Cullen and Dykman LLP
One Riverfront Plaza
Newark, NJ 07102
T: 973.849.0220| F: 973.849.2020

July 21, 2021

VIA ELECTRONIC FILING

Honorable Aida Camacho-Welch
Secretary to the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350

Re: In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic
BPU Docket No. AO20060471

Dear Secretary Camacho-Welch:

On July 2, 2020, the New Jersey Board of Public Utilities ("BPU" or the "Board") issued its Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses which, in relevant part, authorized each of the State's regulated utilities to create a COVID-19 related regulatory asset by deferring their prudently incurred incremental costs related to COVID-19, noting that deferral treatment was "appropriate because the current catastrophic health emergency is outside the control of the utilities and is a non-recurring event."[1] The deferral period is currently set to expire on September 30, 2021. The COVID Regulatory Asset Order further directed all affected utilities to file a petition with the Board regarding incremental costs, including potential rate recovery, by December 31, 2021, or within 60 days of the close of the regulatory asset period, whichever is later.[2]

Pursuant to *N.J.A.C.* 1:1-12.1, New Jersey-American Water Company, Inc. ("NJAWC" or the "Company"), by and through its undersigned attorneys, respectfully requests that the Board: 1) extend the regulatory asset period to allow the Company to properly include all of its COVID-19 financial impacts; and 2) adjust the deadline for submitting a recovery petition associated with such regulatory asset to a date no later than 60 days after the close of the extended regulatory asset period.[3]

[1] *Docket No. AO20060471 – In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic*, Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses (July 2, 2020) (the "COVID Regulatory Asset Order").
[2] *Id.*
[3] The Company reserves the right to seek recovery for its incremental COVID-19 related financial impacts prior to the close of the extended regulatory asset period.

As discussed in greater detail herein, NJAWC respectfully requests that the Board extend the regulatory asset period because the current expiration date (*i.e.*, September 30, 2021) would not permit the Company to properly include all of its COVID-19 related financial impacts in the regulatory asset. Specifically, NJAWC continues to experience an increase in uncollectibles and associated carrying costs due to the extension of the State's moratorium on service terminations for non-payment. Unpaid accounts and the number of customers in arrears have also increased. As stated in the accompanying Affidavit of John S. Tomac, NJAWC's overdue Accounts Receivable ("AR") (*i.e.*, all AR older than 30 days) as of June 2021 are $29.7 million and the number of customers with unpaid bills greater than five months is 20,912, both of which are significantly higher than pre-pandemic levels.[4]

Furthermore, the moratorium has significantly undermined the Company's ability to perform collection activities and, as a result, customer commitment with respect to addressing arrears has declined. On June 14, 2021, Governor Murphy issued Executive Order 246 which declared that the moratorium will end as of June 30, 2021, subject to a "grace period" that will preclude utility service terminations through December 31, 2021. During this time, customers will have little incentive to address water utility arrears. And as customer arrears grow and remain prolonged, NJAWC will face greater difficulty to collect and carrying charges will continue to grow. In addition, the older an outstanding receivable is, it is less likely that a customer will eventually pay it off due to, for example, customers' inability to pay down large balances and customer relocation.

Extension of the regulatory asset period is particularly necessary for water and wastewater utilities such as NJAWC because water customers are not eligible for customer assistance programs such as the Low Income Home Energy Assistance Program or the Board's expanded Universal Service Fund/Fresh Start program.[5] While efforts to implement a Low Income Household Water Assistance Program should help, not all customers will be eligible, and the timing of available assistance for those customers that may be eligible is not yet known. Meanwhile, customers have continued to fall further behind in their water utility bills and NJAWC's bad debt and carrying costs continue to accumulate.[6]

Based on the foregoing as well as the reasons set forth in the Affidavit of John S. Tomac, NJAWC respectfully requests that the Board: 1) extend the regulatory asset period authorized under the COVID Regulatory Asset Order to allow the Company to properly include all of its COVID-19 financial impacts; and 2) adjust the deadline for submitting a recovery petition associated with such deferred regulatory asset to a date no later than 60 days after the close of the extended regulatory asset period.[7]

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[4] Affidavit of John S. Tomac sworn ton July 21, 2021 ("Tomac Aff.") at ¶¶ 7-8.
[5] *See Docket No. AO20060471,* Order (June 24, 2021).
[6] Tomac Aff. at ¶¶7- 9.
[7] The Company, by and through this instant letter motion, supports the arguments presented in the letter motion submitted by Public Service Electric and Gas Company, South Jersey Gas Company and Elizabethtown Gas Company on July 6, 2021 in this proceeding.

Consistent with the Order issued by the Board in connection with *In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations*, BPU Docket No. EO20030254, dated March 19, 2020, this letter is being electronically filed with the BPU Secretary and the New Jersey Division of Rate Counsel. All parties on the service list will be served via e-mail and no paper copies will follow.

Respectfully submitted,



Bruce V. Miller
Sarmili Saha
Cullen and Dykman LLP
One Riverfront Center
Newark, New Jersey 07102
Tel: (516) 296-9133
bmiller@cullenllp.com
ssaha@cullenllp.com

cc: Debbie Albrecht, Esq. (via e-mail)
Service list in BPU Docket AO20060471 (via e-mail)