	40,255
10629	Encampment Dr- Bound Brook	240,251
10618	Zirkel Ave- Main Replacement	62,340
10658	Kroeger Lane, Piscataway	211,070
10664	Riverview Piscataway	478,791
10674	Brotherhood- Piscataway	72,722
10695	Metlar Ln Rehab-Piscataway	172,307
	Total "Base" Spend	\$18,331,883

RATE SCHEDULE K
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Applicable to all general metered service and sales for resale customers throughout the entire territory served.

CHARACTER

Continuous, except as limited by the "Standard Terms and Conditions".

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to all other charges for general metered service (GMS) and sales for resale customers throughout the entire territory served, the following charges will be assessed on a fixed, per meter basis for each monthly bill, commencing June 28, 2021.

RATE

This charge is in addition to Rate Schedules A-1 through A-16, C, D, E, F, H, I and J.

<u>Size of Meter</u>	<u>Non-Exempt Per Month</u>	<u>Exempt Per Month</u>
5/8"	\$1.29	\$1.11
3/4"	1.93	1.67
1"	3.22	2.79
1 1/2"	6.45	5.57
2"	10.32	8.91
3"	19.35	16.71
4"	32.25	27.85
6"	64.49	55.70
8"	103.19	89.12
10"	128.99	111.41
12"	161.23	139.26
16"	257.98	222.81

FILING

The DSIC is authorized pursuant to N.J.A.C. 14:9-10.1 et seq. and the procedures for filing, reviewing, approving and implementing the DSIC are set forth therein. The DSIC is based on the Company's Foundational Filing, which was reviewed and approved by the Board of Public Utilities on October 28, 2020. The approval process included public notice and four public hearings. The notice included proposed surcharge amounts, which were estimated based on projected construction schedules, costs and other factors. Pursuant to the approved Foundational Filing, the Company shall endeavor to make semi-annual DSIC filings at approximately six-month intervals. The DSIC is subject to a maximum amount and other limitations in N.J.A.C. 14:9-10.1 et seq.

TERMS OF PAYMENT

See Rate Schedules for applicable customer classes.

CONDITIONS

Subject to the "Standard Terms and Conditions" except as otherwise set forth in this Schedule.

SPECIAL PROVISION

*Non-Exempt consumption charges reflect a water tax of \$.01 per 1,000 gallons of water consumed pursuant to N.J.S.A. 58:12A-21(a). Exempt consumption charges reflect a water tax of \$.01 multiplied by 0.8636945 per 1,000 gallons. This water tax is not applicable for sales for resale service.

Issued: May 14, 2021

Effective: June 28, 2021

By: Mark K. McDonough, President
One Water Street, Camden, NJ 08102
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR20030256 dated October 28, 2020.

**I/M/O the Petition of New Jersey-American Water Company, Inc. for Authorization to
Implement a Tariff Supplement Establishing a Distribution System Improvement Charge
BPU Docket No. WR20030256
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**I/M/O the Petition of New Jersey-American Water Company, Inc. for Authorization to
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BPU Docket No. WR20030256
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