SAUL EWING ARNSTEIN & LEHR LLP

Colleen A. Foley
Phone: (973) 286-6711
Fax: (973) 286-6811
Colleen.Foley@saul.com
www.saul.com

July 23, 2021

VIA EMAIL ONLY

Hon. Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 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:

Aqua New Jersey, Inc. ("Aqua" or the "Company") is in receipt of a Motion filed jointly on behalf of Public Service Electric and Gas Company ("PSE&G"), South Jersey Gas Company ("SJC") and Elizabethtown Gas Company ("ETG") (collectively, "Moving Parties") on July 6, 2021 in the above-referenced proceeding. In their Motion, the Moving Parties request that the Board of Public Utilities ("Board") amend its July 2, 2020 Order in this docket (the "COVID Regulatory Asset Order"). Specifically, the Moving Parties request that the Board extend the regulatory asset deferral period[1] to December 31, 2023. The Moving Parties also request that the filing date for any COVID-19 cost recovery petition be extended to no later than 60 days following the end of the extended regulatory asset deferral period.

Aqua has reviewed the Motion and supporting affidavits and strongly supports the Board granting the requested relief. When the original deferral period was determined, the Board could not have known that the pandemic would persist a year later and continue to threaten the lives and livelihoods of so many New Jersey citizens. Yet, the COVID-19 pandemic has in fact continued, and indeed is spiking as this letter is being prepared. This is the case even with Governor Murphy's June declaration that the COVID-19 state of emergency has ended. Moreover, the moratorium on utility shut-offs for non-payment has ended, but was immediately replaced by a six-month "grace period"—a distinction with no practical difference. In short, the pandemic continues as do the

[1] In the COVID Regulatory Asset Order, the Regulatory Asset deferral period was set to expire on September 30, 2021.

unprecedented costs and challenges it places on utilities like Aqua. Given this fact alone, the regulatory asset period should be extended as requested.

Moreover, water and wastewater utilities have been hit especially hard by the pandemic. The lack of a comprehensive suite of state and federal programs to help payment challenged customers pay their water and wastewater bills (unlike the myriad programs that support payment of energy bills) has had a disproportionately negative impact on water and wastewater utilities. For example, PSE&G reported that the amount of its overdue accounts receivable ("AR") as of June 2021 was 126% higher than the same period pre-COVID ($473M vs $209M). While those results are certainly notable, Aqua's overdue AR has increased to an even greater extent—an unprecedented 161% ($1,347k vs. $516k). Perhaps even more troubling is the increase in Aqua's AR that is over six months past due. Pre-pandemic, as of June 2019, the amount of Aqua's AR aged over six months was approximately $37k. As of June 2021, that figure had grown to $521k —an increase of 1,294%. AR balances that are larger and older are that much harder for customers to pay. The end result is that bad debt continues to grow, creating unprecedented burdens on the Company.

Aqua is fully aware that efforts are underway to help address customer arrearages. While this is a positive development, Aqua is also of the view that it will take several months before many payment-challenged customers even begin to address their overdue bills. Recent utility experience has demonstrated that until customers are facing disconnection, they appear to have limited incentive to avail themselves of programs to address payment arrearages. The Board need only review the experience of the Moving Parties with energy assistance programs to see how challenging it will be to address customer arrearages. Taken together, the magnitude of arrearages and the lack of established water/wastewater payment assistance programs leads Aqua to the conclusion that the costs of dealing with COVID-19 will continue to be incurred for the foreseeable future. The Board should recognize this fact, and also recognize that the utilities have taken extraordinary steps to protect the health and welfare of their customers during the pandemic. Extension of the regulatory asset deferral period is a matter of equity and fundamental fairness to Aqua and other New Jersey utilities, and should be granted.

For the reasons set out above, and in the attached certification of Aqua's President, Lawrence Carson, Aqua strongly supports the Motion filed on behalf of the Moving Parties.

Respectfully submitted,

Colleen A. Foley

Colleen A. Foley, Esq.
Counsel for Aqua New Jersey, Inc.

Attachment
cc: Email Distribution List

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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

CERTIFICATION OF LAWRENCE R. CARSON IN SUPPORT OF THE MOTION TO EXTEND THE CLOSE OF THE COVID-19 REGULATORY ASSET PERIOD

LAWRENCE R. CARSON, being of full age, certify as follows:

1. I am the President, Aqua New Jersey, Inc. ("Aqua" or the "Company"), and as such, I am duly authorized to make this Certification on Aqua's behalf. I further certify that I have supervised the Company's participation in the COVID-19 stakeholder process, and in the Company's preparation of the quarterly reports of COVID-19 related costs in this COVID-19 proceeding before the New Jersey Board of Public Utilities ("Board").

2. I make this certification in connection the Company's support of a Motion filed by PSE&G, SJG and ETG to extend the close of the COVID-19 Regulatory Asset Period as I have knowledge of the effect that COVID-19 has had, and will continue to have, on the Company and its billing and collection processes.

3. I am aware of the Board's July 2, 2020 Order Authorizing the Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses and of the September 30, 2021 close of the deferral period established by that Order.

4. The effects of COVID-19 and the associated moratorium (and now "grace period") on Aqua's customer accounts have been substantial.

5. As the grace period progresses, bad debt continues to increase. Unpaid accounts have grown exponentially and customer arrearages have reached unparalleled levels

6. For Aqua, as of June 2021, overdue accounts receivable ("AR") (all AR greater than 30 days) is nearly $831K higher ($1,347K vs. $561K) than itwas for June 2019, a 161% increase. The arrearages of Aqua's customers with bills greater than 6 months old are also significantly higher than pre-pandemic levels ($521K vs $37K), an unprecedented increase of 1,294%.

7. As incremental bad debt continues to mount, so do the carrying costs on this bad debt.

8. Customer engagement has reduced significantly since the start of the pandemic-related moratorium and grace period.

9. The Company will not be able to significantly reduce the above-referenced outstanding balances as extended shut-off and collection restrictions continue to discourage customers from addressing their utility arrearages.

10. The older a receivable is the probability of it being paid off diminishes due to customers' inability to pay down such a large amount, as well as due to move in and move out activity.

11. The extended moratorium on field collection activity has caused <u>long-term</u> 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.

12. The implementation of new programs to assist water and wastewater customers with past due balances could help to mitigate these AR balances, but those efforts are still in the early stage of implementation.

13. The Company will, therefore, not know the full extent of its potential write off

exposure until mid-2022, at the earliest.

14. To prudently address the number of payment-challenged accounts, the Company may need to hire both additional field collection and call center employees to effectively handle the increased work once collection activity can recommence.

15. This expense will not begin until 2022 and is another expense that could extend well beyond the September 30th close of the current COVID deferral period. Given the magnitude of customer arrearages, Aqua estimates it could take several years to bring the incremental arrearages down to pre-COVID-19 levels.

16. I certify that I have read the attached letter in support of the Motion filed by the Moving Parties. I further certify that the information contained therein, as well as the foregoing statements are true and correct to the best of my knowledge, information and belief. I am aware that, if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: July 23, 2021

LAWRENCE R. CARSON