

**BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE NEW
JERSEY BOARD OF PUBLIC
UTILITIES' RESPONSE
TO THE COVID-19 PANDEMIC**

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BPU DOCKET NO.: A020060471

**AFFIDAVIT OF JOHN S. TOMAC IN SUPPORT OF NEW JERSEY-AMERICAN
WATER COMPANY, INC.'s MOTION TO EXTEND THE CLOSE OF THE
COVID-19 REGULATORY ASSET PERIOD**

STATE OF NEW JERSEY)
) ss.:
COUNTY OF CAMDEN)

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

1. I am employed by American Water Works Service Company, Inc. as the Senior Director of Rates & Regulatory for New Jersey-American Water Company, Inc. (“NJAWC” or the “Company”) and, as such, have been involved in the COVID-19 stakeholder process and in the Company’s preparation of the quarterly reports of COVID-19-related financial impacts in the COVID-19 proceeding before the New Jersey Board of Public Utilities (“Board”), under the above-referenced caption.

2. I make this affidavit in support of NJAWC’s request that the Board amend its July 2, 2020 Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses (“COVID Regulatory Asset Order”) to extend the regulatory asset deferral period established by that Order to allow the Company to properly include all of its COVID-19 financial impacts.

3. I have personal knowledge of the effect that COVID-19 has had, and will continue to have, on the Company’s billing and collection process.

4. I am aware of the COVID Regulatory Asset Order and of the September 30, 2021 close of the deferral period established by that Order.

5. The effects of COVID-19 and the associated moratorium on service terminations on NJAWC customer accounts have been substantial.

6. As the moratorium continues, bad debt expense continues to increase, unpaid accounts have grown exponentially, and customer arrearages have reached unparalleled levels.

7. As of the end of June 2021, the amount of overdue accounts receivable (“AR”) (*i.e.*, all AR greater than 30 days) is \$15.2 million higher than it was for June 2019 (\$29.7 million vs. \$14.5 million), the same time of year pre-COVID – a 104% increase.

8. The number of NJAWC customers with bills greater than five months old have also increased from pre-pandemic levels from 5,688 in June 2019 to 20,912 as of the end of June 2021.

9. As incremental AR continues to mount, so do the associated carrying costs.

10. NJAWC has seen a considerable increase in the number of accounts and amount of arrearage balances subject to deferred payment arrangement (“DPA”) plans when compared to the same period in 2019. As of June 2021, NJAWC has seen an increase of over 800 customer accounts under DPA plans when compared to June 2019 (2,891 vs. 2,054), with the total outstanding balance included within the DPA up over 310% for the same period (\$2.6 million vs. \$0.6 million).

11. The Company will not be able to significantly reduce the above-referenced outstanding balances while extended shut-off and collection restrictions fail to incentivize customers to seek opportunities to address their utility arrearages.

12. The older a receivable is, the probability of it being paid off diminishes due to

customers' inability to pay down these large amounts, as well as due to move in and move out activity.

13. The extended moratorium on field collection activity has caused long-term delays in addressing AR balances. This has resulted in customers accumulating larger arrearages, and the overall quality of the aged AR continues to decline in terms of collectability, driving higher write-offs.

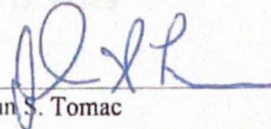
14. While efforts to implement a Low Income Household Water Assistance Program ("LIHWAP") should help, not all customers will be eligible, and the timing of assistance for those that are eligible has not yet been determined.

15. The Company will therefore not know the full extent of its write-off exposure until the conclusion of the LIHWAP.

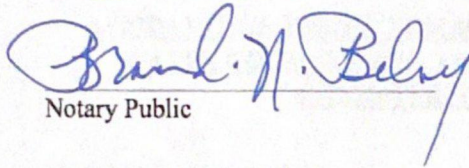
16. Because the Company's reserve should equal the amount of money anticipated to be written off of the AR currently on the books, the reserve and bad debt expense will increase first, and the write-off will lag as it will follow field collection activity.

17. Furthermore, the impacts of COVID-19 and the associated moratorium have been particularly significant for water and wastewater utilities such as NJAWC because: 1) water customers do not have access to the wide array of federal and state customer assistance programs available to gas and electric customers, such as the Low Income Home Energy Assistance Program or the Board's expanded Universal Service Fund/Fresh Start program; and 2) unlike electric and some gas utilities, water utilities cannot recoup uncollectibles through the Societal Benefits Charge.

18. I swear that the foregoing statements are true to the best of my knowledge.

By: 
John S. Tomac

Sworn to and subscribed before me
this 21 day of July, 2021


Notary Public

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